

**ANNUAL  
REPORT**



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## VISION

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

## MISSION

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

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

## VALUES

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

### Integrity

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

### Transparency

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

### Client centricity

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

### Accountability

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

### Innovation

- Championing research and development in the retirement industry worldwide

## MINISTER'S NOTE TO PARLIAMENT



Mr Nhlanhla Nene, MP  
Minister of Finance

### TO THE SPEAKER OF PARLIAMENT

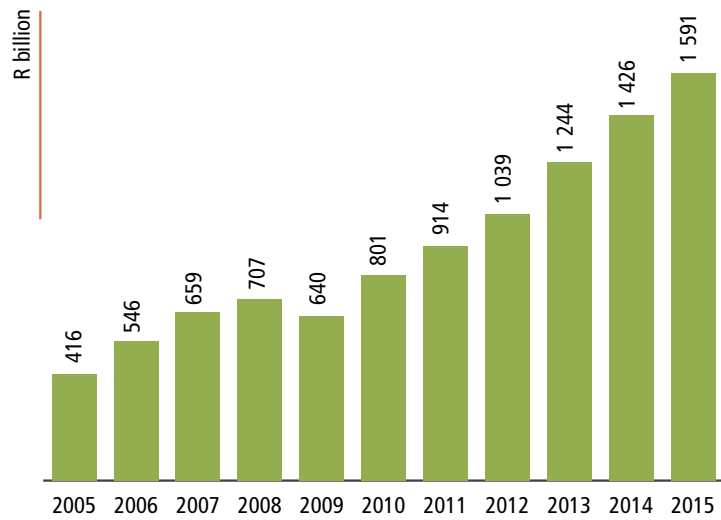
I have the honour in terms of section 9(6) of the *Government Employees Pension Law, 1996* (Proclamation 21 of 1996) as amended to submit the Annual Report of the Government Employees Pension Fund for the period 1 April 2014 to 31 March 2015.

# FINANCIAL HIGHLIGHTS

## ACCUMULATED FUNDS AND RESERVES AS AT 31 MARCH 2015

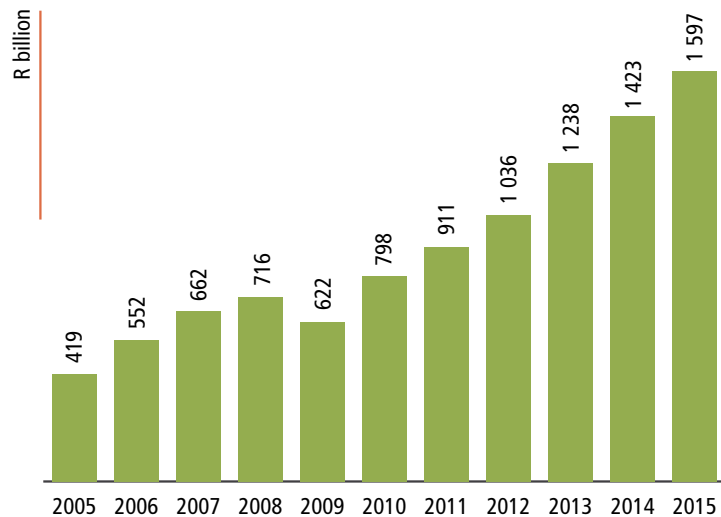
The Fund's accumulated funds and reserves amount to R1 591 billion as at 31 March 2015.

Accumulated funds and reserves have grown at an average rate of 14,9% over the past 10 years.



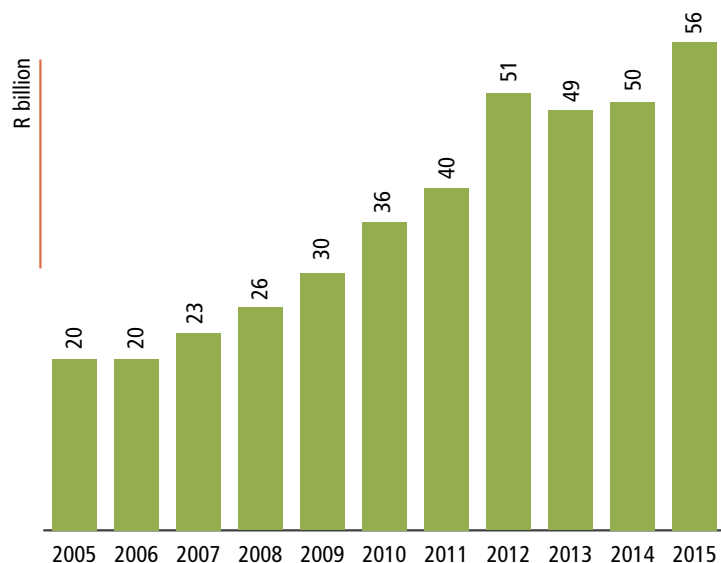
## INVESTMENT PORTFOLIO

The Fund's investment portfolio grew by 12,2% from R1 423 billion in 2014 to R1 597 billion in 2015. The increase in the investment value is mainly due to an increase in fair values of equities and bonds.



## CONTRIBUTIONS RECEIVED AND ACCRUED

The Fund receives a percentage of members' pensionable salaries as contributions. Contributions received increased in the current year by R6 billion. This increase is mainly due to annual salary increases as well as promotional and notch increases given to members.

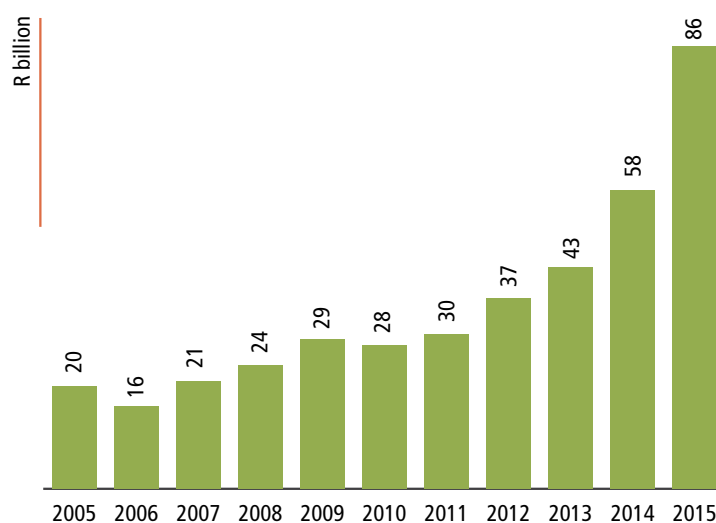


## FINANCIAL HIGHLIGHTS (CONTINUED)

### BENEFITS AWARDED

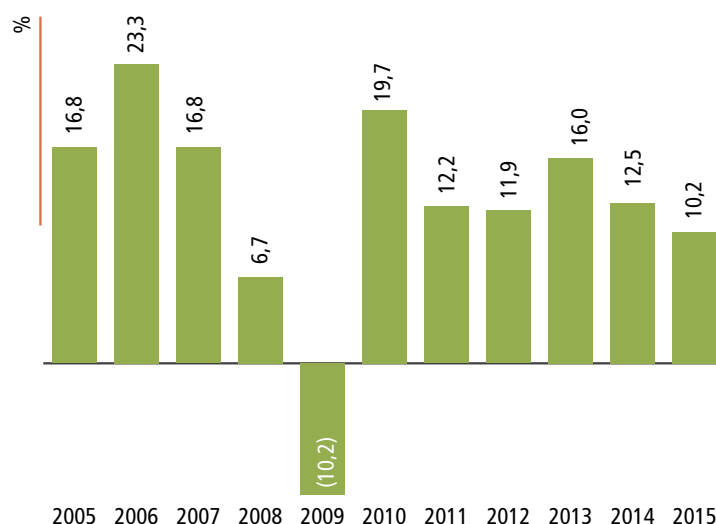
The Fund awards benefits upon a member's resignation, retirement or death. The Fund also pays funeral benefits.

Benefits paid increased by R28 billion in the current year mainly due to the significant increase in resignations from the Fund.



### FUND'S ASSETS RETURN

During the reporting period, the Fund's net assets yielded an average return of 10,2% compared to 12,5% in 2014. This was driven by a positive net investment return of R197 billion offset by a net outflow caused by benefits awarded exceeding contributions inflows by R31 billion. The return was driven mostly by the decrease in net income after benefits and transfers as a result of an increase in benefits and transfers from R59 billion in 2014 to R88 billion in 2015.



## CHAIRPERSON'S REVIEW



Dr Renosi Mokate  
Chairperson: GEPF Board of Trustees

### OVERVIEW OF THE PAST FINANCIAL YEAR

I am pleased to present this Annual Report on behalf of the Board of the Government Employees Pension Fund (GEPF). The GEPF has continued to grow in both membership and assets despite the challenging economic environment facing the country and the global environment. The total membership of the GEPF now stands at 1 672 496 consisting of 1 266 101 members who are still in service and 406 395 pensioners. The assets of the Fund now total R1,6 trillion. The GEPF achieved an overall investment performance return of 14,1%. This enabled the Board to grant a pension increase of 100% of the consumer price index (CPI) as at 31 March 2015. This is above the increase recommended by the Rules of the Fund of 75%. In this regard, the Board acknowledges and appreciates the contribution of the Public Investment Corporation (PIC), which is tasked with the investment of its assets. In this past financial year the GEPF has paid out R86 billion in benefits. This is the second consecutive year that the total amount paid in benefits has exceeded the amount received in contributions. This is a challenge which the Board will have to pay attention to in managing its liabilities and assets to ensure the Fund's sustainability.

### INVESTMENTS

The investment strategy of the GEPF is designed taking into consideration the liabilities and other long-term obligations which the Fund has to meet. Investments are diversified into several asset classes in accordance with the risk profile of the Fund. Due to its

## CHAIRPERSON'S REVIEW (CONTINUED)

size, the GEPF is the single largest investor on the Johannesburg Stock Exchange. Its size highlights and accentuates its role in the country over and above its primary role of ensuring the financial wellbeing of its members and pensioners. For this reason, the GEPF acknowledges that it can and must drive change by engaging and encouraging companies to behave more responsibly, generating better long-term financial rewards for investors, more sustainable prospects for the business, and positive impacts for the labour force, communities and environments affected by corporate activity.

The Board of Trustees is committed to pursuing its Developmental Investment Policy, focusing on positive, targeted investments that contribute actively to better social, environmental, and economic outcomes in South Africa, while remaining cognisant of the duty to stay within the parameters of its responsible investment strategy, to earn good investment returns for members and pensioners while supporting sustainable, positive, long-term economic, social, and environmental outcomes for the country.

## BENEFITS AND ADMINISTRATION

The Fund's performance has continued to build a sound foundation for its sustainability and to ensure it is able to pay the benefits due to its pensioners and meet the promise to its active members. The wellbeing and the future financial security of our members is not achieved by good investments alone but also by efficient administration. To this end, the GEPF has embarked on a number of initiatives to improve organisational and administrative processes to ensure that pensioners and members receive their benefits and associated services promptly and efficiently.

As reported last year, the GEPF through its administrator, the Government Pensions Administration Agency (GPAA), has embarked on a Modernisation Programme, which aims to create efficiencies through streamlined business processes and the introduction of new automated systems.

Some of the key highlights of modernisation include the eChannel which is the use of an electronic exit document submission system. The eChannel has largely been adopted by many stakeholders thus

reducing payment periods. The GEPF and GPAA have concluded key functional designs within the Information and Communications Technology environment. These technological enhancements will assist us in providing a vastly improved service delivery to stakeholders.

## GOVERNANCE

In line with the GEPF's commitment to ensure proper pension fund governance and the requirement that trustees develop and maintain their competence and necessary skills to give effect to their oversight role, and to make decisions consistent with the best interests of beneficiaries, the GEPF's Board of Trustees took part in training sessions and seminars on the various aspects of the GEPF's business, such as investment, benefits administration, governance and ethics.

In addition, the GEPF has also initiated a benchmarking exercise that will enable the organisation to compare itself against other pension funds worldwide. This will enable the Fund to gauge how well aligned it is with good global pension fund practices. This will also highlight the areas where it excels and the areas that need improvement.

## CONCLUSION

I would like to take this opportunity to welcome Abel Sithole, who was appointed as Principal Executive Officer (PEO) on 1 July 2015, to the GEPF family. I would also like to express my gratitude to my colleagues on the Board, the management team and employees for making the first year of our tenure a success. We are proud that regardless of the past year's challenges, the Fund has remained strong, growing from strength to strength. Finally, I would like to express my sincere thanks to all our stakeholders for believing in us and entrusting us with the custody of this valuable Fund.



**Dr Renosi Mokate**

Chairperson: GEPF Board of Trustees



## PRINCIPAL EXECUTIVE OFFICER'S REPORT



Mr Abel Sithole  
Principal Executive Officer

The GEPF serves the retirement interests of 1 266 101 active members and 406 395 pensioners. The Fund's function is to give these members and pensioners peace of mind regarding their financial security after retirement by ensuring that all funds in our safekeeping are responsibly invested and accounted for and that benefits are paid out efficiently, accurately and on time.

The Board is responsible for developing and setting the strategy for the GEPF. The Office of the PEO must ensure that this strategy and its deliverables are implemented and achieved. Below is a brief overview of the operations and focus of this Office during the reporting period.

### **HANDOVER TO NEWLY APPOINTED BOARD**

The GEPF's first Board of Trustees was inaugurated by the Minister of Finance on 20 June 2005 and the second Board on 22 September 2009. The third and current Board was inaugurated by the Minister of Finance on 17 April 2014, and GEPF's management team ensured that the handover was seamless.

The new Board of Trustees attended a two-day induction training event followed by their first Board meeting on 16 May 2014 at which the Board Committees were constituted. The Committees began engaging with GEPF business during meetings held in June 2014. The Trustees also attended a series of one-day training sessions during the first year of their tenure to equip them in fulfilling their fiduciary duties.

## PRINCIPAL EXECUTIVE OFFICER'S REPORT (CONTINUED)

The GEPF continued to function optimally during the transition period due to the dedication and professionalism of the new Trustees.

The GEPF continued to implement the five-year strategic plan adopted by the Board in 2012. The Board agreed to five strategic initiatives with specific deliverables. In turn, GEPF had developed a business plan to ensure these were implemented and delivered during the 2014/15 financial year.

The majority of the projects were implemented with significant cost savings. The projects that remain, have been included in the 2015/16 business plan.

The financial statements have been prepared using closing balances as at 31 March 2015. Significant highlights are listed below.

### FINANCIAL HIGHLIGHTS

The Fund's total asset value at the end of the financial year 31 March 2015 reached an all-time high of R1,6 trillion. The performance of the Fund was 14,1% and 16,1% over one year and three years respectively to 31 March 2015. The performance for the financial year ending 31 March 2015 was therefore similar to the benchmark return of 14,2%. This enabled the Board of Trustees to grant pension increases for the 2014/15 financial year of 5,8%, effective 1 April 2014. This increase is equal to 100% consumer price index (CPI) and attests to the Fund's endeavour to, investment performance permitting, ensure that pensioners retain their purchasing power.

### RESPONSIBLE INVESTMENT

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

The GEPF met with representatives of a number of companies listed on the Johannesburg Stock Exchange (JSE) during the reporting period.

These discussions focused largely on long-term sustainability and executive remuneration policies. We continued to chair the Principles for Responsible Investing (PRI) Southern Africa Network Steering Committee and PRI Southern Africa Network Awareness and Recruitment Working Group.

We were represented at the Code for Responsible Investing South Africa (CRISA) meetings and the JSE Social Responsible Investment (SRI) Index Advisory Committee meetings during this period, and members of the GEPF's Board and management attended the PRI Academic Network and PRI in Person conferences in Montreal, Canada, in September 2014.

### TAKING CARE OF THE INTERESTS OF MEMBERS AND PENSIONERS

The GEPF is committed to upholding the rights of its members and beneficiaries and strives to identify and implement initiatives that will enhance their lives. To achieve this, the GEPF has worked closely with the PIC to ensure that a portion of its portfolio is invested in companies that can provide products that will benefit our members and pensioners. Areas under consideration are study loans, housing loans and health care. We are positive that our efforts will come to fruition during the next financial year.

The GEPF recognises that its members and pensioners do not have access to an independent ombudsman to assist them in resolving complaints they may have against the Fund. Some of the complainants have resorted to the courts, which is costly and time consuming. The Fund is investigating the possibility of establishing a structure to handle complaints independently. Local as well as international benchmarks are being explored and it should shortly finalise the necessary research and understanding that is required before implementing such a structure.

The GEPF has developed and implemented a formal Death Benefit Policy to ensure that there is consistency and efficiency throughout the relevant GPAA business units when distributing the gratuity benefit. This policy is necessary due to the unfortunate fact that members sometimes

die without completing the nomination form nominating people to whom their benefits must be paid. In such instances, it is the duty of Trustees to distribute the benefits fairly to all qualifying beneficiaries. Due to the high volume of such cases received, this duty has been delegated to GPAA to act in line with the GEPF policy.

The protection of the rights of our beneficiaries who are minors is another important duty of the Fund. The GEPF is working with the Guardians Fund (administered by the Department of Justice) to ensure that the benefits of all GEPF minors are administered prudently and efficiently. The finalisation of a formal service level agreement with the Guardians Fund is underway to enhance the GEPF's oversight over the administration of the benefits for minors.

### STAKEHOLDER INTERACTION

The GEPF is continually enhancing its communication efforts to external and internal stakeholders. During the 2014/15 financial year, we continued our national outreach programmes such as the Road Shows and the Retirement Member Campaigns aimed at members who are nearing retirement. The outreach programmes provide us with an opportunity to share the GEPF's processes and benefits. It also gave the Fund a chance to get to know the needs of our pensioners, members, and beneficiaries.

The GEPF has realised that it is not accessible to all its members and pensioners due to the fact that many of them are situated in rural areas. Mobile offices were launched to bring our services directly to those people who have difficulty travelling to our regional offices. The mobile offices are fully equipped to assist with enquiries and acceptance of documentation. Mobile offices have to date visited 391 sites across South Africa, dealt with a total of 58 877 queries and accepted 15 325 documents.

The GEPF's Member Guide was updated and distributed to members and other stakeholders. The Guide was written so that all members would understand the benefit structure of the Fund.



## PRINCIPAL EXECUTIVE OFFICER'S REPORT (CONTINUED)

### GOVERNANCE

The GEPF adopted sound risk management policies to effectively manage the risks facing the Fund. The new Board at its induction training indicated that the GEPF needed to further strengthen its focus on risk management with the result that the GEPF revised its Enterprise-wide Risk Management Policy and Framework. The Fund's Risk Register was also revised and approved by the Board and regular reporting on those risks now takes place through the Finance and Audit Committee.

A number of financial related policies were developed during the reporting period to enhance financial controls. The Board approved the following:

- Fixed Asset Management Policy
- Non-Audit Services Policy
- Revised Subsistence and Travel Policy

Various policies govern the operations and functions of the Board. These were reviewed to ensure that they remain relevant and are aligned to new market best practices. The terms of reference for all Board Committees were also reviewed and updated where applicable.

### HUMAN RESOURCES

The GEPF values its people and has identified "being an employer of choice" as one of its strategic objectives. The Board is committed to ensuring we remain an effective and efficient team. All employees have access to an employee wellness programme that provides a range of services, including counselling on various matters such as legal and financial planning advice.

As part of the review of the Fund's strategic direction, the Board commissioned a review of the GEPF's organisational structure to ensure it is aligned to its strategy.

### ETHICS

The GEPF's Employee Ethics Code was adopted to support employees in assimilating its ethical stance and to apply this understanding in their decision making.

In this regard, the GEPF introduced its Ethics Manual to assist employees to understand the Employee Code of Ethics and to be impartial and not be influenced by fear or favour. Conflicts of interest can arise where employees are offered gifts, hospitality, entertainment, or other benefits of any value by potential and current GEPF stakeholders. The GEPF employees are therefore not allowed to accept or receive any rewards, favours, gifts directly or indirectly.

The GEPF recognises that ethics awareness contributes to the prevention of violations and fosters compliance, which in turn increases stakeholder trust and confidence.

### HIGHLIGHTS

The process to appoint a single master custodian was finalised. Standard Bank was chosen to provide a full range of investor services product solutions for GEPF's assets under management.

In terms of the master custody and record keeping mandate with GEPF, Standard Bank will provide domestic, regional and global custody services for over 60 markets. These services will be integrated with a master record keeping solution that includes investment accounting, compliance monitoring, performance and risk reporting services for all GEPF listed and unlisted investment portfolios.

The GEPF's Annual Report for 2012/13 was nominated for an International Responsible Investment Report Award. The awards ceremony took place in London on 4 June 2014 and GEPF came second. It competed against more than 1 000 international pension funds. The GEPF was commended by the judges on our strong integration of responsible investment throughout the Annual Report as well as our clear commitment to responsible investment and to economic development in South Africa and Africa more generally.

## APPRECIATION

I would like to express my gratitude and appreciation to the Chairperson Dr Renosi Mokate and the Board of Trustees for affording me the opportunity to lead the GEPF for the next five years. Realising the GEPF's vision to be a global leader and reputable pension fund delivering quality service to beneficiaries will be my top priority.

I recognise that the GEPF is the custodian of a significant portion of the wealth of our public servants. I will work to ensure the sustainability of the Fund and the efficient delivery of benefits while empowering our beneficiaries through effective communication.

I take this opportunity to thank Ms Joelene Moodley for acting as Principal Executive Officer during the past financial year. She was supported by a dedicated management team and I thank them for their hard work, dedication, and continued support during the 2014/15 financial year.

Ms J Moodley, Head: Corporate Services and Mr H Naran, Head: Investments and Actuarial have resigned from the GEPF. The GEPF is currently recruiting where necessary. However, the remaining management team has the requisite skills and experience to carry the GEPF forward.



**Mr Abel Sithole**  
Principal Executive Officer



## BOARD OF TRUSTEES

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### **Dr Renosi Mokate**

#### **Positions**

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

#### **Qualifications**

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

#### **Experience and memberships**

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



### **Mr Prabir Badal**

#### **Positions**

- Employee Nominated Trustee
- Vice Chairperson of the GEPF Board of Trustees
- Chairperson of the GEPF Finance and Audit Committee

#### **Qualifications**

- National Diploma (Cost and Management Accounting)
- HDip Tax – Local and International Tax
- Programme Investment Analysis and Portfolio Management

#### **Experience and memberships**

- Member of the GEPF Investment Committee
  - Tax Auditor: South African Revenue Service
  - Member of the Institute of Directors in Southern Africa (IoDSA)
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### **Major General Dries de Wit**

#### **Positions**

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

#### **Qualification**

- Tertiary qualification (Human Resource Management)

#### **Experience and memberships**

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

#### **Positions**

- Employer Nominated Trustee
- Chairperson of the GEPF Valuations Subcommittee

#### **Qualifications**

- BA Hons – University of Warwick
- MSc – University of Warwick

#### **Experience and memberships**

- Member of the GEPF Benefits and Administration Committee
- Member of the GEPF Investment Committee
- President of the Actuarial Society of South Africa – 2012/13
- Member of the Board of ESCAP
- Lecturer in pure mathematics – University of Swaziland (1980-1989)
- Director of a number of subsidiaries of the Sanlam Group, including Santam
- Chairman of the South African Insurance Association
- Member of the Institute of Directors in Southern Africa (IoDSA)



### **Mr Eddie Kekana\***

#### **Position**

- Employee Nominated Trustee

#### **Qualifications**

- Senior Certificate
- Secondary Teachers Diploma
- Certificate Programme in Human Resource Management
- Advanced Certificate in Education

#### **Experience and memberships**

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

*\* Appointed as an Employee Nominated Substitute Trustee but attended all Board meetings and events on behalf of the Trustee for whom he is a Substitute for.*

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## BOARD OF TRUSTEES (CONTINUED)

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### **Dr Barry Kistnasamy**

#### **Position**

- Employer Nominated Trustee

#### **Qualifications**

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

#### **Experience and memberships**

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

#### **Position**

- Employee Nominated Trustee

#### **Qualification**

- National Diploma (Policing)

#### **Experience and memberships**

- Member of the GEPF Governance and Legal Committee
  - Member of the GEPF Investment Committee
  - President: South African Police Union
  - Chairperson: Sillanabo South African Police Union Trust Fund
  - Member of the Institute of Directors in Southern Africa (IoDSA)
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### **Dr Frans le Roux**

#### **Position**

- Pensioner Elected Trustee

#### **Qualification**

- DComm (Economics) – University of Stellenbosch

#### **Experience and memberships**

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

**Position**

- Employer Nominated Trustee

**Qualification**

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

**Experience and memberships**

- Member of the GEPF Finance and Audit Committee
- Member of the GEPF Governance and Legal Committee
- Trustee: DOD Group Life Insurance Scheme
- Former Trustee – MEDCOR (Correctional Service Medical Scheme)
- Former Chairperson – Finance Committee, MEDCOR
- Former Member GEMS establishment steering committee
- Director of Welltronics and Projects
- Director of Murunwa School of Excellence
- Member of the Institute of Directors in Southern Africa (IoDSA)



**Mr Stadi Mngomezulu**

**Position**

- Employer Nominated Trustee

**Qualifications**

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

**Experience and memberships**

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



**Ms Gladys Modise**

**Position**

- Employer Nominated Trustee

**Qualifications**

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

**Experience and memberships**

- Member of the GEPF Finance and Audit Committee
  - Member of the GEPF Investment Committee
  - Member of the Institute of Directors in Southern Africa (IoDSA)
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## BOARD OF TRUSTEES (CONTINUED)

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### **Ms Edith Mogotsi**

#### **Positions**

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

#### **Qualifications**

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

#### **Experience and memberships**

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



### **Ms Moira Moses**

#### **Position**

- Employer Nominated Trustee

#### **Qualifications**

- BA – University of Witwatersrand
- Management Advancement Programme – Wits Business School

#### **Experience and memberships**

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



**Ms Dorothy Ndhlovu**

**Position**

- Employee Nominated Trustee

**Qualifications**

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

**Experience and memberships**

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



**Mr Pierre Snyman**

**Position**

- Employee Nominated Trustee

**Qualification**

- Senior Certificate

**Experience and memberships**

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



**Ms Barbara Watson**

**Positions**

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

**Qualification**

- BA Social Science – University of the Western Cape

**Experience and memberships**

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

## INVESTMENT POLICY STATEMENT

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

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

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

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

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

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

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

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

## INVESTMENT PERFORMANCE

As at 31 March 2015, the GEPF's investments amounted to R1 597 billion, an increase of R174 billion from R1 423 billion a year ago.

The total return for the Fund for the year to 31 March 2015 was 14,1% as compared to a benchmark return of 14,2%. Over the three years ended 31 March 2015, the fund produced an annualised return of 16,1% (or 56,4%) compared to the benchmark return of 16,4% (or 57,8%).

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

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

It can be seen from the above table that the Fund is invested in a pro-growth manner, with 64% invested in equities and properties, with the remaining 36% invested in bonds and cash.

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

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

1. Economic infrastructure.
2. Social infrastructure.
3. Sustainability projects.
4. Enterprise development projects.

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

In the year ending 31 March 2015, the GEPF committed almost R62 billion towards unlisted and developmental investments across a number of sectors. Some notable projects include:

- Agrigroupe – agriculture services company in South Africa;
- Southern Farms – Northern Cape exporter of grapes and dates;
- Touwsriver – 44MW solar project based in the Western Cape;
- MainOne – providing data and broadband connectivity to West Africa;
- Kiaat Hospital – 125-bed hospital in Mpumalanga;
- Aldwych Power – power generation on a Pan-African basis;
- Bokpoort Solar – 50MW solar project based in the Northern Cape;
- RTT Holdings – logistics service provider in South Africa;
- N3TC – operates and maintains approximately 420km of the N3 National Highway;
- Just Veggies – vegetable processing plant in KwaZulu-Natal; and
- Botshilu hospital – 100-bed hospital in Soshanguve, Pretoria.

## INVESTMENT REPORT (CONTINUED)

### RESPONSIBLE INVESTMENT

#### Active ownership

The GEPF has taken a public and proactive approach articulated in the practice and application of active ownership and environmental, social, and governance (ESG) considerations across the entire GEPF investment portfolio, irrespective of the asset class in which it is invested. The GEPF has made it clear to our stakeholders, irrespective of whether they are our peers in the investment community, the entities in which we invest, or the broader South African society, that we will actively encourage better corporate management of ESG issues.

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

#### ESG Working Committee

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

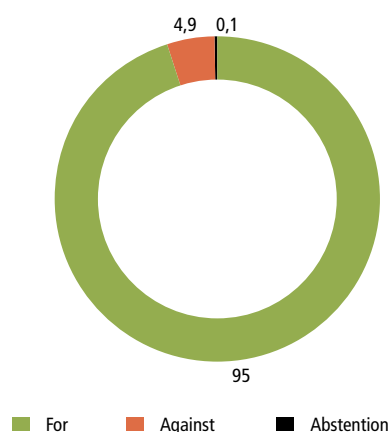
The Working Committee's ESG matrix, a joint venture between the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School, the GEPF and the PIC, continued to operate in this reporting period but will be revised in the next financial year.

#### Strategic voting

The GEPF's duty to its members requires that it votes at company annual general meetings. Strategic voting, however, differs from business-as-usual voting activities because it means using voting rights to emphasise concerns and to request changes in company policy (changes that would already have been signalled to companies through informal engagement activities).

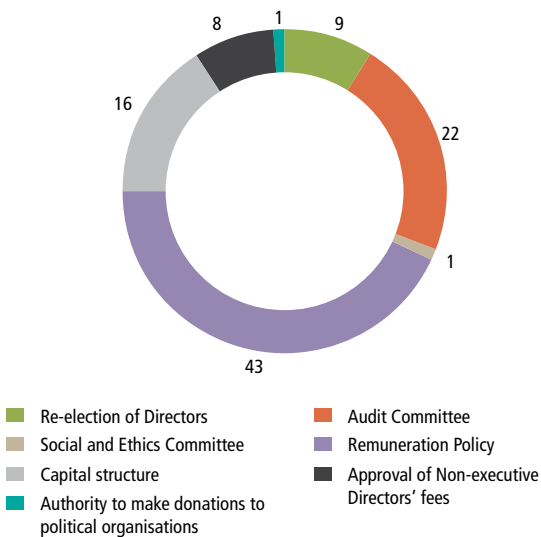
In 2014/15, the GEPF voted at 195 shareholder meetings for a total of 2 787 resolution items. The GEPF voted in favour of 2 649 (95%) resolutions and against 136 (5%) resolutions. Furthermore, the GEPF abstained on 2 resolutions during the 2014/15 financial year.

#### Proxy voting results (%)



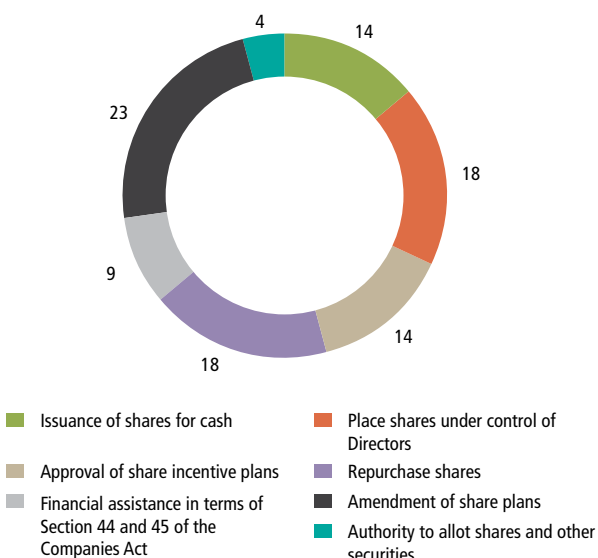
The number of against votes cast numbered 136, which formed 5% of the total resolutions. The bulk of the resolutions the GEPF voted against included remuneration policy (43%), re-election of directors to the audit committee (22%), capital structure (16%) and re-election of directors (9%).

## Breakdown of against votes (%)



The Fund voted against the amendment of share plans in most instances relating to companies' capital structure (23%). Other capital structure-related resolutions dealt with placing shares under the control of Directors (18%) and for the repurchase of shares (18%).

## Breakdown of capital structure votes (%)



## Engagement

The GEPF, working with its asset managers, seeks to focus on the creation of long-term value for a

company's shareholders but also importantly for all its stakeholders. It seeks to achieve a balanced focus on disclosure, compliance, and performance issues by integrating ESG issues within a company's operations and ensuring that companies disclose the required information while also assessing the company's actual performance and compliance in certain other defined areas of interest to the GEPF as a responsible investor.

At a formal level, engagement with various leadership teams seeks to bring about improvements in the performance of companies in which the GEPF seeks to invest. This is done either at company annual general meetings (AGMs), through voting shares, or lodging shareholder resolutions.

Informal engagements involve direct correspondence and meetings with management. On occasion where an informal engagement is unsuccessful, more public approaches may be considered, such as collaborating with other investors, issuing public statements, or organising shareholder resolutions. The GEPF may also consider engaging with government departments and regulators to influence policy direction. In extreme situations, the GEPF may choose to divest from a company entirely.

The GEPF however, seeks constructive engagement rather than a policy of divestment. While the GEPF is the single largest investor in the Johannesburg Stock Exchange, the universe of listed companies remains at most only 400 companies, and the GEPF is bound by a requirement to invest 90% of its assets in South Africa. International pension funds often have many thousands of companies globally in which to invest and to apply their investment strategies. Any decision by the GEPF to divest would need to take into consideration its benchmark index and it would need to be able to achieve similar investment returns and liquidity elsewhere in order to match its liabilities. Given the GEPF's relatively small international allocation limit of 0–5% in the rest of Africa and 5% internationally, disinvestment from specific companies or sectors in South Africa is an unlikely strategy for the GEPF to pursue over the short term given these constraints.

## INVESTMENT REPORT (CONTINUED)

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

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

During the 2014/15 financial year, the GEPF directly engaged with a total of 36 companies on a variety of ESG issues.

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

- Corporate governance
- Remuneration policy
- Board succession planning
- Director remuneration
- Mergers and acquisitions
- Corporate strategy and restructuring
- Social issues
- Environmental legislation and regulatory compliance

### Principles for Responsible Investment (PRI)

The GEPF continued to work closely with the United Nations supported Principles for Responsible Investment (PRI). Being a signatory to the Principles assisted in designing the GEPF investment policies and research practices relating

to ESG issues, requiring that it take a long-term, holistic approach to risk and return. The GEPF also serves on the PRI Association Board.

### Code for Responsible Investing in South Africa

The GEPF adheres to good corporate governance practices and codes of conduct in line with the third King Code on Corporate Governance (King III) and played a pivotal part in the drafting of the Code for Responsible Investing in South Africa (CRISA). The GEPF, through the PIC and other external fund managers, invests responsibly through the integration of ESG issues into the investment processes and by engaging investee company management and boards on issues of mutual concern.

The GEPF's leadership in developing the CRISA Code has seen strong support from a majority of well-respected South African fund managers that have formally endorsed the principles of CRISA. The next step in this regard is to ensure that all of the GEPF's external asset managers report at least annually on their respective implementation of the five CRISA principles.

### JSE SRI Index

The GEPF served on the JSE SRI Index Advisory Committee during 2014/2015 and assisted the JSE with the SRI Index strategy review in order to keep the SRI Index at the forefront of ESG reporting and disclosure best practice by South African listed companies. The GEPF and the JSE have had a successful partnership over the last number of years in which the GEPF has financially supported part of the annual research costs of the JSE SRI Index in exchange for the ESG data used in assessing companies for inclusion in the annual index assessment.

The GEPF partnered with the PIC on an ESG matrix to analyse the JSE Top 100 companies against ESG criteria. (See the ESG Working Committee.) The GEPF and the PIC are currently in discussions with the JSE as to how best to harmonise the research



process for both the ESG matrix as well as the JSE SRI Index.

### **Global Real Estate Sustainability Benchmark (GRESB)**

The GEPF has endorsed and become a signatory investor member of the Global Real Estate Sustainability Benchmark (GRESB), an industry-driven organisation committed to assessing the sustainability performance of real estate portfolios around the globe. Prior to the GEPF's endorsement of GRESB, no South African property company had participated in the annual GRESB survey. In the second year of the GEPF's participation, the GRESB survey was limited to Pareto (wholly owned by the GEPF through the PIC), Growthpoint (in partnership with the GEPF through the PIC), and the Southern Africa Workforce Housing Fund (in which the GEPF has invested through the PIC).

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

### **International Integrated Reporting Committee (IIRC) Pilot Programme**

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

### **Forward-looking commitments**

While the GEPF has celebrated a number of successes with regards to its responsible investment implementation during the year under review, in the forthcoming year the ESG Unit intends to review and update the GEPF's Responsible Investment Policy to achieve the following:

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

### CASE STUDIES

#### WITKOP

The investment in renewable energy projects is an attempt by the GEPF to contribute to South Africa's economic growth. Several investments have already

been made, with the first of these connected to the national electricity grid to provide much needed electricity. These are Witkop and Soutpan, which are

based in Limpopo. Other similar projects have been constructed in the Northern Cape province.

#### SOUTHERN FARMS

The Southern Farms Employee Share Trust was launched in August 2014 and serves as a true model for empowerment in the agricultural sector.

This vision was made possible when the Southern Farms' founder, identified a piece of land he believed was ideal for producing seedless table grapes almost 20 years ago. Located on the banks of the lower Orange River which borders South Africa and Namibia, the 650 hectares of land was full of ample arable soil, with access to large volumes of water. The first vines were planted in early 1995 and the first crop was

harvested in November 1996. The high quality product successfully reached the United Kingdom market by sea, in time to be sold there before Christmas.

Today, Southern Farms is producing 1,3 million cartons of seedless grapes, and its success can be directly linked to its shareholders. They have installed the core fundamentals of the farm, that today remain the back bone of all decision making and its success.

The formation of the Employee Share Trust sees the GEPF and the employees of Southern Farms have a 20% shareholding in the

business. It has always been the dream of its original owner to recognise each and every person in his employee group for their hard work that has made his dream a reality. All employees have embarked on a journey of training and mentoring to ensure that they understand their roles and responsibilities as well as their benefits as beneficiaries of the trust and how this can empower them for the future.

GEPF's investment in Southern Farms shows our commitment to job creation and development within the agriculture sector.

#### TAV TUNISIA

GEPF has invested US\$21,56 million into TAV Tunisia through the Pan African Infrastructure Development Fund (PAIDF). Tourism is a key sector of the Tunisian economy, with a contribution to GDP in excess of 9% and employment of 15%. Monastir airport has been the gateway to tourism facilities. However, it suffered from continued and existing capacity and physical constraints during the peak summer months. A new airport located in the central-east

of Tunisia has been constructed in which the GEPF invested. The airport offers a significant growth opportunity for additional tourism to Tunisia. Once the Tunisian government signs the Open Sky Agreement with the European Union, it will effectively open Tunisian skies to competition from European carriers, which in turn will result in dozens of new airlines starting to operate flights between Tunisia and Europe, and providing Tunisian airlines the opportunity to expand

into other markets. The airport is a central element of Tunisia's growth strategy. The view is that by expanding and modernising the airport infrastructure of Tunisia, the project is expected to directly contribute to the success of Tunisia's economic strategy.

The project, one of the largest private sector investments in Tunisia in recent years, was the first private airport concession in the Maghreb region.



## CORPORATE GOVERNANCE

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

The GEPF complies with the requirements of the GEP Law and Rules, and also looks to the Pension Funds Act as well as the King III Code for best practice where they are not in conflict. The GEPF is committed to transparency, integrity, and accountability based on accepted corporate governance principles and practices.

The Board governs the Fund and it is accountable for administrative and investment performance. The Board is also responsible for compiling and approving the annual financial statements, which are presented to Parliament by the Minister of Finance.

According to the GEP Law, fiduciary responsibility for the Fund rests with the Board of Trustees. The Law requires that the Board be appointed for a four-year term, after which it must make way for a new Board. The Minister of Finance inaugurated the current Board on 17 April 2014 for a period of four years.

In line with the GEP Law, the Board consists of 16 Trustees, led by an elected Chairperson and Vice Chairperson. The Trustees elect the Chairperson and Vice Chairperson from their own ranks at the first meeting of the newly appointed Board. Each Trustee has an elected or appointed Substitute, ensuring full and proper representation at all times.

### BOARD COMPOSITION

Trustees are appointed in accordance with section 6 of the GEP Law and Rules. Eight employer and six employee nominees form the Board. Member nominees include a pensioner and an SANDF and Intelligence Community Trustee elected through a postal ballot.



<b>Employer nominees</b>			
<b>Trustee</b>		<b>Substitute Trustee</b>	
<b>Department</b>	<b>Name</b>	<b>Department</b>	<b>Name</b>
National Treasury	<b>Mr Stadi Mngomezulu</b>	National Treasury	<b>Ms Lindy Bodewig</b>
Department of Public Service and Administration	<b>Ms Barbara Watson</b>	Department of Public Service and Administration	<b>Dr Alex Mahapa</b>
Department of Health	<b>Dr Barry Kistnasamy</b>	Department of Health	<b>Dr Anban Pillay</b>
Department of Education	<b>Ms Gladys Modise</b>	Department of Education	<b>Dr Morgan Pillay</b>
Department of Defence	<b>Mr Seth Makhani</b>	SAPS	<b>Brigadier Johan Griesel</b>
Public Investment Corporation (PIC)	<b>Ms Moira Moses</b>	PIC	<b>Vacant</b>
Specialist Trustee	<b>Dr Renosi Mokate</b>	Specialist Trustee	<b>Mr Abel Sithole</b>
Specialist Trustee	<b>Mr Themba Gamedze</b>	Specialist Trustee	<b>Advocate Lindiwe Nkosi-Thomas</b>
<b>Employee nominees</b>			
National Education, Health and Allied Workers Union (NEHAWU)	<b>Mr Prabir Badal</b>	National Education, Health and Allied Workers Union (NEHAWU)	<b>Ms Pulani Mogotsi</b>
South African Democratic Teachers Union (SadtU)	<b>Mr Thobile Ntola</b>	South African Democratic Teachers Union (SadtU)	<b>Mr Eddie Kekana</b>
Health and Other Service Personnel Trade Union (HOSPERSA)	<b>Ms Dorothy Ndhlovu</b>	National Union of Public Service and Allied Workers (NUPSAW)	<b>Mr Success Mataitsane</b>
South African National Defence Force and Intelligence Community	<b>Major General Dries de Wit</b>	South African National Defence Force and Intelligence Community	<b>Colonel Johan Coetzer</b>
Public Servants Association (PSA)	<b>Mr Pierre Snyman</b>	Public Servants Association (PSA)	<b>Mr Ronny Maepa</b>
South African Policing Union (SAPU)	<b>Mr Mpho Kwinika</b>	South African Policing Union (SAPU)	<b>Mr Peter Ntsime</b>
Police and Prisons Civil Rights Union (POPCRU)	<b>Ms Edith Mogotsi</b>	Police and Prisons Civil Rights Union (POPCRU)	<b>Advocate Makhubalo Ndaba</b>
Pensioner	<b>Dr Frans le Roux</b>	Pensioner	<b>Mr Cornelius Booyens</b>

## CORPORATE GOVERNANCE (CONTINUED)

### INDEPENDENCE OF TRUSTEES

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

- The Trustee is not a representative of a shareholder who has the ability to control or significantly influence the management of the Board.
- The Trustee does not have a direct or indirect interest in the company, which exceeds 5% of the total shares in issue.
- The Trustee does not have a direct or indirect interest in the Fund, which is less than 5% of the total shares in issue but is material to his/her personal wealth.
- The Trustee has not been employed by the Fund in any executive capacity, or appointed as the designated auditor or partner in the GEPF's external audit firm, or senior legal adviser for the preceding three financial years.
- The Trustee is not an immediate family member of an individual who is or has during the preceding three financial years been employed by the Fund in an executive capacity.
- The Trustee is not a professional advisor to the Fund, other than as a Trustee.
- The Trustee is free from any business or other relationship, which could be seen by an objective outsider to interfere materially with the individual's capacity to act in an independent manner, such as being a director of a material customer of, or supplier to, the company.
- The Trustee does not receive remuneration subjected to the performance of the Fund.

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

Trustees are consistently reminded of their fiduciary duty to act independently and in the best interests of the Fund's members and pensioners.

### SKILL, KNOWLEDGE, AND EXPERIENCE OF TRUSTEES

According to section 4.1.2 of the Rules, at least one of the eight employer-nominated Trustees must have expertise in financial management and investments, or the management and organisation of pension funds in general. Two specialists currently serve as Trustees, supported by two specialist Substitute Trustees. The other Trustees and their Substitutes have a range of skills, knowledge, and experience necessary to effectively manage and govern the Fund. The profiles of the 16 Trustees are reflected on pages 12 to 17.

### THE BOARD CHARTER

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



### POWERS OF THE BOARD

The Board derives its powers from the GEP Law and Rules. Accordingly the Board shall in the exercise of its powers and duties be entitled to:

- raise money for the purposes of the Fund or borrow money as bridging facilities for a temporary cash deficit or to complete an investment, or to loan money;
- invest, loan, advance on interest, and place on deposit moneys not needed immediately for the current expenditure of the Fund or to deal therewith in any other way against such securities and in such a way as the Board may determine and to convert into money, adjust such securities, re-invest the proceeds thereof or to deal therewith in any other way as determined by the Board;
- purchase, erect, sell, let, or alienate movable or immovable property for purposes of the Fund;
- prescribe in which way claims must be lodged against and handled by the Fund;
- appoint any person, committee or body to perform such investigation, research or any other duty as instructed by the Board, subject to such conditions as the Board may determine and pay such person, committee or body from the Fund;
- employ personnel or make any other suitable arrangements to administer the Fund and to manage the investments of the Fund;
- determine the remuneration and other conditions of service of the personnel referred to above and make such rules as in its discretion are necessary to regulate personnel matters;
- pay from the Fund the expenditures connected with the management of the Fund's business;
- in general take any steps necessary or perform any actions which are advantageous for the achievement of the Fund's objectives;
- develop policies concerning the registration of spouses;
- develop policies concerning the payment of benefits in exceptional or extenuating circumstances; and
- determine the investment policy of the Fund in consultation with the Minister of Finance.

### ROLE AND RESPONSIBILITIES OF THE BOARD

As its primary function, the Board is responsible for the effective and efficient administration of the Fund. The Board must therefore determine GEPF's strategic direction and exercise prudent control over GEPF and its affairs.

The Board and the individual Trustees will at all times act in the best interests of the GEPF and adhere to all relevant legal standards of conduct.

In fulfilling its function, the Board will at all times:

- provide effective leadership based on an ethical foundation;
- act as the ultimate custodian of the GEPF's system of corporate governance by managing its relationship with management, shareholders, and other stakeholders based on sound corporate governance principles;
- appreciate that strategy, risk, performance, and sustainability are inseparable and give effect to this by:
  - contributing to and approving the strategy of the GEPF as presented by management;
  - satisfying itself that all material risks in the strategy and business plans have been duly considered and addressed by management;
  - being satisfied that the strategy will result in sustainable outcomes for the GEPF, taking account of the concept of "people, planet, and profit";
  - identifying the key performance and risk areas in the business;
  - considering sustainability as a business opportunity that guides the formulation of strategy;
- ensure that the GEPF is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of GEPF but also the impact that business operations may have on the environment;
- ensure that the GEPF has a code of ethics and related ethics policies, based on its values as approved by the Board, and that the ethical performance of the GEPF and its representatives is proactively and effectively managed and reported on;



- ensure that the GEPF has an independent and effective audit committee;
- be responsible for the proactive and effective management of risk in the GEPF;
- be responsible for the proactive and effective governance of information technology;
- ensure that the GEPF complies with all applicable laws and considers adherence to non-binding rules and standards;
- ensure that there is an effective risk-based internal audit function within the GEPF;
- ensure proper management of the relationship between the GEPF and all its stakeholders so as to protect and, where possible, enhance the reputation of the GEPF;
- ensure the integrity of the GEPF's integrated report;
- monitor the performance of the GEPF against agreed objectives and review the performance of the executive management against defined objectives and other applicable performance standards; and
- continuously monitor the solvency and liquidity of the GEPF.

The Board is responsible for appointing the Principal Executive Officer and other executive managers and ensure a proper process of performance management and succession planning in respect of these positions.

The Board implements a formal delegation of authority framework, which will be reviewed on an annual basis.

The Board, with the support of the Remuneration Committee, adopts remuneration policies that are fair, responsible, and aligned with the strategy of the GEPF while linked to individual performance. A Remuneration Report will be included in the Annual Report (see page 46).

## CORPORATE GOVERNANCE (CONTINUED)

### THE GOVERNANCE CHARTER

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

The Governance Charter includes a Trustee code of conduct and ethics, Trustee fit and proper guidelines, Trustee responsibilities, Trustee development and training, Board and Trustee performance assessments, Board remuneration policy, communications policy, confidentiality policy, conflict of interest policy, compliance policy, risk policy and framework, committee terms of reference, and rules on the delegation of authority.

### BOARD MEETINGS

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

Trustees must be present at a meeting to ensure a quorum. Trustees are provided with detailed documentation at least a week before a meeting to ensure that they are well prepared and can make informed decisions. Issues are debated openly at meetings and decisions are taken by consensus. The majority of Trustees present at a meeting may request that voting takes place using a secret ballot.

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

### Attendance at Board meetings

The Board held seven meetings during the financial year of which one was the inauguration meeting as prescribed by the GEP Law and Rules and one was a special Board meeting. Both Trustees and Substitute Trustees were invited to attend the inauguration Board meeting on 17 April 2014. Trustees' attendance of these meetings is shown in the table overleaf.



Name	17 Apr 2014	17 May 2014	26 Jun 2014	17 Sept 2014	31 Oct 2014	3 Dec 2014	18 Mar 2015
Dr Renosi Mokate (Chairperson)	x	x	x	x	x	x	x
Mr Prabir Badal (Vice Chairperson)	x	x	x	x	x	x	x
Ms Lindy Bodewig*	x						
Mr Cornelius Booyens*	x						
Colonel Johan Coetzer*							
Major General Dries de Wit	x	x	x	x	x	x	x
Mr Themba Gamedze	x	x	x		x		x
Brigadier Johan Griesel*							
Mr Eddie Kekana*	x	x	x	x	x	x	x
Dr Barry Kistnasamy	x	x	x	x	x	x	x
Mr Mpho Kwinika	x	x	x	x	x		x
Dr Frans le Roux	x	x	x	x	x	x	x
Mr Ronny Maepa*	x						
Dr Alex Mahapa*	x						
Mr Seth Makhani	x	x	x	x	x	x	x
Mr Success Mataitsane*	x						
Mr Stadi Mngomezulu	x	x		x	x		x
Ms Gladys Modise	x	x	x	x	x	x	x
Ms Edith Mogotsi	x	x	x	x	x	x	x
Ms Pulani Mogotsi*							
Ms Moira Moses	x	x	x	x	x	x	x
Advocate Makhubalo Ndaba*	x						
Ms Dorothy Ndhlovu	x	x	x	x	x	x	x
Advocate Lindiwe Nkosi-Thomas*	x			x			
Mr Thobile Ntola							
Mr Peter Ntsime*	x						
Dr Morgan Pillay*	x						
Dr Anban Pillay*	x						
Mr Abel Sithole*	x						
Mr Pierre Snyman	x	x	x		x	x	x
Ms Barbara Watson	x	x	x	x	x	x	x
Ms Rejane Woodroffe**	x						
Ms Jennifer Jeftha**				x		x	x

\* Indicates Substitute Trustees

# Indicates resignations during the reporting period

Ms Rejane Woodroffe – 1 March 2015

\*\* Ms Jeftha only attends the Board meetings to present the recommendations made by the Remco to the Board

## CORPORATE GOVERNANCE (CONTINUED)

### TRUSTEE EDUCATION AND TRAINING

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

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

The Board underwent rigorous induction training within a month after it had been inaugurated. The induction training focused on the following issues.

- Overview of the Fund.
- GEPF's Benefit Structure.

- Risk Management for Pension Funds.
- GEPF's Investment Strategy.
- GEPF's Governance Charter.
- Pension Administration.
- Investment Management.

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

- Risk management;
- Proposed GEPF Preservation Fund and Additional Voluntary Contribution Fund;
- Actuarial valuations, actuarial matters and the GEPF benefits structure;
- Private equity;
- Operations of GPAA and the PIC; and
- GEPF's investment strategy.

Trustees attended various courses through the Institute of Directors Southern Africa (IoDSA) and the Gordon Institute of Business (GIBS).



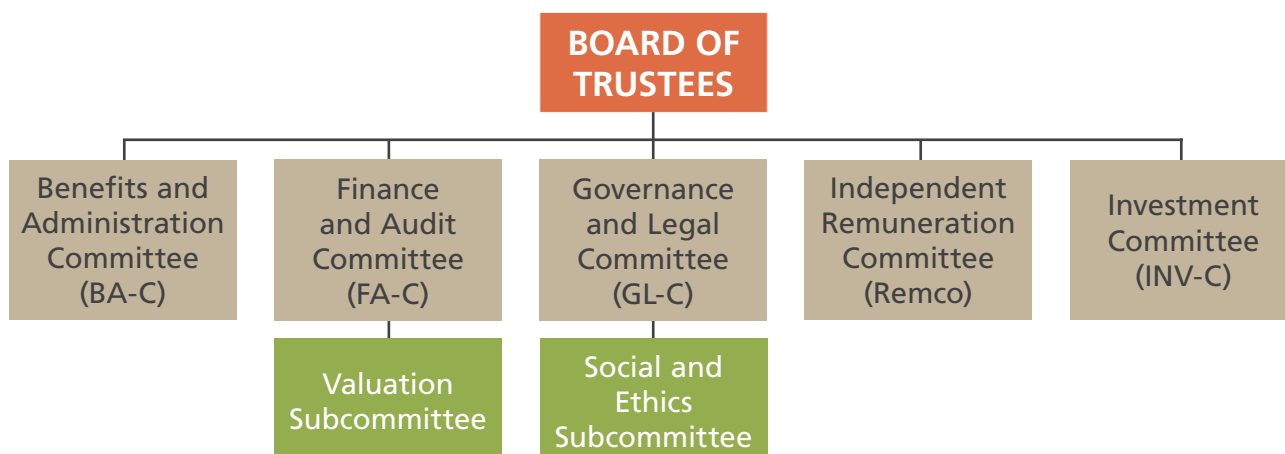
## Board of Trustees Training and Strategic Planning Session

Both Trustees and Substitute Trustees attend Board training sessions as well as the Board strategic planning session.

Name	15 – 16 May 2014 (Induction training)	25 Jul 2014	22 Aug 2014	15 – 16 Sept 2014 (Strategic planning session)	20 Oct 2014	4 Dec 2014	30 Jan 2015	27 Mar 2015
Dr Renosi Mokate (Chairperson)	x			x	x	x		x
Mr Prabir Badal (Vice Chairperson)	x	x	x	x	x		x	x
Ms Lindy Bodewig	x						x	
Mr Cornelius Booyens	x	x	x	x		x	x	x
Colonel Johan Coetzer	x	x		x	x	x	x	x
Major General Dries de Wit	x	x	x	x		x	x	x
Mr Themba Gamedze	x	x			x			x
Brigadier Johan Griesel	x			x				x
Mr Eddie Kekana	x	x	x	x	x		x	x
Dr Barry Kistnasamy	x	x		x		x	x	x
Mr Mpho Kwinika	x			x			x	
Dr Frans le Roux	x	x	x	x	x	x	x	x
Mr Ronny Maepa	x	x	x		x	x	x	x
Dr Alex Mahapa	x		x	x				
Mr Seth Makhani	x	x	x	x	x	x	x	x
Mr Success Mataitsane	x	x	x	x		x	x	x
Mr Stadi Mngomezulu	x	x		x				
Ms Gladys Modise	x	x		x	x	x		x
Ms Edith Mogotsi	x	x	x	x	x	x	x	x
Ms Pulani Mogotsi								
Ms Moira Moses	x			x				
Advocate Makhubalo Ndaba	x	x		x		x		x
Ms Dorothy Ndhlovu	x	x	x	x	x	x	x	x
Advocate Lindiwe Nkosi-Thomas	x							
Mr Thobile Ntola								
Mr Peter Ntsime	x	x	x	x	x	x	x	x
Dr Morgan Pillay	x	x			x	x	x	x
Dr Anban Pillay	x							
Mr Abel Sithole	x	x			x			x
Mr Pierre Snyman	x	x	x		x	x	x	x
Ms Barbara Watson	x			x	x	x	x	x
Ms Rejane Woodroffe	x			x	x			
Ms Jennifer Jeftha				x				

## CORPORATE GOVERNANCE (CONTINUED)

### BOARD COMMITTEES



### Board committees membership, responsibilities, highlights and attendance

Benefits and Administration Committee	
<b>Committee members</b>	<ul style="list-style-type: none"> <li>• Major General Dries de Wit (Chairperson)</li> <li>• Colonel Johan Coetzer</li> <li>• Mr Themba Gamedze</li> <li>• Brigadier Johan Griesel</li> <li>• Dr Barry Kistnasamy</li> <li>• Dr Frans le Roux</li> <li>• Ms Edith Mogotsi</li> <li>• Ms Pulani Mogotsi</li> <li>• Advocate Makhubalo Ndaba</li> <li>• Ms Dorothy Ndhlovu</li> <li>• Mr Peter Ntsime</li> <li>• Dr Anban Pillay</li> <li>• Dr Morgan Pillay</li> <li>• Mr Abel Sithole</li> <li>• Mr Pierre Snyman</li> </ul>
<b>Responsibilities</b>	<p>Reviews all aspects of the GPAA's administration activities.</p> <p>Monitors compliance with the SLA between the GEPF and the GPAA.</p> <p>Advises and makes recommendations about the GEPF's benefits, administration of its affairs, administration policies, strategy, procedures, and management.</p> <p>Oversees communication and education to members and beneficiaries.</p>
<b>2014/15 highlights</b>	<ul style="list-style-type: none"> <li>• Facilitated the endorsement of amendments to the Administration of Death Benefits Policy.</li> <li>• Facilitated the approval of the Death Distribution Guidelines.</li> <li>• Facilitated the approval of the Statutory Actuarial Valuation as at 31 March 2014.</li> <li>• Facilitated the approval of the Transfer Policy.</li> <li>• Facilitated a payment plan for the additional liability caused by the revised Non-Statutory Forces Dispensation.</li> <li>• Facilitated the 2014/15 pension increase.</li> <li>• Facilitated the review of Clean Break Principle.</li> <li>• Facilitated the appointment of a service provider to assess GEPF's investments and administration functions against a peer group of international pension funds of a similar size.</li> </ul>

<b>Attendance of meetings</b>					
<b>Name</b>	<b>13 June 2014</b>	<b>28 Aug 2014</b>	<b>20 Nov 2014</b>	<b>27 Nov 2014</b>	<b>26 Feb 2015</b>
Major General Dries de Wit (Chairperson)	x	x	x	x	x
Colonel Johan Coetzer	x	x	x	x	x
Mr Themba Gamedze	x	x	x	x	x
Brigadier Johan Griesel	x	x	x	x	x
Dr Barry Kistnasamy	x		x		
Dr Frans le Roux	x	x	x	x	
Ms Edith Mogotsi	x	x	x	x	x
Ms Pulani Mogotsi					
Advocate Makhubalo Ndaba	x		x	x	x
Ms Dorothy Ndhlovu		x	x		x
Mr Peter Ntsime	x	x		x	x
Dr Morgan Pillay	x		x		x
Dr Anban Pillay	x				
Mr Abel Sithole	x	x	x	x	x
Mr Pierre Snyman	x	x	x		x

## CORPORATE GOVERNANCE (CONTINUED)

Finance and Audit Committee	
<b>Committee members</b>	<ul style="list-style-type: none"> <li>• Mr Prabir Badal (Chairperson)</li> <li>• Ms Lindy Bodewig</li> <li>• Mr Cornelius Booyens</li> <li>• Mr Eddie Kekana</li> <li>• Mr Ronny Maepa</li> <li>• Dr Alex Mahapa</li> <li>• Mr Seth Makhani</li> <li>• Mr Success Mataitsane</li> <li>• Mr Stadi Mngomezulu</li> <li>• Ms Gladys Modise</li> <li>• Ms Pulani Mogotsi</li> <li>• Ms Moira Moses</li> <li>• Ms Dorothy Ndhlovu</li> <li>• Advocate Lindiwe Nkosi-Thomas</li> </ul>
<b>Responsibilities</b>	<p>Gives effect to the GEPF's audit and financial policies and audit strategies.</p> <p>Reviews all aspects of the GEPF's audit and financial activities.</p> <p>Advises and makes recommendations about financial reporting, appointment of external auditors and annual financial statements.</p> <p>Oversees the GEPF's internal audit and risk management function.</p>
<b>2014/15 highlights</b>	<ul style="list-style-type: none"> <li>• Facilitated the approval of the Fund's business plan and budget in line with the Board's strategy for 2014/15.</li> <li>• Facilitated the revision of the Enterprise-wide Risk Management Policy and Framework.</li> <li>• Facilitated the approval of the Revised Risk Register.</li> <li>• Facilitated the approval of the Audit Planning Memorandum.</li> <li>• Facilitated the approval of the Annual Report and the Annual Financial Statements for the 2013/14 financial period.</li> <li>• Facilitated the approval of the 2014/15 GPAA Budget.</li> <li>• Facilitated the approval of the Revised Internal Audit Charter.</li> <li>• Facilitated the approval of the Revised Subsistence and Travel Policy.</li> <li>• Facilitated the approval of the Business Continuity Plan.</li> <li>• Facilitated the approval of the Fixed Asset Management Policy.</li> <li>• Facilitated that approval of the Non-Audit Services Policy.</li> <li>• Facilitated the approval of impairments and the adjustment to fair value as recommended by the Valuations Subcommittee.</li> <li>• Facilitated an unqualified audit report for the 2013/14 financial year.</li> <li>• Facilitated the appointment of a new Master Custodian for the GEPF.</li> <li>• Facilitated the appointment of two independent specialists to serve on the committee. Their appointment augments the current skills and expertise of the Committee.</li> </ul>



<b>Attendance of meetings</b>						
<b>Name</b>	<b>18 Jun 2014</b>	<b>25 Aug 2014</b>	<b>3 Sept 2014</b>	<b>12 Nov 2014</b>	<b>26 Nov 2014</b>	<b>23 Feb 2015</b>
Mr Prabir Badal (Chairperson)	x	x	x	x	x	x
Dr Renosi Mokate*					x	
Ms Lindy Bodewig	x	x	x			x
Mr Cornelius Booyens	x	x		x	x	x
Major General Dries de Wit*					x	
Mr Eddie Kekana	x	x		x	x	x
Mr Ronny Maepa	x	x	x	x	x	x
Dr Alex Mahapa	x			x	x	x
Mr Seth Makhani	x	x	x	x	x	x
Mr Success Mataitsane	x	x	x	x	x	x
Mr Stadi Mngomezulu		x	x	x	x	
Ms Gladys Modise		x				x
Ms Pulani Mogotsi						
Ms Moira Moses	x		x		x	
Ms Dorothy Ndhlovu		x	x	x		x
Advocate Lindiwe Nkosi-Thomas	x					

\* Not a member of the FA-C but attended the meeting by invitation

## CORPORATE GOVERNANCE (CONTINUED)

<b>Governance and Legal Committee</b>	
<b>Committee members</b>	<ul style="list-style-type: none"> <li>• Ms Barbara Watson (Chairperson)</li> <li>• Ms Lindy Bodewig</li> <li>• Mr Cornelius Booyens</li> <li>• Colonel Johan Coetzer</li> <li>• Mr Eddie Kekana</li> <li>• Mr Mpho Kwinika</li> <li>• Mr Ronny Maepa</li> <li>• Dr Alex Mahapa</li> <li>• Mr Seth Makhani</li> <li>• Mr Success Mataitsane</li> <li>• Mr Stadi Mngomezulu</li> <li>• Ms Moira Moses</li> <li>• Advocate Makhubalo Ndaba</li> <li>• Mr Peter Ntsime</li> <li>• Dr Morgan Pillay</li> <li>• Mr Abel Sithole</li> <li>• Mr Pierre Snyman</li> </ul>
<b>Responsibilities</b>	<p>Gives effect to the GEPF's governance and legal policies and strategies.</p> <p>Reviews all aspects of the GEPF's governance and legal activities.</p> <p>Advises and makes recommendations about the GEPF's code of conduct, Board committees and terms of reference, induction, remuneration, board evaluation, corporate governance matters, social and ethics practices, risk management, legal functions, dispute resolution, legislation, and amendments to the GEP Law and Rules.</p>
<b>2014/15 highlights</b>	<ul style="list-style-type: none"> <li>• Organised formal training sessions for the Board.</li> <li>• The majority of Trustees and their Substitutes completed Fit and Proper Questionnaires.</li> <li>• The majority of Trustees and their Substitutes completed Financial Disclosures and Fit and Proper Questionnaires.</li> <li>• Facilitated the approval of the principle of staggering of Trustees.</li> <li>• Facilitated the approval of revised terms of reference of the all Board committees.</li> <li>• Facilitated the approval of the revised Compliance Policy.</li> <li>• Facilitated the approval of the revised Board Code of Conduct and Ethics.</li> <li>• Facilitated the approval of the revised Staff Code of Ethics.</li> <li>• Facilitated the approval of the revised Conflicts of Interest Policy.</li> <li>• Facilitated the approval of revised conflicts of interest, extra remunerative work and gifts to staff guidelines for inclusion in the Human Resources Manual</li> <li>• Facilitated the approval of the Board Charter.</li> <li>• Facilitated the approval of the duties and profile of the Chairperson.</li> <li>• Facilitated the approval of the revised Litigation Policy and Procedure.</li> <li>• Facilitated the approval of the revised Minute Standards.</li> <li>• Facilitated the approval of the revised Trustee Training and Education Policy.</li> <li>• Facilitated the approval of the establishment of a Social and Ethics Subcommittee and its terms of reference.</li> <li>• Facilitated the approval of the revised Confidentiality Policy.</li> </ul>

<b>Attendance of meetings</b>				
<b>Name</b>	<b>19 Jun 2014</b>	<b>20 Aug 2014</b>	<b>13 Nov 2014</b>	<b>16 Feb 2015</b>
Ms Barbara Watson (Chairperson)		x	x	
Ms Lindy Bodewig				x
Mr Cornelius Booyens	x	x	x	x
Colonel Johan Coetzer	x		x	x
Mr Eddie Kekana	x		x	x
Mr Mpho Kwinika		x	x	
Mr Ronny Maepa	x	x	x	x
Dr Alex Mahapa		x	x	
Mr Seth Makhani	x	x	x	x
Ms Success Mataitsane	x			
Mr Stadi Mngomezulu		x	x	
Ms Moira Moses	x			x
Advocate Makhubalo Ndaba	x		x	x
Mr Peter Ntsime	x	x	x	x
Dr Morgan Pillay				
Mr Abel Sithole	x	x	x	x
Mr Pierre Snyman	x	x	x	x

## CORPORATE GOVERNANCE (CONTINUED)

Investment Committee	
<b>Committee members</b>	<ul style="list-style-type: none"> <li>• Dr Renosi Mokate (Chairperson)</li> <li>• Mr Prabir Badal</li> <li>• Major General Dries de Wit</li> <li>• Mr Themba Gamedze</li> <li>• Brigadier Johan Griesel</li> <li>• Dr Barry Kistnasamy</li> <li>• Mr Mpho Kwinika</li> <li>• Dr Frans le Roux</li> <li>• Ms Gladys Modise</li> <li>• Ms Edith Mogotsi</li> <li>• Advocate Lindiwe Nkosi-Thomas</li> <li>• Dr Anban Pillay</li> <li>• Ms Barbara Watson</li> </ul>
<b>Responsibilities</b>	<p>Gives effect to the GEPP's investment policies and strategies.</p> <p>Reviews all aspects of the GEPP's investment activities.</p> <p>Implements and gives oversight to the GEPP's policy and commitment to UN-PRI.</p> <p>Monitors investment mandates.</p> <p>Advises and makes recommendations about asset management, investment policies and strategy.</p>
<b>2014/15 highlights</b>	<ul style="list-style-type: none"> <li>• Facilitated the approval of a US\$30 million investment in African Development Partners 2 (ADP 2), the second private equity fund managed by Development Partners International.</li> <li>• Facilitated the approval of the partnership with South Suez Capital on the terms to invest US\$25 million in the South Suez Africa Fund II and US\$225 million to be invested by the GEPP's investment team.</li> <li>• Facilitated the approval of an investment in PAIDF II.</li> <li>• Reviewed the terms and conditions to be included in all future private placement memorandums entered into with the PIC.</li> <li>• Facilitated an investment strategy workshop with the Board.</li> </ul>

Name	12 Jun 2014	21 Aug 2014	19 Nov 2014	18 Feb 2015	10 Mar 2015
Dr Renosi Mokate (Chairperson)	x	x	x	x	x
Mr Prabir Badal	x	x	x	x	x
Major General Dries de Wit	x	x	x	x	
Mr Themba Gamedze	x	x	x	x	x
Brigadier Johan Griesel					
Dr Barry Kistnasamy	x	x		x	x
Mr Mpho Kwinika	x	x		x	x
Dr Frans le Roux	x	x	x	x	x
Ms Gladys Modise				x	x
Ms Edith Mogotsi	x	x	x	x	x
Advocate Lindiwe Nkosi-Thomas					
Dr Anban Pillay	x				
Ms Barbara Watson	x	x	x	x	x

Remuneration Committee	
<b>Committee members</b>	<ul style="list-style-type: none"> <li>• Ms Jennifer Jeftha (Chairperson)</li> <li>• Dr Lese Matlhape</li> <li>• Ms Mantuka Maisela</li> <li>• Ms Moira Moses</li> <li>• Major General Dries de Wit</li> </ul>
<b>Responsibilities</b>	<p>Recommends for adoption remuneration policies and practices that promote the strategic objectives of the Fund and encourage individual performance over the long term.</p> <p>Recommends remuneration packages appropriate to attract, retain, and motivate high-performing senior executives.</p> <p>Annually reviews whether the objectives of the Remuneration Policy have been achieved.</p> <p>Annually reviews the principles and levels of Trustee remuneration.</p>
<b>2014/15 highlights</b>	<ul style="list-style-type: none"> <li>• Facilitated the approval of staff salary increases for the 2014/5 period (post year-end).</li> <li>• Facilitated the approval of the corporate balance scorecard.</li> <li>• Facilitated the approval of the Safety Health and Environmental Policy.</li> <li>• Facilitated the approval of the Total Rewards Strategy.</li> <li>• Facilitated the approval of the revised Remuneration Policy.</li> <li>• Facilitated the approval of the revised Performance Management Policy.</li> <li>• Facilitated the approval of the revised Trustee Remuneration Policy.</li> </ul>

## CORPORATE GOVERNANCE (CONTINUED)

Attendance of meetings						
Name	17 Jun 2014	12 Aug 2014	18 Aug 2014	11 Nov 2014	9 Feb 2015	5 Mar 2015
Ms Jennifer Jeftha (Chairperson)		x	x	x	x	x
Major General Dries de Wit	x	x	x			x
Ms Mantuka Maisela		x	x	x	x	x
Dr Lese Matlhape			x	x	x	x
Ms Moira Moses	x	x	x		x	x

Valuations Subcommittee	
<b>Committee members</b>	<ul style="list-style-type: none"> <li>• Mr Themba Gamedze (Chairperson)</li> <li>• Ms Lindy Bodewig</li> <li>• Advocate Lindiwe Nkosi-Thomas</li> <li>• Dr Frans le Roux</li> </ul>
<b>Responsibilities</b>	Oversees the valuation of unlisted investments and consider and recommend to the Board any impairment to these investments.
<b>2014/15 highlights</b>	<ul style="list-style-type: none"> <li>• Facilitated the approval of the impairment of unlisted investments and the adjustment to fair value for the 2013/14 financial year.</li> <li>• Facilitated the review of the Adjustment to Fair Value Policy.</li> </ul>

Attendance of meetings		
Name	30 Jul 2014	12 Feb 2015
Mr Themba Gamedze (Chairperson)	x	x
Ms Lindy Bodewig		x
Dr Frans le Roux	x	x
Advocate Lindiwe Nkosi-Thomas	x	

## TRUSTEE REMUNERATION

According to the GEP Law and Rules, Trustees are compensated for their services and expenses on the basis determined by the Board. The Board revised its Trustee Remuneration Policy to allow for the payment of a meeting fee as well as an annual retainer fee during the previous reporting period. The Trustee Remuneration Policy has the following principles:

- all Trustees must receive the same level of remuneration, regardless of experience and expertise;
- remuneration will be paid in the form of per diem meeting fees as well as an annual retainer fee;
- a retainer fee is to be paid to Trustees as well as Substitute Trustees due to the fact that Substitute Trustees participate on Board Committees and other events such as Board Strategic Planning Sessions and Training;
- different retainer fees are paid to Trustees, Substitute Trustees, Chairpersons of Board Committees, Vice Chairperson of the Board, and the Chairperson of the Board;
- the annual retainer fee is paid in four equal parts at the end of each quarter;
- Trustees/Substitute Trustees must attend at least 75% of relevant meetings during a financial year to qualify for the retainer fee, and only meetings scheduled in accordance with the approved annual Board programme will be utilised to establish if a Trustee/Substitute Trustee has attended the required number of meetings;
- meeting fees incorporate pre-meeting preparation, research, the length of the meeting, and post-meeting follow-up;
- remuneration is proportional to the time involvement and responsibility of each Trustee such that those serving on the main Board and several committees/chairing committees are paid more than those who are members only of the main Board;
- specialist Trustees should not ordinarily be commissioned to undertake professional work as this may result in a conflict of interest, and may not be in the interest of good corporate governance;
- travel, accommodation, and other agreed reasonable expenses incurred by Trustees should be governed by policy, proof of expenditure, and subject to maximum amounts;
- Trustees, in consultation with their principals, may elect to have their remuneration paid to them as individuals or to their principals. They may also choose not to receive remuneration; and
- the annual amount of remuneration paid to each Trustee, and to whom the remuneration was paid, should be disclosed in the annual report.

## CORPORATE GOVERNANCE (CONTINUED)

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

Remuneration paid to Trustees and Substitute Trustees for the 2014/15 period			
Name (R)	Meeting attendance and retainer fee	Subsistence and travel	Total
Dr Renosi Mokate (Chairperson)	321 525	14 250	335 775
Mr Prabir Badal (Vice Chairperson)	326 022	4 523	330 545
Ms Lindy Bodewig	–	–	–
Mr Cornelius Booyens	126 163	23 650	149 813
Colonel Johan Coetzer	135 350	1 584	136 934
Major General Dries de Wit	378 186	180	378 366
Mr Themba Gamedze	246 840	–	246 840
Brigadier Johan Griesel	–	–	–
Mr Eddie Kekana	252 753	5 231	257 984
Dr Barry Kistnasamy	–	–	–
Mr Mpho Kwinika	185 194	180	185 374
Dr Frans le Roux	277 543	180	277 723
Mr Ronny Maepa	151 613	60 694	212 307
Dr Alex Mahapa	103 978	–	103 978
Mr Seth Makhani	271 981	–	271 981
Mr Success Mataitsane	133 758	2 351	136 109
Mr Stadi Mngomezulu	–	–	–
Ms Gladys Modise	173 790	1 125	174 915
Ms Edith Mogotsi	269 010	11 215	280 225
Ms Pulani Mogotsi	–	–	–
Ms Moira Moses	276 081	14 750	290 831
Advocate Makhubalo Ndaba	118 768	8 122	126 890
Ms Dorothy Ndhlovu	231 085	17 154	248 239
Advocate Lindiwe Nkosi-Thomas	77 086	890	77 976
Mr Thobile Ntola	–	–	–
Mr Peter Ntsime	155 070	14 176	169 246
Dr Morgan Pillay	91 653	2 155	93 807
Dr Anban Pillay	–	–	–
Mr Abel Sithole	136 503	2 640	139 143
Mr Pierre Snyman	213 230	6 824	220 054
Ms Barbara Watson	263 043	2 401	265 444
Ms Rejane Woodroffe	39 640	270	39 910
Mr Bernard Nkomo*	24 197	–	24 197
Mr Michael Olivier*	18 577	–	18 577
Ms Basetsana Ramaboa*	–	–	–
Ms Jennifer Jeftha**	222 240	90	222 330
Ms Mantuka Maisela**	171 610	–	171 610
Dr Lese Matlhape**	127 612	–	127 612
<b>Total</b>	<b>5 520 101</b>	<b>194 635</b>	<b>5 714 736</b>

\* Independent specialists appointed to the Remco (terms ended on 31 July 2014)

\*\* Independent specialists appointed to the Remco (terms started on 1 August 2014)



## BOARD PERFORMANCE ASSESSMENT

The Board's term commenced on 17 April 2014 and as a result the Board Performance Assessment could not be conducted. An assessment will take place post year-end and will be reported on in the 2015/16 Annual Report.

## KING III AND PF130 COMPLIANCE

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

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

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

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

An ethical risk assessment was conducted that involved key stakeholders including the GEPF staff, the Board, and key service providers. The results of the risk assessment have been included in the GEPF's overall risk register. The Board decided to establish a Social and Ethics Subcommittee reporting through the Governance and Legal Committee even though by law, the GEPF is not required to do so. This decision was based on the fact that, as a pension fund, the GEPF invests in a large percentage of listed and unlisted companies and thus has a substantial social and ethical footprint. This decision also reflected the Board's commitment that the GEPF be an ethical leader

and good corporate citizen. The Social and Ethics Subcommittee underwent training on their role and function and held a workshop to develop a work plan post year-end.

The GEPF has appointed an Ethics Officer responsible for the implementation of an ethics programme within the organisation. A number of ethics initiatives were implemented, such as an ethics box for confidential disclosures and quarterly inserts into the GEPF's newsletter. The Ethics Office through the Social and Ethics Subcommittee reports quarterly to the Governance and Legal Committee in respect of gift disclosures, annual financial disclosures, and any other matters that impact on ethics deliverables.

The GEPF conducted a culture survey and the results of the survey will be fed into the Ethics Programme in order to assist the organisation on its ethics journey. The relevant Committee structures and Board will approve a formal Ethics Strategy in the near future.

## LEGAL AND COMPLIANCE

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

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

1. Facilitate the establishment and enhancement of a compliance culture.
2. Coordinate all relevant compliance functions within the Fund.
3. Give specific focus to compliance risk within a broader risk management framework.

## CORPORATE GOVERNANCE (CONTINUED)

4. Keep abreast of international developments/ trends.
5. Assist in lowering the impact of regulatory risk.
6. Provide for the formal and structured monitoring of compliance.

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

### FINANCIAL CONTROL

The oversight role of the Finance and Audit Committee (FA-C) holds management accountable for effective internal financial controls. The FA-C, internal audit and corporate services conducted a high-level review of the internal financial controls in an on-going project to improve this oversight.

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

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

### FINANCIAL REPORTING

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

The Board of Trustees is responsible for the financial statements of the Fund and is satisfied that they fairly present the financial position, performance, and cash flows of the Fund as at 31 March 2015. It is the responsibility of the external auditors to independently audit the financial statements.

### INTERNAL AUDIT

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

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

Internal Audit has the mandate of effectively discharging its responsibilities in contributing to the achievement of the Fund's objectives by:

- assisting management in evaluating their processes for identifying, assessing, and managing the key operational, financial, and compliance risks of the GEPF;
- assisting management in evaluating the effectiveness of internal control systems, including compliance with internal policies;
- recommending improvements in efficiency to the internal control systems established by management;
- keeping abreast of new developments affecting the GEPF's activities and in matters affecting internal audit work;

- tracking the progress in implementing management agreed action plans to ensure improvement in the GEPF's processes and strengthening of internal controls, risk management and governance processes; and
- being responsive to the GEPF's changing needs, striving for continuous improvement, and monitoring integrity in the performance of its activities.

The Finance and Audit Committee approved the Internal Audit Annual Coverage Plan for the 2014/15 financial year, 20 projects were planned for the financial year. Of the 20 projects identified only one was reprioritised by the Committee and a follow-up review was rescheduled to the first quarter of 2015/16. In order to track progress of previously agreed management corrective actions, a register is kept of all reviews until these are resolved.

Below is a summary of audit projects carried out in line with the Fund's 2014/15 Internal Audit Coverage Plan:

Risk Management Review	Finance Review
Supply Chain Management Review	Finance Follow up Review
Conflict of Interest Review	Compliance and Legal Follow Up Review
Performance Management Review Phase 1	Supply Chain Management Follow Up Review
ISAE 3402 Review	Investment Follow Up Review
Corporate Governance Review	Occupational Health and Safety Follow Up Review
Marketing and Communication Follow Up Review (including Stakeholder Management)	Performance Management Review Phase II
HR Follow Up Review	Fraud Risk Management Follow Up Review
IT Governance Review	Conflict of Interest Management Follow Up
SLA Follow Up Review	



## GEFP BENEFIT STRUCTURE

The GEFP provided benefits to 1 266 101 active members and 406 395 pensioners and beneficiaries as at 31 March 2015. The benefits are described below.

### RETIREMENT BENEFITS

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

#### Normal retirement

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

#### Early retirement

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

#### Ill health retirement

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

#### Late retirement

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

## RESIGNATION BENEFITS

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

## DEATH BENEFITS

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

### Death while in service

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

### Death after becoming a pensioner

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

## SPOUSES' ANNUITY

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

the spouse's annuity benefit from 50% to 75%. This arrangement applied to all members because the Board resolved that all current pensioners of the Fund be allowed to reduce their pension for an increased spouse's pension from 50% to 75%. This option was only available to the pensioners for a limited period. The reduction was calculated based on the member/pensioner's age and gender, spouse's actual age, and the remaining guarantee period.

## ORPHANS' ANNUITY

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

## FUNERAL BENEFITS

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

## STAKEHOLDER ENGAGEMENT

During the 2014/15 financial year, the GEPF held a number of successful stakeholder national outreach campaigns through exhibitions and road shows. The aim of the campaigns was to inform and educate members, pensioners and beneficiaries about their benefits and to clarify the operations of the Fund.

### RETIREMENT MEMBER CAMPAIGN

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

The RMCs had a number of objectives, including:

- empowering members by providing them with necessary information and processes to follow in preparing for retirement;
- engaging with employers to help define operational and managerial processes required in identifying and prioritising their engagement with retiring members; and
- proactively engaging with employers to ensure the correct timing of the submission of exit documentation and the expedition of pension payments.

The GEPF held RMCs in the following three provinces:

<b>North West</b>	Mahikeng Klerksdorp
<b>Gauteng</b>	Chris Hani Baragwanath Hospital Tshwane Johannesburg
<b>Free State</b>	Botshabelo

The selected venues managed to draw more than 3 950 members in total, exceeding the targeted attendance figures.

The campaigns made use of the SABC and community radio stations as well as selected print media to publicise the events. In addition, the South African Revenue Services, National Treasury, Department of Public Service and Administration, Financial Services Board, and the Government Employees Medical Scheme were invited to make presentations. The attendees were supplied with pamphlets, posters, and other relevant information. Questionnaires were also distributed in order to solicit the views of the members.

The following were addressed by the other organisations invited to participate:

- SARS personnel explained the tax implications on pension and resignation benefits;
- National Treasury explained the retirement reform proposals, tax laws and the preservation of pension money. Members were assured that their pensions were safe. The rumours that the Government wished to deprive them of their pension were dispelled; and
- The Financial Services Board made presentations about the accreditation procedures for financial advisors, the benefits of insurance policies, and the basics of investment schemes.

## EXHIBITION INFORMATION

In total more than 1 800 members and pensioners attended the various exhibitions including the Rand Easter Show (Gauteng) and the Royal Show (KZN).

## ROAD SHOWS

The GEPF hosted a number of road shows during the reporting period. The road shows provided the Fund with an opportunity to share its processes and benefits with its members and pensioners.

Province	Area and venue	Total number of attendance per province
KwaZulu-Natal	Durban/ Durban ICC	1764
Mpumalanga	Nelspruit/TUT Mbombela Campus	298
Eastern Cape	Queenstown/ Queenstown Indoor Sports Centre	2020
Free State	Botshabelo/ Botshabelo Stadium	1060

## MEMBER'S GUIDE

In our efforts to make the most of our interactions with stakeholders we introduced a Member's Guide booklet containing information on the GEPF's benefits. The Guide shares important information about stakeholder membership and benefits.

## NEWSLETTERS

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

## MOBILE OFFICES

On 3 September 2014, the GEPF introduced 11 specially designed vehicles that serve as mobile offices. The vehicles enable the GEPF to execute its rural outreach initiatives and are equipped with the latest IT and communication technology, including satellite receivers. These satellite receivers enable the mobile offices to link with the main information systems in Pretoria and provide on-site, real-time assistance to members, pensioners and beneficiaries in all nine provinces.

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

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

## ADMINISTRATION

The GPAA is responsible for ensuring the accurate and timely payment of benefits to the GEPF members and beneficiaries. As such, it is responsible for the administration of members, member records, collection and recording of contributions and the processing of their benefits. The GPAA's main goal for the year 2014/15 was to pay benefits accurately and on time.

### ACHIEVEMENTS AND CHALLENGES

Below are the major achievements for the financial year under review.

- The agency surpassed its goal of paying benefits accurately by achieving 100% of its target, while R78,34 billion in benefits was paid.
- The GPAA managed to pay 91% of benefits within the prescribed period. This was achieved despite the fact that the organisation received an increased number of exit claims from employer departments during the financial year.
- Clients' records were on average 90% of the time updated within the prescribed 21 days of receipt of documentation.
- The GPAA further succeeded in processing duly completed exit documents from employers within three working days upon receipt thereof as per the Service Level Agreement (SLA) with the GEPF.
- The updating of beneficiary nomination forms was a major focus during the year under review, with the aim of being up-to-date by the end of March 2015. This goal was met within the set deadlines. The GPAA was also able to bring the balances on both admissions and updating of personal details forms to zero.
- Contributions of approximately R56,48 billion were collected from GEPF members.

### PERFORMANCE CONTEXT

During the year under review the following had a significant impact on the GPAA's ability to provide pension administration services to the GEPF.

#### The need for flexibility in service delivery

The GPAA's main concern regarding service delivery focused on improved communication, enhancing member education, ensuring timely and accurate payments, and strengthening regional and satellite offices through the introduction of new offices and mobile offices across the country.

#### Governance

Good governance in pension systems promote the timely and cost-effective delivery of benefits, as well as the administration of pensions in the best interests of pensioners, members, and their beneficiaries. Good governance in the GPAA is recognised as an important aspect for an efficient pension system, enhancing administrative performance and securing service delivery.



## **BATHO PELE PRINCIPLES**

In order to operate an efficient and effective service, the GPAA recognised the need for improved infrastructure and access for GEPF's pensioners, members, and beneficiaries. In keeping with the Batho Pele principle regarding service delivery, the GPAA has therefore implemented processes that will ensure all stakeholders are empowered to make informed decisions regarding their retirement.

## **KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES**

The National Treasury's proposed retirement reform regulations had a negative impact on the increase in early exits from the GEPF and the reputation of the Fund. While a link was made between the increased exits and the rumoured changes other factors were also identified. A communication and education campaign, however, was undertaken to answer questions and dispel misinformation regarding the retirement reform.

Retirement reform is an on-going process and the new reforms will take some time to be implemented. The aim is to ensure that whatever reforms are undertaken do not result in unintended consequences and that members, pensioners, beneficiaries and the general public are communicated with and have access to information.

## **MODERNISING THE GPAA**

The Modernisation Programme and its predecessor the Service Delivery Improvement Programme or SDIP, which has been active for some time, was accelerated during the 2014/15 financial year. The processes, planning, and achievements within this programme are discussed below.

The main purpose of the modernisation initiative was to transform the administration's operations and service delivery by re-engineering and automating key business processes, as well as improving staff efficiency and effectiveness

through process innovation and Human Capital Management (HCM) interventions. Modernisation is to be the vehicle used in the journey towards a sustainable organisation that fulfills government and legislative mandates.

During the past financial year, the programme delivered the following outputs:

### **eChannel (online submission of exit documentation) and BPA (Benefits Payment Automation)**

These have resulted in a reduction of turnaround time of benefit payments. This was primarily due to eliminating the time spent couriering the documents from the employer to the GPAA and the reduction of errors with the exit documentation due to online validation. Currently, employers representing 87% of GEPF's membership have adopted eChannel. The first phase of BPA is about to be re-launched on the refurbished Portal.

### **Outreach and Customer Liaison Officers (CLOs)**

Eleven specialised vehicles to support the mobile units have been operational since the first quarter of the 2014/15 financial year. Two Satellite Offices were established in Thohoyandou and Phuthaditjhaba, and a third is being established in Rustenburg. Twenty-two additional Client Liaison Officers (CLOs) have been appointed and deployed to the regions and all CLOs have been assessed and provided with further training and capacitation. There has already been a 100% increase in the number of claims addressed per month by Outreach since the deployment of the vehicles. It is too early to reflect any service improvements, due to the new satellite offices.

### **Organisational structure: Human Capital Management (HCM)**

The analysis of the organisational structure has been completed and the GPAA is undergoing a series of consultations with employees. A capacity model was developed to determine the number of positions within the newly proposed structure.

## ADMINISTRATION (CONTINUED)

Job descriptions were drafted of which 90% are completed. Non-technical skills assessments were completed for levels 9 to 14 and the results are being incorporated into the workplace skills plan for 2015/16.

The second part of the skills assessments which focused on technical skills, commenced in mid-May after approval of the organisation structure and jobs. The technical assessments are dependent on the finalisation and approval of the job descriptions as they are specific to job categories.

### Core Business Process Mapping (BPM)

A total of 90% of the core business processes were mapped (as-is) and 80% are currently being re-engineered (to-be). The to-be processes have been validated in line with the technology being introduced through the Technical Architecture Design (TAD) implementation.

### Call Centre Optimisation

A hosted solution for the Call Centre was established to replace obsolete technology and the call and walk-in centres were relocated to the Kingsley Centre building in Arcadia, Pretoria. The walk-in centre has been receiving double the number of customers since the relocation. The Call Centre is facing challenges to improve productivity, partially due to the increase in the number of enquires.

### Implementation of the Technical Architecture Design (TAD) and ICT Refresh

The solution implementation partner for the TAD was appointed and key work-packages have been implemented. These include a benchmarking of pension administration functions, the design of the technical solution, and the completion of three key functional designs for the Customer Relationship Management (CRM), Enterprise Content Management (ECM), and Identity and Access Management Systems (IAM) for the new

architecture. Key infrastructure, including the Oracle Super-Cluster, a mainframe to support the core pension administration platform (CIVPEN), and new hardware (blade servers) were acquired and are being hosted both on-site and at a disaster recovery (DR) location.

The new technology now provides the GPAA with both production and DR infrastructure that have been on standby since the beginning of the year. The new technology provides significant redundancy of systems (equivalent to a 200% improvement) and improved productivity when the current applications are operating on the new systems.

## TANGIBLE RESULTS OF MODERNISATION

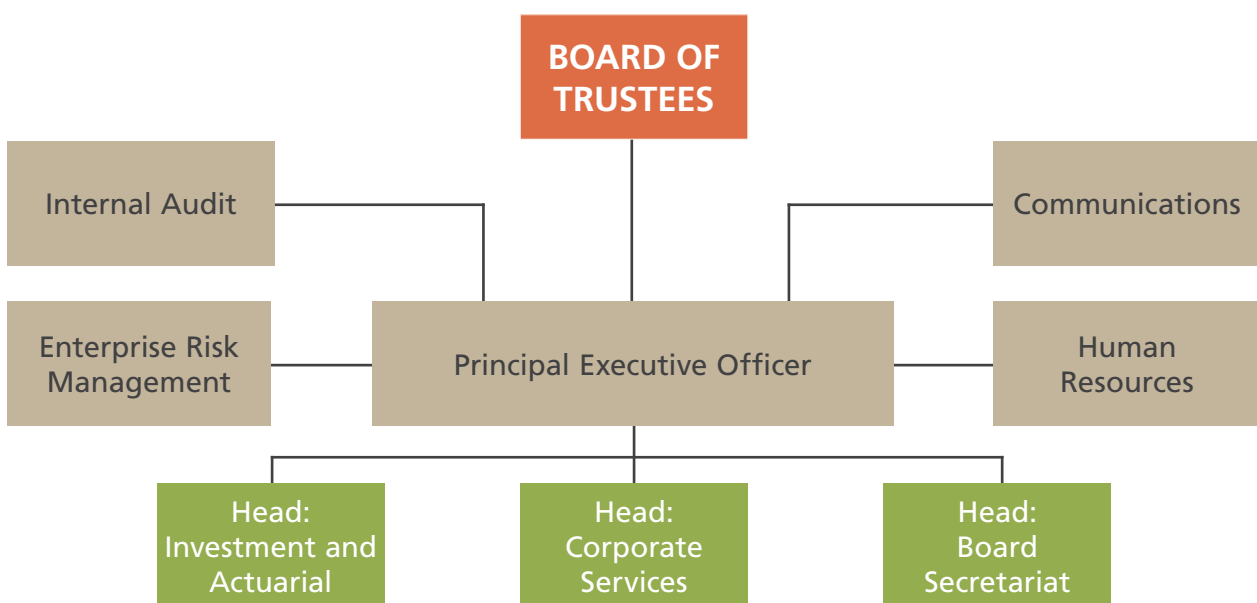
With all the efforts that the GPAA is putting into bringing its systems and processes up to date, there is still work to be done on improving everyday service delivery and improving the skills and motivation levels of employees.

The GPAA has started seeing a number of concrete positive results in its modernisation investments, as discussed above. In the fourth quarter of 2014/15 it was able to pay 100% of benefits accurately (the right amount to the right person), with 92% of benefits paid on time after receipt of duly completed documentation.

## OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER

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

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



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

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

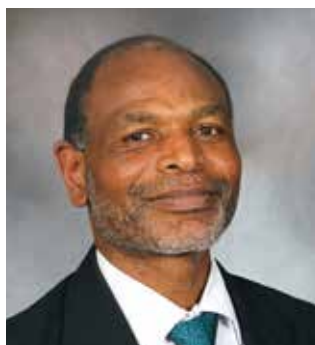
The Head of Board Secretariat ensures that the Board practices good governance at all times, provides guidance to the Board on the duties of the Trustees, ensures that the Trustees are adequately inducted and trained, and provides an executive secretariat function to the Board and its committees.

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

## OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER (CONTINUED)

### EXECUTIVE MANAGEMENT

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**Mr Abel Sithole**

**Principal Executive Officer**

- MA (International Relations) Stellenbosch
  - MPhil (Futures Studies) Stellenbosch
  - MBA Witwatersrand
  - Fellow: Institute of Life and Pension Advisors
  - Chartered Financial Planner
- 



**Ms Adri van Niekerk**

**Head: Board Secretariat**

- B Admin (Hon) Public Management – University of Pretoria
  - B Admin Public Management – University of Pretoria
  - Member of Integrated Reporting Committee of South Africa
  - Fellow of the Institute of Directors in Southern Africa (IoDSA)
  - Member of International Corporate Governance Network (ICGN)
- 



**Mr Hemal Naran**

**Head: Investment and Actuarial**

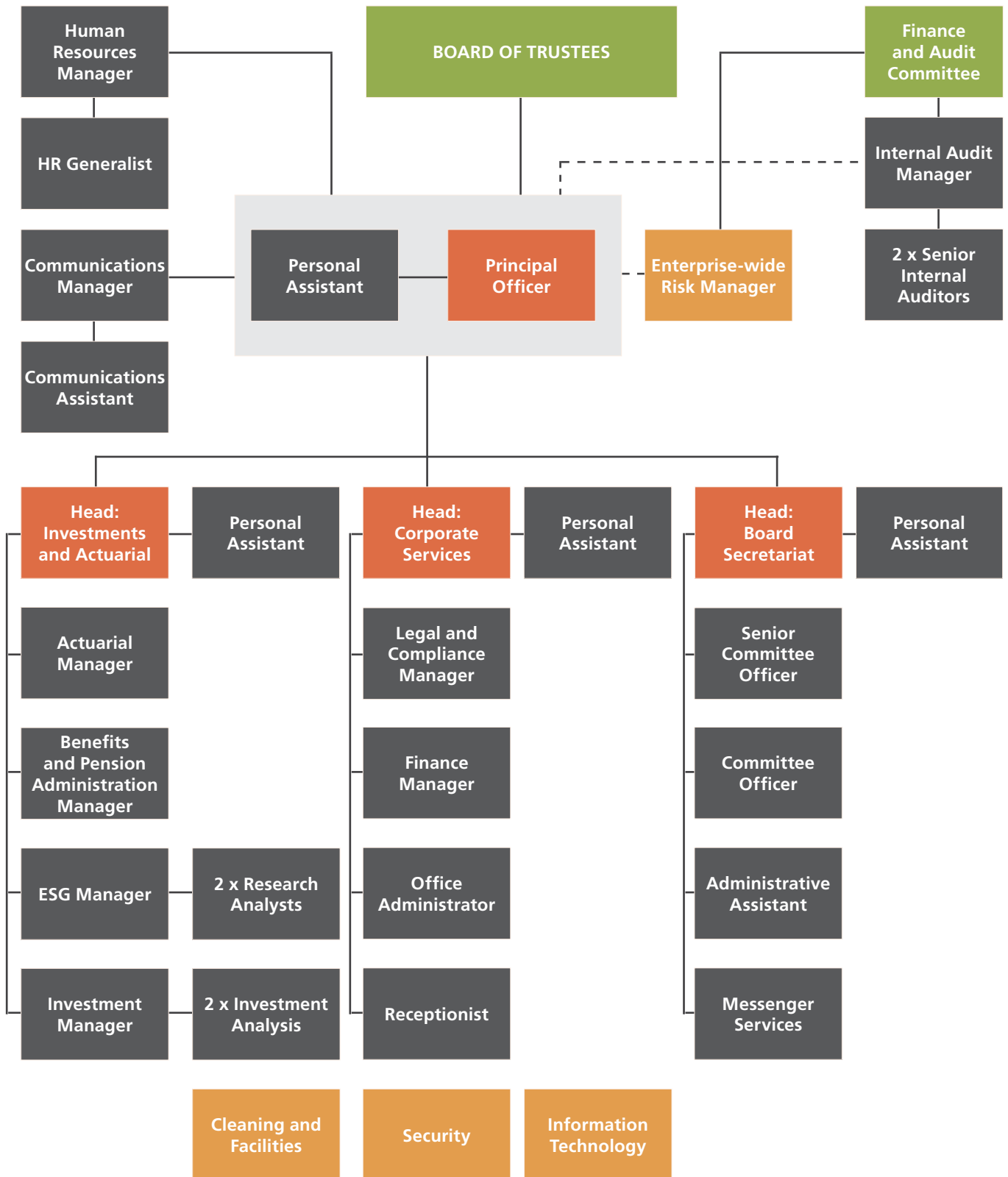
- BCom (Actuarial Science and Insurance and Risk Management) – University of Witwatersrand
  - Investment Management Certificate – CFA Society, UK
  - Chartered Alternative Investment Analyst (CAIA) Charter Holder
  - Member of Investment Committee of the Pan African Infrastructure Development Fund (PAIDF)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



**Ms Joelene Moodley**

**Head: Corporate Services**

- B Proc – University of Durban, Westville
  - LLB – University of Durban, Westville
  - LLM (Corporate Law) – University of Pretoria
  - Advanced Programme in Risk Management – Unisa
-



## OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER (CONTINUED)

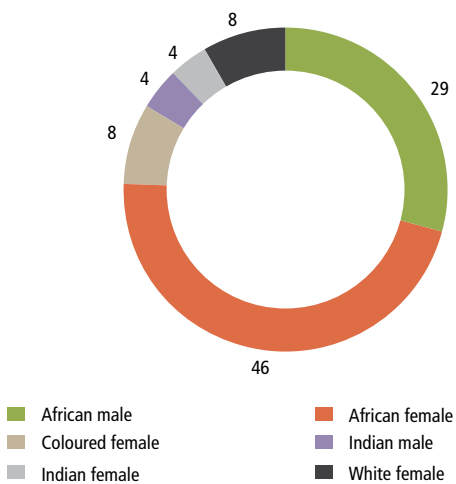
### EMPLOYMENT EQUITY

31 March 2015												
Level	African		Coloured		Indian		White		Total		Total filled	Vacant
	M	F	M	F	M	F	M	F	M	F		
Top management*	1								1		1	
Senior management					1	1		1	1	2	3	
Professional – middle management	4	3		1					4	4	8	2
Skilled	1	3							1	3	4	4
Semi-skilled		5		1				1	0	7	7	1
Unskilled	1								1	0	1	
Total	7	11		2	1	1		2	8	16	24	7
Percentage (%)	29	46	–	8	4	4		8	33	67		

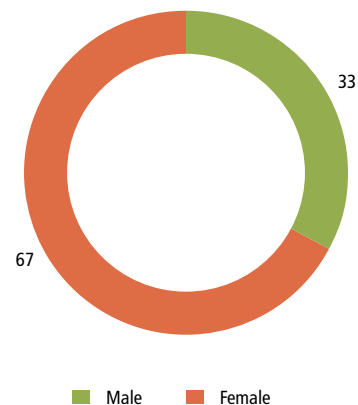
\* Mr A Sithole was appointed on 1 April 2015.

### EMPLOYMENT EQUITY BY RACE AND GENDER

Employment equity by race (%)



Employment equity by gender (%)



The GEPF approved employment equity goals and targets that will assist the organisation to align its demographics with the South African national demographics profile.

## REMUNERATION REPORT

### Remuneration philosophy

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

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

During the past year the GEPF has developed a Total Reward Strategy, revised the Remuneration Policy and the Performance Management Policy, and obtained approval for the segmentation of the workforce in its critical workforce segmentation review.

### Remuneration policy

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

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

### Pay benchmarking

The GEPF is aware of the need to minimise any negative impact that changes to the reward structures may have on the level of service efficiency we provide. During 2014, the GEPF subscribed to and participated in two reputable South African

remuneration surveys to obtain information which would identify the Fund's position in the market, and inform the remuneration philosophy and policies and practices in terms of fixed and variable remuneration. Members of the Remuneration Committee (Remco) have access to information that informs their independent judgement on the possible effects that remuneration may have on compliance with risk, regulatory and behavioural controls.

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

### Remuneration package

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

## EXECUTIVE REMUNERATION AND PERFORMANCE MANAGEMENT

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

Executive remuneration is reflected in the table below:

R	Total cost to company	Performance bonuses
Mr John Oliphant	1 929 687	
Ms Joelene Moodley	1 889 706*	163 863
Ms Adri van Niekerk	1 036 234	283 754
Mr Hemal Naran	1 882 508	519 480
<b>Total</b>	<b>6 738 135</b>	<b>967 097</b>

\* This amount includes Acting allowance (R755 567) as Acting Principal Executive Officer.

## ACTUARIAL VALUATION

### FUNDING OF LIABILITIES

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

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

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

Funding level of liabilities		
Date	Funding level	Valuator
1 May 1996	72,3	Ginsberg, Malan, Carson
31 March 1998	96,5	NBC Employee Benefits
31 March 2000	96,1	NBC Employee Benefits
31 March 2001	98,1	NBC Employee Benefits
31 March 2003	89,4	Alexander Forbes Financial Services
31 March 2004	103,9	Alexander Forbes Financial Services
31 March 2006	128,2	Alexander Forbes Financial Services
31 March 2008	115,2	Alexander Forbes Financial Services
31 March 2010	108,7	Alexander Forbes Financial Services
31 March 2012	102,7	Towers Watson
31 March 2014	121,5	Towers Watson

### FUNDING OF LIABILITIES AND RESERVES

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

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

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

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

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



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

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

## VALUATION ASSUMPTIONS AS AT 31 MARCH 2014

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

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

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

## VALUATION RESULTS AS AT 31 MARCH 2014

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

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

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

## ACTUARIAL VALUATION (CONTINUED)

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

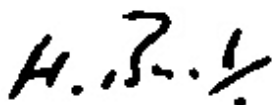
In terms of the policies adopted by the Trustees, the reserves established as at 31 March 2014 are limited to the amount affordable by the Fund, namely R252 203 million. On this basis 46,6% of the recommended reserves could be held. As at 31 March 2012, a reserve of R27 330 million was affordable (or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

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

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

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

The shortfall in the required contribution rate is expected to amount to some R3 200 million over the next year and can be afforded from the excess of the assets over the best-estimate liabilities.



**Howard Buck**  
Valuator to the Fund

6 October 2015

## THE YEAR AHEAD

In the coming year, 2015/16, the GEPF will continue to pursue objectives against its five strategic outcomes.

### OPTIMISING THE OPERATIONAL MODEL

The GEPF and the GPAA will revise their Service Level Agreement (SLA) and Administrative Agreement to set higher standards of service delivery by the GPAA, which should enhance the Fund's members' and pensioners' overall customer experience. We are also working closely with our main investment manager, the PIC, to ensure that the GEPF gets the highest possible returns on its investments at the lowest possible cost.

### STAKEHOLDER RELATIONSHIPS

Over the next reporting period, the GEPF will focus on member and pensioner communication and education with specific emphasis on financial literacy. The GEPF is alarmed that a substantial number of our members and pensioners fall prey to unscrupulous persons who give them poor guidance regarding their retirement options and investments of their gratuity. Some members are even advised to resign instead of retiring from the Fund a few months before their retirement date. Members are also misinformed with regard to the retirement reform process which relates to funds regulated through the Pension Funds Act while the GEPF is regulated through its own law.

The GEPF will pay close attention to ensuring that the existing mechanisms to reach members such as client liaison officers as well as mobile offices operating in the rural areas bring services closer to pensioners and members.

### MEMBER BENEFITS

The Board is considering a number of benefit enhancements such as establishing a benefit preservation, additional voluntary contributions facilities and a orphans pension that also covers those who have lost a single parent and not only both as is currently the case. This year the focus will be on finalising the consultation process with all stakeholders to enable the Fund to implement some of these benefit enhancements.

### RESPONSIBLE INVESTMENT

The primary reason of investment is to ensure that the Fund earns returns to meet the benefits of its members and pensioners. However, the GEPF's Investment Policy acknowledges a number of secondary investment objectives such as; the financing of emerging sectors of the South African economy and of promoting economic well-being in Africa generally, the development of the capacity and intellectual capital of the investment management industry in South Africa by subcontracting portions of the portfolio for management by licensed investment managers owned and operated by black people or BEE companies. Significant investments will be earmarked for the four pillars of economic

## **THE YEAR AHEAD (CONTINUED)**

and social infrastructure, the green economy, enterprise development, job creation and B-BBEE. These investments will be made in order to generate the highest possible returns but still have a positive social and environmental impact. The Fund is working closely with the PIC to identify the social and environmental indicators against which these investments will be evaluated.

## **THE GEPF AS AN EMPLOYER OF CHOICE**

There will be continued efforts to ensure that GEPF can attract and retain the best resources in the market. To this end the GEPF will focus on the review of its organisational structure and the development of a succession plan for the executive positions within the Fund.

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# ANNUAL FINANCIAL STATEMENTS

# STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

for the year ended 31 March 2015

## RESPONSIBILITIES

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

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

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

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

The annual financial statements set out on pages 76 to 121 were prepared in accordance with:

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

The independent auditors, Deloitte & Touche and Nexia SAB&T, have reported on these financial statements. During their audit, the auditors were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The annual financial statements have been audited by the independent auditors and the report of the independent auditors is presented on pages 72 and 73.

These audited annual financial statements were approved by the Board of Trustees on 17 September 2015 and were signed on its behalf by:



**Dr Renosi Mokate**  
Chairperson

6 October 2015



**Mr Prabir Badal**  
Vice Chairperson

6 October 2015

# THE FINANCE AND AUDIT COMMITTEE REPORT

for the year ended 31 March 2015

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

The FA-C's responsibilities are summarised below:

- Examine and review the quality (adequacy, reliability and accuracy) of GEPF's annual financial statements and interim financial statements.
- Make recommendations to the Board regarding the approval of the annual financial statements, as well as the adoption of the interim financial statements.
- Review of the effectiveness of the internal control systems.
- Ensure that executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified in internal and external audits.
- Oversee the functioning of the internal audit unit of the Fund through the revised internal audit charter, methodology and the internal audit three-year rolling plan.
- Oversee the coordination of activities between GPAA and GEPF internal audit to ensure there is no duplication of activities. Also oversee coordination with the external auditors, and receiving the reports of significant findings of GPAA's internal audit and ensuring that management of GPAA implement agreed management actions.
- Ensure that an external audit firm is appointed to conduct the annual external audit for the 2014/15 financial year and ensure their independence and objectivity.
- Oversee the risk management function of the Fund and ensuring the separation of this function from internal audit to ensure the independence of internal audit.

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

The FA-C has evaluated the financial statements of the GEPF for the year ended 31 March 2015. Based on the information provided, they comply, in all material respects, with the Fund's stated accounting policies, the provisions of the GEP Law (21 of 1996), the GEPF Rules and the regulatory framework, which the Board adopted based on the FA-C's recommendation.

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



**Mr Prabir Badal**

*Chairperson: Finance and Audit Committee*

6 October 2015

# RISK MANAGEMENT STATEMENT

for the year ended 31 March 2015

## INTRODUCTION

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

## MANDATE

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

- The requirements of section 6 and 7 of GEP Law and Rules;
- The Pension Fund's guideline for good governance, known as PF130, issued by the Financial Services Board (FSB);
- Codes of good corporate governance, including the King III code and the code issued by the Committee of Sponsoring Organisations (COSO) – an internationally accepted framework for good governance;
- ISO 31000:2009, Risk management – Principles and guidelines; and
- Other relevant legislation.

The enterprise risk management policy and framework is in line with ISO 31000:2009, Risk management – Principles and guidelines. An updated risk register was approved by the FA-C and the Board in December 2014.

## RESPONSIBILITY

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

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

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

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



## **MONITORING**

Progress on risk management actions and controls was reported to the executive management committee and to the FA-C. Independent monitoring of the risk management function and progress is performed by internal audit through a risk-based audit approach and assurance was provided that the controls are adequate and effective in mitigating risk.

## **CONCLUSION**

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

# REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF TRUSTEES

for the year ended 31 March 2015

We have audited the annual financial statements of the GEPF, which comprise the report of the Board, the statement of net assets and funds as at 31 March 2015, 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 80 to 121.

## TRUSTEES' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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

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

## AUDIT OPINION

In our opinion the annual financial statements of the GEPF for the year ended 31 March 2015 are prepared, in all material respects, in accordance with the GEPF's stated accounting policies, the provisions of the GEP Law, 21 of 1996, and the rules of the GEPF.

## RESTRICTION ON USE

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

## OTHER MATTERS

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

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

With reference to section 13(14) of the GEP Law, 21 of 1996, as amended, we concur with the matters highlighted by the Board of Trustees 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*

**Deloitte & Touche**  
Registered Auditors

**Per D Munu**  
Partner

Johannesburg

6 October 2015

*Nexia SAB&T*

**Nexia SAB&T**  
Registered Auditors

**Per A Darmalingam**  
Director

Pretoria

6 October 2015

# REPORT OF THE VALUATOR

as at 31 March 2014

## PARTICULARS OF FINANCIAL CONDITION OF THE FUND

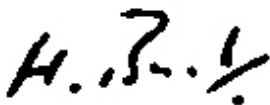
1. Net assets available for benefits amounted to R1 425 719 million as at 31 March 2014.
2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement and other benefits, amounted to R1 425 719 million as at 31 March 2014.
3. The actuarial present value of promised retirement and other benefits in respect of contributing members amounted to R878 721 million as at 31 March 2014.
4. The actuarial present value of promised retirement and other benefits in respect of S-case members and exits in progress amounted to R18 155 million as at 31 March 2014.
5. The actuarial present value of retirement benefits in respect of pensioners and deferred pensioners amounted to R263 558 million as at 31 March 2014.
6. The data and past discriminatory practices reserves were considered as “liabilities” for the purposes of the valuation and were fully funded.

The full value of the contingency reserve accounts, including the solvency reserve, amounted to R541 375 million as at 31 March 2014. The affordable level of these contingency reserves amounted to R252 203 million as at 31 March 2014.

In summary, the assets of the Fund therefore exceed the best-estimate liabilities in respect of benefits for members and pensioners, ie the Fund is solvent. In addition, the Fund is able to set up contingency reserves to meet both known and unknown contingencies of R252 203 million. On a conservative basis and if affordable, the Fund would have ideally set up contingency reserves of R541 375 million.

7. Details of the valuation method adopted (including that in respect of contingency reserves) and details of any changes since the previous summary of report.
  - As for the previous valuation, the Projected Unit Method was used to determine past service liabilities and the future service contribution rate.
  - Under the Projected Unit Method, the present value of benefits that have accrued to members in respect of service prior to the valuation date is compared with the value of the Fund’s assets. Allowance is made in the valuation of the accrued benefits for estimated future salary increases, ill-health retirements and deaths.
  - A liability of R18 155 million was set aside in respect of S-case members and exits in progress. This liability is in respect of members who have left the Fund and the benefit due to them is yet to be paid and is not yet provided for in the financial statements of the Fund.
  - A reserve of R6 492 million was set aside in respect of previous discriminatory practices. This reserve was obtained from the financial statements, being the accumulated value of one per cent (1%) of the funding level in 1998, less amounts already utilised to fund discriminatory practices.
  - A reserve of R6 590 million was set aside in respect of errors or omissions in the valuation data. This reserve was set at a level of 0,75% of the contributing member liability.
  - A reserve was held to provide for mortality improvements for all members:
    - For pensioners, current mortality rates have been set equal to the mortality rates calculated in the experience investigation dated 31 March 2012 with an allowance for mortality improvements determined using the mortality assumption rated down one and a half years.
    - For active members, current mortality rates have been set equal to the mortality rates calculated in the same experience investigation with an allowance for mortality improvements determined using the mortality assumption rated down two and a half years.

- The solvency reserve has been set based on modelling by asset consultants. This model is broadly based on a 1 in 10-year (10%) probability of the funding level falling below a certain level.
  - A reserve was also determined at the valuation date to fund the increase in the active member and pensioner liabilities and increase in the required contribution rate as a result of the Trustees seeking to exercise greater discretion in granting pension increases equal to 100% of CPI.
  - When the above contingency reserves (excluding the data and past discriminatory practice reserves) were set up, it was not the intention of the Trustees to hold such reserves if they will place the fund into a deficit funding level position. As at 31 March 2014, the Fund could only afford to hold a total of R252 203 million as contingency reserves. On this basis 46,6% of the desired level of contingency reserves could be held.
8. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.
- Net pre-retirement discount rate: 3,24% per annum (previously 3,25% per annum).
  - Post-retirement net discount rate: 5,59% per annum for actives and current pensioners (previously 5,50% per annum).
  - Post-retirement mortality: Rates based on experience of GEPF mortality over 1 April 2008 to 31 March 2012. These rates are different to those used for the 2012 statutory valuation which were based on an experience analysis carried out for the Fund over the period to 31 March 2008.
  - Salary increases: 7,90% per annum (previously 7,70% per annum). It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 6,90% per annum (previously 6,70% per annum). In addition, an allowance is made for merit salary increments.
  - Proportion married: Assumptions have been made regarding proportions of members who are married at each age. The age difference between males and females is assumed to be four years, with males older than their female counterparts.
  - Expenses: An allowance for future administration expenses of 0,3% of annual pensionable salary was made.
9. Any other particulars deemed necessary by the valuator for the purposes of this summary: None.
10. The Fund does not fall under the ambit of the Pension Funds Act, 1956, since it is governed by its own statute. However, in terms of the Fund's own Funding Level Policy, the Fund was considered to be financially sound in that assets were equal to accrued liabilities and contingency reserves (at 46,6% of the desired level) on a best-estimate basis.



**Howard Buck**

Fellow of the Actuarial Society of South Africa

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

In my capacity as valuator to the Fund

July 2015

# REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 March 2015

## 1. DESCRIPTION OF THE FUND

### 1.1 Type of fund

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

### 1.2 Benefits

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

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

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

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

### 1.3 Contributions

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

### 1.4 Reserves

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

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

<b>Reserve account balance</b>	<b>2015 R'000</b>	<b>2014 R'000</b>
Ciskei Strikers	<b>154 961</b>	150 451
General Assistants	<b>100 282</b>	94 444
Other past discriminatory practices	<b>7 286 926</b>	6 397 900
<b>Total balance at end of year</b>	<b>7 542 169</b>	6 642 795

## 1.5 Rule amendments

No rule amendments were effected during the year under review.

## 1.6 Board of Trustees

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

## 2. INVESTMENTS

### 2.1 Management of investments

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

- Aeon Investment Management (Pty) Ltd.
- Argon Asset Management (Pty) Ltd.
- Black Rock Advisors UK Ltd.
- Coronation Asset Management (Pty) Ltd.
- First Avenue Investment Management (Pty) Ltd.
- International Bank for Reconstruction and Development.
- Investec Asset Managers (Pty) Ltd.
- JM Busha Asset Managers (Pty) Ltd.
- Kagiso Asset Managers (Pty) Ltd.
- Legacy Africa Fund Managers (Pty) Ltd.
- Mazi Capital (Pty) Ltd.
- Meago (Pty) Ltd.
- Mergence Africa Investments (Pty) Ltd.
- Mianzo Asset Management (Pty) Ltd.
- Mvunonala Asset Managers (Pty) Ltd.
- Perpetua Investment Managers (Pty) Ltd.
- Prudential Portfolio Managers (Pty) Ltd.
- Sanlam Investment Managers (Pty) Ltd.
- Sentio Capital Management (Pty) Ltd.
- Vunani Fund Managers (Pty) Ltd.

## REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

for the year ended 31 March 2015

### 2. INVESTMENTS (CONTINUED)

#### 2.1 Management of investments (continued)

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

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

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

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

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

<b>Asset classes</b>	<b>Guideline %</b>	<b>Actual % At 31 March 2015</b>
Cash and money markets	0 – 8	2
Domestic bonds	26 – 36	32
Domestic property	3 – 7	5
Domestic equity	40 – 55	54
Africa (ex SA) equity	0 – 5	1
Foreign bonds	0 – 4	2
Foreign equity	1 – 5	4
<b>Total</b>	<b>100</b>	<b>100</b>

#### 2.3 Other investments not in the name of the GEPF

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

### 3. MEMBERSHIP

The GEPF's membership as at 31 March 2015 consisted of 1 266 101 (2014: 1 276 753) government and parastatal employees, as well as 406 395 (2014: 391 071) pensioners receiving monthly annuity benefits.



#### **4. ACTUARIAL VALUATION**

An actuarial valuation of the GEPF is conducted at least every three years as prescribed in section 17(3) of the GEP Law. The latest actuarial valuation was performed as at 31 March 2014 based on the funding policy adopted by the Board in consultation with the Minister of Finance. This funding policy provides for evaluation of the liabilities on a long-term best estimate basis and the establishment of a solvency reserve to allow for funding, investment risks and uncertainty relating to future public service remuneration and employment. The required level of solvency was calculated independently by Towers Watson (Pty) Ltd based on a detailed asset-liability study. In terms of the Fund's own funding level policy, the Fund was considered to be financially sound in that assets were equal to accrued liabilities and contingency reserves (at 19% of the desired level) on a best estimate basis.

#### **5. SUBSEQUENT EVENTS**

The GEPF has appointed Mr Abel Sithole to the position of the Principal Executive Officer (PEO) of the Fund with effect from 1 July 2015. Mr Abel Sithole has been the Acting PEO since 1 April 2015. Two executive managers, Ms J Moodley, Head: Corporate Services and Mr H Naran, Head: Investments and Actuarial have resigned from the GEPF.

The Finance and Audit Committee has appointed two independent specialists, Mr R Morris and Mr J Raphela, to serve on the committee with effect 11 May 2015 for a three-year period. Their appointment augments the current skills and expertise of the Committee.

#### **6. SIGNIFICANT MATTERS**

On 9 December 2014, GEPF appointed Standard Bank of South Africa (SBSA) as the master custodian for the GEPF. As the appointed master custodian, SBSA will provide accounting and record keeping services in respect of all GEPF investment portfolios and act as its agent for the safekeeping and handling of securities. SBSA will also provide performance and risk reporting and compliance monitoring functions to the GEPF. Subject to the conclusion of a written contract, the appointment is deemed to be effective from 1 April 2015.

# STATEMENT OF NET ASSETS AND FUNDS

as at 31 March 2015

	Notes	2015 R'000	2014 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
		<b>1 596 503 855</b>	1 422 910 682
Equipment	2	5 002	6 172
Investments	3	<b>1 596 498 853</b>	1 422 904 510
<b>Current assets</b>			
		<b>26 961 312</b>	27 040 586
Funding loan	4	6 716	6 716
Accounts receivable	5	6 192 273	6 365 748
Transfers receivable	11.2	1 521	4 261
Contributions receivable	6	4 451 627	5 456 338
Cash and cash equivalents	7	<b>16 309 175</b>	15 207 523
<b>Total assets</b>			
		<b>1 623 465 167</b>	1 449 951 268
<b>Funds and liabilities</b>			
<b>Funds</b>			
		<b>1 583 799 760</b>	1 419 075 891
Accumulated funds		<b>1 583 799 760</b>	1 419 075 891
<b>Reserves</b>			
		<b>7 542 169</b>	6 642 795
Reserve accounts	8	<b>7 542 169</b>	6 642 795
<b>Total funds and reserves</b>			
		<b>1 591 341 929</b>	1 425 718 686
<b>Non-current liabilities</b>			
		<b>546 236</b>	574 270
Unclaimed benefits	9	<b>546 236</b>	574 270
<b>Current liabilities</b>			
		<b>31 577 002</b>	23 658 312
Benefits payable	10	30 251 288	22 270 952
Transfers payable	11.1	2 000	848
Accounts payable	12	1 320 611	1 384 030
Provisions	13	3 103	2 482
<b>Total funds and liabilities</b>			
		<b>1 623 465 167</b>	1 449 951 268

## STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

for the year ended 31 March 2015

	Notes	Accumulated funds R'000	Reserve accounts R'000	<b>Total 2015 R'000</b>	Total 2014 R'000
<b>Net income before transfers and benefits</b>		253 634 161	–	<b>253 634 161</b>	240 847 684
Contributions received and accrued	6.2	56 486 991	–	<b>56 486 991</b>	50 495 008
Purchase of periods of service	14	36 300	–	<b>36 300</b>	32 096
Net investment income	15	197 428 738	–	<b>197 428 738</b>	190 519 994
Other income	16	652 145	–	<b>652 145</b>	623 620
Less: Administrative expenses	17	(970 013)	–	<b>(970 013)</b>	(823 034)
<b>Transfers and benefits</b>		(88 006 128)	(4 790)	<b>(88 010 918)</b>	(59 488 884)
Benefits	10 & 8	(85 789 429)	(4 790)	<b>(85 794 219)</b>	(57 863 495)
Transfers to other funds	11.1	(274 479)	–	<b>(274 479)</b>	(27 747)
Transfers from other funds	11.2	12 448	–	<b>12 448</b>	(22 722)
Interest paid	18	(1 954 668)	–	<b>(1 954 668)</b>	(1 574 920)
<b>Net income after transfers and benefits</b>		165 628 033	(4 790)	<b>165 623 243</b>	181 358 800
<b>Net income for the year</b>		165 628 033	(4 790)	<b>165 623 243</b>	181 358 800
<b>Funds and reserves</b>					
Balance at beginning of the year		1 419 075 891	6 642 795	<b>1 425 718 686</b>	1 244 359 886
Transfer of net investment return to reserves	8	(904 164)	904 164	–	–
<b>Balance at end of the year</b>		1 583 799 760	7 542 169	<b>1 591 341 929</b>	1 425 718 686

## CASH FLOW STATEMENT

for the year ended 31 March 2015

	Notes	2015 R'000	2014 R'000
<b>Cash flow from operating activities</b>			
Cash generated from operations	20	(37 982 672)	(3 250 245)
Contributions and other income received		58 143 847	53 459 588
Benefits paid during the year		(78 374 587)	(52 214 950)
Other expenses paid		(17 751 932)	(4 494 883)
Interest received		35 507 949	33 033 165
Interest paid		(1 421 999)	(1 204 459)
Dividends received		27 033 433	25 458 009
Transfers and bought services received/(paid)		(236 115)	9 221
<b>Net cash inflow from operating activities</b>		<b>22 900 596</b>	<b>54 045 691</b>
<b>Net cash outflow from investing activities</b>			
Additions to equipment		(739)	(5 265)
Additions to investments		(21 798 205)	(44 510 011)
<b>Net increase in cash and cash equivalents</b>		<b>1 101 652</b>	<b>9 530 415</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>15 207 523</b>	<b>5 677 108</b>
<b>Cash and cash equivalents at end of the year</b>	7	<b>16 309 175</b>	<b>15 207 523</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2015

## 1. PRINCIPAL ACCOUNTING POLICIES

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

### 1.1 Basis of presentation of financial statements

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

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

### 1.2 Equipment

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

Equipment is stated at historical cost less accumulated depreciation.

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

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 1.3 Financial instruments

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

##### 1.3.1 Classification

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

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

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

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

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

###### 1.3.1.1.2 Loans and receivables

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

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

###### 1.3.1.2 Financial liabilities

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

##### 1.3.2 Recognition

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

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

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

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

### 1.3.3 Measurement

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

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

#### 1.3.3.1 Equities

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

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

##### Listed equities

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

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

##### Unlisted equities

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

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

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

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

#### 1.3.3.2 Preference shares

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 1.3 Financial instruments (continued)

##### 1.3.3 Measurement (continued)

###### 1.3.3.2 Preference shares (continued)

###### Listed preference shares

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

###### Unlisted preference shares

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

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

###### 1.3.3.3 Debentures

Debentures comprise unlisted debentures.

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

###### 1.3.3.4 Bills and bonds

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

###### Listed bonds

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

###### Unlisted bills

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



### **1.3.3.5 Investment properties**

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

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

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

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

### **1.3.3.6 Collective investment schemes**

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

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

### **1.3.3.7 Special investment products**

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

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

### **1.3.3.8 Direct loans**

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

### **1.3.3.9 Money market instruments**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 1.3 Financial instruments (continued)

##### 1.3.4 Derecognition

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

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

##### 1.3.5 Impairments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **1.4 Cash and cash equivalents**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 1.5 Accounts receivable

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

#### Purchased service

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

#### 1.6 Unclaimed benefits

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

#### 1.7 Accounts payable

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

#### 1.8 Provisions

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

#### 1.9 Contributions

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

#### 1.10 Purchase of service

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

#### 1.11 Dividend, interest, rentals and gains and losses on subsequent measurement

##### 1.11.1 Dividend income

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

### **1.11.2 Interest income**

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

### **1.11.3 Rental income**

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

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

### **1.11.4 Collective investment schemes distribution**

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

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

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

## **1.12 Transfers to and from the GEPF**

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

## **1.13 Interest payable to members exited from the GEPF**

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

## **1.14 Interest payable to dormant members**

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

## **1.15 Foreign exchange gains or losses**

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

## **1.16 Operating leases**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 1.17 Interest on late payments of contributions and/or loans and receivables

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

#### 1.18 Expenses incurred in managing investments

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

#### 1.19 Judgements and estimates

Critical judgements in applying the entity's accounting policies

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

##### Residual values and useful lives

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

##### Provision for impairment of receivables

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

##### Accumulated leave pay provision

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

##### Performance bonus provision

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

##### Fair value estimation

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

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

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

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

### **Key assumptions of estimations with uncertainty**

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

#### **Accrual for benefits payable**

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

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

Liabilities may exist for lawsuits by and against the 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.

## **1.20 Accounting policies, changes in accounting estimates and errors**

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

### **1.21 Reserves**

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

### **1.22 Benefits**

Benefits expenses are recognised 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.

### **1.23 Administration expenses and other expenses**

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

### **1.24 Contingent assets and liabilities**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 1.24 Contingent assets and liabilities (continued)

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 GEPPF, or it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

#### 1.25 Related parties

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

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

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



## 2. EQUIPMENT

	Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
<b>2.1 Current year, 2015</b>							
<b>Gross carrying amount</b>	1 455	805	2 909	2 930	656	3 333	12 088
At beginning of the year	1 309	311	2 885	2 855	656	3 333	11 349
Additions	146	494	24	75	–	–	739
<b>Accumulated depreciation and impairments</b>	(1 019)	(302)	(2 247)	(1 991)	(417)	(1 110)	(7 086)
At beginning of the year	(790)	(259)	(1 812)	(1 555)	(317)	(444)	(5 177)
Depreciation	(229)	(43)	(435)	(436)	(100)	(666)	(1 909)
<b>Net carrying amount at end of the year</b>	436	503	662	939	239	2 223	5 002
<b>2.2 Prior year, 2014</b>							
<b>Gross carrying amount</b>	1 309	311	2 885	2 855	656	3 333	11 349
At beginning of the year	1 054	311	2 188	1 875	656	–	6 084
Additions	255	–	697	980	–	3 333	5 265
<b>Accumulated depreciation</b>	(790)	(259)	(1 812)	(1 555)	(317)	(444)	(5 177)
At beginning of the year	(584)	(245)	(1 414)	(1 177)	(197)	–	(3 617)
Depreciation	(206)	(14)	(398)	(378)	(120)	(444)	(1 560)
<b>Net carrying amount at end of the year</b>	519	52	1 073	1 300	339	2 889	6 172

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 3. INVESTMENTS

#### 3.1 Investment summary

	Notes	Fair value 2015 R'000	Amortised cost 2015 R'000	Total 2015 R'000	Total 2014 R'000
Money market instruments*	3.1.1	–	15 080 443	15 080 443	43 858 316
Direct loans*	3.1.2	–	11 882 063	11 882 063	7 407 070
Bills and bonds**	3.1.3	533 437 023	–	533 437 023	459 427 717
Local		508 097 767	–	508 097 767	432 083 462
Foreign		25 339 256	–	25 339 256	27 344 255
Investment properties**	3.1.4	9 747 544	–	9 747 544	9 594 759
Equities**	3.1.5	953 510 587	–	953 510 587	841 842 861
Listed equities		907 798 462	–	907 798 462	803 387 637
Primary listings		720 624 855	–	720 624 855	602 680 798
Secondary listings		187 173 607	–	187 173 607	200 706 839
Unlisted equities		45 712 125	–	45 712 125	38 455 224
Local equities		39 573 378	–	39 573 378	36 523 589
Foreign equities		6 138 747	–	6 138 747	1 931 635
Preference shares**	3.1.6	–	–	–	910 968
Collective investment schemes**	3.1.7	72 841 193	–	72 841 193	59 862 819
Local instruments		113 528	–	113 528	122 653
Foreign instruments		72 727 665	–	72 727 665	59 740 166
<b>Total</b>		<b>1 569 536 347</b>	<b>26 962 506</b>	<b>1 596 498 853</b>	<b>1 422 904 510</b>

\* Classified as loans and receivables

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

#### Explanatory notes:

- Based on the revised strategic asset allocation which was approved by the Minister of Finance in the 2011 financial year, the Fund invested in foreign collective instruments and foreign bonds to the value of R98,1 billion (2014: R87,1 billion). These investments are managed by Black Rock Advisors UK Ltd and the International Bank for Reconstruction and Development.
- Included in the unlisted foreign equities above are investments in the PAIDF to the value of R2,5 billion. These infrastructure investments are in Seawolf Jackup Ltd, Aldwych Holdings Ltd, Essar Telecoms Kenya Holdings Ltd, Main One Cable Company Ltd, Main Street 652 (Pty) Ltd, Bongwe Investments (Pty) Ltd, TAV Tunisie SA, Socoprim and Lanseria International Airports. Additional investments to the value of R53,7 million were made in the current year.
- Money market instruments with original maturities of three months or less are classified as cash and cash equivalents.
- The details of the top 10 investments per investment category have been provided in the detailed schedules below and the balance is included in "other", where practicable. Investments which meet the top 10 criteria in one year and do not meet the criteria in another year, will be disclosed as zero and included in "other" in the year in which they do not meet the criteria. Details of the top 10 investments are disclosed per entity level not per instrument level.

### 3.1.1 Money market instruments

	<b>Amortised cost 2015 R'000</b>	Amortised cost 2014 R'000
<b>Certificate of deposits</b>	<b>410 596</b>	981 832
Development Bank of SA Ltd	<b>410 596</b>	981 832
<b>Fixed deposits</b>	<b>9 338 036</b>	37 610 333
Nedbank Ltd	<b>2 325 982</b>	9 098 221
Standard Bank Group Ltd	<b>2 225 394</b>	8 658 966
ABSA Group Ltd	<b>1 930 978</b>	8 582 832
First Rand Ltd	<b>1 818 151</b>	7 984 123
Investec Bank Ltd	<b>1 033 473</b>	3 282 133
Venda Building Soc Ltd	<b>4 058</b>	4 058
<b>Promissory notes</b>	<b>5 331 811</b>	5 266 151
Land and Agricultural Development Bank of SA	<b>5 233 741</b>	4 677 244
Sanlam Ltd	<b>98 070</b>	588 907
<b>Total</b>	<b>15 080 443</b>	43 858 316

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

##### 3.1.2 Direct loans

	Secured by	Amortised cost 2015 R'000	Amortised cost 2014 R'000
Industrial Development Corporation SOC Limited	Not secured*	2 070 887	1 034 833
Opiconsivia Investments 239 (Pty) Ltd	Second ranking security over all Afrisam assets	1 496 945	1 287 963
Independent News & Media (South Africa) (Pty) Ltd	Borrower cession and pledge in security, guarantee from Sekunjalo, pledge and cession of shares	896 448	791 452
Tanga Cement Company Limited	Cession and pledge of debenture and mortgage registered under Tanga Cement Company Limited	705 497	–
Bafepi Agri (Pty) Ltd	Borrower cedes and pledges its right, title and interest in and to the AgriGroupe shares, borrower shareholder loans and any claim against AgriGroupe to the lender	664 340	637 212
Acapulco trade and investments 164 (RF) Pty Ltd	Cession of equity and shareholders loan claim which Acapulco Trade and Investment 164 (Pty) Ltd has in Lanseria Holdings (Pty) Ltd	548 475	299 451
SAHL Investments Holding (Pty) Ltd	Shareholder guarantees	522 189	–
Business Venture Investments 1828 (Pty) Ltd	Cession and pledge over all the consortium shares in Texton Property Fund, securitatem debiti of all positive bank balances in the consortium; a put option written by Texton to acquire 100% of the shares ceded and pledged by the consortium; personal pledges by members of the consortium	448 060	–
Bakwena Platinum Corridor Concessionaire (Pty) Ltd	Suretyship, cession of bond and shares, shareholder loans, equity options and contracts, general notarial bond	409 218	408 444
Business Partners Ltd	Cession of loan book and bank account	402 199	402 133
Trust for Urban Housing Finance Loan		–	290 080
Menlyn Main		–	208 963
CBS Property Portfolio Ltd		–	366 171
Other		3 717 805	1 680 368
<b>Total</b>		<b>11 882 063</b>	<b>7 407 070</b>

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

### 3.1.3 Bills and bonds

	Issuer rating long term	Fair value 2015 R'000	Fair value 2014 R'000
<b>Bills</b>		<b>1 579 308</b>	3 836 009
Eskom Holdings Ltd	AA+	<b>1 579 308</b>	3 716 153
Republic of SA	AAA	–	119 856
<b>Commercial paper</b>		<b>559 231</b>	1 283 741
Barloworld Ltd	A+	<b>199 276</b>	100 644
Bidvest Group Ltd	A1	<b>198 764</b>	394 627
Macquarie Group SA Ltd	A2	<b>99 332</b>	249 480
Imperial (Pty) Ltd	A2	<b>61 859</b>	148 192
Toyota SA Ltd	A	–	199 264
Mercedes-Benz SA Pty Ltd	AA+	–	191 534
<b>Government bonds</b>		<b>331 533 327</b>	281 005 752
Republic of SA	AAA	<b>331 311 993</b>	280 793 498
Republic of Namibia	AA-	<b>221 334</b>	212 254
<b>Corporate bonds</b>		<b>30 763 300</b>	25 137 157
Standard Bank Group Ltd	AA	<b>8 979 293</b>	7 995 352
First Rand Ltd	AA	<b>4 360 522</b>	2 821 310
Pareto Ltd	A	<b>2 116 000</b>	899 045
ABSA Group Ltd	AAA	<b>1 894 149</b>	2 691 448
Old Mutual Life Assurance Ltd	AAA	<b>1 867 582</b>	1 159 735
Nedbank Ltd	AA	<b>1 853 160</b>	1 229 485
Mercedes-Benz SA Pty Ltd	AA+	<b>1 503 022</b>	1 218 747
MTN Group Ltd	AA	<b>1 041 073</b>	1 064 037
Investec Group Ltd	A+	<b>946 107</b>	713 217
The Thekwini Fund Ltd	AAA	<b>907 026</b>	–
African Bank Ltd	A2	–	1 140 211
Other	–	<b>5 295 366</b>	4 204 570
<b>Parastatal bonds</b>		<b>143 604 791</b>	120 760 455
Eskom Holdings Ltd	AAA	<b>66 636 860</b>	56 920 687
South African National Road Agency Ltd	A3	<b>24 530 935</b>	17 908 772
Transnet Ltd	AA	<b>21 986 400</b>	19 028 314
Development Bank of SA Ltd	AA	<b>13 750 380</b>	11 331 379
Trans-Caledon Tunnel Authority	AA+	<b>12 297 494</b>	12 040 356
City of Johannesburg	A3	<b>926 059</b>	753 454
City of Cape Town	A1	<b>781 505</b>	764 689
Airports Company SA	AA-	<b>616 461</b>	616 034
Telkom SA Ltd	A	<b>484 630</b>	498 685
Ekurhuleni Metropolitan Municipality	Aa2	<b>437 342</b>	423 459
Other	–	<b>1 156 725</b>	474 626
<b>Other bonds</b>		<b>57 810</b>	60 348
Lesotho Highlands	*	<b>57 810</b>	60 348
<b>Foreign bonds</b>		<b>25 339 256</b>	27 344 255
Black Rock Advisors (UK)	**	<b>20 995 050</b>	23 319 504
International Bank for Reconstruction and Development	**	<b>4 344 206</b>	4 024 751
<b>Total</b>		<b>533 437 023</b>	459 427 717

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

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

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

\* The Credit Risk Department of the PIC applied an AA+ rating to these bonds.

\*\* Foreign Bonds are held in a bond portfolio. The bond portfolio invests in a range of bonds with different credit ratings.

#### 3.1.4 Investment properties

	Fair value 2015 R'000	Fair value 2014 R'000
Residential properties	48 511	52 476
Industrial properties	1 435 650	1 398 000
Office properties	6 394 466	6 291 350
Retail properties	1 785 090	1 783 600
Specialised properties	81 250	82 200
Vacant land	265 864	237 735
Lease income accrual	(263 287)	(250 602)
<b>Total</b>	<b>9 747 544</b>	<b>9 594 759</b>

Name of property	Address	Valuation method	Date of last valuation	Pledged as guarantee	Fair value 2015 R'000	Fair value 2014 R'000
Trevenna	70 Meintjies Street Trevenna Pretoria	DCF	31/03/2015	No	623 500	622 450
Riverwalk Office Park	41 Matroosberg Street Ashlea Gardens Pretoria	DCF	31/03/2015	No	556 000	580 000
Vangate Shopping	Vanguard Drive Athlone Cape Town	DCF	31/03/2015	No	470 550	475 800
Discovery Health	3 Alice Lane Sandown Sandton	DCF	31/03/2015	No	266 000	308 500
Centre Square Development	Corner of Dallas Road and Aramist Road Menlyn Maine Pretoria	N/A	N/A	No	253 433	–
Webber Wentzel	10 Fricker Road Illovo Johannesburg	DCF	31/03/2015	No	251 000	238 200
GijimaAst Holdings	47 Landmarks Avenue Kosmosdal	DCF	31/03/2015	No	247 500	243 600
Joggie Vermooten	57 Joyner Road Prospection Isipingo Ext. 12 Durban	DCF	31/03/2015	No	232 800	213 500
Iparioli Office Park	1166 Park Street Hatfield	DCF	31/03/2015	No	222 429	234 200
Jakaranda Shopping Centre	Corner Michael Brink and Frates Streets Rietfontein	DCF	31/03/2015	No	200 720	202 000
The Wedge	255 Rivonia Road Morningside Sandton	DCF	31/03/2015	No	–	185 000
Other					6 686 899	6 542 111
Lease income accrual					(263 287)	(250 602)
<b>Total</b>					<b>9 747 544</b>	<b>9 594 759</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

##### 3.1.4 Investment properties (continued)

###### 3.1.4.1 Investment properties

	2015 R'000	2014 R'000
Balance at beginning of the year	9 845 361	9 678 077
Additions		
– Direct acquisition	201 566	422 773
– Capital expenditure	212 068	45 732
Disposals	(126 100)	–
Fair value adjustment	(122 064)	(301 221)
<b>Closing fair value</b>	<b>10 010 831</b>	<b>9 845 361</b>
Operating lease income accrual	(263 287)	(250 602)
<b>Balance at end of year</b>	<b>9 747 544</b>	<b>9 594 759</b>

An independent valuation of the investment properties was performed as at 31 March 2015. The properties were valued at fair value on the basis of the discounted cash flow method, using a risk-free rate adjusted for property risk. Additional adjustments were included for tenant risk, building factors, vacancies, rental reversions to market, property costs, tenant installations and capital expenditure. The key assumptions used by the valuers include the capitalisation rate and the discount rate. The discount rates reflect the risks inherent in the net cash flows and are constantly monitored by reference to comparable market transactions.

The independent valuation was performed by professional valuers from DDP Valuers 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 Equities

	Fair value 2015 R'000	Fair value 2014 R'000
Primary listing on the JSE	720 624 855	602 680 798
Secondary listing on the JSE	187 173 607	200 706 839
Unlisted equities	45 712 125	38 455 224
<b>Total</b>	<b>953 510 587</b>	<b>841 842 861</b>



	Total issued shares (number)	GEPP's Holding (number)	GEPP Holding %	Fair value 2015 R'000	Fair value 2014 R'000
<b>1. Primary listing on the JSE</b>				<b>720 624 855</b>	602 680 798
Naspers Ltd	419 203 740	63 859 645	15	<b>119 417 536</b>	79 800 837
MTN Group Ltd	1 847 410 539	304 632 719	16	<b>62 449 707</b>	68 620 305
Sasol Ltd	650 923 916	95 317 491	15	<b>39 287 010</b>	56 106 858
Standard Bank Group Ltd	1 620 125 947	212 746 926	13	<b>35 741 484</b>	30 169 774
Steinhoff International Holdings Ltd	3 541 407 971	416 639 639	12	<b>31 677 112</b>	16 907 181
First Rand Ltd	5 609 488 001	506 503 905	9	<b>28 283 178</b>	17 277 065
Sanlam Ltd	2 166 471 806	285 334 056	13	<b>22 361 630</b>	17 720 276
Remgro Ltd	481 106 370	81 017 093	17	<b>21 534 343</b>	17 383 149
Aspen Phamcare Holdings Ltd	456 348 537	50 820 025	11	<b>19 514 890</b>	14 919 033
Bidvest Group Ltd	335 163 151	53 211 459	16	<b>17 489 542</b>	12 641 073
Other	–	–	–	<b>322 868 423</b>	271 135 247
<b>2. Secondary listing on the JSE</b>				<b>187 173 607</b>	200 706 839
British American Tobacco PLC	2 026 693 029	55 929 014	3	<b>35 179 350</b>	33 532 951
SAB Miller PLC	1 675 670 012	48 097 662	3	<b>30 590 113</b>	30 722 672
Anglo American PLC	1 405 467 840	114 408 254	8	<b>21 022 517</b>	33 767 834
Old Mutual PLC	4 925 990 663	507 304 925	10	<b>20 429 169</b>	17 604 525
Richmont Securities AG	5 220 000 000	203 584 144	4	<b>19 892 207</b>	20 799 944
BHP Billiton PLC	2 136 185 454	68 582 349	3	<b>18 231 246</b>	27 165 772
Mondi Ltd	367 240 805	29 062 603	8	<b>6 771 586</b>	5 734 384
Reinet Investment S.C.A	1 959 412 860	250 077 128	13	<b>6 126 890</b>	6 138 584
Investec PLC	613 751 486	58 316 894	10	<b>5 922 664</b>	6 040 229
Intu Properties PLC	1 316 862 502	91 818 403	7	<b>5 745 996</b>	–
Dangote Cement PLC	–	–	–	–	3 949 749
Other	–	–	–	<b>17 261 869</b>	15 250 195
<b>3. Unlisted equities</b>				<b>45 712 125</b>	38 455 224
Pareto Ltd	3 459 251 062	3 459 251 062	100	<b>14 796 000</b>	15 262 000
Lexshell 44 General Trading (Pty) Ltd	200 000	100 000	50	<b>6 293 000</b>	5 655 000
Opiconsivia Investments 230 (Pty) Ltd	100	66	66	<b>4 794 000</b>	4 622 000
Community Property Fund**	–	–	58	<b>3 259 500</b>	3 118 623
MTN Nigeria	355 281 650	7 105 633	2	<b>2 802 327</b>	–
Pan African Infrastructure Development Fund**	–	–	40/98	<b>2 447 582</b>	1 931 635
ADR International Airports SA (Pty) Ltd	166 000	166 000	100	<b>2 270 000</b>	2 254 000
Housing Impact Fund of SA**	–	–	11	<b>641 992</b>	570 104
Libstar Holdings (Pty) Ltd	2 996 233	592 655	20	<b>623 921</b>	–
Smile Telecoms Holdings Ltd	39 123 064	3 008 564	8	<b>606 740</b>	–
Free World Coating Ltd	–	–	–	–	585 691
CBS Property Portfolio Ltd	–	–	–	–	539 863
Schools and Education Investment Impact Fund of SA	–	–	–	–	335 099
Other	–	–	–	<b>7 177 063</b>	3 581 209

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

##### 3.1.5 Equities (continued)

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

Name of lender	Description	Total assets %	Fair value 2015 R'000
PIC on behalf of GEPF	Astral Foods Ltd	–	5 396
PIC on behalf of GEPF	Assore Ltd	–	53 200
PIC on behalf of GEPF	Barloworld Ltd	–	68 252
PIC on behalf of GEPF	Billiton PLC	–	164 276
PIC on behalf of GEPF	British American Tobacco PLC	–	15 725
PIC on behalf of GEPF	Capital & Countries Properties PLC	–	33 258
PIC on behalf of GEPF	Compagnie Fin Richmond	–	157 324
PIC on behalf of GEPF	Clicks Group Ltd	–	63 665
PIC on behalf of GEPF	Capitec Holdings Ltd	–	218 204
PIC on behalf of GEPF	Discovery Holdings Ltd	–	347 655
PIC on behalf of GEPF	Datatec Ltd	–	57 045
PIC on behalf of GEPF	Exxaro Resources Ltd	–	201 000
PIC on behalf of GEPF	Gold Fields Ltd	–	10 264
PIC on behalf of GEPF	Harmony Gold Mining Ltd	–	17 991
PIC on behalf of GEPF	Investec PLC	–	20 312
PIC on behalf of GEPF	Intu Properties PLC	–	5 632
PIC on behalf of GEPF	Kumba Iron Ore Ltd	–	118 560
PIC on behalf of GEPF	Liberty Holdings Ltd	–	108 744
PIC on behalf of GEPF	Lewis Ltd	–	77 400
PIC on behalf of GEPF	Life Health Care Group Ltd	–	52 621
PIC on behalf of GEPF	MMI Holdings Ltd	–	14 933
PIC on behalf of GEPF	Northam Platinum Ltd	–	20 610
PIC on behalf of GEPF	Redefine Income Fund Ltd	–	124 000
PIC on behalf of GEPF	Reunert Ltd	–	11 979
PIC on behalf of GEPF	Steinhoff Holdings Ltd	–	228 090
PIC on behalf of GEPF	Spar Group Ltd	–	113 942
PIC on behalf of GEPF	Tiger Brands Ltd	–	42 144
PIC on behalf of GEPF	The Foschini Group Ltd	–	51 120
PIC on behalf of GEPF	Truworths International Ltd	–	6 410
<b>Total</b>			<b>2 409 752</b>

## Scrip lending

Transaction date	Scrip on lent	Security in place 2015 R'000	Fair value 2015 R'000	Number of shares on lent	Name of counter party	Scrip custodian
31 March 2015	Astral Foods Ltd	6 205	5 396	29 978	Deutsche Bank	Standard Bank
31 March 2015	Assore Ltd	61 180	53 200	400 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Barloworld Ltd	78 490	68 252	735 469	Deutsche Bank	Standard Bank Ltd
31 March 2015	Billiton PLC	188 917	164 276	617 974	Deutsche Bank	Standard Bank Ltd
31 March 2015	British American Tobacco PLC	18 084	15 725	25 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Capital & Counties Properties PLC	38 247	33 258	460 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Compagnie Fin Richmont	180 923	157 324	1 610 109	Deutsche Bank	Standard Bank Ltd
31 March 2015	Clicks Group Ltd	73 215	63 665	696 249	Deutsche Bank	Standard Bank Ltd
31 March 2015	Capitec Holdings Ltd	250 935	218 204	415 619	Deutsche Bank	Standard Bank Ltd
31 March 2015	Discovery Holdings Ltd	399 803	347 655	2 978 468	Deutsche Bank	Standard Bank Ltd
31 March 2015	Datatec Ltd	65 602	57 045	950 754	Deutsche Bank	Standard Bank Ltd
31 March 2015	Exxaro Resources Ltd	231 150	201 000	2 000 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Gold Fields Ltd	11 804	10 264	200 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Harmony Gold Mining Ltd	20 690	17 991	851 051	Deutsche Bank	Standard Bank Ltd
31 March 2015	Investec PLC	23 359	20 312	200 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Intu Properties PLC	6 477	5 632	90 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Kumba Iron Ore Ltd	136 344	118 560	760 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Liberty Holdings Ltd	125 056	108 744	647 863	Deutsche Bank	Standard Bank Ltd
31 March 2015	Lewis Ltd	89 010	77 400	1 000 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Life Health Care Group Ltd	60 514	52 621	1 243 693	Deutsche Bank	Standard Bank Ltd
31 March 2015	MMI Holdings Ltd	17 173	14 933	455 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Northam Platinum Ltd	23 701	20 610	446 979	Deutsche Bank	Standard Bank Ltd
31 March 2015	Redefine Income Fund Ltd	142 600	124 000	10 000 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Reunert Ltd	13 776	11 979	199 582	Deutsche Bank	Standard Bank Ltd
31 March 2015	Steinhoff Holdings Ltd	262 304	228 090	3 000 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	Spar Group Ltd	131 033	113 942	603 825	Deutsche Bank	Standard Bank Ltd
31 March 2015	Tiger Brands Ltd	48 466	42 144	138 000	Deutsche Bank	Standard Bank Ltd
31 March 2015	The Foschini Group Ltd	58 788	51 120	283 105	Deutsche Bank	Standard Bank Ltd
31 March 2015	Truworths International Ltd	7 372	6 410	72 622	Deutsche Bank	Standard Bank Ltd
<b>Total</b>		<b>2 771 218</b>	<b>2 409 752</b>			

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

##### 3.1.5 Equities (continued)

The security in place for the above shares lent is the equity collateral which equals to 115% of the daily market value of the listed equity shares. This collateral amount is verified daily against the previous day's closing value of the listed equity shares. The collateral amount changes in accordance to the changes in the listed equity share prices to ensure that the collateral is at any stage equal to 115% of the daily closing value of the listed equity shares.

##### 3.1.6 Preference shares

	Total issued shares (number)	GEPF's Holding (number)	GEPF's Holding %	Fair value 2015 R'000	Fair value 2014 R'000
Allied Electronics Corporation	–	–	–	–	888 105
Alexander Forbes	–	–	–	–	22 863
<b>Total</b>				–	910 968

##### 3.1.7 Collective investment schemes

Description	GEPF's Holding (number)	Fair value 2015 R'000	Fair value 2014 R'000
Black Rock Advisors (UK)	*	70 990 568	58 612 181
Investec Africa	299 498 467	902 688	620 956
Coronation African Frontiers Unit Trust	4 006 531	834 409	507 029
Sanlam Ltd	*	113 528	122 653
<b>Total</b>		72 841 193	59 862 819

\* GEPF has shareholding in the underlying investments. The shareholding in the underlying investments varies per investment.

### 3.1.8 Risk management

#### Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/liquid asset with counterparty R'000	Guarantees	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty (% of the fair value of assets)
<b>Banks</b>						
ABSA Group Ltd	–	714 272	No	3 786 963	4 501 235	–
African Bank Ltd	–	–	No	804 864	804 864	–
Bank of America Merrill Lynch	–	–	No	238 741	238 741	–
Barclays Africa Group Ltd	9 794 611	–	No	495 299	10 289 910	1
Capitec Holdings Ltd	7 317 968	–	No	346 370	7 664 338	–
China Construction Bank	–	–	No	136 087	136 087	–
Development Bank SA Ltd	–	–	No	14 160 977	14 160 977	1
Ecobank Transnational Inc	2 621 433	1 189 305	No	–	3 810 738	–
First Rand Ltd	28 283 178	–	No	6 178 673	34 461 851	2
Investec Ltd	10 022 405	700	No	2 882 269	12 905 374	1
Land and Agricultural Development Bank	–	–	No	5 566 403	5 566 403	–
Nedbank Ltd	8 593 100	10 637 771	No	4 179 142	23 410 013	1
Rand Merchant Bank	14 730 925	551 168	No	471 547	15 753 640	1
South African Reserve Bank	11	88 202	No	–	88 213	–
Standard Bank Group Ltd	35 741 484	2 803 561	No	10 939 522	49 484 567	3
Venda Building Society	7 818	–	No	4 058	11 876	–
<b>Asset managers</b>						
Black Rock Advisors (UK)	–	–	No	91 985 617	91 985 617	6
Coronation Asset Management (Pty) Ltd	4 168 346	–	No	834 409	5 002 755	–
International Bank for Reconstruction and Development	–	–	No	4 344 206	4 344 206	–
<b>Insurance companies</b>						
Alexander Forbes Ltd	1 167 081	–	No	–	1 167 081	–
Discovery Holdings Ltd	6 729 654	–	No	–	6 729 654	–
Liberty Group Ltd	2 179 853	–	No	–	2 179 853	–
MMI Holdings Ltd	5 481 170	–	No	388 247	5 869 417	–
Old Mutual Life Assurance Company SA Ltd	20 429 169	–	No	1 867 582	22 296 751	1
Sanlam Ltd	22 361 630	–	No	524 121	22 885 751	1
Santam Ltd	1 506 264	–	No	216 775	1 723 039	–

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 3. INVESTMENTS (continued)

#### 3.1 Investment summary (continued)

##### 3.1.9 Market risk

###### Equity holdings

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

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
Naspers Ltd	119 417 536	5 970 877
MTN Group Ltd	62 449 707	3 122 485
Sasol Ltd	39 287 010	1 964 351
Standard Bank Group Ltd	35 741 484	1 787 074
British American Tobacco PLC Shares	35 179 350	1 758 968
Steinhoff International Holdings Ltd	31 677 112	1 583 856
SA Breweries Ltd	30 590 113	1 529 506
First Rand Ltd	28 283 178	1 414 159
Sanlam Ltd	22 361 630	1 118 082
Remgro Ltd	21 534 343	1 076 717
<b>Total</b>	<b>426 521 463</b>	<b>21 326 075</b>
<b>As a percentage of total investment plus bank balances</b>	<b>26</b>	<b>1</b>

##### 3.1.10 Other financial instruments

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

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
RSA 186	67 117 347	3 355 867
Black Rock Global Equity Fund	57 354 014	2 867 701
RSA 197	47 564 148	2 378 207
RSA 210	25 698 215	1 284 911
RSA 202	24 853 591	1 242 680
Blackrock Global Short Bonds	20 995 050	1 049 753
RSA 212	17 196 800	859 840
RSA 2048	14 619 026	730 951
Black Rock Emerging Market Fund	13 636 554	681 828
Eskom Holdings Ltd	12 746 409	637 320
<b>Total</b>	<b>301 781 154</b>	<b>15 089 058</b>
<b>As a percentage of total investments plus bank balances</b>	<b>19</b>	<b>1</b>

### 3.1.11 Foreign currency exposure

Description	Fair value 31 March 2015 USD'000	Fair value 31 March 2015 R'000	Market movement by 5% R'000
Pan African Infrastructure Development Fund (PAIDF)	201 700	2 447 583	122 379
MTN Nigeria	230 933	2 802 327	140 116
Smile Telecoms Holdings Ltd	50 000	606 740	30 337
S&S Refinery Holdings Ltd	18 000	218 426	10 921
West Africa Emerging Fund	5 247	63 666	3 183
Black Rock Advisors UK Ltd	7 580 316	91 985 617	4 599 281
Ecobank Transnational Inc	314 034	3 810 739	190 537
Dangote Cement PLC	205 468	2 493 309	124 665
International Bank for Reconstruction and Development	357 996	4 344 206	217 210
Investec Africa	74 388	902 688	45 134
Coronation Africa	68 762	834 409	41 720
<b>Total</b>	<b>9 106 844</b>	<b>110 509 710</b>	<b>5 525 483</b>
<b>As a percentage of total investments plus bank balances</b>		<b>7</b>	<b>–</b>

## 4. FUNDING LOAN

	2015 R'000	2014 R'000
Sefalana Employee Benefits Organisation (SEBO)	6 716	6 716

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 5. ACCOUNTS RECEIVABLE

	2015 R'000	2014 R'000
Accrued interest	36 215	40 390
Accrued dividend	2 153 424	2 290 469
Estates debt	30 837	23 944
Total estates debt	77 951	70 179
Less: provision for doubtful debts	(47 114)	(46 235)
Fraud cases debt	–	–
Total fraud cases debt	46 869	44 239
Less: provision for doubtful debts	(46 869)	(44 239)
Investment debtors	764 974	901 580
Lease debtor	263 287	250 602
Government Pensions Administration Agency	–	20 125
Purchased service	53 871	40 030
Purchased service not recovered at retirement or death	951	518
Divorce debt	2 847 924	1 304 679
South African Post Office	1 837	2 218
Sundry debtors	2 962	349
Associated Institutions Pension Fund	769	17 895
National Treasury	–	14 250
Temporary Employees Pension Fund	–	252
Prepayments	–	1 422 172
Overpayments	35 222	36 275
Total overpayments	45 999	49 517
Less: provision for doubtful debts	(10 777)	(13 242)
<b>Total</b>	<b>6 192 273</b>	<b>6 365 748</b>

### 6. CONTRIBUTIONS

#### 6.1 Contributions receivable

Participating employers	105 693	96 928
Additional employer contributions*	1 319 753	1 222 563
Additional NSF employer contributions**	3 026 146	4 136 503
Interest on outstanding contributions	35	344
<b>Statement of net assets and funds</b>	<b>4 451 627</b>	<b>5 456 338</b>

\* 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).

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



	Contributions 2015 R'000	Contributions received 2015 R'000	Contributions receivable 2015 R'000	Contributions receivable 2014 R'000
<b>6.2 Reconciliation of contributions receivable</b>				
Member contributions	20 259 950	(20 259 950)	–	–
Employer contributions	36 226 617	(37 231 019)	4 451 592	5 455 994
Interest on outstanding contributions	424	(733)	35	344
	<b>56 486 991</b>	<b>(57 491 702)</b>	<b>4 451 627</b>	5 456 338
<b>Statement of changes in net assets and funds</b>				56 486 991

## 7. CASH AND CASH EQUIVALENTS

	2015 R'000	2014 R'000
Cash resources	1 055 353	1 536 376
Short-term investments	15 253 822	13 671 147
<b>Total</b>	<b>16 309 175</b>	15 207 523

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

## 8. RESERVES

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

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

	Ciskei strikers reserve 2015 R'000	General assistants reserve 2015 R'000	Other past discriminatory practices reserve 2015 R'000	Total reserve accounts 2015 R'000
<b>Balance at the beginning of the year</b>	150 451	94 444	6 397 900	6 642 795
<b>Transfers and benefits</b>	(4 790)	–	–	(4 790)
Benefits paid	(4 790)	–	–	(4 790)
<b>Net loss after transfers and benefits</b>	(4 790)	–	–	(4 790)
<b>Net loss for the year</b>	(4 790)	–	–	(4 790)
Transfer from net investment return to reserves	9 300	5 838	889 026	904 164
<b>Balance at the end of the year</b>	<b>154 961</b>	<b>100 282</b>	<b>7 286 926</b>	<b>7 542 169</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 9. UNCLAIMED BENEFITS

	2015 R'000	2014 R'000
<b>Balance at the beginning of the year</b>	<b>574 270</b>	583 095
Transferred from benefits	<b>1 138 304</b>	856 985
Benefits paid	<b>(1 270 735)</b>	(962 781)
Interest provision	<b>104 397</b>	96 971
<b>Balance at the end of the year</b>	<b>546 236</b>	574 270

### Reconciliation of number of cases

	Cases 2015 R'000	Amount 2015 R'000	Cases 2014 R'000	Amount 2014 R'000
Bank rejections	<b>6 191</b>	<b>163 568</b>	6 460	154 441
Benefits directly transferred to unclaimed upon exit	<b>4 245</b>	<b>168 560</b>	5 923	239 077
Unclaimed funeral benefits	<b>352</b>	<b>2 313</b>	528	3 566
Benefits transferred to unclaimed without complete documents	<b>631</b>	<b>35 553</b>	652	37 577
Benefits payments with a tax directive declined	<b>231</b>	<b>9 942</b>	271	15 981
Dispute cases	<b>167</b>	<b>26 366</b>	42	6 549
Untraced transfer to external service provider	<b>4 334</b>	<b>139 934</b>	3 215	117 079
<b>Balance at the end of the year</b>	<b>16 151</b>	<b>546 236</b>	17 091	574 270

### 10. BENEFITS

	Benefits payable 2014 R'000	Benefits accrued current year 2015 R'000	Benefits paid during year 2015 R'000	Benefits payable 2015 R'000
Net benefit payments	20 084 286	<b>85 789 429</b>	<b>(78 341 762)</b>	<b>27 531 953</b>
Gratuities	2 356 372	<b>10 974 718</b>	<b>(10 461 930)</b>	<b>2 869 160</b>
Withdrawal benefits	10 800 447	<b>42 110 885</b>	<b>(35 607 135)</b>	<b>17 304 197</b>
Monthly pensions	1 130 376	<b>27 961 318</b>	<b>(27 819 577)</b>	<b>1 272 117</b>
Retrenchment benefits	28 158	<b>54 237</b>	<b>(75 127)</b>	<b>7 268</b>
Death benefits	5 718 694	<b>4 487 206</b>	<b>(4 171 544)</b>	<b>6 034 356</b>
Funeral benefits	33 593	<b>156 913</b>	<b>(164 318)</b>	<b>26 188</b>
Orphan benefits**	16 646	<b>42 768</b>	<b>(40 747)</b>	<b>18 667</b>
Unclaimed benefits***	–	<b>1 384</b>	<b>(1 384)</b>	–
Interest to members	2 186 666	<b>1 954 550</b>	<b>(1 421 880)</b>	<b>2 719 335</b>
Benefits payable****	22 270 952	<b>87 743 979</b>	<b>(79 763 642)</b>	<b>30 251 288</b>
<b>Statement of changes in net assets and funds</b>				<b>85 789 429</b>

\* Included in this amount are transfers to unclaimed benefits to the value of R1,1 billion.

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

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

\*\*\*\* Benefits payable as at 31 March 2015 and benefits accrued during the year includes an amount of R10,9 billion (2014: R4,7 billion) representing exit cases that were not fully processed at year-end.

Benefits payable age analysis is summarised as follows:

	Cases	R'000
<b>Current</b>		
<2 years	40 163	21 946 351
<b>Unclaimed benefits</b>		
2-5 years	26 087	3 382 578
>5 years	77 421	3 466 534
<b>Contingency provision</b>		1 432 198
<b>Orphans benefits</b>	293	18 667
<b>Interest on NSF benefits</b>	63	4 960
<b>Total</b>	144 027	30 251 288

## 11. TRANSFERS

	Effective date	Number of members	Transfers payable 2014 R'000	Transfers approved 2015 R'000	Return on transfer 2015 R'000	Transfers paid 2015 R'000	Transfers payable 2015 R'000
<b>11.1 Transfers to other funds</b>							
Bulk transfers in terms of Rule 12 of the GEP Law							
Municipal transfers	2014/15	403	848	224 836	49 643	(273 327)	2 000
		<b>403</b>	<b>848</b>	<b>224 836</b>	<b>49 643</b>	<b>(273 327)</b>	<b>2 000</b>
Transfers approved							224 836
Return on transfers							49 643
<b>Statement of changes in net assets and funds</b>							<b>274 479</b>

## 11.2 Transfers from other funds

	Effective date	Number of members	Transfers receivable 2014 R'000	Transfers approved 2015 R'000	Return on transfers 2015 R'000	Transfer received 2015 R'000	Transfers receivable 2015 R'000
Transfers in terms of Rule 12 of the GEP Law							
Individual transfers	2014/15	27	4 261	11 869	579	(15 188)	1 521
		<b>27</b>	<b>4 261</b>	<b>11 869</b>	<b>579</b>	<b>(15 188)</b>	<b>1 521</b>
Transfer approved							11 869
Return on transfers							579
<b>Statement of changes in net assets and funds</b>							<b>12 448</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 12. ACCOUNTS PAYABLE

	2015 R'000	2014 R'000
Administrative creditors	7 997	112 524
Operating lease accrual	1 012	541
Child maintenance (court orders)	4 018	2 198
Contributions (employers)	2 337	4 612
Dormant members	1 304	1 185
Temporary Employees Pension Fund	5	–
Government Pensions Administration Agency	23 004	–
Investment creditors	835 453	925 981
Income received in advance	210 144	10 000
National Treasury	1 044	15 403
Outstanding SA Post Office vouchers	1 691	1 852
Portfolio management fees payable	190 677	232 394
Sundry creditors	41 925	77 340
<b>Total</b>	<b>1 320 611</b>	<b>1 384 030</b>

### 13. PROVISIONS

Provision for accumulated leave pay	203	446
Balance at the beginning of the year	446	227
Provided	1 032	1 098
Utilised	(1 275)	(879)
Provision for bonuses	2 900	2 036
Balance at the beginning of the year	2 036	2 015
Provided	1 477	1 913
Utilised	(613)	(1 892)
<b>Balance at the end of the year</b>	<b>3 103</b>	<b>2 482</b>

### 14. PURCHASE OF PERIODS OF SERVICE

GEPF members	31 510	26 286
Past discriminatory members	4 790	5 810
<b>Total</b>	<b>36 300</b>	<b>32 096</b>

	2015 R'000	2014 R'000
<b>15. NET INVESTMENT INCOME</b>		
Income from investments	<b>37 212 444</b>	34 089 802
Interest	<b>34 851 629</b>	32 415 284
Other income	<b>941 098</b>	266 161
Reversal of impairment <sup>4</sup>	<b>9 600</b>	–
Property income	<b>1 410 117</b>	1 408 357
Net profit on sale of investments <sup>1</sup>	<b>61 166 387</b>	35 652 827
Adjustment to fair value <sup>2</sup>	<b>102 075 618</b>	126 105 829
Impairment of Investments <sup>3</sup>	<b>(366 171)</b>	–
<b>Total investment income</b>	<b>200 088 278</b>	195 848 458
Less: expenses incurred in managing investments		
– Management fees	<b>(1 404 444)</b>	(1 484 979)
– PAIDF (Management fees and other expenses)	<b>(127 278)</b>	(57 913)
– Property expenses	<b>(582 673)</b>	(560 058)
– Transaction costs and other expenses	<b>(545 145)</b>	(3 225 514)
<b>Total investment expenses</b>	<b>(2 659 540)</b>	(5 328 464)
<b>Net investment income</b>	<b>197 428 738</b>	190 519 994
<i>1 Profit on sale investments</i>	<i>62 822 209</i>	<i>39 375 216</i>
<i>Loss on sale of investments</i>	<i>(1 655 822)</i>	<i>(3 722 389)</i>
<i>Net profit on sale of investments</i>	<i>61 166 387</i>	<i>35 652 827</i>

2 Dividend income amounting R26,9 billion (2014: R23,6 billion) is included in the adjustment to fair value, in line with the requirements of the RRR for Retirement Funds in South Africa as issued by the FSB.

3 One of the loans entered into by PIC on behalf of the GEPF in their capacity as the Fund's asset manager, has been impaired in the current year based on the independent valuation as stated below:

Reconciliation of impairment

	2015 R'000	2014 R'000
CBS Property Portfolio Ltd	366 171	–
Total	366 171	–

4 In the current year, an impairment amounting to R9,6 million (2014: Rnil) was reversed. This reversal related to Legend Lodges (Pty) Ltd and is due to an increase in the expected market value of the company as a result of a recent sales offer.

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 16. OTHER INCOME

	2015 R'000	2014 R'000
Interest received		
Arrear contributions	3 555	2 141
Purchase of service	2 894	2 133
Additional employer contributions – early retirement	102 483	104 413
Additional employer contributions – NSF	364 443	440 277
Divorce debt	159 201	20 989
Operating bank account	19 357	53 446
Other	212	221
<b>Total</b>	<b>652 145</b>	<b>623 620</b>

### 17. ADMINISTRATIVE EXPENDITURE

Administration expenses	879 762	731 816
Actuarial fees	3 782	2 989
Investment accounting fees	10 212	10 058
Investment performance analysis	3 898	4 092
Audit fees	2 774	2 568
Depreciation	1 909	1 560
Foreign currency loss	43	38
Legal costs	5 600	4 216
Bad debts	6 369	–
Operating expenses	21 661	28 454
Operating lease payments	5 697	5 202
Operating lease smoothing adjustment	471	400
Personnel expenses	26 791	23 368
Personnel expenditure (refer note 17.1)	13 371	14 462
Executive officer expenditure (refer note 17.2)	5 020	2 612
Principal Executive Officer expenditure (refer note 17.3)	2 686	2 793
Trustee expenditure (refer note 17.4)	5 714	3 501
Increase in provision for doubtful debt	1 044	8 273
<b>Total</b>	<b>970 013</b>	<b>823 034</b>

#### 17.1 Personnel remuneration and expenses

Remuneration to permanent and contract employees	10 796	12 544
Retirement funds contributions	1 804	1 224
Training expenses	435	432
Other benefits (housing, medical, etc)	336	262
<b>Total</b>	<b>13 371</b>	<b>14 462</b>

#### 17.2 Executive officers remuneration and expenses

Remuneration and allowances	4 053	2 535
Bonuses	967	77
<b>Total</b>	<b>5 020</b>	<b>2 612</b>

	2015 R'000	2014 R'000
<b>17.3 Principal Executive Officer remuneration and expenses</b>		
Remuneration and allowances	1 930	2 517
Acting allowance	756	276
<b>Total</b>	<b>2 686</b>	2 793
<b>17.4 Board of Trustees remuneration and expenses</b>		
Meeting allowances	5 520	3 348
Expenses	194	153
<b>Total</b>	<b>5 714</b>	3 501
<b>18. INTEREST PAID</b>		
Interest paid to members	1 954 550	1 528 981
Interest paid to members exited from the GEPF	1 744 190	1 354 540
Interest paid to external funds in respect of members exited from the GEPF	144 562	88 714
Interest paid to NSF members	65 798	85 727
Interest paid to employers (NSF)	–	45 831
Interest paid to dormant members	118	108
<b>Total</b>	<b>1 954 668</b>	1 574 920
<b>19. OPERATING LEASE</b>		
<b>Income</b>		
Future minimum lease payments receivable under non-cancellable operating leases:		
Receivable within one year	857 229	833 809
Receivable between two and five years	1 805 564	1 631 571
Receivable after five years	286 320	268 233
<b>Total</b>	<b>2 949 113</b>	2 733 613
<b>Expenses</b>		
Future minimum lease payments under non-cancellable operating leases:		
Payable within one year	4 762	4 501
Payable between two and five years	12 112	16 874

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

<b>Total</b>	<b>16 874</b>	21 375
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### 20. CASH GENERATED FROM OPERATIONS

	2015 R'000	2014 R'000
Net income after transfers and benefits	165 623 243	181 358 800
Adjusted for:	(204 400 093)	(185 382 688)
Interest received	(35 503 774)	(33 038 904)
Interest paid	1 954 668	1 574 920
Dividends received	(26 896 388)	(23 681 292)
Adjustment to fair values of investments	(75 179 229)	(102 424 537)
Profit on sale of investments and property	(61 166 387)	(35 652 827)
Impairment of investments	366 171	–
Reversal of impairment	(9 600)	–
Foreign currency loss/(income)	(780 824)	2 533 421
Depreciation	1 909	1 560
Lease smoothing	471	–
Bad debts written off	6 369	–
Increase in doubtful debt provision	1 044	8 273
Movement in provisions	(7 420 254)	5 278 325
Net transfers (in)/out	225 731	18 373
<b>Adjusted net income after transfers and benefits</b>	<b>(38 776 850)</b>	<b>(4 023 888)</b>
<b>Changes in working capital</b>	<b>794 178</b>	<b>773 643</b>
Decrease/(increase) in accounts receivable	925 966	954 166
Increase/(decrease) in accounts payable	(131 788)	(180 523)
<b>Cash flow utilised in operations</b>	<b>(37 982 672)</b>	<b>(3 250 245)</b>

### 21. FINANCIAL MANAGEMENT AND ASSOCIATED RISKS

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

#### 21.1 Market risk and interest rate risk

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to changes in market prices, irrespective of whether those changes are caused by circumstances particular to the investment or to the investment market in general. Interest rate risk is the risk that the value of a financial instrument or the income received from such instruments will fluctuate due to movements in market interest rates. Exposure to market and interest risk is for the account of the GEPF due to it being a defined benefit arrangement, and is managed primarily by setting strategic asset allocation percentages for the various asset classes, which are designed to match the inflation risk that impacts both the liabilities and assets, as well as market and interest risk.

The investment managers are required to diversify the investments of the GEPF and disperse investments within classes of assets such that exposure to any single investment is limited



and the performance of the asset classes are similar to the performance of the corresponding sections of the market as a whole.

Equities are the most volatile asset class and therefore the biggest source of short-term risk for the portfolio. The Investment Committee, on behalf of the Board, monitors this risk against 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 2015 was R953,5 billion (2014: R841,8 billion).

## 21.2 Credit risk

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

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

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

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

## 21.3 Liquidity risk

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

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

## 21.4 Currency risk

Currency risk is the risk that the value of a financial instrument denominated in a currency other than the reporting currency may fluctuate due to changes in foreign currency exchange rates, between the reporting currency and the currency in which the instrument is denominated. The Fund's exposure to currency risk is mainly in respect of the foreign investments made in the Pan African Infrastructure Development Fund, International Bank for Reconstruction and Development and Black Rock Advisors UK Limited, which are denominated in US Dollars (See note 3.1.11).

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

## 21.5 Solvency risk

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2015

### 22. RELATED PARTIES

With regard 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 R37,2 billion (2014: R34,2 billion) and contributions receivable of R189 million (2014: R186,0 million) are from the employer which is the government of the Republic of South Africa.
- Trustees of the fund who are also members of the Fund contribute to the Fund and may receive benefits upon exit from the Fund in terms of the Fund rules.
- Remuneration and expenses of key management personnel is disclosed in note 17 to the annual financial statements.
- The PIC is wholly owned by the government of the Republic of South Africa. Management fees amounting to R855,8 million (2014: R775,7 million) were paid from the Fund to PIC for investment management services in terms of the approved investment mandate.

### 23. CONTINGENT LIABILITIES

#### 23.1 Benefits

A contingent liability exists for members that exited from the GEPF prior to 31 March 2015, for whom no duly completed exit documentation have been received. The GEPF cannot estimate the benefits payable to such members exactly, because the quantum of the liability is dependent on:

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

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

#### 23.2 Pending liability

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

## 24. CAPITAL COMMITMENTS

During the 2008 financial period, the GEPF committed to an investment to the PAIDF. As part of this investment the GEPF committed to make capital contributions amounting to US\$250,0 million translating to R3,0 billion as at 31 March 2015. At 31 March 2015, US\$212,2 million translating to R2,6 billion of the initial commitment has been invested. The remaining capital commitment of US\$37,8 million translating to R459,2 million is payable approximately within the next two years. The PAIDF investment is managed by Harith Fund Managers.

During the current financial period, the GEPF committed to an additional investment to the PAIDF. As part of this investment the GEPF committed to make capital contributions amounting to US\$350,0 million translating to R4,3 billion as at 31 March 2015. At 31 March 2015, US\$6,5 million translating to R79,1 million of the initial commitment has been invested. The remaining capital commitment of US\$343,5 million translating to R4,2 billion is payable approximately within the next five years. The PAIDF investment is managed by Harith Fund Managers.

The GEPF also committed to investments in African Development Partners II L.P. (US\$30 million translating to R364,0 million) and South Suez Capital Limited (US\$25 million translating to R303,4 million) during the current financial period. As at 31 March 2015 none of the initial commitment for either of the aforementioned funds has been invested.

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## **REGIONAL AND SATELLITE OFFICES:**

### **Bisho (Eastern Cape) – Provincial**

No. 12, Global Life Office Centre, Circular Drive, Bisho

### **Bloemfontein (Free State) – Provincial**

No. 2 President Brand Street, Bloemfontein

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### **Durban (KZN) – Satellite**

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### **Johannesburg (Gauteng) – Satellite**

2nd Floor, Lunga House, 124 Marshall Street, Johannesburg

### **Kimberley (Northern Cape) – Provincial**

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### **Pretoria (Gauteng) – Provincial**

Kingsley Centre, Corner Steve Biko and Stanza Bopape Streets, Arcadia, Pretoria

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## PROVINCIAL OFFICES:

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