

# GEPF

**VOL 2**

**NO 1**

# MONITOR



**Monitoring the Government Employees Pension Fund (GEPF)  
and the Public Investment Corporation (PIC)**

**Monitering van die Staatsdienswerknemerspensioenfonds  
(SWPF) en die Openbare Beleggingskorporasie (OBK)**

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## WELCOME / WELKOM

Welcome to the first edition of the second volume of this magazine. At this juncture we are at the beginning of an exciting year. We operate only on the macro level.

We face many challenges to reach our goal and objectives. Our most important objective is to be ever vigilant and to monitor the activities of our pension fund. Secondly we would like to improve our pension benefits.

Hartlik welkom by die eerste uitgawe van die tweede volume van hierdie tydskrif. Ons staan aan die begin van 'n nuwe opwindende jaar. Ons is slegs bedrywig op die makro-vlak.

Ons staan voor vele uitdagings om ons doel en doelstellings te bereik: Die belangrikste is om ons pensioenfonds te monitor en te poog om ons pensioenvoordele te verhoog.

## BAD THINGS HAPPEN

"Bad things happen when good people do nothing."

## MESSAGE FROM THE PRESIDENT IN CAPE TOWN

The Monitor Group goes with confidence into 2017, which will undoubtedly bring new challenges.

A good foundation was created by us during 2016. The Management Team looks forward to the new year.



It is our intention to improve our relationship with the Public Investment Corporation (PIC) and the Board of Trustees of the Government Employees Pension Fund (GEPF). That does not mean that we will be less alert. On the contrary, we will still question investments where we deem it necessary and of course we will keep on asking questions about questionable investments. This year we will insist on prompt answers.

Although we have made some progress during the past year, we did not achieve everything we intended. Despite various efforts we still have not received answers to our questions, some of which have been submitted to the GEPF already on 2<sup>nd</sup> September, 2016. Our request was that the trustees should bring the answers to our meeting on 21<sup>st</sup> and 22<sup>nd</sup> September, 2016. We envisaged a discussion to solve possible misunderstandings. They did not see their way clear to comply with this.

We therefore still do not have answers to possible dubious investments in African Bank, both the old and new, as well as in Lonmin, Independent Newspapers, certain State Owned Enterprises and others.

On 18<sup>th</sup> October, 2016 at a meeting of the Parliamentary Portfolio Committee on Finance, representatives of the PIC kindly undertook to supply answers to our questions. The GEPF could or would not do it. Now at the end of January, 2017 we are still waiting and we can surely not be faulted if we become suspicious. It really is simple questions we are asking.

The old problem of bad communication is therefore, still existing. Perhaps our fears are unfounded but as long as we do not receive answers to our questions, our fears will continue. We really cannot wait much longer and will have to consider serious action seeing that our newly created good relations do not bring progress.

A matter which will receive attention during the new year is the so-called unlisted investments, the Isibaya Investments which were made public, at the request of the parliamentary opposition on 18<sup>th</sup> October, 2016. We will have to take a serious look at these investments.

The transparency caused by the disclosure of these investments opened the way for us to ask questions about other investments.

We will have to consider our request to the public protector on 5<sup>th</sup> and 16<sup>th</sup> February, 2016, to investigate certain investments. Because we are aware of the workload of this organisation and because of the change of incumbent, we have so far waited patiently. We do not necessarily request an investigation soon, but only an indication whether the matter will be investigated or not.

A matter causing much concern is the increasing number of complaints about undue delays experienced by government officials when they retire. Proof of delays of up to seven months and

even more, before receiving their first pension payment, have been received. The reasons given for some delays would have caused a laugh if it was not so serious. The shocking state of affairs is known to the GEPF but apparently they are unable and perhaps even reluctant to solve the matter.

It is the policy of this Monitor Group not to get involved in complaints by individuals. We simply do not have the manpower to do so and we are also of the view that we would transgress on the area of responsibility of staff organisations if we would do so. It would, however, be grossly unfair to expect of us to ignore the stream of complaints we receive. We have already on more than one occasion brought this matter to the attention of the responsible authorities with the request that serious attention be given to this pathetic administration. These authorities should be ashamed that people with 47 and more years of loyal service must wait so long before receiving the first payment of their pension. The excuses are really shocking and a sign of incompetence. For example salary payslips of as far back as 1969 are requested to prove that contributions to the pension fund were made.

There are even more laughable excuses. Statements that delays are mostly caused by forms filled out incomplete by applicants are mostly nonsense and should rather be attributed to incompetent officials.

When the matter is raised of officials withdrawing their actuarial interest in the fund as a result of lack of confidence in the fund's administration, many explanations, such as wrong information about the fund, are made. The more obvious reason is the shocking state of administration which is not admitted or solved. In the meantime serious damage to the fund is caused and should be discouraged as our group is doing constantly.

It is shocking that aggrieved persons must now resort to legal action to receive what they are entitled to. Eventually the taxpayer will have to foot the bill for the legal costs. As we have become accustomed to, nothing is happening to the incompetent officials who are responsible for the state of affairs.

Radical intervention by the Government is surely already essential.

## **AP STEMMET**

### **NUWEJAARSBOODSKAP VAN DIE PRESIDENT IN KAAPSTAD**

Die GEPF Moniteringsgroep pak 2017, wat ongetwyfeld nuwe uitdagings sal bied, met selfvertroue. Gedurende 2016 is 'n stewige fondament gelê waarop nou voortgebou sal word. 'n Grondwet is aanvaar, ons span is versterk en goeie verhoudings is geskep. Ons bestuurspan sien uit na die nuwe jaar.

Ons beoog om gedurende 2017 ons verhouding met die Openbare Beleggingskorporasie (OBK) en die Raad van Trustees van die Staatsdienspensioenfonds te verbeter. Dit beteken nie dat ons groep sy waaksaamheid sal verslap nie. Ons sal steeds beleggings ondersoek en bevraagteken waar nodig en natuurlik sal ons knaend aanhou om lastige vrae te stel oor verdagte beleggings.

Alhoewel ons baie bereik het gedurende die afgelope jaar het ons nie alles bereik wat ons graag wou nie. Ten spyte van verskeie pogings het ons nog steeds nie antwoorde gekry op vrae wat alreeds op 2 September 2016 aan die Raad van Trustees van die pensioenfonds gestuur is nie.

Die versoek was dat die trustees by ons vergadering einde September 2016 antwoorde sou bring sodat ons, ons bekommernisse kon bespreek en moontlike misverstande kon opklaar. Die trustees het nie hul weg oopgesien nie.

Ons het dus steeds nie antwoorde op ons vrae oor oënskynlik verdagte beleggings in African Bank, die oue en die nuwe, Lonmin, Independent Newspapers, sekere staatsbeheerde instansies en ander nie.

Op 18 Oktober 2016 by die sitting van die Parlementêre Finansiële Komitee het verteenwoordigers van die Openbare Beleggingskorporasie goedgunstiglik ingestem om ons vrae te beantwoord. Die GEPF kon of wou dit nie doen nie. Nou, einde Januarie 2017 wag ons nog steeds en raak ons alhoemeer agterdogtig. Dit is tog eenvoudige vrae wat ons stel.

Die ou probleem van swak kommunikasie oor beleggings duur dus voort. Miskien is ons vrese ongegrond maar terwyl ons nie antwoorde kry nie, sal die vrese voortbestaan. Ons sal nie veel langer kan wag nie en ernstiger stappe moet oorweeg as goeie verhoudings nie vordering bring nie.

'n Aangeleentheid wat in die nuwe jaar aandag moet kry is die geheime beleggings – die Isibaya-beleggings wat op 18 Oktober 2016 op aandrang van die parlementêre opposisie openbaar is. Ons sal gedurende 2017 ernstig na hierdie beleggings moet kyk.

Die openbaarmaking van die Isibaya-beleggings het die pad vir ons oopgemaak om vrymoediger vrae te vra oor ander beleggings.

Ons sal vroeg in 2017 moet besin oor ons versoek aan die Openbare Beskermer op 5 en 16 Februarie 2016 om ondersoek in te stel na sekere beleggings namens die Staatsdienspensioenfonds. Aangesien ons bewus was van die werksdrukte in die betrokke kantoor en ook die oorgang na 'n nuwe bekleër, het ons dusver geduldig gewag. Ons verwag nie noodwendig 'n spoedige ondersoek nie maar slegs 'n aanduiding of die Openbare Beskermer bereid is om die ondersoek te doen.

'n Aangeleentheid wat groot kommer veroorsaak is al hoe meer bewyse van verdragings wat ondervind word deur amptenare wat met pensioen uit diens tree. Bewyse word aan ons voorgelê dat daar soms tot sewe maande gewag word voor die eerste uitbetalings plaasvind. Redes vir die verdragings sou lagwekkend gewees het as dit nie so ernstig was nie. Alles dui op 'n skokkende toestand wat sekerlik bekend moet wees aan die Raad van Trustees. Die vraag is wat trusteelede daaraan doen.

Dit is beleid van die Moniteringsgroep om nie klagtes van individue te hanteer nie. Ons beskik nie oor die vermoë om dit te doen nie. Ons uitgangspunt is ook dat ons op die gebied van personeelverenigings sal oortree, sou ons dit doen. Dit sou egter onmenslik wees om van ons te verwag om niks te doen nie. Ons het reeds die probleem onder die aandag van die verantwoordelike instansies gebring met die ernstige versoek dat daar dringend aandag aan die ooglopende powere administrasie gegee word. Hierdie instansies behoort hulle te skaam dat hulle mense wat getroue diens van 47 jaar en langer gelewer het vir tot sewe maande laat wag voordat hulle begin om 'n pensioen te ontvang. Die verskonings is skokkend. Skielik word salarisstrokies van sover terug as 1969 en 1971 van afgetrede amptenare verlang. Daar is nog lagwekkender

verskonings. Verskonings soos vorms wat verkeerd ingevul word, is bog en kan nie aan die afgetredenes toegeskryf word nie maar eerder aan onbevoegde amptenare.

Wanneer die probleem van amptenare wat kort voor aftrede hul aktuariële belang in die pensioenfonds neem en elders belê deur ons geopper word, word baie verskonings gemaak. Behalwe om die waarheid te erken, naamlik dat die skokkend swak administrasie 'n groot rede is, word verwyte geslinger en gepoog om die skuld elders te plaas. Intussen ly die fonds reuse skade. Dit is skokkend dat die betrokkenes hulle nou tot regsaksie moet wend om te kry wat hulle toekom. Uiteindelik sal die belastingbetaler vir die gemors moet betaal en die onbevoegde amptenare sal steeds in hul poste sit.

Dit is hoog tyd dat die owerheid ingryp.

## **AP STEMMET**

## **MESSAGE FROM THE CHAIRMAN IN PRETORIA / BOODSKAP VAN DIE VOORSITTER IN PRETORIA**

### **Ons kyk vorentoe – 2017 - Looking ahead**

To all our members, stakeholders, and role players, as well as Management, we wish you a very successful, healthy and safe New Year.

Ons Moniteringsgroep bou voort op 'n stewige leerkurwe, beskik oor 'n goed geformuleerde jaarprogram (sakeplan) en werk graag saam met belanghebbendes en rolspelers ter bereiking van geselekteerde mylpale.

We shall scrupulously monitor and evaluate Key Performance Indicators (KPI's) related to our Business Plan which shall include specialised studies.

Ons sal ook met groot verantwoordelikheid en uiterste sensitiwiteit alle belanghebbendes deur middel van ons "Monitor"(nuusbrief) ingelig hou.

## **WISDOM FROM CICERO**

"The Budget should be balanced,

the Treasury should be refilled,

public debt should be reduced,

the arrogance of officialdom should be tempered and controlled,

and the assistance to foreign lands should be curtailed,

lest Rome will become bankrupt.

People must again learn to work instead of living on public assistance."

**Cicero, 55 BC**

## BELEGGINGS BELEID: NASIONALE BESTUUR

### ALGEMENE BELEID VAN DIE PENSIONARIS

Sonder sy pensioen is meeste pensioenarisse bankrot of in groot finansiële gevaar. Om die rede behoort die beleggingsbeleid eerder na veilig/beperkte groei as na riskant/hoër groei te neig.

Al lyk die Fonds groot (R1,6 tril), moet onthou word dat dit 'n groot getal pensioenarisse ondersteun. 'n Verlies van 'n miljoen of selfs 'n biljoen mag onindrukwekkend i.t.v. die persentasie daarvan teenoor die omvang van die fonds lyk – maar 'n laissez-faire houding in die verband kan tot ondergang lei. Swak beleggings en vrygewigheid met die Fonds is nie in die pensioenaris se belang nie.

'n Aantal kernbelangrike aspekte t.o.v. die beleid van die GEPF Monitor Groep word hierna uiteengesit:

### BELEID: SOSIO-EKONOMIESE BELEGGINGS

1. Inleiding. Daar is 'n toenemende geneigdheid by die Trustees om fondse vir sosio-ekonomiese doeleindes te verskaf.
2. Agtergrond:
  - Dit is 'n gegewe dat maatskappye wel in die tipe beleggings betrokke raak. Alle maatskappye beperk egter hulle blootstelling hieraan aangesien dit min/niks tot die oorlewing en wins van die maatskappy lewer nie.
  - Pensioenarisse van die Fonds kry tans slegs 75% - 100% van inflasiekoers, m.a.w. hulle verarm van jaar tot jaar. Riskante beleggings of beleggings wat min rendement lewer, hou 'n groot gevaar vir die pensioenaris in.
  - Sulke beleggings lewer gewoonlik swak, indien enige, rendement op.
3. Ons Beleid: Dis reg om sulke beleggings te maak, op voorwaarde dat dit binne bepaalde perke plaasvind en dat dit wel fisies aangewend word vir die doel waarvoor dit beoog word asook dat dit wel 'n rendement (alhoewel swak) oplewer.

### BELEID: BELEGGING IN BBBEE

1. Die Trustees neig om groot bedrae in BBBEE aspekte te belê.
2. Die beleggings gaan dikwels gepaard met groter risiko's. Waar dit wel plaasvind moet die risiko's behoorlik opgeweeg word – veral die betrokkenes se ondervinding, se etiek en rekord van gereelde terugbetalings.
3. Ons Beleid: Beleggings moet die bes moontlike veilige rendement in belang van die pensioenaris lewer. Enige belegging wat 'n groter risiko inhou en swakker rendement mag lewer is nie in belang van die pensioenaris nie. Waar hierdie soort belegging wel gebruik word, moet dit so min moontlik wees en moet die risiko deur ander beleggings gebalanseer word.

### BELEID: POLITIEKE INMENGING

1. Dit het in die onlangse verlede gebeur dat beleggings 'n politieke “kleur” gekry het. So bv. is lenings aan ANC beheerde stadsrade toegeken kort voor die laaste verkiesing. Die Trustees beskou dit nie as politiek nie, aangesien hulle aan meer as een stadsraad in die verlede lenings toegestaan het. Die besondere tydskeuse in die geval is “per ongeluk” net reg!



2. Daar sal altyd 'n geneigdheid deur regerende politici wees om met die fonds se beleggings in te meng. Sulke inmenging kan lei tot **bevoorregting van die betrokke party** asook 'n **swakker rendement vir die pensioenaris**.
3. Ons Beleid: Geen politieke inmenging van enige aard moet toegelaat word nie.
4. Toets: Waar beleggings polities verdag is moet dit getoets word deur:
  - Wie word beoordeel? ( bv. stadsraad of die party)
  - Tyd en omstandighede van die lening?

## BELEID: ONTWIKKELING VAN RSA INFRASTRUKTUUR

1. Wêreldwyd is dit die norm dat pensioenfondse in die ontwikkeling van infrastruktuur van die land belê. Dit hou ook die voordeel vir die fonds in dat daar 'n redelike/goeie rendement met groot sekuriteit ( die regering waarborg dit) verkry kan word.
2. Waar 'n regering egter wankelig raak en die ekonomie baie swak groei, neem die risiko toe.
3. 'n Groot aantal van die SOE's ( State Owned Enterprises) waarin ons fonds baie belê het, se finansiële toestand laat veel te wense oor – hiervan is ESKOM 'n sprekende voorbeeld. Om die rede het van die grootste leningsagentskappe in die RSA onlangs geweier om verdere lenings aan die organisasies toe te staan.
4. Ons Beleid: Daar moet 'n perk aan sulke beleggings wees. Dit is ten eerste die regering se verantwoordelikheid om infrastruktuur te ontwikkel. Dit kan nie van die fonds verwag word om toenemende beleggings met bg. risiko's te onderneem nie. Maar van deurslaggewende belang is die omvang van die risiko. Die fonds moet nie aangewend word om so 'n organisasie wat afgegradeer is te befonds nie.

## BELEID: PENSIOENE

1. GEPF beleid is dat 'n minimum van 75% van inflasie aan die pensioenaris uitbetaal word. Dit beteken dus dat die pensioenaris gaandeweg verarm. In die verlede was die uitbetaling wel vergroot tot 100%.
2. Die ekonomiese groei is tans baie swak. Vakbonde, swak produktiwiteit, beperkende wette en die drang tot groter en groter lone van die arbeidsmark en veral die top struktuur lei tot groter inflasie.
3. Groot bedrae van die fonds word in BBBEE-, Infrastruktuur-, sosio-ekonomiese - en selfs projekte met 'n politieke kleur, belê.
4. Ons Beleid: Die pensioenaris moet billik behandel word om te verhoed dat hy gaandeweg verarm. Behalwe vir die Fonds se groei moet die pensioenaris eerste( bo BBBEE en ander minder belangrike aspekte gestel word.

## BELEID: KOMMUNIKASIE

1. Swak kommunikasie lei tot misverstande en agterdog.
2. Die GEPF se eie blad wat bedoel is om periodiek met die pensioenaris te kommunikeer word nie optimaal deur die GEPF aangewend nie.
3. Ons Beleid: Daar moet deurlopend goeie kommunikasie deur die GEPF/OBK met die pensioenarisse wees dmv hulle eie blad (wat baie gereeld moet verskyn) asook die verskaffing van informasie aan die Monitor groep vir aanwending in ons eie blad.

## BELEID: GEHEIMHOUDING

1. Geheimhouding lei ook tot agterdog. Dis moeilik om te verstaan hoekom daar geheimhouding met beleggings moet wees, behalwe as daar iets is om weg te steek.
2. Is die geheimhouding in belang van die pensioenaris? Indien wel, sal ons graag wil weet watter, hoekom en wanneer dit noodsaaklik sou wees. Hoekom word die pensioenaris nie ten volle ingelig nie?
3. Ons Beleid: Daar behoort geen geheimhouding met beleggings van die fonds te wees nie en die pensioenaris behoort ten volle ingelig te wees oor watter beleggings waar, met watter voorwaardes en met watter resultate gemaak word.

#### BELEID: GEPF- MONITORGROEP KOMMUNIKASIE MET DIE PENSIOENARIS

1. Dis van groot belang dat die pensioenaris gedurig ingelig word oor tersaaklike aspekte en ontwikkelings van die Fonds aangesien dit hom direk raak. Daarsonder mag hy oningeligte en skadelike besluite oor sy geldsake neem.
2. Om die rede behoort kommunikasie met die pensioenaris gebalanseerd te wees – m.a.w. neutrale, positiewe sowel as negatiewe aspekte behoort onder sy aandag gebring te word.
3. Ons Beleid: Gebalanseerde kommunikasie met die pensioenaris.

- Vriende hierdie stukkie werk sal in die toekoms nog verder verfyn word nadat daar met adv. Kotie Myburg oorleg gepleeg is – Samesteller.

#### DALLAS PENSION FUND

- A stampede for the exit
- Dallas public pension fund suffers a run
- A pension's crisis has been brewing for decades and it is not confined to Dallas Dec 10th 2016

BANK runs, with depositors queuing round the block to get their cash, are a familiar occurrence in history. A run on a pension fund is virtually unprecedented. But that is what is happening in Dallas, where policemen and fire-fighters are pulling money out of their city's chronically underfunded plan, and Mike Rawlings, the mayor, is suing to stop them.

At the start of the year the fire and police pension fund had \$2.8bn in assets. Since then nearly \$600m has been withdrawn from the plan, of which almost \$500m has been taken out since August 13th. That is an alarming acceleration; in 2015 total withdrawals were just \$81m.

Even at the start of 2016, the plan was just 45% funded, and was expected to become insolvent within 15 years. When some workers take out their money, they get the full value of their benefits; leaving a smaller pot to be shared among the remaining members. (The city estimates that the funded ratio has fallen to 36% after the withdrawals.) As in a bank run, it seems rational to withdraw your money if you worry that all the benefits won't be paid.

The crisis is the result of three linked issues: overgenerous pension promises; the flawed nature of public-sector pension accounting in America; and some bad investment decisions. In order to pay the generous benefits, the scheme counted on an investment return of 8.5% a year, absurdly high in a world where the yield on ten-year Treasury bonds has been hovering in a range of 1.5-3%. So the scheme opted for riskier assets in private equity and property. But the strategy did not work; the value of its investments declined by \$263m in 2014 and \$396m in 2015, thanks largely to write-downs of those risky assets.

It is not unusual for state and local-government pension schemes in America to be underfunded; the average scheme was 73.6% funded at the end of 2015, according to the Centre for Retirement Research at Boston College. A more conservative accounting approach, as is required of private-sector pension plans, would bring the ratio down further, to 45%.



The mayor and Dallas's finest

But the Dallas fund has a particularly big problem. It operates a deferred-retirement option plan (DROP) which allows police and firemen who have qualified for retirement to keep working; while their benefits are kept in a separate account earning an interest rate that has been 8-10% a year. More than 500 Dallas DROP accounts are worth more than \$1m; the average account is worth nearly \$600,000.

In addition, since 1989, retirement benefits have been upgraded using an annual cost-of-living adjustment of 4%. The city estimates that benefits are now 15-20% higher than they would have been had they been upgraded in line with the consumer-price index. Together, the DROP plan and cost-of-living increases make up around half of the scheme's total liabilities.

There are only two possible solutions to the shortfall: put more money into the fund or cut the benefits. A 1984 referendum limits the maximum amount of city contributions—a limit that the city has reached this year. The 2015 scheme report suggested that total annual contributions to the pension fund would need nearly to double, from 37.6% to 72.7% of payroll, in order to close the deficit, and even that would take 40 years. The pension scheme has asked that the city make a one-off payment of \$1.1bn in 2018, which the city says would require it to more than double property taxes. Both Fitch and Moody's, two ratings agencies, downgraded Dallas bonds in October, citing the pension issue.

Instead, the city has proposed a plan that involves rolling back some of the accrued cost-of-living increases and interest payments on the DROP accounts. But Sam Friar, the pension board's chairman, has called the proposal a "non-starter"; any attempt to reduce past benefits will almost

certainly end up in the courts. As *The Economist* went to press, Mr Rawlings's suit was on hold while the pension fund's board was to consider whether to block withdrawals itself. But that would be a short-term solution to a crisis that has been building for decades and that is not confined to Dallas alone.

This article appeared in the Finance and economics section of the print edition under the headline "Stampede in Dallas"

<http://www.economist.com/news/finance-and-economics/21711335-pensions-crisis-has-been-brewing-decades-and-it-not-confined-dallas>

## **GEPF ANNUAL REPORTS**

Where to look: [http://www.gepf.gov.za/index.php/annual\\_reports](http://www.gepf.gov.za/index.php/annual_reports).

Reports from 2007/2008 to 2015/2016 are available.

## **SWPF-JAARVERSLAE**

Hier is die skakel: [http://www.gepf.gov.za/index.php/annual\\_reports](http://www.gepf.gov.za/index.php/annual_reports).

Verslae vanaf 2007/2008 tot 2015/2016 beskikbaar.

## **JAARLIKSE PENSIOEN VERHOGINGS**

Jaarlikse pensioen verhogings op 1 April, word bereken op die VPI toename soos in November van die vorige jaar bepaal. (Bron: GEPF Jaarverslag 2013/2014).

	<b>Increase</b>	<b>CPI</b>	<b>% of CPI</b>
1 April 2003	7.00%	8.49%	82%
1 April 2004	5.25%	6.99%	75%
1 April 2005	5.50%	1.14%	482%
1 April 2006	4.50%	3.35%	134%
1 April 2007	5.50%	4.45%	124%
1 April 2008	7.00%	6.82%	103%
1 April 2009	9.00%	10.93%	82%
1 April 2010	5.60%	7.40%	75.67%
1 April 2011	4.50%	4.50%	100%
1 April 2012	4.80%	4.80%	100%
1 April 2013	6.00%	5.70%	105%

1 Apr 2014?

1 Apr 2015: “The GEPF achieved an overall investment performance return of 14,1%. This enabled the Board to grant a pension increase of 100% of the consumer price index (CPI) as at 31 March 2015. This is above the minimum increase recommended by the Rules of the Fund of 75%” (Chairperson’s report in Annual GEPF report 2014/2015).

1 Apr 2016: “The GEPF achieved an overall investment performance return of 4%. This enabled the Board to grant a pension increase of 5,3% which was above 100% of the Consumer Price Index (CPI) of 4,8% as at November 2015. This is higher than the 75% increase recommended by the Rules of the Fund” (Chairperson’s report in Annual GEPF report 2015/2016).

**Table – historic inflation South Africa (CPI) – by year**

annual inflation (dec vs. dec)	South Africa	inflation	annual inflation (dec vs. dec)	South Africa	inflation
<u>2015</u>	CPI South Africa	5.23 %	<u>2005</u>	CPI South Africa	2.02 %
<u>2014</u>	CPI South Africa	5.32 %	<u>2004</u>	CPI South Africa	2.20 %
<u>2013</u>	CPI South Africa	5.30 %	<u>2003</u>	CPI South Africa	-1.63 %
<u>2012</u>	CPI South Africa	5.71 %	<u>2002</u>	CPI South Africa	13.51 %
<u>2011</u>	CPI South Africa	6.41 %	<u>2001</u>	CPI South Africa	4.59 %
<u>2010</u>	CPI South Africa	3.37 %	<u>2000</u>	CPI South Africa	6.99 %
<u>2009</u>	CPI South Africa	6.04 %	<u>1999</u>	CPI South Africa	2.24 %
<u>2008</u>	CPI South Africa	9.35 %	<u>1998</u>	CPI South Africa	8.95 %
<u>2007</u>	CPI South Africa	7.57 %	<u>1997</u>	CPI South Africa	6.17 %
<u>2006</u>	CPI South Africa	4.82 %	<u>1996</u>	CPI South Africa	9.31 %

**(Source: “Inflation EU – Worldwide Inflation Data” – who indicates their information source for South Africa as follows (copied):** Inflation.eu contains current and historic data about inflation and the consumer price index. In order to be able to show the inflation rates, we make use of a large number of sources of information. See also our [disclaimer](#). This page shows the (main) sources of this information.

- [Austria - Statistik Austria](#)
- [Belgium - Directorate-general Statistics and Economic information](#)

- [Brazil - Instituto Brasileiro de Geografia e Estatística \(IBGE\)](#)
- [Canada - Statistics Canada](#)
- [Chile - National Statistics Institute](#)
- [Czech Republic - Czech Statistical Office](#)
- [Danmark - Danmarks Statistik](#)
- [Estonia - Statistics Estonia](#)
- [European Union - Eurostat](#)
- [Finland - Statistics Finland](#)
- [France - INSEE, Direction générale](#)
- [Germany - Statistisches Bundesamt](#)
- [Great Britain - Office for National Statistics \(ONS\)](#)
- [Greece - Hellenic statistical authority](#)
- [Hungary - Hungarian Central Statistical Office](#)
- [Iceland - Statistics Iceland](#)
- [India - Ministry of Labour & Employment, Government of India](#)
- [Indonesia - Badan Pusat Statistik](#)
- [Ireland - Central Statistics Office Ireland](#)
- [Israel - Central Bureau of Statistics](#)
- [Italy - Istituto Nazionale di Statistica](#)
- [Japan - Statistics Bureau](#)
- [Luxembourg - Service Central de la Statistique et des Etudes Economiques](#)
- [Mexico - Instituto Nacional de Estadística y Geografía](#)
- [Norway - Statistics Norway](#)
- [OECD - Organisation for economic co-operation and development](#)
- [Poland - Central Statistical Office \(GUS\)](#)
- [Portugal - Instituto Nacional de Estatística](#)
- [Russia - Federal State Statistics Service](#)
- [Slovakia - Statistical Office of the Slovak Republic](#)
- [Slovenia - Statistical Office of the Republic of Slovenia](#)
- [South Africa - Statistics South Africa](#)
- [South Korea - Statistics Korea](#)
- [Spain - Instituto Nacional de Estadística \(INE\)](#)
- [Sweden - Statistics Sweden \(SCB\)](#)
- [Switzerland - Bundesamt für Statistik](#)
- [The Netherlands - Centraal Bureau voor de Statistiek \(CBS\)](#)
- [Turkey - Turkish Statistical Institute](#)
- [United States - Bureau of Labor Statistics](#)

This website contains current data about inflation. In order to be able to show this data, we make use of a large number of sources of information that we believe to be reliable.

### **Kommentaar deur Errol Massey-Hicks**

As leek weerhou ek my maar van ontleding, maar ek maak brom geluide.

Daar is verskille tussen bostaande inflasiekoers en die soos deur GEPF verskaf. Inflasiekoers is vloeibaar.

Wat mens opval van ons verhogings is, natuurlik dat dit totaal op historiese data gebaseer is. Vergelyk die verhogings van 1 April (baseer op inflasiekoers van die vorige jaar) nou met die inflasiekoers van die jaar waarin jy jou pensioen spandeer. Terwyl ons hier en daar % verhogings gekry het, wat meer was as die inflasie koers wat ek hier uitwys, sal u sien dat ons meesal en veral sedert 2011 maar aan die korter kant trek.

Eintlik behoort hulle 'n formule te gebruik wat 'n mate van vooruitskatting insluit.

Ek sê maar net.

**GOING ON PENSION SOON? READ BELOW! / GAAN U BINNEKORT AFTREE? LEES HIERONDER!**

**TO PARTICIPATING EMPLOYERS IN THE GOVERNMENT EMPLOYEES PENSION FUND (GEPF)**

**EMPLOYER DUTIES IN THE EVENT OF A RETIREMENT**

**1. Introduction**

**1.1** This practice note serves to inform employers of the minimum steps to be taken in the event that an employee retires from the employer.

**1.2** In terms of item 13.1 of PSCBC Resolution 1 of 2012, the employer undertook to review its exit management systems in order to expedite the processing of pension pay-outs. The target set for payment was payment within 30 days of exit. The intension of this practice note is therefore to assist the employer in taking the necessary steps to best facilitate compliance with item 13.1 of PSCBC Resolution 1 of 2012.

**1.3** In terms of the item 13.2 of PSCBC Resolution 1 of 2012, the employer is obliged to submit all exit documentation to the Government Pensions Administration Agency (GPAA), the administrators of GEPF, within 30 days of the employee's exit. Should an employer follow the provisions of this practice note, it will submit the exit documentation before an employee exits on retirement, thereby exceeding the requirements of item 13.2 of PSCBC Resolution 1 of 2012.

**2. Scope of applicability**

**2.1** This practice note applies only to retirements as meant in rule 14.3 of the rules to the Government Employees Pension Law, Proclamation 21 of 1996 (the GEP Law). It also includes retirements for ill-health and contract expiry.

**3. Employer obligation for the speedy payment of pension benefits**

**3.1** By law, the employer is obliged to ensure that it takes all steps necessary to ensure that a member who retires will receive his or her pension benefits timeously.

**3.2** In item 13 of PSCBC Resolution 1 of 2012, the employer has contractually agreed to ensure that its systems are in order to ensure that the employee who exits employment receives his or her pension benefits within 30 days of exit. This undertaking given by the employer is, in actual fact, stricter than the requirements set in the GEP Law, which allows GEPF 60 days to pay. It is within this context that the employer should understand its strict contractual obligation to do it's very best to ensure that the employee receives his or her pension benefits timeously.

**3.3** In addition to item 13 of PSCBC Resolution 1 of 2012, the employer is also bound by the provisions of the GEP Law at rules. As stated, these rules require GEPF to pay within 60 days of

exit, or else pay interest. The employer is an implicit and essential partner in the process to ensure the timely payment of pension benefits and thereby compliance with the GEP Law and rules.

#### **4. Practical steps in the event of a retirement**

**4.1** The GPAA, on behalf of GEPF, recommends that the following steps be taken by the employer:

**4.1.1** Ensure that each official dealing with the administration of pension benefits in the workplace attends the pre-retirement workshop that is presented by a GPAA Client Liaison Officer (CLO). This workshop is essential to ensure that the official understands the steps that follow.

**4.1.2** Ensure that the following forms are always available in the workplace and are the most recent versions:

**4.1.2.1** Z102 Exit from Fund form;

**4.1.2.2** Choice form for reduced annuity in favour of spouse;

**4.1.2.3** Z894 Updating of Bank Particulars form;

**4.1.2.4** Z864 Updating Personal Particulars of Member form

**4.1.2.5** Departmental liability debt form; and

**4.1.2.8** WP1002 Nomination form.

**4.1.3** Identify all employees who will reach retirement age within the next 12 months. Contact said employees to ascertain if they will be exercising their right to retire.

**4.1.4** At least six months prior to the retirement of the employee:

**4.1.4.1** Explain to the employee the applicable benefits that he or she will be entitled to at retirement – leave pay, post-retirement medical subsidy, gratuity and monthly annuity;

**4.1.4.2** Explain the forms that have to be completed – the forms, as applicable are listed in paragraph 4.1.2 above;

**4.1.4.3** Explain what additional documents must be submitted, for example, a certified copy of the identity document (ID) and a certified copy of any relevant divorce order;

**4.1.4.4** Explain to the employee the nature of any debt owed by the employee to the employer and that the employer may request that the debt be recovered from the pension benefits of the employee (in certain circumstances), if still owing on the date of exit;

**4.1.4.5** Explain to the employee the tax implications of retirement;

**4.1.4.6** Verify with the employee all periods of service – please also see paragraphs 5.1 and 5.2 below;

**4.1.4.7** Check with the employee the correctness of all contact details and collect all future contact details;



**4.1.4.8** Issue the necessary forms that the employee is required to complete, at least six months before retirement;

**4.1.4.9** Complete all forms that the employer is required to complete; and

**4.1.4.10** Immediately inform the CLO to collect the duly completed documents once they are ready.

## **5. GPAA initiatives on behalf of GEPF**

**5.1** The GPAA has taken, as a parallel process, the initiative to contact GEPF members who have been identified as being close to retirement through its Retirement Member Campaign (RMC), and to:

**5.1.1** Educate such members on the general retirement process;

**5.1.2** Explain member's retirement benefits based on the member's period of service;

**5.1.3** Update the member's details, including address and period of service (subject to supporting documentation) on the GPAA's administration system to ensure the speedy processing of retirement documents.

**5.2** Officials of the employer dealing with the administration of pension benefits in the workplace must please assist members in updating their details with the GPAA – particularly in respect of periods of service, which the member was required to update by the GPAA as part of the Retirement Member Campaign, as such were found to be incorrect. Employer officials must please promptly furnish the GPAA's CLO with such supporting documents to prove the member's period of service for the CLO to submit for processing.

- Baie dankie aan die kollega wat hierdie instruksies vir ons gestuur het.

## **INFLASIE: PESIOENAANPASSINGS**

**From:** Albert van Driel  
**Sent:** Sondag, 15 Januarie 2017 11:54 PM  
**To:** Frans le Roux  
**Subject:** Aanpassings vir Inflasie

Goeiedag Dr. le Roux,

Die Nasionale Bestuur van die Moniteringsgroep het my versoek om die afgelope Vyf Jaar se persentasies vir pensioen-aanpassings te verkry. Ek neem dus nou die vrymoedigheid om u te versoek om sodanige statistiek aan ons te verstrek, of alternatiewelik my te verwittig van wie ek die besonderhede sal kan kry?

Dankie Byvoorbaat vir u samewerking.

Beste Wense,

Albert van Driel  
Voorsitter: Moniteringsgroep.

**Antwoord: Dr. Frans le Roux, Trustee,**

From: **Frans le Roux**

Date: 2017-01-16 9:05 GMT+02:00

Subject: RE: Aanpassings vir Inflasie

To: Albert van Driel

Goeie môre,

Die inligting is soos volg. Ek verstrek interessantheidshalwe die verhogings vir die afgelope 10 jaar.

<u>Datum van verhoging 1 (April)</u>	<u>Verhoging</u>	<u>Jaar op jaar VPI-toename</u>
2007	5.50%	5.41%
2008	7.00%	8.42%
2009	9.00%	11.76%
2010	5.60%	4.82%
2011	4.50%	3.58%
2012	4.80%	6.12%
2013	6.00%	5.60%
2014	5.30%	5.30%
2015	5.80%	5.80%
2016	5.30%	4.80%

Ingevolge die Reëls van die Fonds word die verhogings gebaseer op die VPI-toename soos in November van die vorige jaar, met ander woorde die verhoging wat op 1 April 2017 in werking sal tree, word gebaseer op die November 2016 VPI-toename.

Kontak my gerus sou u verdere verduideliking benodig.

Vriendelike groete

Frans le Roux

### **Nuwe Aangepaste Tabel**

**From:** Frans le Roux

**Sent:** Monday, 16 January 2017 9:05 AM

**To:** 'Albert van Driel'

**Subject:** RE: Aanpassings vir Inflasie

Goeie môre,

Die inligting is soos volg. Ek verstrek interessantheidshalwe die verhogings vir die afgelope 10 jaar.

<u>Datum van verhoging</u>	<u>Verhoging</u>	<u>Jaar op jaar VPI-</u>	<u>Verhoging as % van</u>
----------------------------	------------------	--------------------------	---------------------------

<u>1 (April)</u>		<u>toename</u>	<u>inflasie</u>
2007	5.50%	5.41%	101.66%
2008	7.00%	8.42%	83.14%
2009	9.00%	11.76%	76.53%
2010	5.60%	4.82%	116.18%
2011	4.50%	3.58%	125.70%
2012	4.80%	6.12%	78.43%
2013	6.00%	5.60%	107.14%
2014	5.30%	5.30%	100.00%
2015	5.80%	5.80%	100.00%
2016	5.30%	4.80%	110.42%

- Ons dank aan dr. Frans le Roux

## **CONTACT WITH POLITICIANS: AP STEMMET**

Gentlemen,

Thank you for the DA's efforts regarding Eskom and the municipalities. The circumstances surrounding the matter created an ideal opportunity for the authorities to make use of what Mr Maynier once called the government's "piggy bank" viz. the Government's Employees Pension Fund. Our group therefore, deemed it necessary to issue a press statement to warn against such a possibility. We hope that this will remind the instances responsible for investments on behalf of fund that their actions are being monitored closely.

Thank you again for your efforts to safeguard the pension fund.

A P Stemmet

## **MEDIA STATEMENT: ISSUED ON BEHALF OF THE GOVERNMENT EMPLOYEES PENSION FUND MONITOR GROUP**

The Government Employees Pension Fund Monitor Group has noted with concern the steps Eskom is taking against a number of municipalities for failure to honour their financial responsibilities.

The Monitor Group has also noted that the DA requested the Auditor General to lodge an investigation into gross mismanagement of funds at various municipalities that have failed to pay Eskom.

We take note of the financial problems of these municipalities and are concerned that the Public Investment Corporation (PIC) might come to the rescue of these municipalities as they have done in the past. This can only be done by making funds of the Government Employees Pension Fund available. Such loans will obviously be risky and therefore be regarded as reckless.

In the recent past just before the municipal elections in August the PIC came to the rescue of some municipalities viz. Tlokwe.

The GEPF Monitor Group warn against this possibility which will obviously put the fund at risk as all mismanaged municipalities are regarded by us as not being suitable for investment of funds belonging to members of our Pension Fund. We know that the PIC recently had to institute legal proceedings against a municipality.

PRESS STATEMENT ISSUED BY AP STEMMET SPOKESPERSON: GEPF MONITOR GROUP

Email: [adamusp@telkomsa.net](mailto:adamusp@telkomsa.net)

Tel: [0219759474](tel:0219759474)

DURBANVILLE – 20 JANUARY 2017

## **WATSE INFORMASIE SOEK ONS?**

1. Inleiding. Ten einde ons hoofdoel – nl. beskerming en groei van die Fonds - te bereik, moet geskikte informasie ingesamel en vertolk word. As lede landwyd hiermee help, kan dit tot almal se voordeel strek aangesien dit daartoe sal lei dat ons die werking van die twee organisasies beter sal verstaan en dat die Monitorgroep meer konstruktief aan samesprekings met die GEPF en OBK kan deelneem. Die informasie kategorieë is die volgende:
  2. Organisatories
    - Uiteensetting van die GEPF & OBK se organisasies.
    - Bemanning van die organisasies.
    - Kern( wat die besluite neem) Persoonlikhede.
    - Beveiliging stelsels (anti-kuberkraak, sekuriteit, personeelkeurings, beplanning en besluitneming stelsels).
    - Ons verteenwoordiger by die fonds. Wat doen hy vir ons as pensioenarisse? Wat behoort hy te doen?
  3. Groei van Fondse (negatief en positief)
    - Inkomstes & Uitgawes.
    - Aantal Pensioenarisse waarvoor die organisasies verantwoordelik is.
    - Verskillende Beleggings (in wat) per kategorie.
    - Risiko's waaraan die fonds blootgestel word.
    - Rendemente in geheel per jaar vs. rendement per belegging.
    - "Benchmarks" en wie dit bepaal.
    - Beleggings met Moontlike Politieke motiewe.
  4. GEPF Belegging Opdragte( mandate) aan die OBK (PIC)
    - Algemene beleid t.o.v. beleggings.

- Hoe OBK bogenoemde beleid interpreteer en uitvoer.

5. Beleggings areas wat tot verliese en wanaanwending kan lei:

- Berekening en eis van Beleggings kostes wat deur die GEPP betaal moet word.
- Aanwending van Fondse vir BBBEE & moontlike politieke doelwitte?
- Keuse van agentskappe om beleggings te doen.
- Beleggings met swak rendement.
- Riskante beleggings.
- Beleggings met moontlike Politieke motiewe.

6. Uitbetalings aan Pensioenarisse

- Pensioenaris getalle
- Inflasie syfers (tipes inflasie, bewegings) en % van Inflasie wat aan pensioenarisse toegeken word. Geskiedkundige tendense. Redes vir bepaalde uitbetalings.
- Getalle wat op pensioen gaan vs. tyd.
- Afleggings "bedreiging"- m.a.w. groot getal afleggings wat potensieel groot uitvloei van fondse kan beteken. Waar vervroegde afleggings wel plaasvind of regering departement wel vir die vervroegde deel betaal.
- Herhalende voorkoms van laat/tydige betalings van pensioene.

### **Kommentaar deur AP Stemmet**

Dit is net wat ons nodig het. Ons insamelingsnetwerk moet wyd strek. Ek stel voor dat Hennie Heymans dit in Monitor plaas met 'n redakteursnota dat elke leser 'n potensieële insamelaar is en sy/haar oë moet oophou en informasie, hoe nietig ook al moet aanstuur. Daarvoor sal ons besonderhede van 'n sentrale punt moet gee.

Beste  
A P

## **ARCHIVE / ARGIEF**

### **WAS THE PIC THE BEST OPTION?**

When one reads the article below, submitted by Errol Massey-Hicks, one can rightfully ask the question: "Was PIC the best option?"

[>> Library](#) [>> Archives](#) [>> 2004](#) [>> News](#)

[<< Back](#)

### **PIC uses reverse gear**

#### **Financial Mail, Friday, December 17, 2004**

When government departments commercialise they pay themselves more money and invest money in fancy new logos. But can we honestly say that Transnet and Telkom are any more efficient and have any better customer service now than when they reported directly to parliament

as government departments?

So I am equally sceptical that the corporatised version of the Public Investment Commissioners (PIC) will operate like a competitive private-sector fund manager.

I am sorry that government did not consider going the same route as the California Public Employees' Retirement System (Calpers), in which the investment team works directly for the fund. It would be much cleaner if the Government Employees' Pension Fund (GEPF) had its own investment department a PIC CEO Brian Molefe worked directly for the fund in the way that, for example, Eskom employs its own investment department.

Under the current arrangement it would be quite messy if the GEPF trustees fell out with Molefe in the way that the Calpers trustees fell out with its president, Sean Harrigan. Would they terminate the PIC as investment managers, or simply put pressure on the PIC board to make changes?

The new GEPF will need to determine how much money should be externally managed and how much will still be run by the PIC. The PIC has decided to increase its in-house equity portfolio, in effect at the expense of external managers. As a corporatised entity, with a motivation to maximise profit, it will bring even more in-house if it is left to its own devices.

**It is a pity to see that while the outsourcing of the management of the government pension funds in Namibia and Botswana has been the catalyst to start up fund management industries in those countries, we are going into reverse gear in SA, with the public sector taking back assets.**

The main attraction of holding PIC assets is prestige rather than fee income. Until the beginning of this year, the five managers were paid a flat fee of 15 basis points, giving an income of R30m on an average of R20bn in assets each. But they now have a base income of just five basis points, which can go up to 15 basis points but only if there is turbocharged performance.

But the GEPF will need the private sector even more if its asset allocation becomes more normalised. It has a strange set-up, with a maximum 35% allocation to equities compared with 60% - 65% for the typical balanced fund. The PIC looks quite clever as bonds have done better than equities over the past 10 years. But the GEPF's then actuaries, NBC, undertook a couple of asset liability modelling exercises in 1999 and 2000 which showed that the fund's asset allocation should be closer to 60% equities.

There would be significant systemic implications, of course, if the PIC dumped R100bn of bonds overnight and ploughed this into the equity market.

It might be opportune to consider diversifying assets rather than taking increasingly lumpy holdings in the top 40 shares on the JSE. An externally managed, dedicated small-cap portfolio would make sense, and with the rand at less than R6/US\$ it must be a golden opportunity to consider investing offshore. A dedicated fund investing in the Southern Africa Development Community countries would also provide some lucrative investment opportunities.

The PIC is looking at building up its property portfolio, and in the long term that is the correct decision, but for now this sector is looking overvalued.

The GEPF trustees must overrule the PIC on its refusal to outsource any bond portfolios. The PIC owns at least a third of the Bond Exchange of SA, so it can do little more than buy and hold

bonds. It makes sense to set up a few more nimble satellite mandates with managers with proven expertise, such as Andrew Canter of Futuregrowth in yield enhancement and Henk Viljoen of Stanlib in trading.

## CALL BACK THE PAST: 1952: GOVERNMENT SERVICE PENSION ACT

### 8. GOVERNMENT SERVICE PENSION ACT: PROPOSED IMPROVED SCHEME.

It is felt that members of the Force would be anxious to learn of the outcome of the proposals for an improved pension scheme.

The report of the Joint Departmental Committee was tabled in the House of Assembly in 1951, and the Government forthwith took steps to formulate an improved pension scheme for all Government servants.

It will be readily appreciated that this is a colossal task which cannot be hurriedly disposed of, since not only the Police Force but all Government servants are included in the scheme.

The present age of retirement varies from 45 to 60 years, while regard must also be had to the enormous and contentious question of monthly contributions to the fund and the Widows Pension Fund. These matters render careful consideration imperative otherwise it may again result in inadequate provision being made and the way left open for insistence upon revision of the pension laws.

The interests of every Government Department were dealt with exhaustively and efficiently by its own Departmental Committee during 1950. Since then the Departmental Committee of the Union Defence Force has independently completed its report, which was tabled in May, 1952.

The "Report stage of the Joint Departmental Committee" has now been completed and Treasury is at liberty to work out a new pension scheme for the whole Civil Service.

The Police Committee acquitted itself excellently of its task, and it is expected that certain unfavourable provisions contained in the report of the Joint Departmental Committee of 1951 will be eliminated. These provisions are wellknown and need no recapitulation here. Meanwhile the Honourable the Minister of Justice, the Police Committee and I will make representations with a view to an improved pension scheme for policemen being introduced.

A further report through the medium of Force Orders (General) will be issued for general information in due course.

Index

Pension Fund: Proposed scheme.

(S.A.P. 1/121/36.)

Source.<sup>1</sup> Police salaries were bad during the 1940's and 1950's – ask me I was a policeman's son. In those days our neighbours were all SAR-staff and their salaries plus overtime were far better than my father's. Adv CR "Blackie" Swart went out of his way to improve police salaries. This is well documented – Hennie Heymans.

Bron.<sup>2</sup> Ons polisesalarisse was vrot, maar die polisie en die gevangenisdiens het later 'n baie goeie pensioenskema gehad. Soos u kan sien die stryd gaan voort! – Hennie Heymans.

<sup>1</sup> Nongqai: 1952:08:889

<sup>2</sup> Nongqai: 1952:08:889

## **VRYWARING / INDEMNITY**

Die GEPF-monitor bevat die uiteenlopende en diverse persoonlike menings van pensioentrekkers en die samestellers van die GEPF-monitor kan nie in hulle persoonlike hoedanigheid daarvoor verantwoordelik of aanspreeklik gehou word nie.

The GEPF Monitor contains diverse and various personal opinions of pensioners and the compilers of the GEPF Monitor cannot be held responsible or liable in their personal capacity.

## **GREETINGS / GROETE**

Friendly greetings from Pretoria to all our pensioner-friends where ever they may be. Remember we would like to hear from you!

Vriendelike groete aan al ons pensioentrekkers waar u ook al mag wees. Ons hoor graag van u.

**Hennie Heymans & Team**