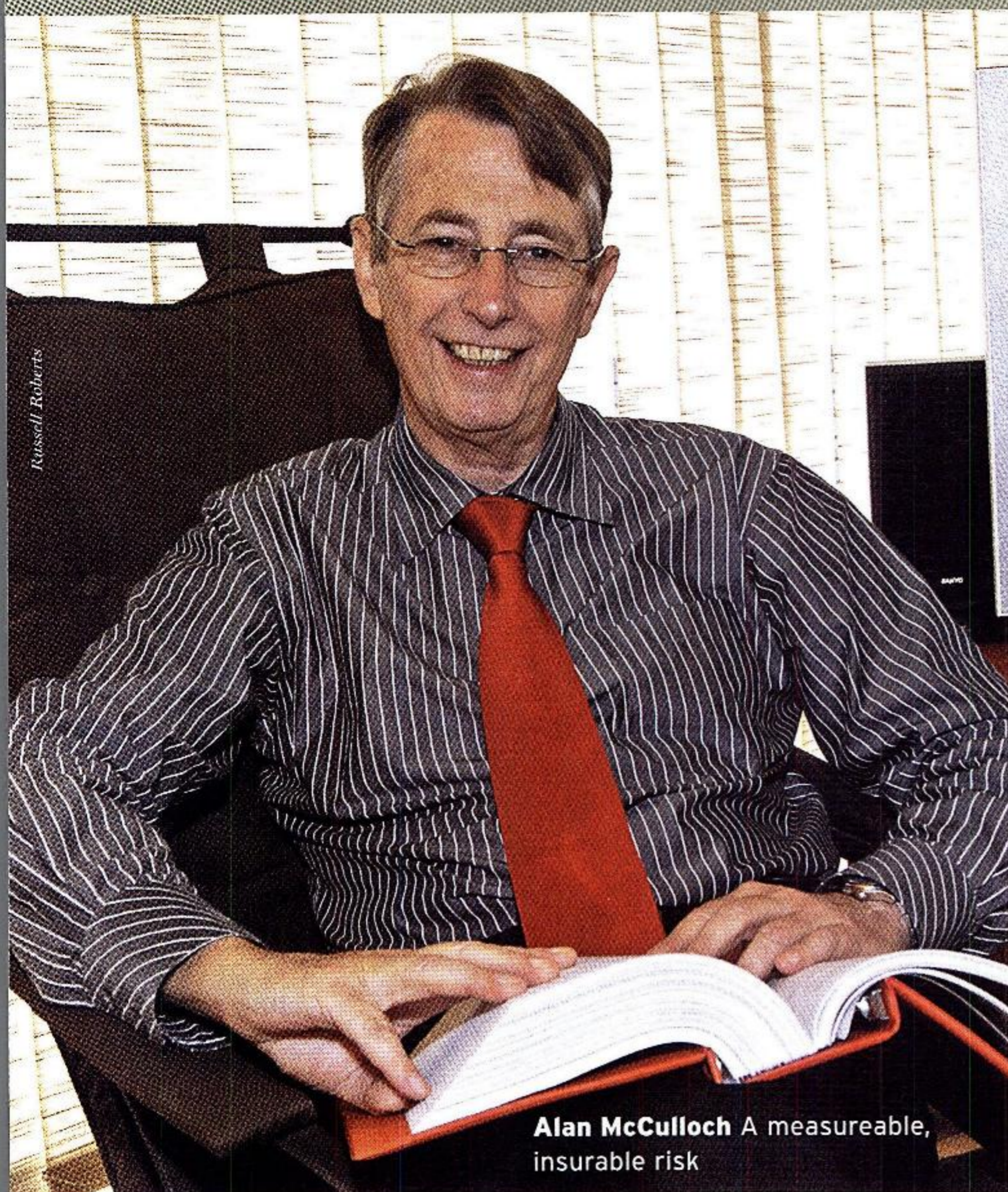


FM COVER STORY



Russell Roberts

Alan McCulloch A measureable, insurable risk

of the Pension Funds Act. It is governed by its own act. Its members have no recourse to the pension funds adjudicator and must refer complaints to the public protector, who is not a pensions specialist. This affects almost 1,5m people, and seems unsatisfactory and inefficient.

To this, GEPF CEO Phineas Tjie says: "Benefits payable from the GEPF are defined. Cases at the public protector's office deal mostly with nonpayment of benefits and not technical issues." However, at the same time, there is not much difference between the provisions of the GEPF Act and the Pension Funds Act as regards trustees' fiduciary duties.

The GEPF uses the allegedly malfeasant Guardian's Fund for housing death benefits that are placed in trust for minor dependants and beneficiaries of deceased members. Giselle Gould, MD of Fairheads Umbrella Trust, says: "It's an absolute disaster for beneficiaries if their benefits end up in Guardian's Fund. They don't even have computerised systems."

Tjie says the history and legislative framework of the GEPF have resulted in benefits being paid into the Guardian's Fund, but will not comment on issues arising from that office.

Interestingly, the investment of assets of the Guardian's Fund is also managed by the GEPF's primary asset manager, the feisty Public Investment Corp (PIC). But, says independent pensions consultant Rob Rusconi: "A distinction must be drawn between the asset manager and the administrator. Just because there are problems with the Guardian's Fund does not mean the same applies to the PIC." Nevertheless, mismanagement of retirement death benefits is a grave concern for the industry.

Though the PIC dominates the GEPF's asset management, some money is outsourced to external equity managers such as Old Mutual Asset Managers, Sanlam Investment Management, Futuregrowth, Rand Merchant Bank Asset Management and various others for certain products.

The GEPF was recently reported to be shopping for a new asset manager, to which Rusconi says: "If the GEPF is looking for an alternative to the PIC, this is healthy from a governance perspective. Why should the PIC expect to be the de facto asset manager for the GEPF? Nor should the GEPF provide the PIC with such guarantees. The GEPF is the owner

SA'S RETIREMENT FUNDS

Heavyweight performers

The FM looked at some of SA's biggest pension funds to establish how trustees and managers have been managing assets during the equity run. Where possible, we looked at net investment returns over one-, three- and five-year periods. Investment objectives differ from fund to fund, depending on benefit structures and membership profiles. About 3,5m members, or 50% of SA's working population, belong to the funds included.

Government Employees Pension Fund
The highly politicised GEPF is so big it is classified as a universal investor. One of

the GEPF's primary mandates is that the market impact of its investment activities must be assessed continually. It also influences the market by not trading, particularly in the passive bond market.

The GEPF was rated the seventh-largest fund in the world in the 2006 Watson Wyatt survey. It is SA's largest retirement fund and also one of SA's few wholly defined benefit funds.

Its annual report of March 31 2007 records 1 117 885 active members and 296 812 pensioners and beneficiaries. Thirty trustees oversee its assets.

The GEPF is not under the jurisdiction