

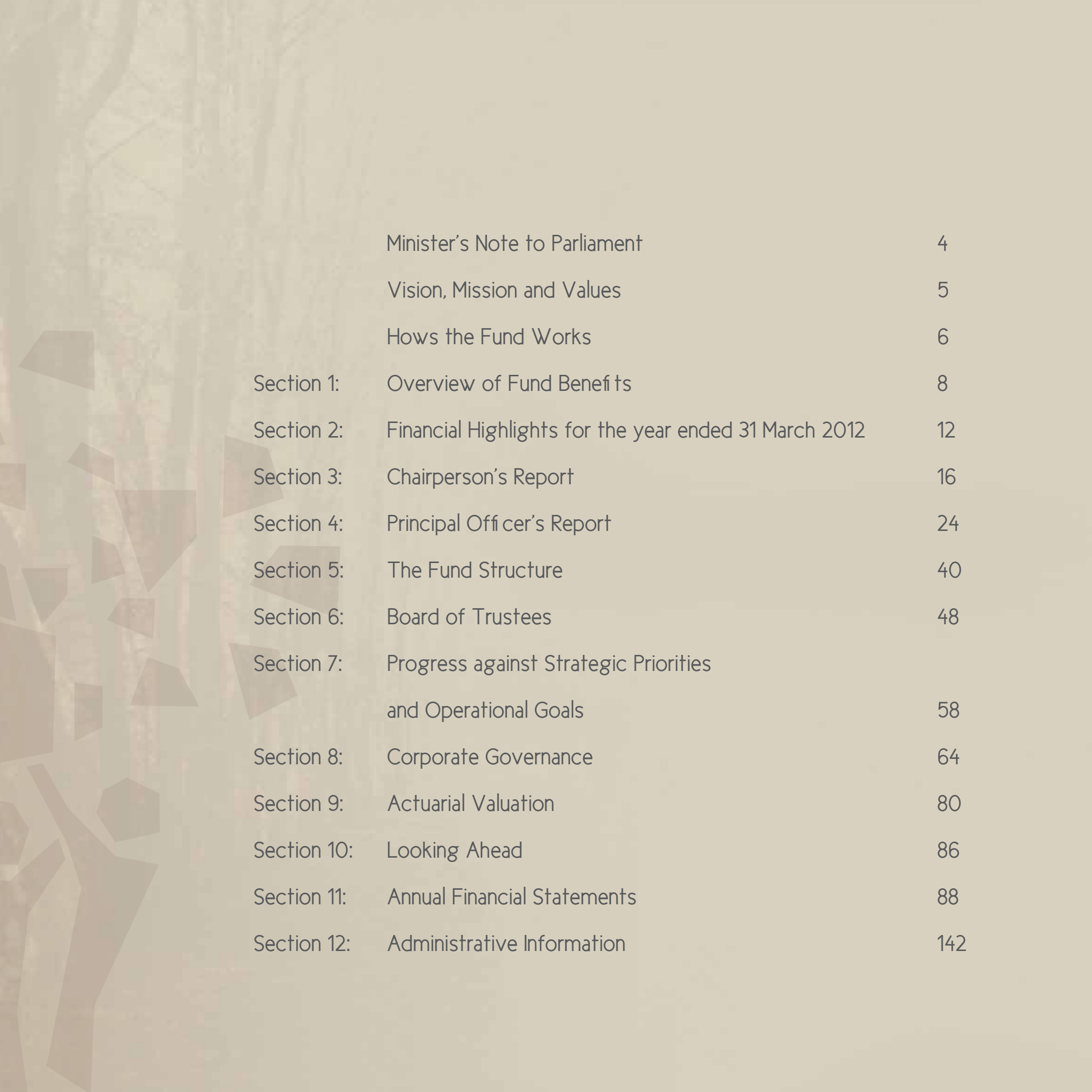
Government Employees Pension Fund

Annual Report 2011/2012



A sepia-toned photograph of a savanna landscape. In the foreground, a large, leafy tree stands on the left. In the middle ground, a herd of elephants is visible, including a large adult and a smaller calf. The background consists of a line of trees under a hazy sky. The text 'Table of Contents' is overlaid in white in the center of the image.

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Minister's Note To Parliament



To the Speaker of Parliament

**Annual report of the Government Employees
Pension Fund for the year ended 31 March 2012**

I have the honour in terms of Section 9(6) of the Government Employees Pension Law, 1996 (Proclamation 21 of 1996), as amended, to present the annual report of the Government Employees Pension Fund for the period 1 April 2011 to 31 March 2012.

Pravin Gordhan
Minister of Finance

Vision, Mission and Values

Vision

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

Mission

The GEPF is the custodian of a significant portion of the wealth of public servants. Our mission is to:

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

Values

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

By honesty, we mean:

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

By transparency, we mean:

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

By empathy, we mean:

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

By professionalism, we mean:

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

By innovation, we mean:

- Championing research and development in the retirement industry worldwide.

How the Fund Works

The Government Employees Pension Fund is Africa's largest pension fund, with 1 276 361 active members and 360 799 pensioners and beneficiaries. We have more than R1 050 trillion in assets under management and are the single largest investor in Johannesburg Stock Exchange (JSE)-listed companies. We also have significant holdings in government bonds, and invest in unlisted equity and property.

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

We receive member contributions from our 320 participating employers – including all national and provincial government departments, and the South African National Defence Force (SANDF) – and invest these using a liability-driven approach. This means we take the risk of underperforming liabilities into account in allocating and managing our assets to meet or outperform the Fund's current and future liabilities. Environmental, social and governance (ESG) issues are integrated into our investment decisions and ownership practices to promote long-term sustainability

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

The GEPF is a defined benefit fund. When our members withdraw from the Fund upon resignation, retirement or death, we calculate the benefit due to them using a predetermined formula that takes into account final salary, years of pensionable service and age. See pages 8 to 11 for an overview of member benefits.

At the last statutory actuarial valuation on 31 March 2010, the GEPF had a funding level of 100 percent, which means that there were sufficient assets to cover actuarial liabilities in full. An actuarial valuation assesses the current solvency and future funding of the value of the pension fund's assets and liabilities. It is conducted by a person qualified to calculate commercial risks and probabilities, who is known as an actuary. The valuation is performed every three years.

The Government Pensions Administration Agency (GPAA) provides us with administration services, which include admitting new members, collecting member contributions, maintaining members' beneficiaries and processing member benefits. Our relationship with the GPAA is governed by a formal agreement. It is estimated that the current cost of administering the Fund is approximately R25,62 per member/beneficiary per month. Caution should be exercised in comparing the GEPF administration costs with those of other pension funds, particularly the assumptions behind different measures and calculation methodology.

The Fund is governed and managed by a Board of Trustees, which is made up of an equal number of employer and employee representatives. Full details on the Board of Trustees can be found on page 48 and corporate governance is discussed on page 64.

Section 1:

Overview Of Fund Benefits

We are an organisation that understands the weight of our responsibility



Section 1: Overview Of Fund Benefits

The GEPF provides benefits to 1 276 361 active members and 360 799 pensioners and beneficiaries. The Fund's 320 participating employers include all national and provincial government departments, the SANDF and the intelligence services. The benefits are described below, along with examples of how they work in practice.

Retirement benefits

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

- **Normal retirement:** According to Fund rules, the normal retirement age for members is 60. The benefits paid depend on whether a member has fewer than 10 years of pensionable service, or at least 10 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 also increase their spouse's annuity entitlement from 50 percent to 75 percent by reducing either the gratuity or the annuity.
- **Early retirement:** Under certain circumstances, members may retire before reaching the normal retirement age of 60. The 10-year pensionable service threshold also determines the type of benefits payable. Members with 10 or more years of service receive annuities and gratuities, calculated in the same way as for normal retirement, but with a reduction of a third of 1 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 ill health, which is not the member's own fault, an annual supplementary amount is paid to him or her.

- **Late retirement:** Members are eligible to receive a gratuity (for service less than 10 years) or annuities and gratuities (for members with at least 10 years of service) if they retire after the age of 60, provided they have their employer's approval.

Resignation benefits

These benefits apply to members who resign or are discharged due to misconduct or ill-health caused by the member's own doing. These members can either be paid a gratuity (a once-off cash lump sum) or have their benefits transferred into an approved retirement fund. If the benefits are being transferred, the GEPF pays the member's actuarial interest to the new approved fund. If the member opts for cash, the cash benefit payable will be calculated as 7.5% of final salary and pensionable service with an enhancement for those members whose service is between 5 and 15 years. With effect from 1 April 2012, the resignation benefit is the higher of the actuarial interest and the cash benefit regardless of whether the member transfers or not.

Death benefits

Death benefits upon death of a member while in service and upon death of a pensioner.

- **Death while in service:** Death while in service: The type and the amount of the benefit payable depends on the member's period of pensionable service, the 10-year pensionable service threshold and the pensionable service years from the date of death to the date of normal retirement. The type of benefit payable can either be a gratuity or a gratuity and an annuity. It is payable to the surviving spouse(s) or beneficiaries or, if there are no beneficiaries, to the member's estate.
- **Death after becoming a pensioner:** Death after becoming a pensioner: Retirement or discharge annuities are guaranteed for five years from the retirement date. If the member dies within this period, his or her beneficiaries receive the balance of the five-year annuity payments (excluding the annual supplement) in a once-off cash lump sum.
- **Spouses' annuity:** A spouse or eligible life partner is entitled to a percentage of the annuity paid to the pensioner at the date of death. The same applies if the member dies while in service and had a full potential service period of at least 10 years (meaning pensionable service years plus unexpired years for normal retirement). If members retired before 1 December 2002, the spouse's annuity is 50 percent of the annuity the pensioner was receiving at the date of death, but members who retired on or after 1 December 2002 had the option of increasing the spouses' annuity benefit from 50 percent to 75 percent. This arrangement now applies 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 percent to 75 percent. The reduction will be calculated based on member/pensioner's age, gender, spouse's actual age and the remaining guarantee period.

- **Orphans' annuity:** The GEPF pays annuities to the orphans of members who became pensioners on or after 1 December 2002. The Board recently approved that the benefit be extended to all pensioners regardless of the date of retirement. Orphans' annuities are also payable when a member dies in service with a potential service period of 10 years or more. These annuities are paid for a fixed period when a member's spouse dies, leaving eligible orphans.

Funeral benefits

Previously the Fund provided for 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 are alive at the effective date of the rule amendments. The rule amendment was Gazetted and effected on 1 April 2012.

Section 2:

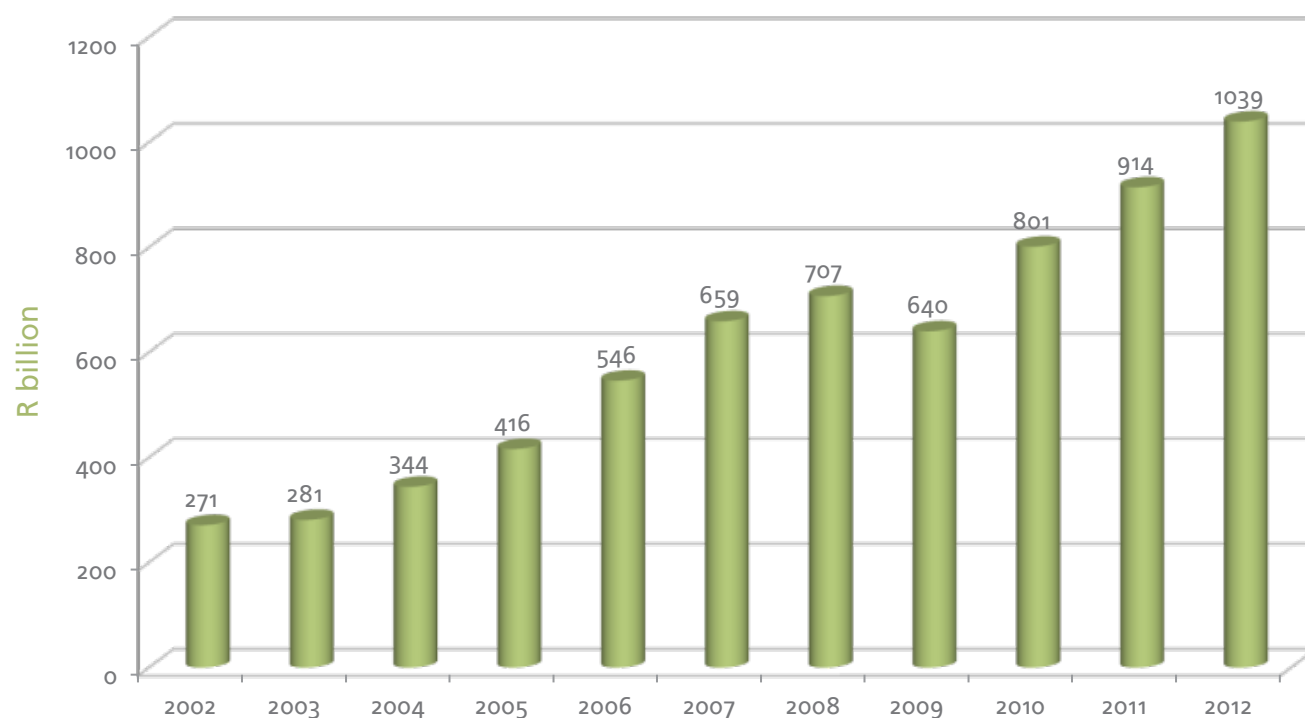
Financial Highlights for the year ended 31 March 2012

*This responsibility is entrusted to us by government employees
through their pension contributions*



Section 2: Financial Highlights for the year ended 31 March 2012

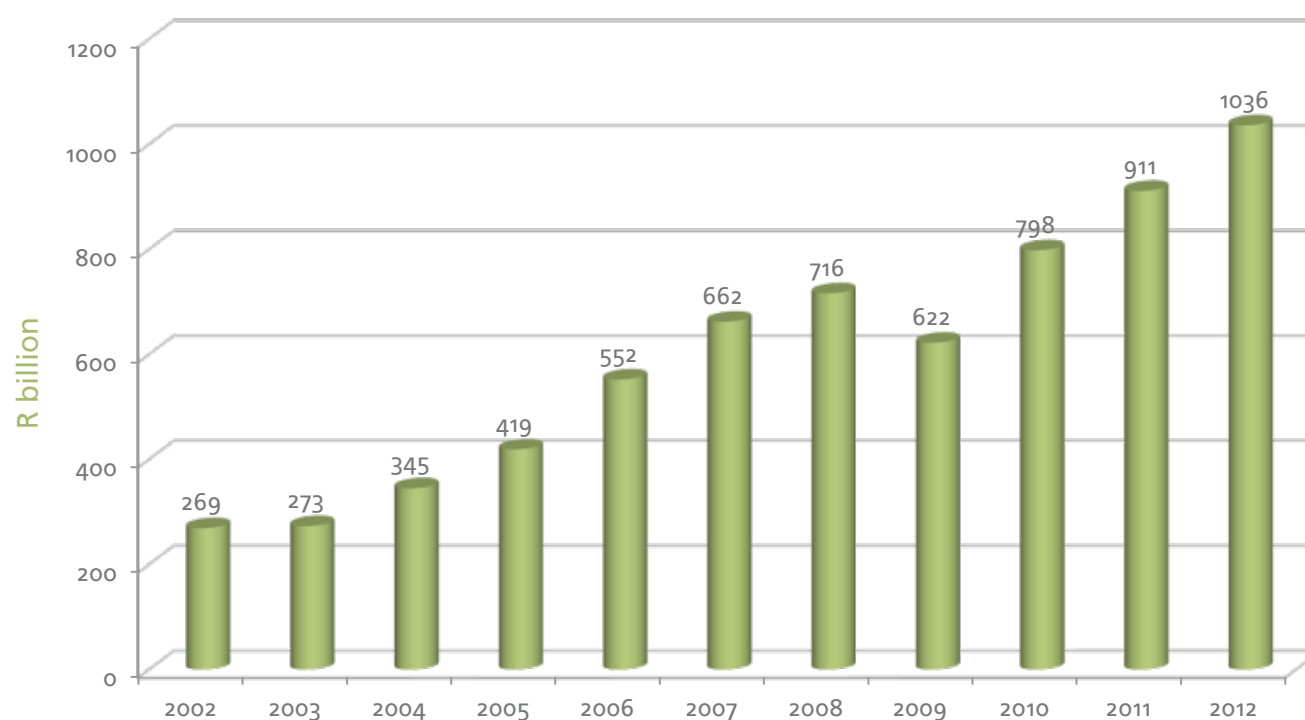
Accumulated funds and reserves as at 31 March 2012



The Fund's accumulated funds and reserves amount to R1, 039 trillion.

Accumulated funds and reserves have grown at an average rate of 14,97% over the past 10 years, reaching R1, 039 trillion as at 31 March 2012.

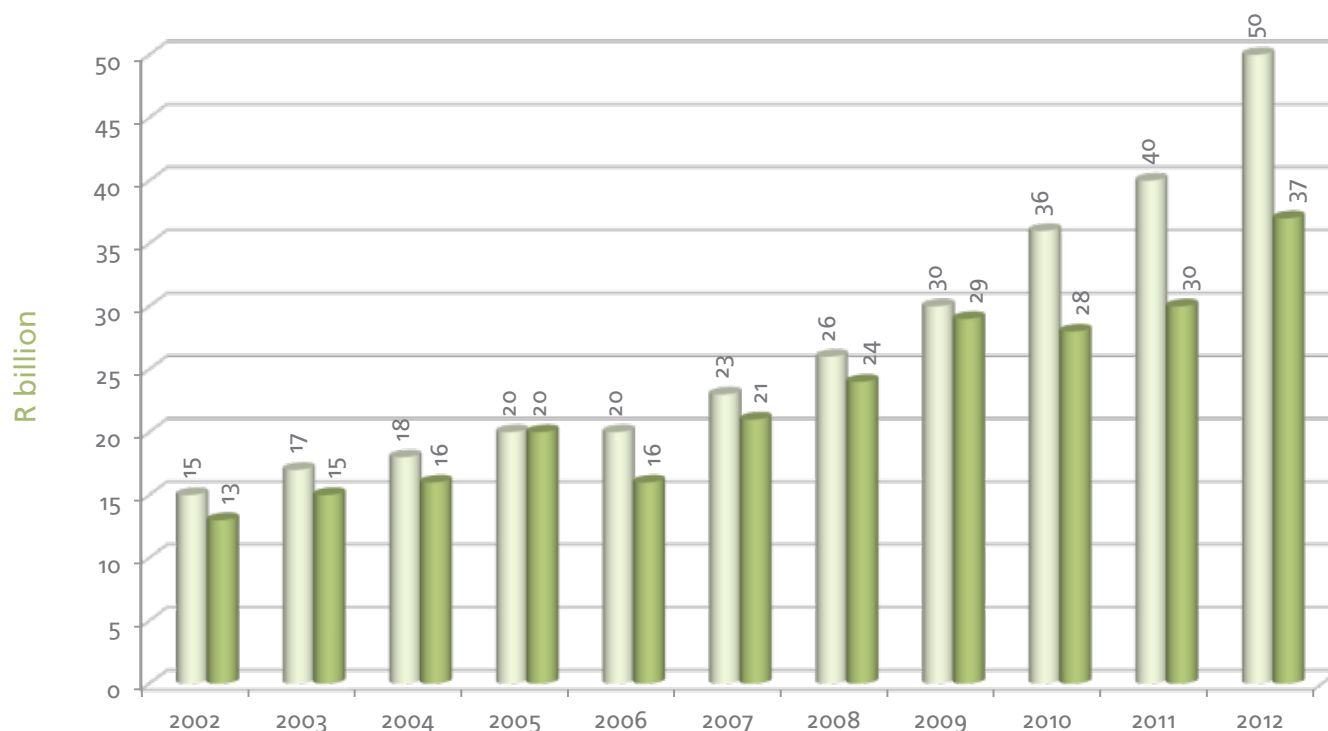
Investment portfolio



The Fund's investment portfolio grew by 13,7% from R911 billion in 2011 to more than R1,036 trillion in 2012.

The increase in the investment value is mainly due to new investments in foreign bonds and the increase in fair values of equities, bills and bonds and collective investment schemes.

Contributions received and accrued and Benefits awarded for the year ended 31 March 2012



The Fund receives a percentage of members' pensionable salaries as contributions.

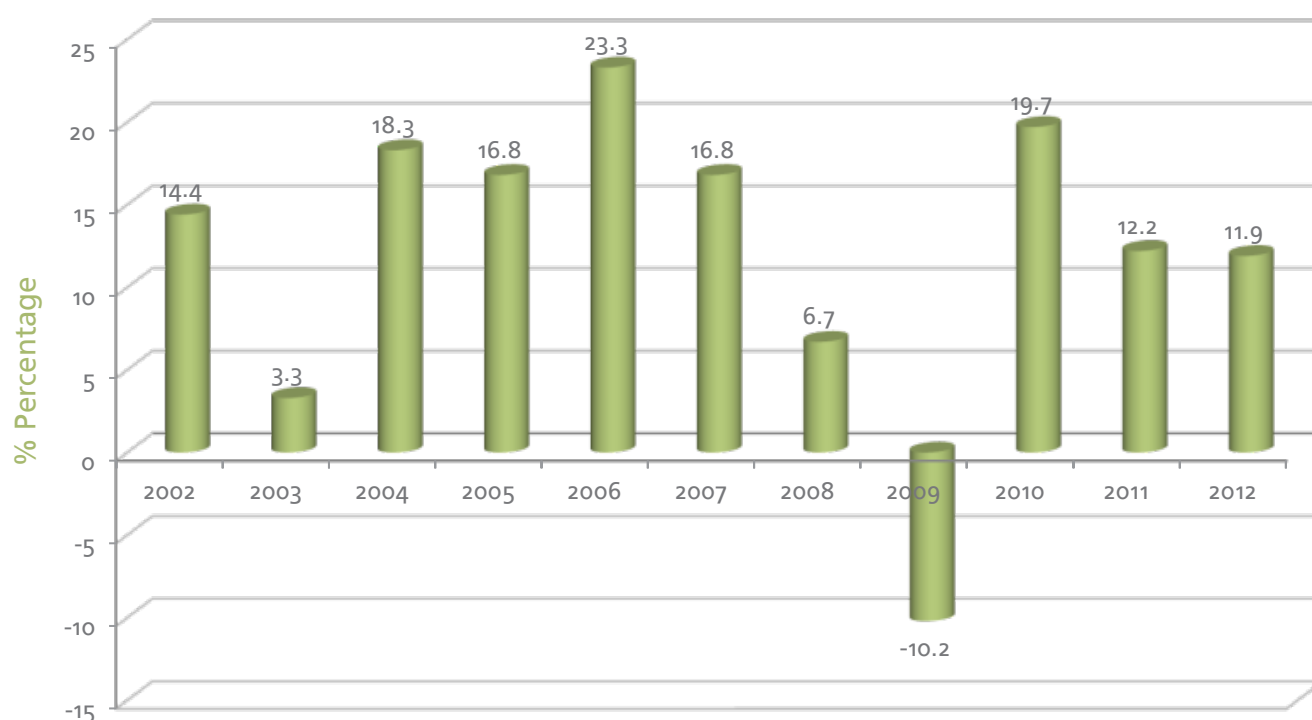
Contributions increased by R10 billion from the prior year. This increase is due to additional NSF contributions amounting to R6 billion, notches awarded due to performance, the increase in membership of 28 040 as well as an average members' salary increase of 6,9%.

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

Benefits paid increased by R7 billion from the prior year.

■ Contributions received and accrued for the year ended 31 March 2012 ■ Benefits awarded for the year ended 31 March 2012

Return on investments for the year ended 31 March 2012



During the reporting period, the Fund's assets yielded an average return of 11,9% (2011: 12,2%), driven mostly by investments and net investment income. This equates to a net investment income of R114 billion (2011: R105 billion). The fluctuation in net investment income is a result of:

- An increase in fair value adjustment due to an increase in dividends received and the fair value of bonds.
- A decrease in realised profit as a result of a decrease in trading sales.
- A decrease in interest income as a result of reduced cash balances. The purchases of additional investments led to a decrease in cash balances.

Section 3:

Chairperson's Report

*We understand that the decisions we make today will affect their future
and the future of their children and their children's children*





The year under review marked the second full financial year of the tenure of the current Board of Trustees. By year end, the Fund had passed the R1 trillion mark in assets under management. This solidifies the GEPF's position as the largest pension fund in Africa, the most powerful investor on the continent and one of the 10 largest pension funds worldwide.

At year end, the GEPF had on its books 1 276 361 government and parastatal employees and 360 799 pensioners receiving monthly annuity benefits.

The impressive growth in assets reflects the Fund's robust investment strategy and its flexibility in adapting to dynamic market forces with leading edge strategies and policies.

In our quest to be a role model for pension funds worldwide, we continued, during 2011/12, to refine our investment policies in line with global best practice. The year took us closer to our vision, as we satisfied the dual role of protecting the wealth of our members and pensioners, while contributing meaningfully to the development of the country and the continent, which we view as having the most significant investment potential among emerging economies.

Responsible investing

South African investors are now required to pay greater attention to environmental, social and governance (ESG) issues in their investment decision making and activities. There is pressure to align funds' investment policy, strategy and reporting frameworks to new legislation and to non-mandatory market-based investor codes.

As a founding signatory to the United Nations-backed Principles for Responsible Investing (PRI), responsible investing is at the heart of all GEPF activities. During the year, we continued to adhere to the PRI's six principles:

- Incorporating ESG issues into investment analysis and decision-making processes;

- Being active owners and incorporating ESG issues into our ownership policies and practices.
- Seeking appropriate disclosure on ESG issues by the entities in which we invest;
- Promoting acceptance and implementation of the principles within the investment industry.
- Working together to enhance our effectiveness in implementing the principles, and
- Reporting on our activities and progress towards implementing them.

In line with these principles, we played a key role in founding the Code for Responsible Investing in South Africa (CRISA) during the year under review. CRISA challenges the traditional role of pension funds as inactive in the management of their assets and strives to integrate ESG issues as mainstream investment considerations rather than peripheral concerns.

We strengthened our Responsible Investing Policy with the addition of an active ownership policy, through which we will have a say in the business operations and societal activities of companies in which we invest. By taking active ownership positions that are informed by a thorough knowledge of financial and ESG risks and opportunities, the GEPF can encourage companies to adopt behaviour beneficial for long-term performance and the value of investments. Convincing companies to make more environmental and social disclosure and manage ESG issues better will contribute to better corporate performance in South Africa and Africa.

The process will be driven by the newly constituted ESG Working Committee, comprising members from the GEPF and its asset management company, the Public Investment Corporation (PIC). The committee is conducting face-to-face engagements with the executives and managers of companies listed on the Johannesburg Stock Exchange. These initial engagements are aimed at developing understanding of ESG issues and facilitating exchange of ideas, with the longer-term objective of compelling changes to corporate behaviour.

Development investing

In extending our responsible investing drive, our Developmental Investment Policy was officially launched in April 2011. The policy was the culmination of a three-year process of consultation with internal and external stakeholders. The policy makes provision for 5 percent of our portfolio to be invested in economic and social infrastructure projects, the green economy and initiatives aimed at job creation, enterprise development and broad-based black economic empowerment (BBBEE). A further 5 percent is committed to opportunities across the African continent, which has boosted our historically conservative exposure to these markets of 0,1 percent.

The policy has its origins in the global financial crisis of 2008/09, which provided the catalyst for the GEPF to review its investment strategy. Many pension funds in developed markets were affected by the collapse in equities' prices and the drop in long-term yields, which resulted in substantial funding and solvency issues. According to the Organisation for Economic Cooperation and Development (OECD), in reassessing their operations in the wake of the upheaval, several pension funds and even sovereign funds globally are including infrastructure investments in their strategies for the portfolio diversification and excellent long-term returns they promise.

South Africa faces several significant challenges to sustainability, which demand immediate attention. Chief among them are inadequate access to clean water, poor road network infrastructure, unsecured energy supply, lack of affordable housing and global issues such as climate change. The Developmental Investment Policy reflects our commitment to investing in a sustainable future and to helping to build a more competitive country, whilst maximising returns for our members and pensioners.

Section 3: Chairperson's Report

During the year, the Board finalised the Fund's policy on unlisted investments, and communicated it to the PIC for development of an appropriate model and governance structures. The strategy, designed along traditional private equity models, will be implemented during the second quarter of 2012. We are confident that it will deliver the returns we need while it funds essential development in the country and the continent.

Significant investments

During the past year, GEPF investments in SANRAL, the V&A Waterfront and Afrisam attracted considerable attention in the media and elicited many diverging opinions from financial and even political commentators, our members and pensioners and the public in general. GEPF, as well as PIC (the investment manager of GEPF) has explained the rationale for these investments in various media statements and in its newsletters.

In spite of the uncertainty regarding the Gauteng Freeway Improvement Project, GEPF remains adamant that an amicable solution would be found that would yield optimal outcome for all investors. This is a view that is shared by many in the markets as observed by non significant movements in their trading yields post the delays of e-tolling. We further derive comfort in that, the loans make up only 1,5 percent of GEPF's well diversified investment portfolio and are also secured by direct and implicit guarantees by the national government.

The Fund, together with Growthpoint properties, acquired the V&A Waterfront, South Africa's most popular tourist destination, the showpiece in the South African property market. As such it has the potential to generate substantial returns for the Fund, eventually benefitting members and pensioners alike. This investment has enhanced the Fund's property portfolio mix in line with its investment strategy. With the envisaged redevelopment project it is foreseen that hundreds of additional employment opportunities will be created.

Inappropriate initial financing structures jeopardised Afrisam's future viability and resulted in a long, drawn out restructuring process that culminated in a comprehensive restructuring agreement approved by all the investors involved. GEPF is confident that the restructuring will not only secure the future viability of Afrisam, but over the longer term will contribute to the infrastructural development of South Africa and also earn substantial returns for the members and pensioners of the Fund. We expect all the three investments above to deliver solid investment returns in the long term.

More detail on these investments is contained in the Principal Officer's Report and in the financial statements of the Fund.

Administration

The GEPF's pension administration function is carried out by the Government Pensions Administration Agency (GPAA). Several developments took place during the review period.

The GEPF Board approved in principle the establishment of an additional voluntary contributions scheme under the GEP Law and a preservation fund registered under the Pension Funds Act. The GEPF will now start engaging all the relevant stakeholders (i.e. the employer and the PSCBC) before these schemes are implemented.

A revised non-statutory forces dispensation, approved by cabinet in 2010, came into effect in July 2011.

It:

- abolished the need for former non-statutory forces members to contribute to the funding for non-statutory forces recognition;
- recognised the full period of non-statutory forces service for members who qualify for non-statutory forces service, and

allowed former non-statutory forces members whose service is recognised to retain the special pension benefits until the date of exiting the GEPF.

The additional liability on the Fund that will be incurred with the implementation of the new dispensation will be funded by the employer.

During the year, National Treasury introduced the Government Employees Pension Law Amendment Bill to facilitate the implementation of the clean-break principle. This principle allows for a non-member spouse to claim and receive a portion of the member's interest specified in a divorce order soon after the order is granted.

Another new rule has increased the spousal payout on a member's death from 50 percent to 75 percent should the member agree to a decrease in his or her gratuity or annuity.

In addition, we approved a tracing policy and an unclaimed benefits policy to locate elusive beneficiaries. Hundreds of millions of rand in benefits remain unclaimed, but we now have the mechanisms in place to contract tracing agencies.

Noting the problems experienced by dependants of deceased GEPF members in accessing their benefits, the Board submitted a letter to the Minister of Justice in his capacity as de facto trustee of the Guardian Fund to initiate discussions on resolving the issues.

Governance

The Board continues to review its policies and procedures to ensure the highest levels of corporate governance.

During the year, a remuneration committee with independent members was established to deliberate on staff remuneration and emoluments paid to Board trustees. The committee made recommendations for both short- and medium-term adjustments, and these will be implemented during 2012/13.

We adopted an insider trader policy to guard against benefiting from privileged information. The securities lending policy was amended in the light of the Registrar of Pension Funds notice in terms of Regulation 28 of the Pension Funds Act. The policy limits the extent to which funds can invest in particular assets or asset classes.

In the ongoing Board capacity strengthening programme, all trustees and substitute trustees were invited to attend a course on trustee capacity building: Board leadership at the Gordon Institute of Business Science (GIBS).

The year to come

High rates of domestic savings, linked to local investment, lead to sustained long-term growth, which is in the interests of long-term savers such as GEPF members. Into 2012/13, the GEPF will continue to play its role in furthering the national agenda, in a way that will benefit its members, pensioners and beneficiaries and advance the ESG principles of responsible investing.

The Fund will step up investments in development in line with its commitment to long-term sustainability. It also plans more significant investment into Africa, which it has identified as the next frontier for investment growth against a backdrop of almost stagnant growth in developed countries.

We firmly believe Africa holds unparalleled promise for those seeking good returns.

Simultaneously, we will continue to explore global investment opportunities, with a bias towards emerging markets.

Section 3: Chairperson's Report

Condolences

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

Appreciation

The GEPF continues to perform effectively and efficiently in the realisation of its strategic objectives. This can be attributed to the calibre of human resources it has at Board and operational levels.

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

On behalf of the Board, I congratulate the GEPF's Principal Officer, John Oliphant, who was elected unopposed in August 2011 to the United Nations-backed Principals for Responsible Investment's Advisory Council (PRIAC). The Board sees this as a clear vote of confidence in the GEPF's success in integrating ESG issues into its portfolio. John is also the chairman of the committee that drafted CRISA and the PRI South Africa Network, for signatories to the PRI.

John's GEPF team may be small, but the impact of its work is immense. The Board's gratitude goes to the executive and staff for upholding the values and the spirit of the Fund in all their dealings with stakeholders, suppliers and the South African public.



Arthur Moloto
Chairperson



The background features a light blue gradient with a faint, stylized graphic of several hands in various shades of blue reaching upwards to hold a globe. The hands are positioned on the left side of the page, and the globe is centered. The overall aesthetic is clean and professional.

Section 4:

Principal Officer's Report

We do not take our responsibility lightly





Our strategy

In September 2010, the Board of Trustees agreed on a long-term strategic plan for the Fund. The strategic plan was developed to provide a framework for achieving GEPF's vision '**to be a role model for pension funds worldwide**', providing exceptional service to members and stakeholders, and managing resources effectively to maximise efficiencies. It identifies the priorities the Board has established to address the challenges that GEPF will face over the next 10 years.

The priorities are to:

- Conduct business with professionalism and integrity;
- Expand awareness of the issues facing the private defined benefit pension system, while working with the government on legislative reforms to enable the GEPF to meet its long-term obligations to retirees;
- Build a performance-based organisation that promotes the sharing of information, transparency and accountability;
- Pursue a workable governance structure and build cooperative and collaborative relationships with stakeholders, and
- Meet the highest ethical standards.

Owing to the current Board's tenure, strategic outcomes were developed for 2011 to 2013. The Board identified strategic goals with detailed implementation steps to achievement over the next three years.

The five key strategic initiatives identified by the Board are to:

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

The GEPF, a leader in responsible investing

The era of profits and more profits at the expense of the environment and society is a distant memory. Responsible investing is now an integral part of any long-term investing and a standard way of doing business. During 2011/12, the GEPF continued to innovate and wield influence in the area of responsible investing.

The ESG unit was established and became fully operational under the leadership of the ESG manager appointed in the previous year. A programme of engagement was started with investee companies to ensure their compliance with ESG imperatives.

Building on our long-standing association with the UN-PRI, we took a leading role in the development of the Code for Responsible Investing in South Africa (CRISA). When the code was launched in July 2011, South Africa reinforced its status as a global leader, becoming only the second country – after the United Kingdom - to introduce a guide for institutional investors. CRISA heralds a new era for the pension fund industry, in that it realises the need to deliver long-term prosperity through investments. In a market driven largely by a non-mandatory, market-based code of governance for companies in the form of the King Report, the institutional investor is able to influence and encourage the companies in which it invests to apply sound governance principles and exercise care for the environment in which they operate.

CRISA puts in place checks and balances to make this voluntary governance framework successful. It, like the King Report, is a set of principles and practices complied with on an 'apply or explain' basis.

CRISA gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

It has five key principles:

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

CRISA requires that institutional investors fully disclose to stakeholders at least annually to what extent the principles have been applied. For more information on the GEPF's implementation of CRISA principles, go to www.gepf.co.za. The code has been endorsed by organisations such as the Johannesburg Stock Exchange and the Financial Services Board.

Collaborations

Throughout the year under review, the Fund continued its collaboration with the Johannesburg Stock Exchange Socially Responsible Investment (SRI) Index, which measures the ESG triple bottom line performance of companies in the FTSE-JSE All Share Index and selects a subset of the highest scoring companies based on ESG factors aligned with the UN Global Compact and other internationally recognised standards for responsible corporate conduct.

It also remained part of the 12-member emerging markets disclosure project (EMDP) team, the South African chapter of the collaboration among international investors to encourage greater ESG disclosure in emerging market companies. Engagement is conducted with the 40 largest companies that do not qualify for the JSE SRI Index.

South Africa's hosting of Conference of the Parties (COP) 17 was an opportunity for the GEPF to host the board of the PRI. During the event, we took part in the National Business Initiative's responsible investment roundtable, which examined the role of investors in promoting sustainable investment. Asset owners and managers were challenged to do some introspection, become involved in more development investments, and look at longer term gains for sustainability – not just short-term performance.

Responsible reporting

Demonstrating global leadership in the emerging field of corporate reporting, the GEPF actively contributed to the International Integrated Reporting Council (IIRC) integrated reporting (IR) pilot programme investor network, in which the Fund and other local and international investors critiqued selected reports from more than 70 organisations participating in the pilot. The analysis offers an investor perspective on the current shortfalls in reporting, how integrated reporting can address

these shortcomings and what investors need in integrated reports for investment analysis.

The participating organisations will inform the development of an international integrated reporting framework to be published after October 2013.

Developmental investments

The Fund has a strong focus on developmental investment in the form of projects with a societal, environmental and governance impact. It also promotes black business ownership and participation. The GEPF's developmental investment policy rest on four pillars:

- Investment in critical economic infrastructure such as in energy, commuter transport, water, broadband connectivity and logistics;
- Investment in social infrastructure such as in affordable housing, education and healthcare;
- Investment in a sustainable future (greener economy) such as in renewable energy, energy efficiency, storage of energy, clean technology, recycling and green firms, green buildings and conservation, and
- Investment in job creation, enterprise development and broad based black economic empowerment.

During 2011/12, R1,2 billion was invested in economic infrastructure, predominantly in the logistics network sector. Some R3,9 billion went towards social infrastructure, 64 percent of which was in affordable housing projects. Environmental projects benefited from R5,1 billion, mainly in the renewable energy sector. Almost half of the R1,4 billion invested in economic growth was allocated to small, medium and micro enterprises (SMMEs).

The Isibaya portfolio at 31 March 2012 increased by 108 percent to R12,0 billion (2011: R5,8 billion) representing 1,15 percent (2011: 0,60 percent)

of the total GEPF assets under management. The disbursements for the year under review amounted to R8,4 billion. In addition, Isibaya has made commitments to developmental projects amounting to R7,2 billion (2011: R2,6 billion), representing 177 percent when compared to prior year developmental project approvals. Social infrastructure and renewable energy projects are the key contributors to this significant increase.

The Meridian Private School Model

The GEPF and Old Mutual Investment Group SA (OMIGSA) have joined forces to provide a major boost to affordable independent schooling in South Africa. The partnership aims to deliver quality low-fee education to an initial 20 000 learners across 11 schools nationwide.

The Meridian Independent Schools are broadly aimed at working-class people for whom private education was not always available in the past. The emphasis will be on providing a focused and well-rounded academic education to prepare learners to succeed after school, while teachers and learners will have strong support from Curro's dedicated curriculum unit, the Curro Centre for Educational Excellence.



Pan-African Infrastructure Development Fund

A further 5 percent has been committed to pursue investment opportunities in other African countries.

Currently (i.e. as at 31 July 2012), the GEPF's small, but strategic, investment exposure in key African markets holds a value of about R2.5 billion or 0,23 percent of its portfolio (R1,02 billion or 0,097 percent of the portfolio in March 2012) through the Pan-African Infrastructure Development Fund (PAIDF). PAIDF invests in transport, telecommunications and other infrastructure projects to accelerate Africa's growth.

It seeks to help African economies meet capital requirements in financing infrastructure investments to enable the continent to achieve sustainable growth. The GEPF has chosen to invest in PAIDF because the growth and development of South Africa's economy are inextricably linked to development elsewhere in Africa. These are long-term investments but they are already yielding positive results in terms of financial returns and social impact.

PAIDF's investments at 31 March 2012 were:

- SeaWolf Oilfields Group, a Nigerian-based oil rig leasing service.
- Aldwych Holdings Limited, an Africa-focused independent power producer with investments in Kenya, South Africa and Zambia
- Essar Kenya Telecoms Limited, a cellphone operator based in Kenya
- Main One Cable Company, the West Coast subsea broadband telecommunications company
- Community Investment Ventures Holdings, a sub-Saharan inter-terrestrial broadband telecommunications investor
- TAV Tunisie, which runs two airport development projects in Tunisia
- Bongwe Investments, which manages the head office of the Southern African Development Community in Botswana

PAIDF's committed equity of US\$356 million has participated alongside capital of about US\$ 4,1billion. The investment has created more than 3000 direct jobs and 15 000 indirect jobs.

V&A Waterfront

The R9,7 billion joint venture deal with property group, Growthpoint, to acquire the prestigious V&A Waterfront was ratified by the Competition Commission in June 2011. The decision to invest effectively placed the ownership of one of the most prestigious properties in South Africa in the hands of South Africans.

In addition, the purchase satisfies the objectives of sound investment, balanced by effective contribution to the sustainable economic development of South Africa.

As part of ongoing development plans, the GEPF will spend R500 million on redeveloping the landmark Clock Tower precinct over the next four years - one of the biggest business developments since the inception of the V&A Waterfront almost 22 years ago. This project promises to create hundreds of jobs during construction and beyond.



SANRAL

GEPF received some negative media coverage during the reporting period for exposure to SANRAL bonds. As at the end the reporting period, GEPF roughly held 50 percent of SANRAL bonds, valued at about R15,7 billion. This is in addition to 63,22 percent of Eskom bonds; 60,84 percent of Transnet bonds; 12,39 percent of Telkom bonds; 9,32 percent of Airports Company of South Africa bonds; 50,93 percent of the Trans-Caledon Tunnelling Authority bonds, and 53,30 percent of Development Bank of Southern Africa bonds, valued at about R114, 2 billion in total. The GEPF's investment in conventional and inflation-linked bonds, issued by government and state-owned entities (including SANRAL) is informed by the Fund's investment policy, which takes into account the Fund's long term liabilities as a pension fund. The Board is also steadfast in its view that investment in economic infrastructure, including the country's road network, is critical to the growth of the South African economy and infrastructural investments remain an attractive asset class with potential for excellent returns in the Fund's overall portfolio.

Restructuring of Afrisam

In 2008 GEPF participated in a transaction whereby a BEE Consortium acquired a majority stake in what was then known as the AfriSam Consortium. The GEPF participated in the replacement of the bridge funding with term debt and thereby became holders of the following within the group structure:

- Afrisam Equity;
- Afrisam B Preference Shares; and
- Afrisam Payment in Kind (PIK) Notes

These investment amounts and subsequent impairments up until 31 March 2011 are reflected in table 1 below. These investments as well as the subsequent impairments made were reported on, in detail, in previous annual reports.

Table 1: Breakdown of initial investment at cost and subsequent impairment up until 31 March 2011

Initial Investment	Cost	Accrued interest	Impairments made	Value 31 March 2011
Afrisam Pref shares	4,179,917,440.72	1,567,470,227.09	(5,747,387,667.81)	-
Afrisam PIK	1,726,180,714.27	296,954,868.84	(847,786,917.11)	1,175,348,666.00
Afrisam Equity	209,999,990.00	-	(209,999,990.00)	-
	6,116,098,144.99	1,864,425,095.93	(6,805,174,574.92)	1,175,348,666.00

Section 4: Principal Officer's Report

The AfriSam Consortium had to raise substantial debt in the European market called the Senior Secured Euro denominated Floating Rate Notes ("FRN") to fund the above acquisition and to facilitate the exit of Holcim and Aveng. These FRN's matured in February 2012. However, Afrisam was unlikely to have the ability to redeem the FRN's in February 2012 due to poor market conditions. Afrisam therefore had to be restructured to enable it to continue operating and to settle the FRNs. The PIC, on behalf of the GEPF started a process to restructure Afrisam with the goal to deleverage AfriSam in order to optimise and promote operational flexibility and enhance fundamental value over the long term. The PIC was able to secure participation in such a restructuring from all parties, including all major creditors and shareholders, with the conclusion of the Restructuring Agreement during December 2011 / January 2012.

The restructuring, will be implemented over a period of three-years with different phases. Phase I took place during the financial year under review and the remainder of the phases should be finalised before 31 March 2013.

Phase I of the restructuring had the following impact on the GEPF instruments:

- GEPF's original 2008 investment has effectively been converted into a new equity position in AfriSam's new holding company ("Opiconcivia 230") along with two new equity loan positions which stems from new money injected by GEPF during the financial year under review, as well as the crystallisation of significant discounts and foreign exchange gains through the conversion of the positions acquired into the equity, new equity FEC loan and new equity loan instruments at balance sheet date. This has resulted in the GEPF holding 62% equity in Opiconcivia 230 which is subject to a further 5% dilution during the implementation of the following phases of the restructuring, at no value. Table 2 demonstrates the movement from the original investment value as at 31 March 2011 (as reflected in table 1), the new cash invested and accrual of value that has resulted in equity (including equity loans) as a result of the restructuring and deleveraging of AfriSam.

Table 2: Breakdown of movement from original investment position, adding to it new cash invested not attributable to PIK and Bridge loans, ultimately reflecting the value attached to the successful restructuring / deleveraging of Afrisam.

	Cost	Value 31 March 2012
Remainder of Original Investment value converted to a total of the Equity / New Equity Loan position - Refer to Table 4 below	1,175,348,666.00	1,175,348,666.00
New Cash Invested as it relates to a total of Equity / New Equity FEC Loan / New Equity Loan position	1,609,750,229.82	1,609,750,229.82
Addition Value Accrual because of Successful Restructuring / Deleveraging of AfriSam	-	1,379,255,639.70
	2,785,098,895.82	4,164,354,535.52

Table 3: Breakdown of total value as per table 2 above into the individual instruments as they relate to the GEPF AFS.

	Value 31 March 2012
New Equity FEC Loan	214,931,339.63
New Equity Loan	3,206,605,095.89
Equity	742,818,100.00
	4,164,354,535.52

- GEPF's original 2008 investment in PIK's has remained in place. However this instrument has been isolated in a company within the group which will be taken out during the implementation of the following phases of the restructuring, and in so doing the GEPF's PIK will be completely acceded for no value. Refer to table 4 below for breakdown of movement in PIK valuation from 31 March 2011 to 31 March 2012.

Table 4: Movement of PIK valuation from 31 March 2011 to 31 March 2012

	Value 31 March 2011	Impairment (value not lost - refer to Table 2 above)	Value 31 March 2012
Afrisam PIK	1,175,348,666.00	(1,175,348,666.00)	-

- In addition to the above the new PIK note stems from new money injected by GEPF during the financial year under review, as well as the crystallisation of significant discounts and foreign exchange gains through the conversion of the positions acquired into the new instrument at balance sheet date. Refer to table 5 below.

Table 5: Breakdown of new PIK loan

	Cost	Accrued interest	Impairments made	Value 31 March 2012
New PIK Loan	1,500,000,000.00	69,449,959.00	-	1,569,449,959.00

- GEPF also invested new money into a bridge loan instrument as part of the FRN refinancing during February 2012. Refer to table 6 below.

Section 4: Principal Officer's Report

Table 6: Breakdown of new Bridge loan

	Cost	Accrued interest	Impairments made	Value 31 March 2012
Bridge Loan	2,550,000,000.00	47,797,759.00	-	2,597,797,759.00

The implementation of the restructuring, as contemplated in the **Restructuring Agreement**, has already resulted in the significant deleveraging (a debt reduction in excess of R15bn) of AfriSam which in turn has created value for the GEPF's investment.

We are pleased to report that the new capital structure will ensure AfriSam's operational flexibility, remove the susceptibility to currency volatility and create the opportunity for management to consolidate the company's commercial strengths, thereby preserving jobs and protecting a vitally important player in South Africa's infrastructure sector.

Our investment portfolio

At 31 March 2012, the GEPF's accumulated funds and reserves stood at R1,04 trillion, an increase of R90 billion over the R914 billion of 2010/11. During the reporting period, the Fund yielded an average return of 12 percent (2011: 12,2 percent).

The Fund follows a liability-driven approach to investing to determine how much to allocate to each asset class. The GEPF regularly conducts asset-liability modelling to ensure that its assets are invested in a way that is consistent with its liability structure.

Asset Class	Asset allocation range %	Allocation at 31 March 2012	Fund performance	Benchmark performance	Performance against benchmark
Cash and money markets	0 – 8%	4,07%	6,04%	5,68%	0,36%
Domestic nominal bonds	*26 – 36%	23,97%	13,46%	13,15%	0,31%
Domestic inflation linked bonds	*26 – 36%	9,62%	15,31%	14,75%	0,56%
Domestic property	3 – 7%	4,71%	20,76%	12,35%	8,41%
Domestic equity	45 – 55%	50,70%	11,53%	12,10%	(-0,57%)
Africa (excluding South Africa) equity	0 – 5%	0,10%	23,15%	21,02%	2,13%
Foreign bonds	0 – 4%	2,58%	14,49%	18,47%	(-3,98%)
Foreign equity	1 – 5%	3,11%	12,10%	14,17%	(-2,07%)
**Other		1,15%	9,42%	21,01%	(-11,59%)
Total		100%	12,00%	12,88%	(-0,88%)

*Combined asset allocation range for nominal and inflation-linked bonds.

**Includes remaining structured product, Isibaya unlisted equity and debt.

GEPF investment committee visits Bridge City Mall

Members of the GEPF investment committee recently visited the Bridge City Mall, a R740 million multi-purpose shopping centre north of Durban, to assess the impact the mall is having on the quality of the underdeveloped communities of Inanda, Ntuzuma and KwaMashu (INK) townships.

GEPF owns 60% of Bridge City and it is managed by the property division of the PIC.

The GEPF investment in Bridge City has made it possible for more than one million residents of the surrounding townships to access essential services within a short travelling distance. Importantly, the GEPF's members and pensioners in these areas will also benefit from this development.

With a train station, just a level below the mall, Bridge City will also act as a transit node, connecting rail and road transportation for townships north of Durban.



Section 4: Principal Officer's Report

At any given point during the year, at least 50 percent of GEPF's assets are invested in listed equities, the majority of which are managed passively. The Fund's passive equity portfolio is invested in JSE-listed companies according to the benchmark weightings of the adjusted JSE Shareholder Weighted Index.

Details of the GEPF's exposure to various investments can be found in the annual financial statements.

Adapting to a changing environment by developing one-stop financial services capability that offers our members and pensioners improved and flexible benefits.

We live in an ever-changing environment and we know that the needs of our members and pensioners differ vastly from what they were 10 years ago. We also know that their needs will differ 10 years from now. As a pension fund, we must therefore adapt our benefits structure to the changing needs of our stakeholders. The social pillar in a Developmental Investment Policy will ensure that the investments we make are more focused on our pensioners and members.

The GEPF is aligning its benefits offered to the Pension Funds Act. The clean break principle was successfully implemented during this reporting period. The framework for establishing an additional voluntary contribution scheme, to encourage members to save more, was approved by the Board. This will enable our current members to enhance their retirement savings by contributing additional money into this scheme. The Board has also approved the establishment of a preservation fund. In the coming financial year, we will consult GEPF's key stakeholders on these initiatives.

A role model to pension funds means optimisation of the Fund's governance structures.

The GEPF pride itself on the world-class governance practices and structures implemented since its inception in 1996. Both local and international pension funds regularly engage with us to benchmark their governance practices and structures against ours. A full King III and PF 130 governance compliance audit was conducted during the reporting period. Areas of non- or partial compliance were identified and will be addressed urgently to ensure that the GEPF complies fully with all the recommended practices and principles of King III and PF 130.

The GPAA's Internal Audit function was responsible for rendering internal audit services to the GEPF until 31 March 2010. The GEPF Board approved the establishment of a fully-fledged Internal Audit Unit as part of the structure of the GEPF. A detailed Internal Audit coverage plan was approved by the Board post year-end. This plan will be executed by the Internal Audit Unit once it has been fully resourced. The Board further approved that the risk management function be outsourced to an external service provider. The service provider was appointed post year-end. The GEPF has, however, had an enterprise-wide risk management policy and risk register for awhile, whose implementation has been overseen by the Finance and Audit Committee. Details of the top 10 strategic risks facing the GEPF will be disclosed in the next annual report.

The road to establish credibility with our stakeholders

The need for a new brand and image for the GEPF became clear when the Fund separated from the GPAA in 2010. As a public interest entity, the Fund could no longer operate under the government coat of arms logo. It needed a strong brand identity that would reflect its position as custodian of public servant wealth and would form a new basis for a more 'client-centric' approach to the way it does business and build a platform for marketing and communications campaigns.

At the outset, the personality and characteristics of the GEPF brand were defined. The views and perceptions of thousands of internal and external stakeholders, from active members and pensioners to suppliers and staff, were sought through surveys conducted between August and December 2011.

The exercise confirmed the GEPF's role as a 'guardian', protecting and safeguarding the livelihood and future of the South African people through the philosophy of responsible investing.

A new logo was created that would communicate a strong sense of community, ownership and wealth sharing. The chosen image - a tree communicates long life, long-term growth, vitality and sustainability. Trees are able to weather seasons, storms and natural adversity. The logo colours – burnt orange, olive green, sandstone, and medium and dark slate – are warm, inviting, accommodating and majestic.

The accompanying new payoff line, 'your investment, your future', conveys the message that the association of members and pensioners with the GEPF is an investment in their future.

With the objective of improving member communication, an updated member communication and education strategy, focusing on general financial literacy and savings education, has been approved by the Board and will be rolled out to members and pensioners during 2012/13 through the GPAA, which is responsible for member education and communication on the GEPF's behalf. To ensure that the Fund maintains a strategic oversight over the function, an editorial committee was established during the year, which will be directly accountable to the Benefits and Administration Committee. The new committee includes a Board representative and will ensure that communication is driven from a single centre across all media, including newsletters, roadshows, websites and educational campaigns.

In line with the new brand identity, a website revitalisation programme was well underway by year end and the new site went live in September 2012.

The GPAA also conducted road shows in the following areas:

Gauteng

- Diepkloof
- Meadowlands
- Kliptown

Western Cape

- George
- Cape Town
- Worcester
-

North West

- Vryburg
- Potchefstroom
- Rustenburg

Northern Cape

- Upington
- Kuruman
- Kimberley

Free state

- Welkom
- Sasolburg
- QwaQwa

Limpopo

- Seshego
- Tzaneen
- Modimolle



These road shows assist us to bring our services to our most important stakeholders, namely active members and beneficiaries. Board members attended the majority of the road shows.

An exciting development was the launch of mobile offices, which will further enhance our service to our stakeholders by taking us deep into the rural areas of our country.

The GEPF, a company looking after its people

Our biggest asset is the 20 people we employ and, as an organisation, we strive to acquire and retain the best people in the market to ensure that we can deliver on our promises to our stakeholders. The GEPF invests in its people by enhancing and developing their current skills. In line with this, a leadership and coaching programme was implemented for executive managers during the reporting period. A skills audit was conducted that will enable the organisation to tailor training and development programmes for all its employees.

Post year-end activities

With more than one billion people and a rapidly growing middle class, the African continent is ripe for investment.

In terms of our investment strategy, which has our continent as the next frontier for investment growth, we announced plans to invest, through the PIC, R1,7 billion in the common equity of Ecobank Transnational Incorporated (ETI). ETI is the parent company of the Ecobank Group, the leading independent Pan-African banking group with a presence in 32 African countries.



John Oliphant
Principal Officer

The background features a light beige color with a pattern of various geometric shapes (triangles, squares, hexagons) in a slightly darker shade. In the bottom left corner, there is a silhouette of a person with their arms raised, also in a darker shade. On the right side, there is a faint, textured image of a person's hand holding a pencil.

Section 5:

The Fund Structure

*We are putting our weight behind the growth and development of our country
and our people*



Section 5: The Fund Structure

The Office of the Principal Officer comprises the Principal Officer and a 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 Officer, the Head of Corporate Services, the Head of Investments and Actuarial, and the Head of the Board Secretariat.

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

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.

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

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

Executive management



Mr John Oliphant

Acting Principal Officer and Head: Actuarial and Investments

- Principal Officer and Head: Actuarial and Investments
- Wits University: BSc (Actuarial Science)
- Wits University: BSc (Hons) Advanced Mathematics and Finance
- Board member of the UN backed PRI
- Board member of the POA
- Chairman of the PRI South African Network
- Chairman of CRISA
- Member of the Investment Committee of the PAIDF
- Member of the Investment Sub Committee of the SABS Board
- Member of the JSE SRI Advisory Committee



Ms Adri van Niekerk

Head: Board Secretariat

- University of Pretoria: BAdmin Public Management
- University of Pretoria: Honours Degree in Public Management
- Member of the Integrated Reporting Committee of South Africa
- Member of the Institute of Directors
- Member of the International Corporate Governance Network (ICGN)



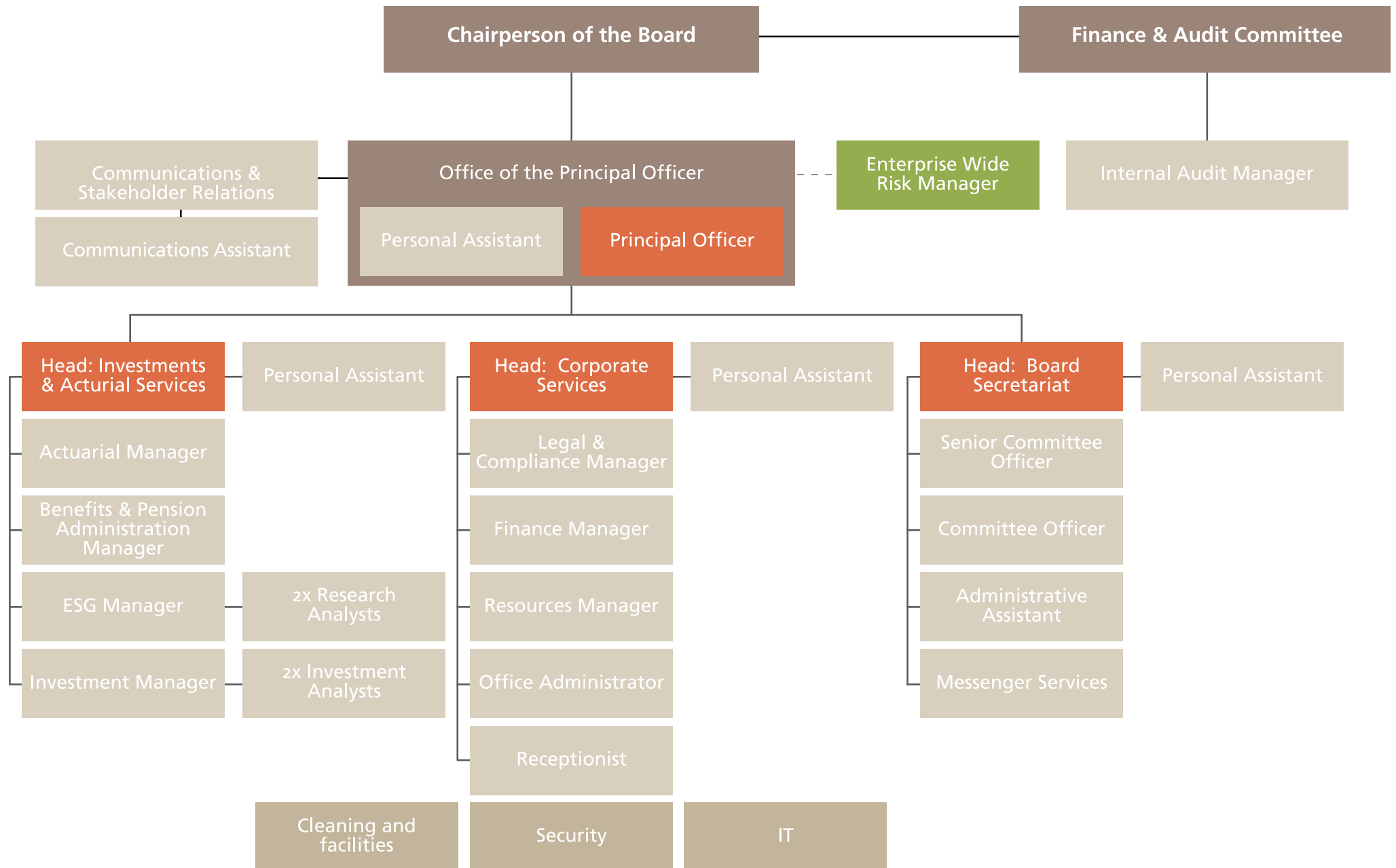
Ms Joelene Moodley

Head: Corporate Services

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

Section 5: The Fund Structure

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



The GEPF is on its way to earning its status as a place of preferred employment

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

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

GEPF recorded a zero percent staff turnover rate during 2011/12, and employees are kept motivated and encouraged to live the values of the Fund.

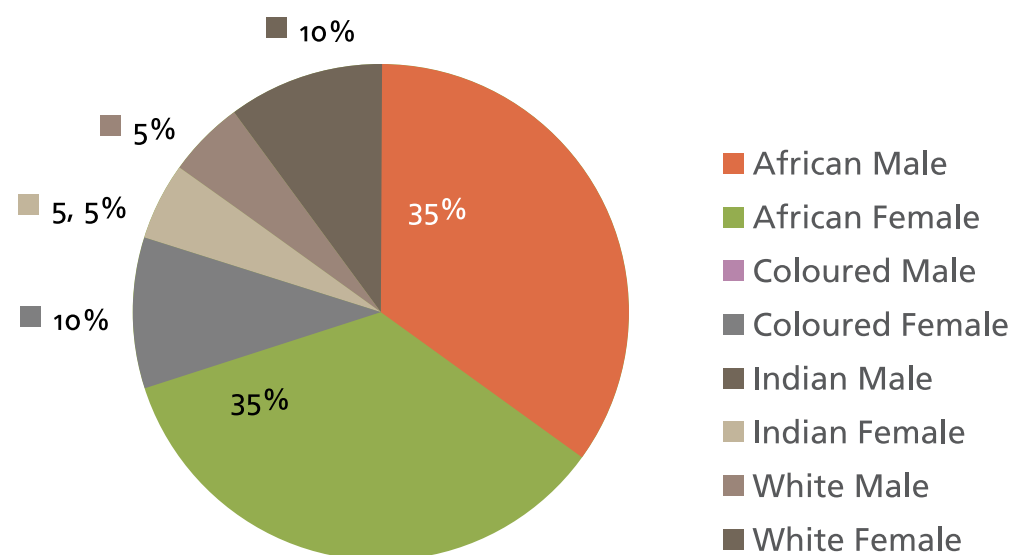
Employment equity

By the end of the financial year, the GEPF had established an Employment Equity Committee in line with the Employment Equity Act and related legislation. The committee has received training on the Employment Equity Act. Its work will come to fruition in the ensuing financial year and a comprehensive and integrated employment equity strategy will be developed to guide the process. The Fund's commitment to employment equity in practice is evident in the table and figure below. A total of 85 percent of GEPF staff and 66 percent of executive management are African, Indian or coloured. The GEPF currently has eight vacant positions that will be filled in the coming financial year.

Level	African		Coloured		Indian		White		Total	
	M	F	M	F	M	F	M	F	M	F
Top management										
Senior management	1					1		1	1	2
Professional - middle management	5	1		1			1		6	2
Skilled										
Semi-skilled		6		1				1		8
Unskilled	1								1	
Total	7	7		2		1	1	2	8	12
Percentage	35%	35%	0%	10%	0%	5%	5%	10%	40%	60%
Total percentage	70		10		5		15			

Section 5: The Fund Structure

Employment equity by percentage



Executive remuneration and performance management

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

Executive remuneration is reflected in the table below :

	Total Cost to Company	Performance Bonuses
Mr John Oliphant	R 1,988,996	R346,704
Ms Adri van Niekerk	R 915,260	R 78,937
Ms Joelene Moodley	R 954,676	R 85,000
Total	R 3,858,932	R 510,641

Principal Officer Acting Allowance		
	Total Cost to Company	Performance Bonuses
Mr John Oliphant	R 240,000	
Total	R 240,000	

Use of benchmarks and incentive schemes

During January 2012, GEPF established a Remuneration Committee to align the remuneration policy and practices to the Board's strategic objectives and encourage individual performance across all levels over the long term.

The committee determines remuneration packages appropriate to attract, retain and motivate high performers and ensure all benefits are justified and correctly valued, among other things. It furthermore gives a high-level advice on human resource matters and trustee remuneration.

GEPF subscribes to three reputable South African remuneration surveys to apply the correct pay levels for each position and grade. The survey results are compared to find an equitable benchmark for GEPF remuneration generally. A few administrative positions have been identified to be above the market. This situation is due to historic remuneration practices and the GEPF will address this by appointing incumbents on the correct salary levels when the positions become vacant. Two executive managers are also remunerated above the median. However, the remuneration policy of the GEPF allows for executive managers and other specialist positions to be paid above the median. The newly appointed Remuneration Committee is in the process of reviewing the current remuneration policy and a report on the principles with regards to the base pay offered to GEPF employees will be published in the next annual report. However, it is important to note that the current remuneration and performance reward policies of the GEPF does not differentiate between executive and other levels.



Section 6:

The Board of Trustees

We believe that when our country grows, our people grow



Section 6: The Board of Trustees



Mr Arthur Moloto

Chairperson of the Board of Trustees and Chairperson of the Investment Committee

- University of Limpopo: BA (Education)
- University of Limpopo: BA Hons (Development Studies) University of London: Postgraduate Diploma (Economic Principles)
- University of London: MSc Finance and Financial Law
- Board Chairperson: Pan-African Infrastructure Development Fund
- Member of Parliament
- Member: Portfolio Committee on Energy and Auditor-General



Mr Prabir Badal

Vice Chairperson of the Board of Trustees and Chairperson of the Finance and Audit Committee

- National Diploma (Cost and Management Accounting)
- National Treasurer: NEHAWU
- Member of the Central Executive Committee of COSATU
- Tax auditor: South African Revenue Service



Major General Dries de Wit

Chairperson of the Benefits and Administration Committee

- Director: Human Resource Strategy and Planning of the Department of Defence, Defence Headquarters
- SA Defence Force Personnel Specialist of the Year (1992)
- South African Air Force Individual Productivity Award (Gold) (1996)
- Tertiary qualification (human resource management)



Mr Kenny Govender

- Deputy Director-General: Human Resource Management and Development
- Senior Primary Education Diploma (Springfield College of Education)
- Higher Education Diploma – Mathematics (Springfield College of Education)
- Further Diploma in Education – Computers (Cum Laude) (University of Johannesburg)

Section 6: The Board of Trustees



Ms Cecilia Khuzwayo

Chairperson of the Governance and Legal Committee

- BCom
- Chairperson: National Energy Regulator of South Africa
- Senior Client Partner: Leaders Unlimited
- Member: South African Revenue Service Remuneration Committee
- Member: Merseta Remuneration Committee



Mr Mpho Kwinika

- National Diploma (Policing)
- President: South African Police Union
- Chairperson: Sililanabo South African Police Union Trust Fund



Dr Frans le Roux

- University of Stellenbosch: DCom (Economics)
- Former Chairperson: Public Investment Corporation executive committee
- Former Deputy Director-General: Financial Management
- Former Chief Executive Officer: GEPF



Dr Mary Ledwaba

- Cheyney University, Pennsylvania: BA (Psychology) Howard
- Cheyney University, Pennsylvania: MEd (Masters in Educational Administration)
- Howard University, Washington, DC Masters Sociology
- Howard University, Washington DC: PhD (Sociology)
- Head Executive Support: Office of the Director General, Palama
- Member South African National Defence Force Military Academy (resigned after leaving Defence)
- Executive Board Member: South African National Chapter of the African Association for Public and Administration Management

Section 6: The Board of Trustees



Ms Fagmeedah Lurie

- Fellowship of the Institute of Actuaries, Oxford, United Kingdom (1999)
- University of Cape Town Graduate School of Business: Postgraduate Diploma (Management Practice)
- Fellow of the Actuarial Society of South Africa (2000)
- University of Cape Town: Bachelor of Business Science (Actuarial Science)
- Associate: Financial Planning Institute
- Accredited Member of the Institute of Directors



Ms Marion Mbina-Mthembu

- BCom Accounting (Cost and Management Accounting and Business Administration)
- Associate cost and management accountant: Institute of Cost and Management Accountants
- Head of Department: Eastern Cape Provincial Treasury



Ms Edith Mogotsi

- Lieutenant Colonel , Provincial Inspectorate NorthWest Province
- Advanced Diploma – Public Administration , University of the Western Cape
- Member – IODSA



Mr Hans Murray

- BAdminHons
- Hospersa representative: Public Service Coordinating Bargaining Council and Public Health and Social Development Sector Bargaining Council
- Hospersa national researcher

Section 6: The Board of Trustees



Mr Thobile Ntola

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



Mr Paddy Padayachee

- BPaed (Primary Education)
- BA Hons (History)
- Director: Labour Relations, Department of Education
- Chief negotiator: Department of Education



Advocate Rashied Daniels

- President of the PSA
- University of Western Cape: B Iuris
- University of Western Cape: LLB



Mr Zakhele Sithole

- University of Zululand: BCom (Accounting)
- University of Witwatersrand: Higher Diploma in Tax Law
- University of Witwatersrand: Higher Diploma in Company Law
- CFE (CA) SA
- Public Accountants and Auditors Board: Qualifying examination
- Board member: Public Investment Corporation
- Chairman: Board of directors, Command Holdings Ltd
- Chairman: Audit Committee, Allied Technologies Limited
- Board member: South African Airways
- Board member: Growthpoint Limited

Section 7:

Progress against strategic priorities and operational goals at 31 March 2012

When our country grows it leads to prosperity for our people



Section 7: Progress against strategic priorities and operational goals at 31 March 2012

In September 2010, the Board developed a long-term strategic plan for the Fund. The plan provides a framework for achieving the GEPF vision 'to be a role model for pension funds worldwide', offering exceptional service to members and stakeholders, and managing resources effectively to maximise efficiency. Given the Board's three-year tenure, the following strategic outcomes were developed for 2011 to 2013:

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

Detailed implementation steps were drawn up to achieve the outcomes.

To remain a leader in responsible investing

Projects	Status	Comment
Developmental investment framework	In progress	The GEPF's developmental investment policy was fully integrated into the investment mandate with the PIC and was launched publicly during April 2011. A revised model for unlisted investments was approved and agreed to with the PIC.
Responsible investment policy implementation framework	In progress	The GEPF now has a fully functional environmental, social and governance team led by an ESG manager. This team regularly engages companies on ESG issues and champions and leads PRI South Africa network initiatives. An ESG working committee was formed with the PIC to give effect to the GEPF's active ownership policy that was approved by the Board.
Implementation of the revised investment strategy	Finalised	The structure and strategy for the offshore and Africa investments was approved and implemented.
Implementation of an optimal custody and investment administration arrangements	In progress	The GEPF reviewed its current custody and investment administration arrangements. The revised model will be implemented during the 2012/13 financial year.

One-stop financial services that offer members and pensioners improved benefits

Projects	Status	Comment
Align GEPF benefits with local and international best practice	In progress	<p>The GEPF approved and implemented the following law and rule changes to align its benefits to best practice:</p> <ul style="list-style-type: none"> • Clean break principle • Revised non-statutory forces dispensation • Enhanced spouse benefits • Enhanced funeral benefits • Payment of minimum benefits on resignation <p>The GEPF will consider the third discussion paper on national savings and social reform before preparing its position paper on retirement reform. However, a task team was established to look at the impact that compliance with the Pension Funds Act would have on the GEPF.</p>
Establishment of the additional voluntary savings scheme (DC portion)	In progress	An additional voluntary savings scheme was approved by the Board. The GEPF must still negotiate the terms and conditions of this scheme with the PSCBC before its implemented.
Unclaimed benefits	In progress	The Board approved an unclaimed benefits policy and procedure, which is being implemented.

Optimise fund's governance structure

Projects	Status	Comment
Conduct a quantitative and qualitative audit of Fund and Board governance	Finalised	The audit was conducted and action plans were developed to ensure that all governance practices are aligned to the requirements of King III and PF 130.
Adequately trained and functional Board	In progress	Training is conducted for Board committees and individuals according to an agreed training programme.
Determine good corporate governance in terms of international and local best practices	Finalised	All current policies and terms of reference of all Board committees were reviewed and aligned to best practices.

Section 7: Progress against strategic priorities and operational goals at 31 March 2012

Employer of choice

Projects	Status	Comment
Define, acquire and retain the best fit employees for the GEPF	In progress	An independent Remuneration Committee was established in line with industry best practice.
Create a working environment as an employer of choice	In progress	Leadership capabilities were enhanced through a coaching and mentoring programme for executive management.

Establish and maintain credibility with stakeholders

Projects	Status	Comment
Development of brand strategy	In progress	<p>The GEPF has conducted a brand health audit and is developing its brand strategy based on the outcomes of the audit.</p> <p>The Board approved a new logo for the GEPF with a corporate identity manual.</p>
Media monitoring and proactive communication with media	In progress	The Fund is now managing its reputation better through media monitoring and issuing of proactive communication.
Regular communication and education with members and pensioners	In progress	<p>The GEPF Board regularly interacts with the Fund's members and pensioners through the monthly roadshows conducted by the GPAA.</p> <p>A formal communication strategy targeting members and pensioners was approved and will be implemented through the GPAA.</p>

Unless otherwise stated, all actions were taken during the reporting period.





Section 8:

Corporate Governance

The growth of our people and our country is imbedded in our investment philosophy of responsible investing



Section 8: 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, but also looks to the Pensions Fund Act for best practice where the two 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 – it is accountable for administrative and investment performance. The Board is also responsible for compiling and approving the annual financial statements, which are presented to Parliament by the Minister of Finance.

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

Board composition

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

Employer representatives on the Board of Trustees

Nominee Trustee		Substitute	
Department	Name	Department	Name
National Treasury	Marion Mbina-Mthembu	National Treasury	Rudzani Rasikhinya
Department of Public Service and Administration	Kenny Govender	Department of Public Service and Administration	Vacant
National government	Arthur Moloto	Department of Health	Valerie Rennie
Department of Education	Paddy Padayachee	Department of Education	Gladys Modise
Department of Defence	Mary Ledwaba	South African Police Service	Johan Griesel
PIC	Zakhele Sithole	PIC	Moira Moses
Independent specialist	Cecilia Khuzwayo	Specialist	Vacant
Independent specialist	Fagmeedah Lurie	Specialist	Jeremy Andrew

Employee representatives on the Board of Trustees

Nominee Trustee		Substitute	
Department	Name	Department	Name
National Education, Health and Allied Workers Union	Prabir Badal	National Education, Health and Allied Workers Union	Pulani Mogotsi
South African Democratic Teachers Union	Thobile Ntola	South African Democratic Teachers Union	Eddie Kekana
Health and Other Service Personnel Trade Union	Hans Murray	National Union of Public Service and Allied Workers	Success Mataitsane
Department of Defence	Dries de Wit	National Intelligence Agency	Itumeleng Mahlwele
Public Servants Association	Rashied Daniels (appointed on 27 October 2011)	Public Servants Association	Paul Sello
South African Policing Union	Mpho Kwinika	South African Policing Union	Petrus Ntsime
Police and Prisons Civil Rights Union	Edith Mogotsi (appointed on 26 October 2011)	Police and Prisons Civil Rights Union	Dan Teffo (appointed on 26 October 2011)
Pensioner	Frans le Roux	Pensioner	Hennie Koekemoer

Skill, knowledge and experience of trustees

According to Section 4.1.2 of the GEP Rules, at least one of the eight employer-nominated trustees must have expertise in financial management and investments, or the management and organisation of pension funds in general. Two independent specialists currently serve as trustees, supported by two independent specialist substitute trustees. The other trustees and their substitutes have a range of skills, knowledge and experience necessary to effectively manage and govern the Fund. The profiles of the 16 trustees are reflected on pages 48 to 57.

Section 8: Corporate Governance

The Board charter

The Board is governed by a charter, derived from sources that include the GEP Law and Rules, Good Governance on Retirement Funds (Circular PF 130, issued by the Financial Services Board) and King III. The charter is reviewed annually to ensure that it is up to date with corporate governance best practice locally and internationally.

The Board charter includes a trustee code of conduct and ethics, trustee fit and proper guidelines, trustee responsibilities, trustee development and training, Board and trustee performance assessments, Board remuneration and expenses, communication policy, confidentiality policy, conflict of interest policy, compliance policy, risk management guidelines, committee terms of reference, and rules on the delegation of authority.

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 Board members must be present at a meeting to ensure a quorum. Board members are provided with detailed documentation at least a week before a meeting to ensure that they are well prepared and can make informed decisions. Issues are debated openly at meetings and decisions are taken on mutual agreement. The majority of trustees present at a meeting may request that voting takes place using secret ballots.

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

Board committees

Five permanent Board committees ensure the fiduciary effectiveness of the GEPF through the active involvement of Board members in the Fund's strategic agenda. The committees deal with benefits and administration, which includes communication and education matters, finance and audit, governance and legal, remuneration and human resources, and investment matters.

The Impairment Subcommittee of the Finance and Audit Committee met to deal with the valuation and possible impairment of the Fund's unlisted assets.

The Board approves the membership of each committee. Trustees and substitute trustees may serve on only two committees. Board committees have limited executive powers to ensure that the Board remains responsible and accountable for the management of the Fund. Each committee operates under approved terms of reference, which set out the requirements for committee membership, the chairperson, recordkeeping, standard of performance, compliance with policies, authority, delegation, quorum, duties and responsibilities, accountability, and term of office.

Committees are allowed, subject to the approval of the Board, to appoint independent professionals to offer required skills or expertise not present in the committee. These persons will be allowed to participate in discussions, but will not have any decision-making or voting powers.

Board committee membership and responsibilities

Board committee	Committee members	Responsibilities	2011/12 highlights
Benefits and Administration Committee	Dries de Wit (Chairperson) Dries de Wit (Chairperson) Jeremy Andrew Kenny Govender Johan Griesel Edward Kekana Mary Ledwaba Frans le Roux Pulani Mogotsi Edith Mogotsi Hans Murray Thobile Ntola Valerie Rennie Daniel Teffo	<ul style="list-style-type: none"> • Reviews all aspects of GPAA's administrative activities • Monitors compliance with service level agreement (SLA) between GEPF and GPAA • Advises and makes recommendations about GEPF benefits, administration of its affairs, administration policies, strategy, procedures and management 	<ul style="list-style-type: none"> • Launched an investigation into the establishment of an additional voluntary contribution scheme • Facilitated a rule amendment of personnel from services to public services • Facilitated Board approval of revised funeral benefits and orphan's pension • Facilitated a review of the reduction factors of increased spouse pension • Facilitated Board approval of a tracing policy and an unclaimed benefits policy • Facilitated a rule amendment of the member contribution of the non-statutory forces • Facilitated 2011/12 pension increase • Facilitated Board approval for GEP Law and Rule amendments required to implement the clean break principle
Finance and Audit Committee	Prabir Badal (Chairperson) Dries de Wit Edward Kekana Hennie Koekemoer Fagmeedah Lurie Itumeleng Mahlwele Success Mataitsane Pulani Mogotsi Gladys Modise Peter Ntsime Paddy Padayachee Rudzani Rasikhinya Paul Sello Zakhele Sithole	<ul style="list-style-type: none"> • Gives effect to GEPF audit and financial policies and audit strategies • Reviews all aspects of GEPF audit and financial activities • Advises and makes recommendations about financial reporting, appointment of auditors, internal auditing, risk policies and procedures and annual financial statements 	<ul style="list-style-type: none"> • Facilitated achievement of an unqualified audit opinion • Facilitated and approved Fund business plan and budget in line with Board's strategy for 2010/11 • Facilitated approval of GPAA's budget in line with its strategy for 2010 to 2013 • Facilitated extension of external auditor's contract for one year • Facilitated Board approval of the annual report and annual financial statements 2010/11 • Facilitated the appointment of new external auditors for a three-year period

Section 8: Corporate Governance

<p>Governance and Legal Committee</p>	<p>Cecilia Khuzwayo (Chairperson) Rashied Daniels Kenny Govender Johan Griesel Hennie Koekemoer Mpho Kwinika Itumeleng Mahlwele Success Mataitsane Thobile Ntola Peter Ntsime Paddy Padayachee Valerie Rennie Paul Sello Daniel Teffo</p>	<ul style="list-style-type: none"> • Gives effect to GEPF's governance and legal policies and strategies • Reviews all aspects of GEPF's governance, risk and legal activities • Advises and makes recommendations about GEPF's code of conduct, Board committees and terms of reference, induction, remuneration, evaluation, corporate governance matters, risk management, legal function, dispute resolution, legislation and amendments to GEP Law and rules 	<ul style="list-style-type: none"> • Organised formal training sessions for Board • Updated terms of reference of committees and Board charter • Trustees and their substitutes completed fit and proper questionnaires • Trustees and their substitutes completed financial disclosures • Reviewed fidelity cover for Board • Reviewed the trustee remuneration policy • Reviewed the travel policy • Facilitated the approval of the a litigation policy and procedure • Facilitated the compliance policy and framework • Reviewed the confidentiality policy
<p>Investment Committee</p>	<p>Arthur Moloto (Chairperson) Jeremy Andrew Prabir Badal Cecilia Khuzwayo Mpho Kwinika Frans le Roux Fagmeedah Lurie Marion Mbina-Mthembu Gladys Modise Edith Mogotsi</p>	<ul style="list-style-type: none"> • Gives effect to investment policies and strategies • Reviews all aspects of GEPF investment activities • Implements and gives oversight to the Fund's policy and commitment to United Nations PRI • Monitors investment mandate • Advises and makes recommendations about asset management, investment policies and strategy 	<ul style="list-style-type: none"> • Facilitated Board approval of an unlisted investment model • Facilitated Board approval of the updated responsible investment implementation: Active ownership policy • Facilitated Board approval for a securities lending policy • Facilitated Board approval for an insider trading policy • Facilitated Board approval for the revised investment mandate with the PIC

<p>Remuneration Committee</p>	<p>Bernard Nkomo (Chairperson) Johan Griesel Michael Olivier Basetsana Ramaboa Valerie Rennie</p>	<ul style="list-style-type: none"> • Adopts remuneration policies and practices that promote strategic objectives of the Fund and encourages individual performance long term • Determines remuneration packages appropriate to attract, retain and motivate high performing senior executives • Annually reviews whether objectives of remuneration policy have been achieved 	<p>Recommended an annual cost of living increase for GEPF staff</p>
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Section 8: Corporate Governance

Board meeting attendance rate 2011/12

Board of Trustees	Board & special Board meetings	Benefits & Administration Committee	Finance & Audit Committee & Special Meetings	Governance & Legal Committee	Investment Committee	Remuneration Committee	Board training, strategic planning & other workshops
Meetings/ training sessions held	6	5	7	5	4	1	4
Arthur Moloto (Chairperson)	6	-	0	1	2	-	2
Prabir Badal (Vice chairperson)	4	-	6	1	4	-	3
Jeremy Andrew *	3	5	1	-	4	-	3
Dalindyabo Bout #*	1	-	-	2	2	-	1
Rashied Daniels **	2	-	-	1	-	-	1
Dries de Wit	6	5	7	1	-	-	4
Kenny Govender	3	3	-	3	-	-	1
Johan Griesel *	-	3	-	3	-	-	3
Edward Kekana*	3	1	1	-	-	-	0
Cecilia Khuzwayo	6	-	1	5	3	-	0
Hennie Koekemoer *	-	-	5	5	-	-	1
Mpho Kwinika	6	-	-	3	2	-	4
Mary Ledwaba	6	4	-	5	-	-	4
Frans le Roux	6	5	-	-	4	-	4
Fagmeedah Lurie	3	-	7	-	3	-	4
Itumeleng Mahlwele*	-	-	6	4	-	-	3
Success Mataitsane *	-	-	5	5	-	-	4
Marion Mbina-Mthembu	4	-	-	-	2	-	0
Patrick Mngconkola#	4	2	-	-	2	-	3

Board of Trustees	Board & special Board meetings	Benefits & Administration Committee	Finance & Audit Committee & Special Meetings	Governance & Legal Committee	Investment Committee	Remuneration Committee	Board training, strategic planning & other workshops
Gladys Modise *	4	-	3	-	0	-	3
Edith Mogotsi **	2	1	-	-	1	-	1
Pulani Mogotsi *	2	4	7	-	-	-	3
Hans Murray	6	4	-	-	-	-	4
Bernard Nkomo **(Independent REMCO member)	-	-	-	-	-	1	0
Thobile Ntola	3	3	-	3	-	-	1
Peter Ntsime*	-	-	7	5	-	-	4
Michael Olivier (Independent REMCO member)	-	-	-	-	-	1	0
Paddy Padayachee	0	-	0	0	-	-	0
Basetsane Ramaboa ** (Independent REMCO member)	-	-	-	-	-	1	0
Rudzani Rasikhinya *	-	-	2	-	-	-	0
Valerie Rennie *	-	2	-	3	-	0	2
Paul Sello *	4	-	6	4	-	-	4
Zakhele Sithole	4	-	3	-	-	-	2
Daniel Teffo**	-	1	-	1	-	-	1

*Indicates substitute trustees

Indicates resignations during the reporting period

- Dalindyabo Bout 26/10/2011
- Patrick Mngconkola 26/10/2011

** Indicates appointments during the reporting period

- Edith Mogotsi 26/10/2011

- Daniel Teffo 26/10/2011
- Rashied Daniels 26/10/2011
- Michael Olivier 21/09/2011
- Basetsana Ramaboa 21/09/2011
- Bernard Nkomo 21/09/2011

The newly appointed Trustees also successfully attended induction training.

Remuneration paid to trustees and substitutes at 31 March 2012

According to the GEP Law, trustees are to be compensated for their services and expenses on the basis determined by the Board. To give effect to this, the Board has adopted a trustee remuneration policy, with the following principles:

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

Under the policy, the trustees, in consultation with their principals, may elect to have their remuneration paid to them as individuals or to their principals. They may also choose not to receive remuneration.

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

Remuneration paid for 2011/12 period

Name	Subsistence and Travel Claims	Remuneration	Total
Arthur Moloto (Chairperson)	R13 406.96	None	R13 406.96
Prabir Badal (Vice chairperson)	R625.22	R209 200.00	R209 825.22
Jeremy Andrew	R5 028.63	R192 400.00	R197 428.63
Dalindyebo Bout	None	R57 200.00	R57 200.00
Rashied Daniels	None	R41 800.00	R41 800.00
Dries de Wit	R12 711.58	R276 200.00	R288 911.58
Kenny Govender	None	None	None

Name	Subsistence and Travel Claims	Remuneration	Total
Johan Griesel	None	None	None
Edward Kekana	None	R73 200.00	R73 200.00
Cecilia Khuzwayo	R16 863.15	R174 892.25	R191 755.40
Hennie Koekemoer	None	R93 600.00	R93 600.00
Mpho Kwinika	None	R172 600.00	R172 600.00
Mary Ledwaba	R2 235.92	R158 800.00	R161 035.92
Frans Le Roux	R1 765.40	R172 000.00	R173 765.40
Fagmeedah Lurie/Petersen	R23 917.38	R215 916.00	R239 833.38
Itumeleng Mahlwele	R21 482.09	R109 400.00	R130 882.09
Success Mataitsane	R2 608.60	R116 400.00	R119 008.60
Marion Mbina-Mthembu	None	None	None
Patrick Mngconkola	R3 572.59	R102 000.00	R105 572.59
Gladys Modise	R200.00	R66 400.00	R66 600.00
Edith Mogotsi	None	R61 600.00	R61 600.00
Pulani Mogotsi	R160.00	R126 600.00	R126 760.00
Hans Murray	R481.60	R125 400.00	R125 881.60
Peter Ntsime	R9 572.16	R136 600.00	R146 172.16
Thobile Ntola	R5 517.08	R68 400.00	R73 917.08
Paddy Padayachee	None	None	None
Rudzani Rasikhinya	None	None	None
Valerie Rennie	None	None	None
Paul Sello	R48 839.93	R144 200.00	R193 039.93
Zakhele Sithole	R2 310.08	R87 000.00	R89 310.08
Daniel Teffo	R1 584.94	R50 600.00	R52 184.94
Total paid 2011/12	R172 883.31	R3 032 408.25	R3 205 291.56

Board effectiveness

The Board agreed, through the Governance and Legal Committee, to appoint an independent service provider to assess the effectiveness of the Board, its committees, Board and committee Chairpersons, Board members and committee members. The assessment has been concluded and the Board is addressing all the issues highlighted in the report through the Governance and Legal Committee. The Board agreed to do an internal performance assessment for the 2011/12 financial year. The assessment criteria that will be used are based on the criteria issued by the Financial Services Board.

Ethics

Ethics are the foundation of, and reason, for corporate governance. The ethics of corporate governance require that the Board ensures that the Fund is run ethically. The Board should ensure that the GEPF does business ethically rather than merely being satisfied with legal or regulatory compliance. The Board, therefore, ensures all deliberations; decisions and actions of Board members as well as executive management are based on the principles set out in its code of ethics. The current code of ethics prescribes the following ethical principles:

- **Responsibility:** Trustees are responsible for the Fund's assets and actions and must be willing to take corrective actions to keep the Fund on a strategic path that is ethical and sustainable.
- **Accountability:** Trustees are collectively and individually accountable and should be able to justify their decisions and actions to members, beneficiaries and other stakeholders of the Fund. Trustees may be liable for any breach of governance that results in any loss to the Fund and to its members, pensioners and beneficiaries.
- **Fairness:** Trustees should give fair consideration to the legitimate interests and expectations of all stakeholders of the Fund. In striving

towards fairness, trustees should identify the Fund's ethics risks through engagement with internal and external stakeholders, as stakeholders are able to identify the Fund's risks and opportunities, and whether, in the stakeholder's opinion, it is ethical or unethical.

- **Transparency:** Trustees should disclose information in a manner that enables stakeholders to make an informed analysis of the Fund's performance and sustainability. Trustees should communicate any aspects of the Fund, including the performance of the Fund's investments, that are relevant to the Fund's members, and that would help establish the credibility and trustworthiness of the administration, the Fund and the delivery of its benefits.
- **Conscience:** Trustees should act with intellectual honesty, integrity, competence, diligence and respect, and show independence of mind in the best interest of the Fund and all its stakeholders. Trustees should place the interest of the Fund above their own personal interests and personal gain.
- **Inclusivity of stakeholders:** Trustees should include stakeholders, as it is essential for sustainability. The legitimate interests and expectations of stakeholders must be taken into account in decision making and strategy.
- **Competence:** Trustees should have the relevant knowledge, competencies and skills required to effectively govern the Fund. They should maintain the relevant capacity to diligently and thoroughly conduct their duties and responsibilities to the Fund. The results of the annual appraisal assessment should be used to identify lack of skills or competency and ensure that trustees receive rigorous and robust training to effectively carry out their duties and responsibilities.
- **Commitment:** Trustees should diligently perform their duties and devote sufficient time to Fund affairs. Fund performance and compliance requires unwavering dedication and appropriate effort.

- **Courage:** Trustees should have the courage to take risks associated with directing and controlling a successful, sustainable enterprise, as well as the courage to act with integrity in all Board decisions and activities.

The GEPF became a member of the Ethics Institute of South Africa and will provide training to Board members and employees on ethics through this organisation. The Board further resolved (post year-end) to implement an ethics programme in the GEPF. The programme will consist of the following:

- **Identification of ethics risk and opportunity profile**
The GEPF will ascertain its ethics risk profile by determining its ethical risks (negative risk) as well as ethics opportunities (positive risk). The GEPF's ethical risks will be categorised as strategic (external) ethical risks and operational (internal) ethical risks. The ethics risks identified will then be integrated into the overall GEPF risk register. The resultant ethics risk profile would then be used as a management tool.
- **Code of ethics**
The Board has already adopted a formal code of ethics as part of its code of conduct. However, a code of ethics needs to be developed for GEPF employees that will include practical requirements of the GEPF's values for individual as well as collective conduct.
- **Integrating ethics**
It's the Board's responsibility to ensure that the GEPF's ethics standards are integrated into the strategies and operations of the Fund. Strategically, the GEPF's ethics should be directed from the top by the Board. Operationally, the GEPF's ethics standards will be integrated in the company culture through awareness campaigns, education and training, communication strategies, discipline and rewards systems, and line and external reporting structures. The GEPF's ethics officer will head an ethics office that will take operational ownership of the elements of the GEPF's ethics programme.

- **Assessment, monitoring, reporting and disclosure**
King III recommends that the Board should ensure that the company's ethics performance is assessed, monitored, reported and disclosed. It further states that assessing, reporting and disclosure of ethics performance should enable the user of the ethics reports to form an opinion and make a decision based on disclosed and verified information. The GEPF will, therefore, report on this matter in its next annual report.

Financial management reporting

The financial management and reporting of GEPF has been outsourced to the GPAA. The Finance division of the GPAA manages the financial resources available to administer pensions and other benefits using best practice principles. The division ensures that policies are adhered to, financial record keeping is done according to an appropriate framework and sufficient cash flow levels are maintained for operational activities. This division also prepares the financial statements for the GEPF and ensures that an appropriate procurement and provisioning system is maintained that is fair, equitable, transparent, competitive and cost-effective in line with best practice is maintained.

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

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

Legal and compliance

The Board approved the GEPF compliance policy that established an effective compliance framework and processes. In terms of the policy, the following are the compliance policy statement and philosophy of the GEPF:

- The Board of the GEPF recognises that it is accountable to all its stakeholders to ensure compliance with all applicable legal and regulatory requirements. Good compliance should be indivisible from good business practice. The Board is, therefore, committed to high standards of integrity and fair dealing in the conduct of its business, in line with approved policies.
- The Board shall ensure that the Fund complies with all applicable legal and regulatory requirements. The Board is furthermore committed to complying fully with both the spirit and the letter of applicable legal requirements and to always act with due skill, care and diligence.
- The Board shall ensure that there is effective compliance with the relevant statutory, regulatory and supervisory requirements by interpreting the impacts of these requirements on its operations, in terms of the adoption of the appropriate policies and procedures.
- Compliance risk shall form part of the Fund's overall enterprise-wide risk management process.
- Compliance must be understood to be an ethical imperative for good governance within the GEPF.

During the year under review the Legal and Compliance Unit developed compliance risk management plans on the following pieces of legislation:

- GEP Law and the Rules
- Insider Trading Act
- Promotion of Access to Information Act
- Pension Funds Act

In addition to this, the Legal and Compliance Unit began development of a risk management plan on the investment mandate agreement with PIC and developed a compliance monitoring tool to ensure compliance with the mandate by PIC.

During this reporting period there were no material breaches of legislation and conflict of interests by both the Board and the staff.

The required statutory reports were submitted by the Board.



MEMBER OF THE

Ethics Institute of South Africa

As a member of the Ethics Institute, the GEPF:

- Commits itself to work actively towards creating an organisational culture reflecting adherence to the highest ethical standards by its employees, agents and representatives;
- Puts in place, over time, the documents, systems and structures indicative of that commitment, the most vital being a Code of Ethics;
- Provides Ethics SA with its key public organisational documents relating to ethics governance and management (e.g. a Code of Ethics) for the development of an ethics resource data bank in Ethics SA's resource centre (excluded are proprietary documents, as well as technical or compliance-oriented manuals for conduct); and
- Enters into a proactive, supportive, and confidential discussion with Ethics SA when contending with a seemingly intractable ethical problem, or upon discovering ethical misconduct of a type that would constitute significant risk to reputation. Such discussions will contribute to the body of knowledge about how to prevent and detect recurrence of such instances.

Section 9:

Actuarial Valuation

With this philosophy we are able to protect and safeguard the livelihood and the future of South African people.



Section 9: Actuarial Valuation

According to the GEP Law and Fund rules, an actuarial valuation must be performed at least once every three years. Since the establishment of the Fund in May 1996, nine actuarial statutory valuations have been performed. The most recent was performed on 31 March 2010, based on the funding policy adopted by the Board in consultation with the Minister of Finance. This policy provides for the evaluation of the liabilities on a long-term best-estimate basis, and the establishment of a solvency reserve to allow for funding and investment risk and uncertainty relating to future public service remuneration and employment.

The March 2010 valuation showed that the Fund was 100 percent funded. There were sufficient assets to cover the actuarial liabilities in full, but the recommended reserves (i.e. monies set aside in addition to the liabilities of the Fund) were not fully funded. The table below indicates the funding level at each valuation date. Because the assumptions underlying these valuations vary, they are not strictly comparable.

Results of GEPF actuarial valuations from May 1996 to March 2010

Date	Funding Level %	Valuator
1 May 1996	72,3	Ginsberg, Malan, Carson
31 March 1998	96,5	NBC Employee Benefits
31 March 2000	96,1	NBC Employee Benefits
31 March 2001	98,1	NBC Employee Benefits
31 March 2003	89,4	Alexander Forbes Financial Services
31 March 2004	96,5	Alexander Forbes Financial Services
31 March 2006	101,7	Alexander Forbes Financial Services
31 March 2008	100	Alexander Forbes Financial Services
31 March 2010	100	Alexander Forbes Financial Services

GEPF membership profile – contributing members

Member Category	Male	Female	Total 2010	Total 2008
'Other' members	390 056	619 824	1 009 880	968 943
'Services' members	156 871	68 297	225 168	207 486
TOTAL	546 927	688 121	1 235 048	1 176 429

GEPF membership profile – pensioners

Member Category	Male	Female	Total 2010	Total 2008
Retired member	98 804	113 127	211 931	205 011
Spouse	10 857	108 238	119 095	108 405
TOTAL	109 661	221 365	331 026	313 416

The life expectancy of members and pensioners is one of the valuation assumptions, and it has been improving significantly internationally and in South Africa. The actuaries believed it appropriate to include an explicit allowance for future improvements in life expectancy in the March 2010 valuation, as was the case in the previous valuation.

The demographic assumptions used in this valuation were the same as those used for the March 2008 valuation. The economic assumptions were updated to take into account the market conditions at the time. The results of the GEPF actuarial valuation at 31 March 2010 are shown in the table below.

Section 9: Actuarial Valuation

GEPF valuation results at 31 March 2010

Financial Position	31 March 2010 (revised basis) R'Million	31 March 2008 R'Million
Contributing member liability	526 196	433 286
Pensioner liability	180 647	155 654
Contingency reserves*	64 282	93 492
Data and contingency reserves	29 879	24 610
Total liabilities	801 004	707 042
Net assets	801 004	707 042
Surplus/(deficit)	-	-

* At 31 March 2010, the full value of the recommended reserves was R344 877 million. This consists of a solvency reserve (R208 000 million), 100 percent consumer price index pension increase reserve (R118 129 million) and a mortality improvement reserve (R18 748 million). However, the Fund could afford to hold a total of only R64 282 million as a reserve at this date. On this basis, 19 percent of the contingency reserves could be held. At 31 March 2008, a reserve of R93 492 000 was affordable.

The 2010 actuarial valuation results showed that the funding level has remained at 100 percent. The trustees, based on the policies adopted by the Board, would have liked to increase the funding of the contingency reserves (including solvency, mortality improvement and consumer price index pension increases) by R280 595 million. However, in terms of the practice adopted, the level of contingency reserves was limited to reflect a fully funded fund with contingency reserves at 19 percent of the desired level.

The employers currently contribute 16 percent of pensionable salary for 'services' (i.e. some GEPF members employed by the National Intelligence Agency, the SANDF, the South African Police Services and the South African Secret Service) members and 13 percent for all other members. This differential contribution rate reflects the differences in the benefit structure of these two categories of members, which relates mainly to an additional 25 percent enhancement in pensionable service greater than 10 years. Members of the Fund contribute at a rate of 7,5 percent of pensionable salary.



Anton Nel
Valuator to the Fund as at 31 March 2012

We are an organisation that understands the weight of our responsibility

*This responsibility is entrusted to us by government employees
through their pension contributions*

*We understand that the decisions we make today will affect their future
and the future of their children and their children's children*

We do not take our responsibility lightly

*We are putting our weight behind the growth and development of our country
and our people*

We believe that when our country grows, our people grow

*With this philosophy we are able to protect and safeguard the livelihood and the future
of South African people.*

*The growth of our people and our country is imbedded in our investment philosophy
of responsible investing*

WE ARE THE GUARDIAN.

*We value honesty, transparency, being ethical and truthful
through maintaining good governance practices.*

Section 10:

Looking Ahead

WE ARE THE GUARDIAN.

Into 2012/13, the GEPF will continue to pursue objectives against its five strategic outcomes.

- **To remain a leader in responsible investing.** Significant investments will be made in the four pillars of economic and social infrastructure, the green economy, enterprise development, and job creation and BBEE.

Investee companies will be clearly rated against ESG performance criteria.

An impact assessment will be carried out on the developmental investment strategy as the end of the tenure of the current Board approaches.

- **Develop one-stop financial services capability that offers members and pensioners improved and flexible benefits.** Plans will be put in place to conduct a needs survey among members and beneficiaries and to carry out national and international market research on best practice in industry benefit bouquets.

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

- **Optimise the fund structure in terms of governance and benefits offered to members.** The preservation fund and additional voluntary contribution fund will be implemented. The GEPF will be working aggressively to implement all the actions that were identified during the King III and PF 130 compliance to ensure that the Fund is fully compliant to those two important governance documents.
- **Be an employer of choice.** Stakeholders and employees will be engaged on implementation of a 'best fit' employee policy and the associated alignment of systems, policies and procedures. Work will continue on the creation of a work environment of choice.
- **Establish and maintain credibility with stakeholders.** The brand strategy will be implemented. A communications policy will be drawn up and positive developments publicised. Communication channels will be developed with the Minister of Finance and other stakeholders.



Section 11:

Annual Financial Statements

*We value honesty, transparency, being ethical and truthful
through maintaining good governance practices.*



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Section 11: Annual Financial Statements

Statement of responsibility by the Board of Trustees for the year ended 31 March 2012

Responsibilities

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

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

Approval of the annual financial statements

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

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

The annual financial statements set out on pages 98 to 141 were prepared in accordance with:

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

The independent auditors, Deloitte & Touche and Nexia SAB&T, have reported on these financial statements. During their audit, the auditors were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Trustees believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on pages 94 to 95.

These audited annual financial statements:

- Were approved by the Board of Trustees and are signed on its behalf,
- Are certified by them to the best of their knowledge and belief to be correct, and
- Fairly represent the net assets of the Fund at 31 March 2012, as well as the results of its activities for the year then ended.



Mr Arthur Moloto
Chairperson

11 October 2012



Mr Prabir Badal
Vice Chairperson

11 October 2012

The Finance and Audit Committee Report for the year ended 31 March 2012

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

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

- Examine and review the quality (adequacy, reliability and accuracy) of GEPF's annual financial statements and interim financial statements.
- Make recommendations to the Board regarding the approval of the annual financial statements, as well as the adoption of the interim financial statements.
- Review the effectiveness of the internal control systems.
- Ensure that executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified in internal and external audits.
- Ensure the entity's compliance with certain critical elements of the legal and regulatory framework, policies and procedures.
- Oversee the establishment of the internal audit function for the Fund (previously GEPF relied only on GPAA internal audit before separation), which included
 - o Approval of internal audit charter, methodology and the internal audit three-year rolling plan
 - o Approval of reporting lines for internal audit, i.e. functionally to the Finance and Audit Committee and administratively to the Principal Officer.
 - o Approval of the resources to execute the internal audit coverage plan (ie budget and personnel)
- Oversee the coordination of activities between GPAA and GEPF internal audit to ensure there is no duplication of activities. Also oversee coordination with the external auditors, receive the reports of significant findings of GPAA internal audit and ensure that management of GPAA implement agreed management actions.

- Recommend the appointment of external auditors for the five-year period and ensure their independence and objectivity.
- Appoint a service provider to render risk management services to the Fund, separating this function from internal audit to ensure the independence of internal audit.

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

The Finance and Audit Committee has evaluated the financial statements of the GEPF for the year ended 31 March 2012. Based on the information provided, they comply, in all material respects, with the Fund's stated accounting policies, the provisions of the Government Employees Pension Law (21 of 1996), the GEPF rules and the regulatory framework, which the Board adopted based on the Finance and Audit Committee's recommendation.

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



Mr Prabir Badal
Chairperson: Finance and Audit Committee
11 October 2012

Risk management statement for the year ended 31 March 2012

Introduction

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

- The requirements of Section 6 and 7 of GEP Law and Rules.
- The Pension Fund guideline for good governance, known as PF130, issued by the Financial Services Board.
- Codes of good corporate governance, including the King III code and the code issued by the Committee of Sponsoring Organisations (COSO) – an internationally accepted framework for good governance.
- Other relevant legislation.

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

Purpose

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

Responsibility

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

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

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

Monitoring

The Board identified 20 strategic and 20 operational risks for the Fund. During the year 2011/12, management implemented controls and action plans to mitigate these risk. Reporting was done quarterly on the actions taken and the remaining risk was re-rated based on the controls and actions implemented by management. Internal audit assisted in the monitoring, through its assurance processes, progress of GEPF business units in managing their risk, and reporting to the chief risk officer. To achieve independent monitoring, the execution of the internal audit plan was based on the top 20 risks to give assurance that the controls

are adequate and effective in mitigating the risks. To enhance the independence of the internal audit, a decision was taken by the Board to separate the risk management coordination function from the internal audit function.

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

Conclusion

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

Section 11: Annual Financial Statements

Report of the independent auditors to the Board of Trustees for the year ended 31 March 2012

We have audited the annual financial statements of the Government Employees Pension Fund (GEPF), which comprise the report of the Board of Trustees, the statement of net assets and funds at 31 March 2012, 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 98 to 141.

Trustees' responsibility for the annual financial statements

The Trustees are responsible for the preparation and presentation of these financial statements, in accordance with the basis of preparation applicable to the Government Employees Pension Law, 21 of 1996, and the rules of 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Audit opinion

In our opinion the annual financial statements of the Government Employees Pension Fund (GEPF) for the year ended 31 March 2012 are prepared, in all material respects, in accordance with the GEPF's stated accounting policies, the provisions of the Government Employees Pension Law, 21 of 1996, and the rules of the GEPF.

Report on Legal and Other Regulatory Matters

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

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

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

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

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

The transactions of 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 Government Employees Pension Law, and in all material respects, in accordance with the mandatory functions of the entity, as determined by law or otherwise.

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

Restriction on use

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

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per D Munu
Partner

Johannesburg
11 October 2012

Nexia SAB&T

Nexia SAB&T
Registered Auditors
Per S Stemela
Partner

Pretoria
11 October 2012

Report of the valuator for the year ended 31 March 2012

Particulars of financial condition of the Fund

1. Net assets available for benefits amounted to R801 004 million at 31 March 2010.
2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement benefits, amounted to R801 004 million at 31 March 2010.
3. The actuarial present value of promised retirement benefits in respect of active members amounted to R526 196 million at 31 March 2010.
4. The actuarial present value of retirement benefits in respect of pensioners amounted to R180 647 million at 31 March 2010.
5. The full value of the data and contingency reserve accounts amounted to R374 756 million at 31 March 2010. This includes the solvency reserve at 31 March 2010. The affordable level of the data and contingency reserves amounted to R94 161 million at 31 March 2010.
6. Details of the valuation method adopted (including that in respect of contingency reserves) and details of any changes since the previous summary of report.

The projected unit method was used to determine past service liabilities and the future service contribution rate.

Under the projected unit method, the present value of benefits that have accrued to members in respect of service prior to the valuation date is compared with the value of the Fund's assets.

Allowance is made in the valuation of the accrued benefits for estimated future salary increases, withdrawals, ill-health retirements and deaths.

Allowance was made for mortality improvements for all members: For pensioners, current mortality rates have been set equal to the mortality rates calculated in our experience investigation 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 our experience investigation with an allowance for mortality improvements determined using the mortality assumption rated down two and a half years.

An active member contingency reserve of 4,5% of the active member liabilities was held.

A pensioner contingency reserve was calculated to allow for suspended pensioners who may be reinstated. Only future pension payments were taken into account, as back-payments are allowed for as benefits due.

A reserve of R4 936 million was also set aside in respect of previous discriminatory practices. This reserve was obtained in the financial statements, being the accumulated value of 1% of the funding level in 1998.

The solvency reserve has been set based on modelling by the asset consultants. This model is broadly based on a 1 in 10 year (10%) basis 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 were set up, it was not the intention of the Trustees to hold such reserves if it would place the Fund in a deficit funding level position. At 31 March 2010, the Fund could afford to hold a total of only R64 282 million as contingency reserve. On this basis, 19% of the desired level of contingency reserves could be held.

7. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.
8. Net pre-retirement discount rate: 10,7% (previously 10,8%).
9. Post-retirement net discount rate: 5,8% per annum for active members and 5,6% per annum for current pensioners (previously 5,0% for active members and 5,1% for pensioners).
10. Post retirement mortality: Rates based on observed GEPF mortality. These rates are the same as those used for the 2008 statutory valuation and are based on an experience analysis carried out for the Fund over the period to 31 March 2008.
11. Salary increases: 6,7% (previously 7,9%).
12. It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 5,7% for active members (previously 6,9%). In addition, an allowance is made for merit salary increments.
13. Proportion married: Various assumptions have been made regarding proportions of members who are married at each age. Age difference between males and females is assumed to be four years.
14. Expense: Allowance for future administration expenses was 0,2% per annum of payroll.
15. The contribution rate was determined using an equity risk premium of 5% resulting in a discount rate of 11,2% as opposed to the 10,7% used to determine the active member liabilities which is based on a 3% equity risk premium.
16. Any other particulars deemed necessary by the valuator for the purposes of this summary: None

17. 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 19% of the desired level) on a best estimate basis.

Prepared by:



Anton Nel

Fellow of the Actuarial Society of South Africa

Fellow of the Institute of Actuaries

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

In my capacity as valuator to the Fund and as at 31 March 2012.

Section 11: Annual Financial Statements

1 DESCRIPTION OF THE FUND

1.1 Type of fund

The Government Employees Pension Fund (GEPF) is a defined benefit fund established in terms of the Government Employees Pension (GEP) Law, 21 of 1996, as amended. In terms of Section 1 of the Income Tax Act, Act 56 of 1962, 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 outlined in PF Circular 126 as issued by the Financial Services Board (FSB).

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

1.3 Contributions

Members (employees of participating employers) contribute 7,5% of their pensionable emoluments to 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 Coordinating Bargaining Council (PSCBC) an actuarial reserve equal to 1% of funding level of the GEPF, based on the result of the actuarial valuation 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 who were previously discriminated against. The actuarial reserve set aside to address past discriminatory practices is allocated to account for the recognition of periods of pensionable service based on agreements concluded in the PSCBC.

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

Reserve account balance	2012 R'000	2011 R'000
Non-statutory forces	-	1 063 258
Ciskei strikers	144 365	141 407
General assistants	84 984	80 353
Other past discriminatory practices	4 625 863	4 151 181
Total balance at end of period	4 855 212	5 436 199

The rules of the Fund were amended with effect from 1 April 2011 to bring into effect a change in dispensation with respect to the NSF. In calculating the cost of this change, the actuaries made allowance for amounts that were previously reserved to increase the pensionable service for members of former NSF. Therefore the net debt due by the employer was calculated by reducing the total cost due by employers following the change in dispensation by amounts already utilised to fund NSF and the reserve set aside to fund NSF at 1 April 2011. This resulted in the NSF reserve being reduced to zero by setting it off against the NSF debt due by the employer.

1.5 Rule amendments

During the current financial year, the rules of the GEPF were amended to give effect to the revised NSF dispensation, which entailed the following:

- Abolishing the need for former NSF members to contribute to the funding for NSF recognition.
- Recognising the full period of NSF service for members who qualify for NSF service.
- Allowing former NSF members whose service is recognised to retain the special pension benefits until date of exiting the GEPF.

1.6 Board of Trustees

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

2 INVESTMENTS

2.1 Management of investments

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

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

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

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

Section 11: Annual Financial Statements

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

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

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

Asset classes	Guideline %	Actual % 2012
Cash and money markets	0-8	3,9
Domestic bonds	26-36	35,0
Domestic property	3-7	3,1
Domestic equity	45-55	52,3
Africa (ex SA) equity	0-5	-
Foreign bonds	0-4	2,5
Foreign equity	1-5	3,2
Total	100	100

2.3 Other investments not in the name of the GEPF

In the 2010 financial year, some securities managed by the PIC were registered in the nominee name of Standard Bank of South Africa Limited and Nedcor Bank Limited, and the scrip accounts were in the name of the PIC on behalf of GEPF. In the current year all investments were registered in the name of GEPF, except for two directly held properties from CBS Property Portfolio Pty (Ltd), which were not registered in the GEPF's name.

3 MEMBERSHIP

The GEPF membership at 31 March 2012 consisted of 1 270 298 (2011: 1 242 258) government and parastatal employees, as well as 360 799 (2011: 345 492) 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 at 31 March 2010 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 Alexander Forbes Financial Services (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

5.1 GEPF Rule Amendments

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

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

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

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

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

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

- Amendments to rule 14.6.2 to allow pensioners the option to sacrifice part of their pension in favour of an increased spouse's pension
- This amendment relates to pensioners being afforded a once-off choice to elect a reduction in their current pension in favour of an increased spouse's pension. Currently the rules provide that if a pensioner dies, his or her spouse will receive 50% of the pensioner's annuity as at the date of death. The amendment will allow for pensioners to elect a reduced annuity to provide for his or her legitimate spouse to receive 75% of the pensioner's annuity after the pensioner has died.
- Amendments to rule 14.4.1 to set a members resignation benefit as the higher of the cash resignation benefit or the actuarial interest

- The rule currently states that a member who resigns or is discharged is entitled to a cash resignation benefit calculated as per the formula set out in the rules or a transfer benefit to an approved fund calculated as the actuarial interest of the member as per the formula set out in the rules.
- The new rule will entitle all members to a resignation benefit that is the higher of either the cash resignation benefit or the member's actuarial interest irrespective of whether the member chooses to transfer to an approved fund or not. However, this amendment will be applicable to exits from the Fund only as a result of a resignation or a discharge with an exit date of 1 April 2012 and after.

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Statement of Net Assets and Funds as at 31 March 2012.

	Notes	2012 R'000	2011 R'000
Assets			
Non-current assets			
Equipment	2	2 250	2 916
Investments	3	1 036 315 801	911 555 415
Current assets			
Funding loan	4	6716	6716
Accounts receivable	5	4 753 351	3 919 942
Transfers receivable	11.2	33 529	786
Contributions receivable	6	5 724 301	672 350
Cash and cash equivalents	7	10 489 331	13 496 497
Total assets		1 057 325 279	929 654 622
Funds and liabilities			
Funds			
Accumulated funds		1 034 090 985	908 884 080
		1 034 090 985	908 884 080
		4 855 212	5 436 199
Reserve account	8	4 855 212	5 436 199
Total funds and reserves		1 038 946 197	914 320 279
Non-current liabilities			
Unclaimed benefits	9	758 483	574 556
		758 483	574 556
Current liabilities			
Benefits payable	10	17 620 599	14 759 787
Transfers payable	11.1	16 277 300	13 771 468
Accounts payable	12	2 952	4 360
Provisions	13	1 338 686	982 883
		1 661	1 076
Total funds and liabilities		1 057 325 279	929 654 622

Statement of changes in net assets and funds for the year ended 31 March 2012

	Notes	Accumulated funds	Reserve accounts	Total 2012	Total 2012
		R'000	R'000	R'000	R'000
Net income before transfers and benefits		164 788 134	-	164 788 134	144 862 510
Contributions received and accrued	6.2	50 545 761	-	50 545 761	40 066 114
Purchase of periods of service	14	9 322	-	9 322	144 828
Net Investment income	15	114 083 892	-	114 083 892	105 034 359
Other income	16	650 693	-	650 693	63 592
Less:					
Administrative expenses	17	(501 534)	-	(501 534)	(446 383)
Transfers and benefits		(39 110 755)	(5 191)	(39 115 946)	(31 514 483)
Benefits	10 & 8	(37 152 445)	(5 191)	(37 157 636)	(29 916 633)
Transfers to other funds	11.1	(156 852)	-	(156 852)	(21 870)
Transfers from other funds	11.2	44 234	-	44 234	24 815
Interest paid	18	(1 845 692)	-	(1 845 692)	(1 600 795)
Net income after transfers and benefits		125 677 379	(5 191)	125 672 188	113 348 027
Loss on transfer of administration component	20	-	-	-	(31 860)
Net income for the period		125 677 379	(5 191)	125 672 188	113 316 167
Funds and reserves					
Balance at beginning of the period		908 884 080	5 436 199	914 320 279	801 004 112
Prior year adjustment - benefits		16 988	-	16 988	-
Offset to NSF additional liabilities		-	(1 063 258)	(1 063 258)	-
Transfer of net investment return to reserves	8	(487 462)	487 462	-	-
Balance at end of the year		1 034 090 985	4 855 212	1 038 946 197	914 320 279

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Cash flow statement for the year ended 31 March 2012

	Notes	2012 R'000	2011 R'000
Cash flow from operating activities			
Cash generated from operations	21	8 631 365	8 343 686
Contributions and other income received		46 132 222	39 857 896
Benefits paid during the year		(35 397 657)	(31 074 009)
Other expenses paid		(2 103 200)	(440 201)
Interest received		28 006 234	29 569 137
Interest paid		(910 722)	(709 887)
Dividends received		17 714 803	13 416 104
Transfers and bought services received/(paid)		(137 445)	144 062
Net cash inflow from operating activities		53 304 235	50 763 102
Net cash outflow from investing activities			
Proceeds on sale of equipment		-	-
Additions to equipment		(130)	(30)
Additions to investments		(56 311 271)	(52 374 756)
Net (decrease)/increase in cash and cash equivalents		(3 007 166)	(1 611 684)
Cash and cash equivalents at beginning of the year		13 496 497	15 108 181
Cash and cash equivalents at end of the period	7	10 489 331	13 496 497

Notes to the annual financial statements for the year ended 31 March 2012

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of presentation of financial statements

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

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

1.2 Equipment

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

Equipment is stated at historical cost less accumulated depreciation.

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

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

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

1.3 Financial instruments

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

1.3.1 Classification

1.3.1.1 GEPF classifies its financial assets into the following categories:

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

1.3.1.1.1 Financial assets classified at fair value through the statement of changes in net assets and funds The classification depends on the purpose for which the financial assets were acquired, and is determined by management at the initial recognition of the financial assets.

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

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1.3.1.1.2 Loans and receivables

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

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

1.3.1.2 Financial liabilities

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

1.3.2 Recognition

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

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

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

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

1.3.3 Measurement

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

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

1.3.3.1 Equities

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

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

Listed equities

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

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

Unlisted equities

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

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

1.3.3.2 Preference shares

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

Listed preference shares

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

Unlisted preference shares

The fair value of unlisted preference shares is determined by applying appropriate valuation techniques such as the discounted cash flow model, recent arm's length market transactions 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, 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 to calculate the fair value.

1.3.3.5 Investment properties

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

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

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

The open market fair value is determined once every three years by independent professional 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.

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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 that require a different treatment, these are measured separately in accordance with the measurements criteria set out in a class they belong to.

1.3.3.8 Direct loans

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

1.3.3.9 Money market instruments

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

1.3.4 Derecognition

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

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

1.3.5 Impairments

1.3.5.1 Financial assets carried at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3.5.3 **Impairment of loans and receivables**

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

1.4 **Cash and cash equivalents**

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

1.5 **Inventory**

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

1.6 **Accounts receivable**

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

Purchased service

Purchased service receivables are recognised upon acceptance by the member of the quote issued by the GEPF for the recognition of the

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purchase of a period as pensionable service. No provision is made for potential doubtful purchase of service debtors, as only the period paid for vests in favour of the member.

1.7 Unclaimed benefits

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

1.8 Accounts payable

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

1.9 Provisions

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

1.10 Contributions

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

1.11 Purchase of service

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

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

1.12.1 Dividend income

Dividend income is recognised in the statement of changes in net assets

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

1.12.2 Interest income

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

1.12.3 Rental income

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

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

1.12.4 Collective investment schemes distribution

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

1.12.5 Gains and losses on subsequent measurement to fair value

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

1.13 Transfers to and from the GEPF

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

1.14 Interest payable to members exited from the GEPF

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

1.15 Interest payable to dormant members

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

1.16 Foreign exchange gains or losses

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

1.17 Operating leases

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

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

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

1.19 Expenses incurred in managing investments

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

1.20 Judgements and estimates

Critical judgements in applying the entity's accounting policies

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

- **Residual Values and useful lives**

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

- **Provision for impairment of receivables**

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

- **Accumulated leave pay provision**

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

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- **Key assumptions of estimations with uncertainty**

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

- **Accrual for benefits payable**

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

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

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

- **Investments**

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

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

1.21 Accounting policies, changes in accounting estimates and errors

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

1.22 Reserves

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

1.23 Benefits

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

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

1.24 Administration expenses and other expenses

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

1.25 Contingent assets and liabilities

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

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

1.26 Related parties

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

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

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

2 EQUIPMENT

	Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Office equipment R'000	Motor vehicles R'000	Tools R'000	Total R'000
2.1 Current year,2012							
Gross carrying amount	595	247	2 157	1 838	157	-	4 994
At beginning of the year	518	236	2 152	1 801	157	-	4 864
Additions	77	11	5	37	-	-	130
Accumulated depreciation	(414)	(237)	(1 090)	(898)	(105)	-	(2 744)
At beginning of the year	(288)	(194)	(766)	(627)	(73)	-	(1 948)
Depreciation	(126)	(43)	(324)	(271)	(32)	-	(796)
Net carrying amount at end of the period	181	10	1 067	940	52	-	2 250
2.2 Prior year,2011							
Gross carrying amount	518	236	2 152	1 801	157	-	4 864
At beginning of the year	32 765	4 803	17 869	19 110	2 609	9	77 165
Transfers to Government Pensions Administration Agency (GPAA)	(32 263)	(4 567)	(15 720)	(17 320)	(2 452)	(9)	(72 331)
Additions	16	-	3	11	-	-	30
Accumulated depreciation	(288)	(194)	(766)	(627)	(73)	-	(1 948)
At beginning of the year	(17 443)	(1 453)	(7 600)	(6 751)	(1 680)	(5)	(34 932)
Transfers to Government Pensions Administration Agency (GPAA)	17 279	1 337	7 157	6 391	1 638	5	33 807
Depreciation	(124)	(78)	(323)	(267)	(31)	-	(823)
Net carrying amount at end of the year	230	42	1 386	1 174	84	-	2 916

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3 INVESTMENTS

3.1 Investment Summary

	Notes	Fair Value 2012 R' 000	Amortised Cost 2012 R' 000	Total 2012 R' 000	Total 2011 R' 000
Money market instruments*	3.1.1	-	31 810 865	31 810 865	29 625 147
Direct loans*	3.1.2	-	8 917 674	8 917 674	3 268 322
Bills and bonds**	3.1.3	382 730 740	-	382 730 740	330 353 695
Local		356 400 713	-	356 400 713	330 353 695
Foreign		26 330 027	-	26 330 027	-
Investment properties**	3.1.4	9 415 403	-	9 415 403	6 874 972
Equities**	3.1.5	569 552 983	-	569 552 983	515 152 393
Listed equities		542 636 203	-	542 636 203	501 322 552
Primary listings		415 504 991	-	415 504 991	362 557 701
Secondary listings		127 131 212	-	127 131 212	138 764 851
Unlisted equities		26 916 780	-	26 916 780	13 829 841
Local equities		25 827 302	-	25 827 302	13 004 714
Foreign equities		1 089 478	-	1 089 478	825 127
Preference shares**	3.1.6	1 126 237	-	1 126 237	86 138
Special investment products**	3.1.7	-	-	-	1 301
Collective investment schemes**	3.1.8	32 761 899	-	32 761 899	26 193 447
Local instruments		184 332	-	184 332	502 197
Foreign instruments		32 577 567	-	32 577 567	25 691 250
		995 587 262	40 728 539	1 036 315 801	911 555 415

*Classified as loans and receivables

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

Explanatory notes:

- Based on the revised strategic asset allocation which was approved by the Minister in the previous year, the Fund invested in foreign collective instruments and foreign bonds to the value of R58, 9 billion (2011:R25, 7 billion). The investment is managed by Black Rock Advisors UK Ltd.
- Included in the unlisted foreign equities above are investments in the Pan African Infrastructure Development Fund (PAIDF) to the value of R1, 1 billion. These infrastructure investments are in Seawolf Jackup Ltd, Aldwych Holdings Ltd, Essar Telecoms Kenya Holdings Ltd, Main One Cable Company Ltd, Community Investment Venture Holdings (Pty) Ltd and Dark Fibre Africa (Pty) Ltd. Additional investments to the value of R143, 2 million were made in the current year.
- Money market instruments with original maturities of three months or less are classified as cash and cash equivalents.
- The details of the top ten investments per investment category have been provided in the detailed schedules below and the balance is included in 'other', where practicable. Investments which meet the top ten criteria in one year and do not meet the criteria in another year, will be disclosed as zero and included in 'other' in the year in which they do not meet the criteria. Details of the top ten investments are disclosed per entity level not per instrument level.

3.1.1 Money market instruments

	Amortised Cost 2012 R'000	Amortised Cost 2011 R'000
Certificate of deposits	123 352	889 272
Development Bank of SA Ltd	103 352	300 758
Standard Bank Group Ltd	-	217 945
First Rand Ltd	-	214 878
Nedbank Ltd	-	135 748
Eskom Holdings Ltd	20 000	19 943
Fixed deposits	28 406 085	27 455 573
Standard Bank Group Ltd	6 658 252	6 297 456
First Rand Ltd	6 463 918	6 525 826
Nedbank Ltd	6 349 727	5 845 251
ABSA Group Ltd	5 991 925	5 739 484
Investec Bank Ltd	2 029 376	2 945 122
African Bank Ltd	912 887	102 434
Promissory notes	3 281 428	1 280 302
Land and Agricultural Development Bank of SA	3 281 428	1 275 363
Eskom Holdings Ltd	-	4 939
Total money market instruments	31 810 865	29 625 147

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3.1.2 Direct loans

	Secured by	Amortised Cost 2012 R'000	Amortised Cost 2011 R'000
Consol Holdings (Pty) Ltd	Not secured 1	126 661	113 091
University of Western Cape	Standard Bank zero coupon bond	2 778	2 746
Investec Bank Ltd	33 500 000 Investec shares	-	287 861
Opiconsivia Investments 230 (Pty) Ltd	Not secured 1	3 421 537	-
Afrisam (Pty) Ltd	Not secured 2	-	1 175 349
Afrisam South Africa (Pty) Ltd	First ranking security over all Afrisam assets shared pari passu with other bridge loan funders	2 597 798	-
Opiconsivia Investments 239 (Pty) Ltd	Second ranking security over all Afrisam assets	1 569 450	-
Numsa Investment Company (Pty) Ltd	Not secured	-	6 628
Legend Lodges (Pty) Ltd	100% of Katiso Investment Holdings (Pty) Ltd 40% shareholding in Entabeni Holdings (Pty) Ltd	88 745	88 745
LA Crushers (Pty) Ltd	Special Notarial Bond for R25 million, General Notarial Bond for R40 million, Personal surety	36 705	39 568
King Sabata Dalindyebo Municipality	Municipal building in Umtata	41 954	46 301
Kurland Covie MTN Zakhele Share Trust	Not secured 3	23 850	21 584
Bakwena Platinum Corridor Concessionaire (Pty) Ltd	Deed of suretyship, cession of operating performance bond, cession of shares, shareholder loans, equity options and contracts, general notarial bond	408 617	408 517
Batho Bonke Capital (Pty) Ltd	75 152 300 Batho Bonke shares	-	752 570
Johannesburg Housing Company	Mortgage against property	91 710	24 693
Spartan Technology Rentals (Pty) Ltd	Cession of rental cash agreements, equipment, personal surety from Chief Executive Officer & KPA trust, 2nd mortgage bond, cession of bank account	3 776	1 419
Women's Development Business Micro Finance	Cession of business loan book	15 389	16 040
CBS Property Portfolio Ltd	Properties held in CBS Property Portfolio Ltd and subsidiaries	293 267	283 210
Edu-Loan (Pty) Ltd	Cession of loan book	130 000	-
Mazwe Financial Services	Cession of loan book, credit bank accounts to the value of loan amount, license to the loan management system and surety by the shareholder to the value of R50 million, cession of rights in the life and disability insurance cover for the amount of R10 million	45 436	-
Small enterprise Foundation (Pty) Ltd	Cession of receivables	20 001	-
Total loans		8 917 674	3 268 322

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

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

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

3.1.3 Bills and bonds

	Issuer Rating Long term	Fair value 2012 R'000	Fair value 2011 R'000
Bills		1 559 122	5 049 227
Eskom Holdings Ltd	AAA	1 559 122	4 764 100
Land and Agricultural Development Bank of SA	-	-	189 887
Nedbank Ltd	-	-	95 240
Government bonds		207 615 879	190 374 277
Republic of SA	AAA	207 615 879	190 374 277
Corporate bonds		30 047 578	33 787 724
Standard Bank Group Ltd	AA	9 502 010	7 383 118
First Rand Ltd	AA	4 470 347	4 341 891
ABSA Group Ltd	AA+	3 276 925	3 347 522
Nedbank Ltd	AA-	2 000 578	2 276 464
MTN Group Ltd	AA-	1 343 312	1 274 512
Old Mutual Life Assurance Ltd	AA+	1 116 666	-
African Development Bank	AAA	1 061 184	1 085 553
Mercedes-Benz SA Pty Ltd	AA	870 488	-
RMB Holdings Ltd 2	AA	724 918	740 681
Liberty Group Ltd	AA-	652 300	-
Other	-	5 028 850	13 337 983
Parastatal bonds		117 112 739	101 032 774
Eskom Holdings Ltd	AAA	50 157 882	44 343 249
South African National Road Agency Ltd 1	Aa3	18 644 283	14 964 254
Transnet Ltd 1	AA-	18 552 609	19 607 989
Development Bank of SA Ltd1	AAA	13 783 518	10 987 806
Umgeni Water Board	-	-	5 709
Trans- Caledon Tunnel Authority1	AA+	11 516 942	10 471 634
City of Johannesburg	AA-	1 395 082	-
City of Cape Town	Aa2	771 927	-
Airports Company SA	AA-	775 015	-
Telkom SA Ltd	AAA	650 977	652 133

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Land and Agricultural Development Bank of SA	AA	423 793	-
Other	-	440 711	-
Other bonds		65 395	109 693
Lesotho Highlands	*	65 395	64 337
Sedibeng Water	-	-	45 356
Foreign Bonds		26 330 027	-
Black Rock Advisors (UK)	**	26 330 027	-
Total bills and bonds		382 730 740	330 353 695

- 1 In the prior year, these bonds were disclosed in both the parastatal and corporate categories. In the current year, these bonds have been disclosed as parastatal bonds.
- 2 In the prior year, the issuer of this bond was incorrectly disclosed as the South African National Road Agency Ltd and categorized as other bonds. In the current year, this bond has been disclosed as a corporate bond, as the issuer is RMB Holdings Ltd.

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

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

*The Credit Risk Department of the Public Investment Corporation applied an A rating to these bonds.

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

3.1.4 Investment properties

	Fair Value 2012 R'000	Fair Value 2011 R'000
Residential properties	52 990	27 615
Industrial properties	1 220 054	1 030 629
Office properties	6 213 039	4 694 728
Retail properties	1 650 487	1 014 978
Specialised properties	125 406	120 140
Vacant land	199 030	53 282
Lease income accrual	(45 603)	(66 400)
Total properties	9 415 403	6 874 972

Name of property	Address	Valuation Method	Date of last valuation	Pledged as guarantee	Fair Value 2012 R'000	Fair Value 2011 R'000
Riverwalk Office Park	41 Matroosberg Street, Ashlea Gardens, Pretoria	DCF	2012/03/31	No	534 850	511 780
Vangate Shopping	Vanguard Drive, Athlone, Cape Town	DCF	2012/03/31	No	441 600	425 000
Discovery Health	3 Alice Lane, Sandown, Sandton	DCF	2012/03/31	No	342 000	340 000
GijimaAst Holdings	47 Landmarks Avenue, Kosmosdal	DCF	2012/03/31	No	310 000	321 000
Iparioli Office Park	1166 Park Street, Hatfield	DCF	2012/03/31	No	287 655	286 100
Trevenna	70 Meintjies Street, Trevenna, Pretoria	DCF	2012/03/31	No	221 090	212 578
Jakaranda Shopping Centre	Cnr Michael Brink and Frates Street Rietfontein	DCF	2012/03/31	No	208 288	227 000
Webber Wentzel	10 Fricker Road, Illovo, Johannesburg	DCF	2012/03/31	No	207 500	194 500
Joggie Vermooten	57 Joyner Road, Prospection, Isipingo Ext. 12, Durban	DCF	2012/03/31	No	178 000	189 500
HSBC	Cnr Maude Street & Gwen Lane, Sandown	DCF	2012/03/31	No	177 000	-
Peregrine	6A Sandown Valley Crescent, Sandown	DCF	2012/03/31	No	-	180 000
Other					6 553 023	4 053 914
Lease income accrual					(45 603)	(66 400)
Total properties					9 415 403	6 874 972

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3.1.4.1 Investment properties

	2012 R'000	2011 R'000
Investment properties		
Balance at beginning of the year	6 941 372	6 785 017
Additions		
- Direct acquisition	2 571 965	-
- Capital expenditure	80547	49 707
Disposals	(113000)	(38 520)
Fair value adjustment	(19 878)	145 168
Closing fair value	9 461006	6 941 372
Operating lease income accrual	(45 603)	(66 400)
Balance at end of year	9 415 403	6 874 972

An independent valuation of the investment properties was performed as at 31 March 2012. 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 Mills Fitchett and Associates who are registered valuers in terms of Section 19 of the Valuers Professional Act (Act No 47 of 2000), and have recent experience in valuing similar properties at similar locations.

3.1.5 Equities

	Fair Value 2012 R'000	Fair Value 2011 R'000
Primary listing on the JSE	415 504 991	362 557 701
Secondary listing on the JSE	127 131 212	138 764 851
Unlisted equities	26 916 780	13 829 841
Total equities	569 552 983	515 152 393

	Total Issued shares (Number)	GEPF's Holding (Number)	GEPF's Holding %	Fair Value 2012 R'ooo	Fair Value 2011 R'ooo
1. Primary listing on the JSE				415 504 991	362 557 701
MTN Group Ltd	1 884 870 669	325 576 654	17	43 959 360	45 150 333
Sasol Ltd	644 294 316	87 488 229	14	32 414 389	33 654 188
Naspers Ltd*	411 711 353	55 425 466	13	23 888 376	19 343 464
Standard Bank Group Ltd	1 591 642 701	208 946 271	13	23 268 257	21 597 579
First Rand Ltd	5 637 941 689	656 360 970	12	15 555 755	13 321 080
Remgro Ltd	481 106 370	87 868 114	18	11 717 213	9 980 302
Impala Platinum Holdings Ltd	631 714 020	76 408 153	12	11 545 272	15 300 652
Shoprite Holdings Ltd	543 479 460	78 825 022	15	10 822 676	-
Bidvest Group Ltd	327 734 929	59 533 716	18	10 701 185	9 783 597
Sanlam Ltd	2 100 000 000	304 913 874	15	10 117 042	8 786 777
Anglo American Platinum Ltd	-	-	-	-	9 700 242
ABSA Group Ltd	-	-	-	-	8 905 293
Other	-	-	-	221 515 466	167 034 194
2. Secondary listing on the JSE				127 131 212	138 764 851
BHP Billiton Plc	2 136 185 454	115 616 440	5	26 998 751	32 248 327
SAB Miller Plc	1 663 459 943	79 802 731	5	24 520 187	19 689 449
Anglo American Plc	1 342 935 031	80 023 504	6	22 814 701	26 135 111
British American Tobacco Plc	2 025 986 670	38 815 620	2	15 021 645	12 007 518
Richmont Securities AG	5 220 000 000	257 733 033	5	12 255 206	10 778 187
Old Mutual Plc	5 561 968 438	572 735 928	10	11 133 986	7 753 480
Reinet Investments S.C.A	1 959 412 860	310 145 063	16	4 326 524	3 659 123
Investec Plc	598 481 456	85 663 255	14	4 019 320	4 117 825
Capital Shopping Centres Group Plc	860 096 108	56 604 792	7	2 286 834	-
Mondi Ltd	367 240 805	31 009 625	8	2 235 794	1 611 972
Other	-	-	-	1 518 264	20 763 859
3. Unlisted equities				26 916 780	13 829 841
Pareto Ltd	3 459 251 062	3 459 251 062	100	12 625 107	4 571 333
Lexshell 44 General Trading (Pty)Ltd	200 000	100 000	50	4 914 500	-
Community Property Fund**	-	-	59.49	2 613 765	2 519 810
ADR International Airports SA (Pty)Ltd	166 000	166 000	100	2 040 000	1 800 000
Pan African Infrastructure Development Fund**	-	-	39.68	1 089 478	825 127

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Opiconsivia Investments 230 (Pty) Ltd	100	57	57	742 818	-
CBS Property Portfolio Ltd	280 944 599	280 944 599	100	540 482	2 073 000
Housing Impact Fund of SA	-	-	10.93	428 981	-
Bakwena Platinum Corridor Concessionaire (Pty) Ltd**	-	-	7.81	254 706	248 077
Investec Participation Rights**	-	-	-	-	234 040
N3 Toll Concession (Pty) Ltd**	-	-	10.41	-	211 903
Lereko Metier Capital Growth Fund	-	-	8.92	210 864	-
Aloecap BEE Private Equity Fund**	-	-	-	-	183 780
Batho Bonke Participation Rights**	-	-	-	-	163 688
Other				1 456 079	999 083

*In the prior year, these equities were incorrectly disclosed as secondary listed shares on the JSE. In the current year, these equities have been disclosed as primary listed shares on the JSE.

There were no scrip lending transactions for the period ending 31 March 2012.

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

3.1.6 Preference shares

	Total Issued shares (Number)	GEPF's Holding (Number)	GEPF's Holding %	Fair Value 2012 R'000	Fair Value 2011 R'000
Afripalm Resource D	-	-	-	-	61 451
Afripalm N	-	-	-	-	17 349
ABSA Group Ltd	-	-	-	-	3 624
Investec Bank Ltd	-	-	-	-	3 714
Allied Electronics Corporation	105 669 131	46 469 879	44	1 115 277	-
Alexander Forbes	236 715 741	1 178 528	-	10 960	-
Total preference shares				1 126 237	86 138

3.1.7 Special investment products

Description	GEPF's Holding (Number)	GEPF's Holding %	Fair value 2012 R'000	Fair value 2011 R'000
Old Mutual Asset Management	-	-	-	1 301
Total			-	1 301

3.1.8 Collective investment schemes

Description	GEPF's Holding (Number)	GEPF's Holding %	Fair value 2012 R'ooo	Fair value 2011 R'ooo
Black Rock Advisors (UK)	336 656 410	-	32 577 567	25 691 250
Sanlam Ltd	31 418 007	-	158 755	332 707
Fedsure Holdings	-	-	-	145 445
Liberty Group Ltd	78 801	-	25 577	24 045
Total			32 761 899	26 193 447

3.1.9 Risk management Credit/ counterparty risk

Counterparty	Direct investment in counterparty R'ooo	Deposit/ liquid asset with counterparty R'ooo	Guarantees	Any other instrument R'ooo	Total per counterparty R'ooo	Exposure to counterparty as a % of the fair value of the assets
Banks						
ABSA Group Ltd	9 439 077	637 112	No	9 685 204	19 761 393	2
African Bank Investments Ltd	4 527 867	-	No	302 610	4 830 477	-
African Bank Ltd	-	-	No	1 404 063	1 404 063	-
African Development Bank	-	-	No	1 061 184	1 061 184	-
Capitec Holdings Ltd	1 573 390	-		40 602	1 613 992	-
Deutsche Bank A.G	41 258	-	No	-	41 258	-
Development Bank SA Ltd	-	-	No	13 886 870	13 886 870	1
First National Bank Ltd	-	553 272	No	-	553 272	-
First Rand Ltd	15 555 755	-	No	10 934 265	26 490 020	3
Investec Bank Ltd	5 583 506	13671	No	2 848 478	8 445 655	1
Land and Agricultural Development Bank	-	-	No	3 344 500	3 344 500	-
Nedbank Ltd	7 333 943	6 322 597	No	8 350 305	22 006 845	2

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Counterparty	Direct investment in counterparty R'ooo	Deposit/ liquid asset with counterparty R'ooo	Guarantees	Any other instrument R'ooo	Total per counterparty R'ooo	Exposure to counterparty as a % of the fair value of the assets
South African Reserve Bank	-	75 050	No	101	75 151	-
Standard Bank Group Ltd	23 268 257	3 616 776	No	16 180 262	43 065 295	4
Asset managers						
Black Rock Advisors (UK)	-	-	No	58 907 594	58 907 594	6
Cadiz Asset Management Ltd	19 222	-	No	-	19 222	-
Coronation Asset Management (Pty) Ltd	478 270	-	No	-	478 270	-
Insurance companies						
Alexander Forbes Ltd	10 960	-	No	-	10 960	-
Discovery Holdings Ltd	3 142 322	-	No	-	3 142 322	-
Liberty Group Ltd	1 844 696	-	No	677 876	2 522 572	-
MMI Holdings Ltd	3 764 753	-	No	-	3 764 753	-
Old Mutual Life Assurance Company SA Ltd	11 133 986	-	No	1 116 666	12 250 652	1
Sanlam Ltd	10 117 042	-	No	239 056	10 356 098	1
Santam Ltd	856 484	-	-	367 817	1 224 301	-
Metropolitan Group Ltd	-	-	No	1 192	1 192	-

3.1.10 Market risk

Equity holdings

10 largest rand-value equity holdings

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
MTN Group Ltd	43 959 360	2 197 968
Sasol Ltd	32 414 389	1 620 719
Billiton Plc	26 998 751	1 349 938
SA Breweries Ltd	24 520 187	1 226 009
Naspers Ltd	23 888 376	1 194 419
Standard Bank Group Ltd	23 268 257	1 163 413
Anglo American Plc	22 814 701	1 140 735
Firststrand Ltd	15 555 755	777 788
British American Tobacco Plc Shares	15 021 645	751 082
Richmont Securities AG	12 255 206	612 760
Total value of 10 largest equity holdings	240 696 627	12 034 831
As a percentage of total investment plus bank balances	23	1

3.1.11 Other financial instruments

10 largest rand-value other financial instruments

	GEPF's Holding	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
RSA 2023 5.50%	14 908 604 459	38 051 419	1 902 571
RSA 10.50 % 2025/26/27	27 007 963 376	32 619 967	1 630 998
Blackrock Global Short Bond Barclays	22 352 637 042	26 330 027	1 316 501
Black Rock Global Equity Fund	275 130 727	26 286 538	1 314 327
R208 RSA 310321	19 010 409 401	17 671 468	883 573
RSA 2017 8.25%	16 518 470 000	17 301 317	865 066
RSA 2014 8.75%	14 968 719 585	16 342 243	817 112
RSA 2018 8.00%	15 814 157 000	16 508 310	825 416
RSA 2033 3.45%	8 026 300 000	15 167 819	758 391
RSA 2020 7.25%	14 418 582 000	14 185 237	709 262
Total value of 10 largest other instruments		220 464 345	11 023 217
As a percentage of total investments plus bank balances		21	1

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3.1.12 Foreign currency exposure

Description	Fair value at end of period USD '000	Fair value at end of period R'000	Market movement by 5% R'000
Pan African Infrastructure Development Fund (PAIDF)	142 192	1 089 478	54 474
Black Rock Advisors UK Ltd	7 688 279	58 907 594	2 945 379
Total value of foreign instruments	7 830 471	59 997 072	2 999 853
As a percentage of total investments plus bank balances		6	-

4 FUNDING LOAN

	2012 R'000	2011 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.

5 ACCOUNTS RECEIVABLE

Accrued interest	
Accrued dividend	
Associated Institutions Pension Fund	
Estates debt	
Total estates debt	
Less: provision for doubtful debts	
Fraud cases debt	
Total fraud cases debt	
Less: provision for doubtful debts	
Investment debtors	
Lease debtor	
National Treasury	
Government Pensions Administration Agency	
Purchased service	
Purchased service not recovered at retirement or death	
South African Post Office	
Non-Statutory Forces	
Sundry debtors	
Temporary Employees Pension Fund	
Overpayments	
Total overpayments	
Less: provision for doubtful debts	

	2012	2011
	R'000	R'000
	42 965	55 170
	3 557 359	2 459 105
	-	299
	22 085	23 264
	59 368	57 038
	(37 283)	(33 774)
	-	-
	41 695	40 112
	(41 695)	(40 112)
	1 027 444	1 258 868
	45 603	66 400
	-	356
	9 224	569
	17 030	21 840
	178	385
	2 264	2 052
	-	1 988
	102	35
	-	77
	29 097	29 534
	37 311	35 156
	(8 214)	(5 622)
	4 753 351	3 919 942

6 CONTRIBUTIONS

6.1 Contributions receivable

Participating employers
Arrear contributions*
Additional employer contributions**
Additional NSF employer contributions***
Interest on outstanding contributions
Statement of net assets and funds

	2012 R'000	2011 R'000
	30 472	278 624
	788	724
	451 859	392 749
	5 240 941	-
	241	253
	5 724 301	672 350

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

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

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

6.2 Reconciliation of contributions receivable

Member contributions
Employer contributions
Interest on outstanding contributions
Statement of Changes in net assets and funds

	2012 R'000	2012 R'000	2011 R'000	2011 R'000
	Contributions accrued	Contributions received	Contributions receivable	Contributions receivable
	15 761 756	(15 761 692)	788	724
	34 782 841	(29 730 942)	5 723 272	671 373
	1 164	(1 176)	241	253
	50 545 761	(45 493 810)	5 724 301	672 350
				50 545 761

7 CASH AND CASH EQUIVALENTS

Cash resources
Short term investments

	2012 R'000	2011 R'000
	1 125 756	1 196 036
	9 363 575	12 300 461
	10 489 331	13 496 497

8 RESERVES

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

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

	2012 R'000	2012 R'000	2012 R'000	2012 R'000	2012 R'000
	Non-statutory forces reserve	Ciskei strikers reserve	General assistants reserve	Other past discriminatory practices reserve	Total reserve accounts
Balance at beginning of the period	1 063 258	141 407	80 353	4 151 181	5 436 199
Transfers and benefits	-	(5 191)	-	-	(5 191)
Benefits paid	-	(5 191)	-	-	(5 191)
Net loss after transfers and benefits	-	(5 191)	-	-	(5 191)
Net loss for the period	-	(5 191)	-	-	(5 191)
Transfer from net investment return to reserves	-	8 149	4 631	474 682	487 462
Offset to NSF additional liability	(1 063 258)	-	-	-	(1 063 258)
Balance at end of period	-	144 365	84 984	4 625 863	4 855 212

9 UNCLAIMED BENEFITS

	2012 R'000	2011 R'000
Balance at the beginning of the period	574 566	549 838
Transferred from benefits	2 548 897	481 052
Benefits paid	(2 517 072)	(565 485)
Interest provision	152 092	109 151
Balance at the end of period	758 483	574 556

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RECONCILIATION OF NUMBER OF CASES

	2012		2011	
	Cases	R'000	Cases	R'000
Bank rejections	9 023	156 901	8 396	111 003
Benefits directly transferred to unclaimed upon exit	14 465	552 077	12 661	427 327
Unclaimed funeral benefits	651	4 323	693	4 760
Benefits transferred to unclaimed without complete documents	764	25 964	601	21 404
Benefits payments with a tax directive declined	352	19 218	303	10 062
Balance at the end of period	22 255	758 483	22 744	574 556

10 BENEFITS

	2011	2012	2012	2012
	R'000	R'000	R'000	R'000
	Benefits payable	Benefits accrued current year	Benefits paid during year	Benefits payable
Net Benefit Payments	9 754 609	37 152 445	(35 581 583)	11 325 471
Gratuities	873 608	5 778 328	(5 223 911)	1 428 025
Withdrawal benefits	3 657 326	7 119 934	(5 853 921)	4 923 339
Monthly pensions	1 761 469	19 263 195	(19 964 144)	1 060 520
Retrenchment benefits	25 270	265 777	(198 342)	92 705
Death benefits	3 371 468	4 587 842	(4 173 480)	3 785 830
Funeral benefits	44 000	107 878	(125 232)	26 646
Orphan benefits*	21 468	27 579	(40 641)	8 406
Unclaimed benefits**	-	1 912	(1 912)	-
Interest to members	4 016 859	1 816 063	(881 093)	4 951 829
Benefits payable***	13 771 468	38 968 508	(36 462 676)	16 277 300
Statement of Changes in net assets and funds				37 152 445

*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 2012 and benefits accrued during the year includes an amount of R2,9 billion (2011: R2, 5billion) representing exit cases that were not fully processed at year-end.

11 TRANSFERS

		2011 R'000	2012 R'000	2012 R'000	2012 R'000	2012 R'000	
Effective Date	Number of members	Transfers Payable	Transfers approved	Return on transfer	Transfers paid	Transfers Payable	
11.1 Transfers to other funds							
Bulk transfers in terms of Rule 12 of the GEP Law							
Municipal transfers	2011/2012	418	4 360	116 465	39 199	(157 072)	2 952
Individuals	2011/2012	1	-	782	406	(1 188)	-
		419	4 360	117 247	39 605	(158 260)	2 952
Transfers approved						117 247	
Return on transfers						39 605	
Statement of changes in net assets and funds						156 852	

11.2 Transfers from other funds

		2011 R'000	2012 R'000	2012 R'000	2012 R'000	2012 R'000	
Effective Date	Number of members	Transfers Receivable	Transfers approved	Return on transfers	Transfer received	Transfers Receivable	
Transfers in terms of Rule 12 of the GEP Law							
Liberty Life	2011/2012	72	-	4 445	-	(4 445)	-
Individual transfers	2011/2012	49	786	38 599	1 190	(7 046)	33 529
		121	786	43 044	1 190	(11 491)	33 529
Transfer approved						43 044	
Return on transfers						1 190	
Statement of changes in net assets and funds						44 234	

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12 ACCOUNTS PAYABLE

Administrative creditors	
Operating lease accrual	
Child maintenance (court orders)	
Contributions (employers)	
Dormant members	
Government Pensions Administration Agency	
Associated Institutions Pension Fund	
Temporary Employees Pension Fund	
Investment creditors	
National Treasury	
Non-Statutory Forces contribution*	
Outstanding SA Post Office vouchers	
Portfolio management fees payable	
Sundry creditors	
Total	

2012	2011
R'000	R'000
4 858	5 760
485	581
380	238
2 125	2 520
980	891
5 444	-
1 021	-
120	-
880 349	31 616
31	81
287 717	790 515
1 880	1 998
137 393	140 974
15 903	7 709
1 338 686	982 883

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

13 PROVISIONS

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

2012	2011
R'000	R'000
225	141
141	6 977
665	113
-	(6 916)
(581)	(33)
1 436	935
935	6 651
1 436	935
-	(6 651)
(935)	-
1 661	1 076

14 PURCHASE OF PERIODS OF SERVICE

GEPF members
Past discriminatory members

15 NET INVESTMENT INCOME

Income from investments
Interest
Other income
Reversal of impairment
Property income
Net profit on sale of investments¹
Adjustment to fair value²
Impairment of Investments³
Total investment income
Less: expenses incurred in managing investments
- Management Fees
- PAIDF (Management fees and other expense)
- Property expenses
- Transaction costs and other expenses
Total investment expenses
Net investment income

¹Profit on sale of investments
Loss on sale of investments
Net profit on sale of investments

	2012 R'000	2011 R'000
	4 131	22 044
	5 191	122 784
	9 322	144 828
	28 836 372	30 473 351
	27 343 336	29 483 260
	130 679	15 101
	-	6 808
	1 362 357	968 182
	20 965 584	25 771 895
	67 124 585	50 334 664
	(1 175 349)	(1 181)
	115 751 192	106 578 729
	(735 914)	(804 358)
	(41 069)	(40 526)
	(429 456)	(291 222)
	(460 861)	(408 264)
	(1 667 300)	(1 544 370)
	114 083 892	105 034 359
	22 787 320	26 364 185
	(1 821 736)	(592 290)
	20 965 584	25 771 895

² Dividend income amounting R18,8 billion (2011: R15,2 billion) is included in the adjustment to fair value, in line with the requirements of the Regulatory Reporting Requirements for Retirement Funds.

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3 Some of the loans entered into by the PIC on behalf of GEPF in their capacity as the Fund's asset manager have been impaired for the period ended 31 March 2012 based on the independent valuation as stated below:

Reconciliation of impairment

	2012 R'000	2011 R'000
Afrisam (Pty) Ltd*	1 175 349	-
Legend Lodges (Pty) Ltd	-	1 181
Total	1 175 349	1 181

* All the investments in Afrisam (Pty) Ltd prior to restructuring have been fully impaired.

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

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

16 OTHER INCOME

	2012 R'000	2011 R'000
Interest received		
Arrear contributions	1 339	12 261
Purchase of service	1 235	1 490
Additional employer contributions – early retirement	79 383	14 577
Additional employer contributions – NSF	537 820	-
Operating bank account	30 890	35 264
Other	26	-
	650 693	63 592

17 ADMINISTRATIVE EXPENDITURE

17.1 Total administrative expenditure

Administration expenses
Actuarial fees
Investment accounting fees
Investment performance analysis
Audit fees
Depreciation
Foreign currency loss
Legal costs
Bad debts
Operating expenses
Operating lease payments
Operating lease smoothing adjustment
Personnel expenses
Personnel expenditure (refer note 17.2)
Executive officer expenditure (refer note 17.3)
Principal officer expenditure (refer note 17.4)
Trustee expenditure (refer note 17.5)
Increase in provision for doubtful debt

	2012 R'000	2011 R'000
	431 601	387 294
	1 100	1 271
	9 321	9370
	4 515	3280
	5 395	1 245
	796	823
	37	50
	937	632
	-	309
	19 963	17 508
	2 545	2 360
	(95)	4
	17 735	19 068
	9 920	7 275
	4 370	3 784
	240	2 940
	3 205	5 069
	7 684	2 368
	501 534	445 582

17.2 Personnel remuneration and expenses

Remuneration to permanent and contract employees
Retirement funds contributions
Training expenses
Other benefits (housing, medical, etc)

	8 168	3 572
	747	838
	563	376
	442	2 489
	9 920	7 275

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17.3 Executive officers remuneration and expenses

Remuneration and allowances
Bonuses

	2012 R'000	2011 R'000
Remuneration and allowances	3 859	3 339
Bonuses	511	445
	<u>4 370</u>	<u>3 784</u>

17.4 Principal officer remuneration and expenses

Remuneration and allowances
Bonuses

Remuneration and allowances	240	2 877
Bonuses	-	63
	<u>240</u>	<u>2 940</u>

17.5 Board of Trustees remuneration and expenses

Meeting allowances
Expenses

Meeting allowances	3 032	4 818
Expenses	173	251
	<u>3 205</u>	<u>5 069</u>

18 INTEREST PAID

Interest paid to members
Interest paid to members exited from the GEPF
Interest paid to external funds in respect of members exited from the GEPF
Interest paid to Non-Statutory Forces members
Interest paid to employers (Non-Statutory Forces)
Interest paid to dormant members

Interest paid to members	1 816 063	1 546 150
Interest paid to members exited from the GEPF	1 417 531	1 473 221
Interest paid to external funds in respect of members exited from the GEPF	58 796	59 191
Interest paid to Non-Statutory Forces members	339 736	13 738
Interest paid to employers (Non-Statutory Forces)	29 540	54 564
Interest paid to dormant members	89	81
	<u>1 845 692</u>	<u>1 600 795</u>

19 OPERATING LEASE

INCOME

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

Receivable within one year
 Receivable between two and five years
 Receivable after five years

EXPENSES

Future minimum lease payments under non-cancellable operating leases:

Payable within one year
 Payable between two and five years

	2012 R'000	2011 R'000
	896 708	689 924
	2 086 876	1 790 947
	587 562	637 586
	<u>3 571 146</u>	<u>3 118 457</u>
	2 460	1 962
	846	2 899
	<u>3 306</u>	<u>4 861</u>

20 LOSS ON TRANSFER OF ADMINISTRATION COMPONENT

During the previous financial year the Fund and the administrative functions have, with effect from 1 April 2010 been separated after the establishment of the Government Pensions Administration Agency (GPAA), an entity within National Treasury. The effect of the separation was that the majority of staff previously employed by the GEPF together with fixed assets and liabilities previously owned by the GEPF but utilised for the provision of administrative services be transferred from the GEPF to the GPAA with effect from 1 April 2010.

The following assets and liabilities were transferred for Nil and resulted in a loss in the previous year:

Inventory
 Accounts receivables
 Fixed Assets
 Accumulated Depreciation
 Accounts payable and provisions
 Loss on transfer of administration component

	2012 R'000	2011 R'000
	-	1 109
	-	33 187
	-	72 331
	-	(33 807)
	-	(40 960)
	-	<u>31 860</u>

21 CASH GENERATED FROM OPERATIONS

Net income after transfers and benefits

Adjusted for:

Interest received

Interest paid

Dividends received

Adjustment to fair values of investments

Profit on sale of investments and property

Loss on sale of investments and property

Impairment of investments

Administration fees

Loss on transfer of assets to GPAA

Foreign currency loss/(income)

Depreciation

Debts written-off

Increase in doubtful debt provision

Movement in provisions

Net transfers (in)/out

Adjusted net income after transfers and benefits

Changes in working capital

Decrease /(Increase) in accounts receivable

Decrease in inventory

Increase/(Decrease) in accounts payable

Cash flow generated from operations

	2012 R'000	2011 R'000
	125 672 188	113 316 167
	(111 481 880)	(104 830 172)
	(27 994 029)	(29 548 335)
	1 845 692	1 609 404
	(18 813 057)	(15 219 070)
	(48 311 527)	(35 115 594)
	(20 965 584)	(26 364 185)
	-	592 290
	1 175 349	(5 627)
	5 444	-
	-	31 860
	(107 388)	50
	796	823
	-	309
	7 684	2 368
	1 571 446	(666 691)
	103 294	(147 773)
	14 190 308	8 485 996
	(5 558 943)	(142 310)
	(5 064 245)	(192 385)
	-	-
	(494 698)	50 075
	8 631 365	8 343 686

22 FINANCIAL MANAGEMENT AND ASSOCIATED RISKS

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

22.1 Market risk and interest rate risk

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to changes in market prices, irrespective of whether those changes are caused by circumstances particular to the investment or to the investment market in general. 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 of Trustees, monitors this risk against predetermined benchmarks. The investment manager outsources the management of approximately 25% of the equity portfolio to other external fund managers who possess both the resources and expertise to adequately address any potential equity market risk. The fair value of the equity portfolio at 31 March 2012 was R569,5billion(2011: R515,2 billion).

22.2 Credit risk

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

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

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

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

22.3 Liquidity risk

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

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

22.4 Currency risk

Currency risk is the risk that the value of a financial instrument denominated in a currency other than the reporting currency may fluctuate due to changes in foreign currency exchange rates, between the reporting currency and the currency in which the instrument is denominated. The Fund's exposure to currency risk is mainly in respect of the foreign investments made in the Pan African Infrastructure Development Fund and Black Rock Advisors UK Limited, which are denominated in US Dollars (See note 3.1.12).

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

22.5 Solvency risk

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

23 RELATED PARTIES

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

- Contributions received of R28,7 billion (2011: R25,6 billion) and contributions receivable of R483,4 million (2011: R672,4 million) are from the employer which is the government of the Republic of South Africa.
- Trustees of the fund who are also members of the Fund contribute to the Fund and may receive benefits upon exit from the Fund in terms of the Fund rules.
- Remuneration and expenses of key management personnel is disclosed in note 17 to the annual financial statements.
- The PIC is wholly owned by the government of the Republic of South Africa. Management fees amounting to R341,5 million (2011: R299,0 million) was paid from the Fund to PIC for investment management services in terms of the approved investment mandate.

24 CONTINGENT LIABILITIES

24.1 Benefits

A contingent liability exists for members that retired from the GEPF prior to 31 March 2012, for whom no duly completed exit documentation have been received. The GEPF cannot estimate the benefits payable to such members exactly, because the quantum of the liability is dependent on:

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

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

24.2 Pending liability

A contingent liability exists in respect of a legal claim against the GEPF. The estimated liability to the GEPF which was obtained from GEPF's independent attorneys is R1 million. The estimated liability does not include legal costs.

25 CAPITAL COMMITMENTS

During the 2007/2008 financial period, the GEPF committed to an investment to the Pan African Infrastructure Development Fund (PAIDF). As part of this investment the GEPF committed to make capital contributions amounting to US\$ 250,0 million translating to R2,0 billion. At 31 March 2012, US\$ 159,2 million translating to R1,2 billion, of the initial commitment has been invested. The remaining capital commitment of US\$ 90,8 million translating to R805,4 million is payable approximately within the next four years. The PAIDF investment is managed by Harith Fund Managers.

26 SUBSEQUENT EVENTS

26.1 GEPF Rule Amendments

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

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

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

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

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

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

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

This amendment relates to pensioners being afforded a once off choice to elect a reduction in their current pension in favour of an increased

spouse’s pension. Currently the rules provide that if a pensioner dies, his or her spouse will receive 50% of the pensioner’s annuity as at the date of death. The amendment will allow for pensioners to elect a reduced annuity in order to provide for his or her legitimate spouse to receive 75% of the pensioner’s annuity after the pensioner has died.

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

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

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

Administrative Information

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