

**THE FINANCIAL YEAR 2018/19 :
POSITIVE PERFORMANCE DESPITE POOR ECONOMIC CONDITIONS
(PART 2)**

Herewith the GEPF’s snapshot **SUMMARY** of its 2018/19 financial results taken from its Twitter account.

The financial results depicted in the graphic, is supposed to serve as examples of the **FUND’S “positive performance despite poor economic conditions in South Africa”**.

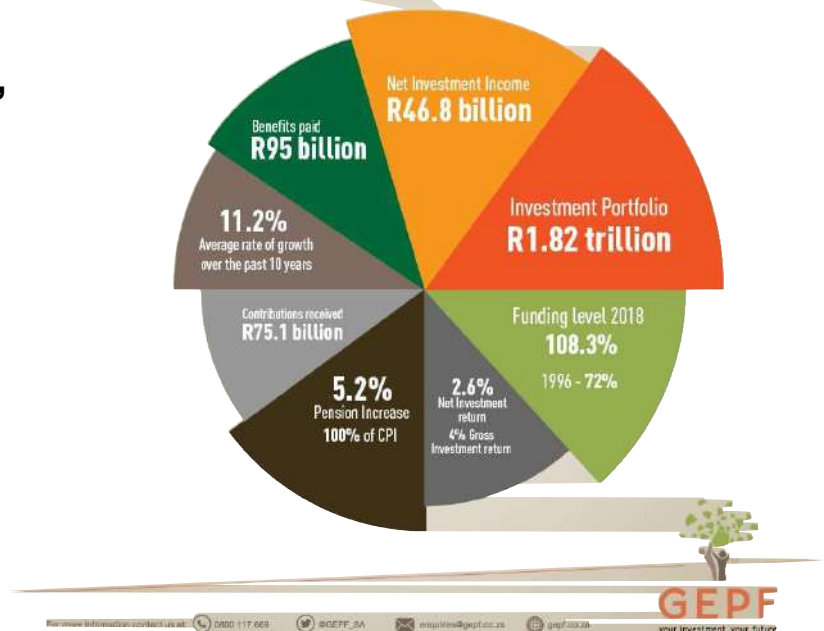
GRAPHIC NR. 1

However, the GEPF’s claims of “positive performance” , when placed in context with other information contained in the Annual Report, provides a different, and not so “positive” picture.

Already dealt with in **PART 1 :**

- the Investment portfolio
- the Funding level
- the Average growth over 11 years

GEPF SUMMARISED RESULTS FOR THE YEAR ENDED 31 MARCH 2019



TO BE DEALT WITH IN PART 2 – BENEFITS RELATED

- **TOTAL BENEFITS PAID REACH A NEW HIGH**
- **ANNUAL PENSION INCREASES MATCH CPI**
- **UNPAID BENEFITS HAVE INCREASED BY 29% OR Rm196**
- **LATE PAYMENTS OF BENEFITS**
- **AVERAGE INCREASES - PENSION VS TRUSTEES**
- **THE ISSUE OF A 13TH CHEQUE**
- **THE GEPF OMBUDSMAN CAPACITY**

1. POSITIVE PERFORMANCE - Benefits paid R95 Billion

The GEPF regards the fact that the Pension Fund actually paid benefits amounting to R95billion in 2019 as a “positive performance”.

But first – some context of the customers of the pension fund.. the **CURRENT** beneficiaries ..

On page 48 of the GEPF 2019 Annual Report the following is stated:

“The GEPF provided benefits to 1 265 421 active members and 464 138 pensioners and beneficiaries as at 31 March 2019. The figure below depicts the changes in the membership and beneficiaries of the Fund over the past five-years. The increase in pensioners and spouses is integral to an aging fund such as the GEPF. The Fund also expects an increase in the number of orphans receiving a benefit from the Fund due to the recent Rule change that changed the definition of an orphan.”

The following snapshot with selected statistics comes from page 52 of the Annual report

with transversal systems to enhance interfaces to receive and update data to the administration system continues.

44 324 New members	23 424 New pensioners	49% Members between 41 and 50 years in age	28% Members reside in Gauteng	60 Average retirement age
48% No of members with less than 10-years of service	59% Pensioners receive a monthly pension of less than R10 000	91.5% Spouses receive a monthly pension of less than R10 000	61 – 70 Majority of pensioners and spouses age	2 273 Pensioners over 90 years of age

Its interesting that on average **59%** of beneficiaries receives **UP TO R10000** per month (R120000 per year)

SO LETS REMEMBER THIS AMOUNT..

Its important to note when we look at the other financial parts of the **FUND**, that the majority of the pensioners and their surviving spouses **ARE NOT** the recipients of millions of rands in pensions.

The majority needs to live on **LESS** than R10000 per month. **SO** it follows that for these pensioners, his/ her materiality threshold, that is the Rand value where matters affecting the **FUND** is perceived to be financially important, **IS R10000 [TEN THOUSAND RAND].**

2. THE PAYMENT OF BENEFITS AND THE MISSION OF THE GEPF

The Mission of the GEPF is to:

- ensure the sustainability of the Fund; **[DEALT WITH IN PART1]**
- provide for efficient delivery of benefits; and
- empower our beneficiaries through effective communication

Lets not only deal with the overall value of Benefits paid out per year but also the efficiencies of the process, and to what extent beneficiaries are indeed empowered through the effective communication from the GEPF and/or its agents in this process.

Total benefits paid in 2019 was R95billion (2018: R87billion):

The GEPF 2019 Annual Report on page 11 states:

“BENEFITS PAID

The GEPF awards benefits upon a member’s resignation, retirement, or death. The Pension Fund also pays funeral benefits when applicable.

The amount of total benefits paid during the year under review increased by R8 billion (2018: R8.3 billion) which represents an 8.4% increase, mainly due to the increase in pension payments which accounted for 45.8% of the total increase. The increase in the pension payments were driven by the 5.5% monthly increase granted to pensioners from 1 April 2018 and a 3% increase in the number of pensioners.”

The total benefits for 2019, according to the Audited Financial statements was Rbn102,5 (2018: Rbn94,8)

So translated, the total benefits paid in 2019 is Rbn102 which is Rbn8 more than in 2018 when it was Rbn94. The increase in amount relates to the number of pensioners that increased AND thanks to a 5,5% pension increase given to existing pensioners.

Annual pension increase -100% of CPI

The fact that pension increases have been done on a 100% of CPI basis (the Law guarantees 75% of CPI) is very much appreciated by ALL BENEFICIARIES.

This particular issue relates closely to the GEPF's Funding level AS WELL as the affordability of the 100% CPI Contingency Reserve.

The 2018 Actuary report explains the following:

“3.4 In addition, the pension increase policy states that the trustees may approve a pension increase recommendation provided that, after the recommended increase, the fund's funding level is higher than the minimum funding level, or where the employer has committed to paying such amounts as will increase the funding level to the minimum funding level, after the recommended increase, within the next three years.

3.5 In order to allow the trustees greater discretion in granting pension increases of 100% of CPI at times when they may not be affordable and also not to create the unreasonable expectation that pension increases will always be 100% of CPI, an additional reserve has been established.
“

And this is why the rapidly declining Funding ratio and the decreased affordability of the contingency reserves is of such importance to pensioners.

The continued decrease of the funding ratios and the actual reserves threatens the financial security which 100% CPI increases provide beneficiaries. [SEE PART 1 WHERE THIS WAS COVERED]

This sharing of investment risk by pensioners is acknowledged in the GEPF's Investment policy Statement par 11.

11. Members are not exposed to investment risks prior to their retirement because of the defined benefit nature of the fund. Once they are in receipt of a pension, pensioners, or survivors enjoying dependants' pensions after the death of a member, are exposed to investment risks to the extent that such risks may adversely impact the Fund's ability to afford pension increases above the minimum set out in the pension increase policy.

Unfortunately, a lot of analysts and highly paid executives as well as the asset managers either discounts or choose to ignore this fact.

Pensioners and the issue of a 13th cheque

Although the GEPLaw makes provision for such a payment, the Board of Trustees has never announced such a 13th cheque payment.

WHY?

Comparatively, the Eskom Pension Fund, a much smaller Defined Benefit Fund, has done so for a number of years now.

HOW IS IT POSSIBLE FOR THE BIGGEST PENSION FUND IN AFRICA NOT TO BE ABLE TO DO THIS? WHAT DOES THAT 1,82TRILLION IN ASSETS THEN REALLY MEAN TO THE ORDINARY PENSIONER?

During the lead up to the most recent elections of Trustees (the Pensioners elected Trustee) one of the candidates reaffirmed his commitment to pursue this issue tirelessly as part of his election manifesto. This candidate has been a Trustee for a number of years already.

In the absence of any reference in the 2018/19 AR or via the GEPF newsletters, it does appear as though the purposeful pursuit of this issue (the 13th Cheque) **was just plain electioneering. Hopefully pensioners and their surviving spouses will remember this with the next election comes around.**

Trustee remuneration and pension increases

Now lets look at the financial reality faced by the Elected Trustees who is acting on behalf of these pensioners.

The GEPF's 2019 Annual Report on page 110 discloses the details of Trustees remuneration. The **COMBINED TOTAL** Trustee Remuneration of **SPECIFICALLY** the Pensioner elected Trustee and his alternate for 2018/9 was R933704.

[NB! This is almost a million rand between the two Trustees AND this is on top of their normal monthly pensions.]

17. ADMINISTRATIVE EXPENDITURE (continued)

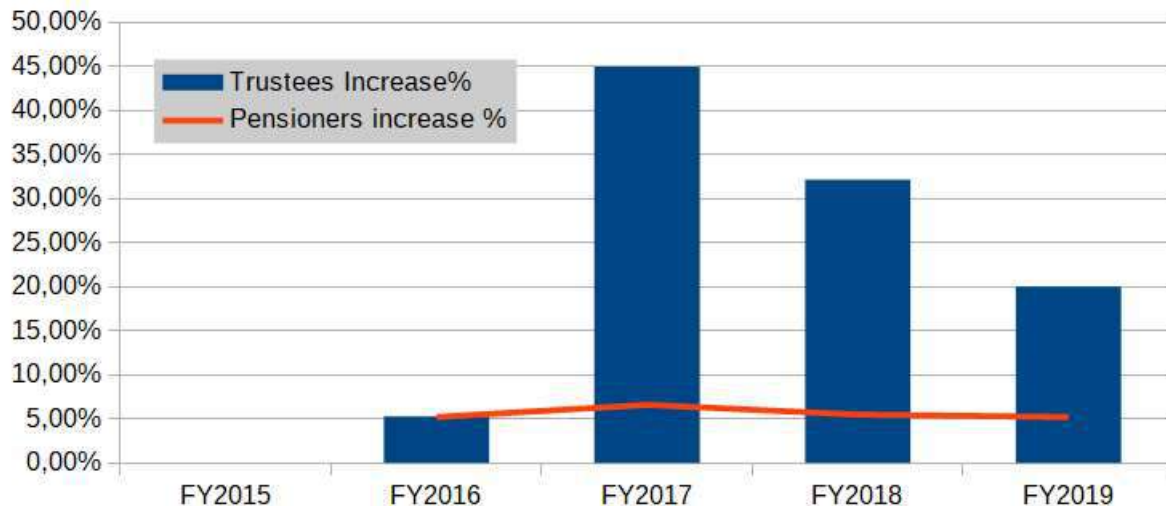
17.6 TRUSTEE REMUNERATION 2018/19

Name	Meeting attendance fee	Retainer fee	Subsistence and travel	Total paid
Ms Lindy Bodewig	-	-	R17 454	R17 454
Mr Corn Booyens*	-	R11 954	-	R11 954
Mr Sibonelo Cele	R420 960	R84 757	R13 244	R518 961
Mr Terrence Chauke	R443 762	R82 479	R13 518	R539 759
Col Johan Coetzer	R499 648	R84 757	R22 221	R606 626
Maj Gen Dries de Wit	R342 352	R47 814	R13063	R403 229
Dr Vuyo Dyantyi	R293 644	R65 744	R3 118	R362 507
Mr Themba Gamedze	R443 549	R108 664	R15 916	R568 129
Mr Kenny Govender	-	-	-	-
Brig Johan Griesel	R219 136	R47 814	R647	R267 597
Ms Jenny Jeftha	R468 838	R59 639	R13 689	R542 166
Ms Jennita Kandailal	R420 760	R84 757	R20 604	R526 121
Mr Edward Kekana	R605 566	R200 648	R17 699	R823 913
Mr Sidney Kgara	-	-	R10 145	R10 145
Ms Thandi Khoza	R241 052	R47 814	R10 904	R299 770
Dr Barry Kistnasamy*	-	-	R647	R647
Mr Mpho Kwinika*	-	R21 189	-	R21 189
Dr Frans Le Roux	R460 204	R69 545	R727	R530 475
Mr James Maboa*	-	R11 954	R966	R12 920
Ms Mantuka Maisela	R325 341	R69 947	R21 464	R416 752

Its interesting that there appears to be no problem for Trustee Remuneration to continually increase at a rate FAR IN EXCESS of inflation BUT its virtually an impossible task to improve the lot of the majority of pensioners and spouses, especially those at the lower end of the monthly receipts table (REMEMBER THE LESS THAN R10K P.M GROUP), by means of a 13th cheque. GRAPHIC NR 2...

GEPF

ANNUAL INCREASES COMPARISON



Surely the Trustees also live and work in the “poor economic conditions in South Africa”? The above certainly provides a clear picture as to the distortions and inequality between the increases allocated to the Trustees VS what pensioners received.

It also illustrates that those REALLY in need of an additional cheque, is in fact not on the receiving end of it. The people who apparently benefits the most from the FUND are those charged with governance.

On top of this, the Trustees, as the custodians of corporate governance of the FUND apparently cannot take the time out to participate in an annual board assessment as required by the various corporate best practice codes. Since 2016 there has been no such assessment and the only consequence appears to be increased stipends and reappointment of certain trustees.

Can this situation be regarded as fair, equitable and right?

How does ordinary members change this?

SOME SIMPLE SOLUTIONS

REMUNERATION ISSUE:

The PSA, in a media statement on 6 JUNE 2019, proposed that Board members should actually NOT ACCEPT the “lucrative payments for their services”. The union pointed out that such a step would provide the Trustees with another opportunity to take the moral high ground and “show that the GEPF and its Board has the interest of public servants at heart”. Do we take the silence and the continuation of the established practice as a sign that there is no desire to take the moral high ground.

Another way to address the Trustee remuneration issue would be for the Fund to accept the principle that annual increases for all parties working for and trading with the FUND SHOULD BE CAPPED at the rate of increase given to the beneficiaries. **This should apply to the Trustees, the executive managers, staff on payroll etc. [NB. This does not imply an end to a proper reward system for above average performance. Such a system should remain in place for genuine performance excellence]**

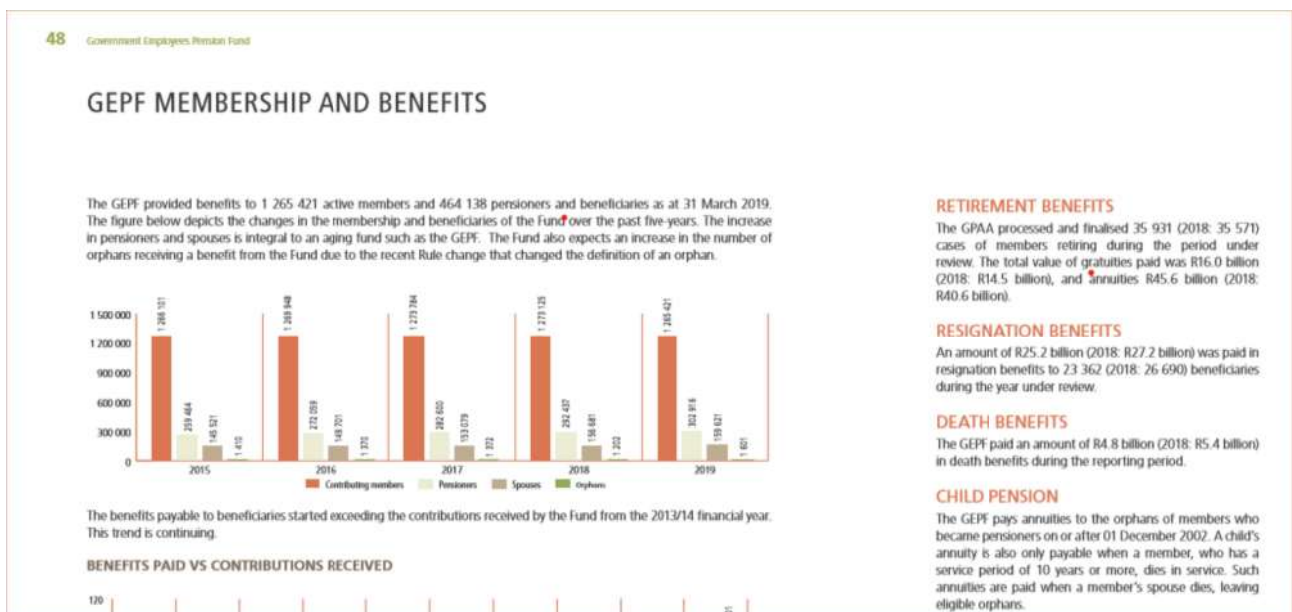
BOARD ASSESSMENTS: Trustees that has not participated in all annual assessments in the previous 4 years should not be eligible for re-appointed or re-election as the case may be. They should disqualify themselves from a next term because of their own ethical convictions and acceptance of person accountability for failing in a basic requirement of good corporate governance.

3. EFFICIENCIES OF THE BENEFITS PAYMENT PROCESS

New beneficiaries:

In 2019, the GPAA reported that in 80% (2018: 71%) of new beneficiaries has received their benefits on time. This implies that in 2019 there was 1 out of 5 (20%) of new cases that WAS NOT PAID within the legal time frame of 60 days. [GEPLaw section 26(1)]

The GPAA processed 35931 cases (2018:35571) of new retirements.



So over the course of two financial years a total of 17502 cases of retiring members had the misfortune of going through a stressful period of trying to get their moneys, after a lifetime of saving, when legally due to them. This is not what a REPUTABLE PENSION FUND DOES.

The calculations supporting the above is herewith:

	FY2019	FY2018	TOTAL 2yrs
Members retiring	35 931	35 571	71 502
%Paid out on time	80,00%	71,00%	
%Paid out LATE	20,00%	29,00%	
Nr of Late payments	7 186	10 316	17 502

***My calculations assumes that once beneficiaries are on the GPAA payment system, late payments will not be an issue, it only relates to new cases.**

An important question comes to mind, and this is ...

How many Government employees, should they be allowed a free choice to join any pension fund, would elect the GEPF, based on this payment history?

NB! This material fact, the non compliance with Section 26(1) of the GEPlaw is NOT disclosed in the GEPF annual report. Needless to say, it does not make the grade to be regarded as a “positive performance” by the GEPF’s public relations machinery.

Apart from the CONTINUED non compliance with their own LAW, the late payments resulted in interest payments which then becomes an additional and an unnecessary drain on the Fund. Interest payments to members increased from R2,2Bn to R6,8Bn, an INCREASE of R4,6Bn or 309%. The Annual Report disclosure does not provide a detailed breakdown of this amount to allow deeper analysis to, among others, to clarify why there was an increase in amount BUT there was a reduction in the number of late payment cases since 2018.

LASTLY it does appear as if the TRUSTEES DID NOT KNOW ABOUT THIS.

WHY do I say this?

Well, the Trustees sign off their Statement of Responsibility, included in the Annual report on page 60, stating clearly that -

They have not BEEN aware of any non-compliance to any applicable act.

The only way this representation can be TRUE is if the Trustees did indeed not know about this non-compliance.

Does this sound plausible CONSIDERING the Trustees duties in terms of internal controls and proper monitoring?

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

for the year ended 31 March 2019

RESPONSIBILITIES

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

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

However, as can be seen from the information above, this representation is not consistent with the available facts AND prior communication of this issue.

Unclaimed benefits:

The balance of Unclaimed Benefits increased from Rm667 to Rm863 since 2018. This represents an INCREASE of Rm196[29%] in one year.

And the number of cases involved? That increased by 8,24% since 2018.

UNCLAIMED BENEFITS	FY2019	FY2018	Y-ON-Y Movement %
BALANCE [Millions]	863,1	667,9	29,23%
Nr cases	17 513	16 180	8,24%
Ave Rand value per case	49 283	41 279	19,39%

This balance and the number of cases should actually reduce over time as the GEPF gains more control over this matter. Clearly, in view of the increasing balance, this is not happening.

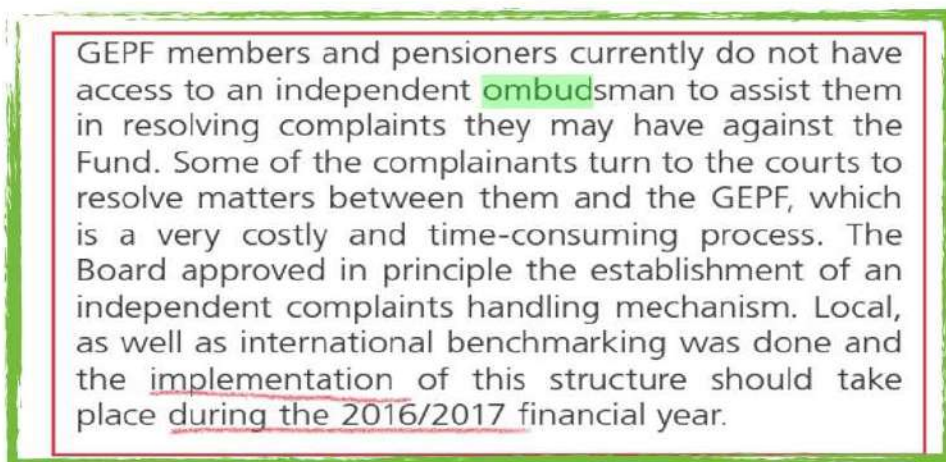
4. BENEFICIARIES EMPOWERMENT AND COMMUNICATION

The Mission Statement also includes endeavors to “empower our beneficiaries through effective communication”

The GEPF’s Ombudsman:

The current status: GEPF members still do not have access to an ombudsman (or independent complaints tribunal) , this notwithstanding that this initiative was started way back in 2015.

The GEPF correctly identified the absence of access to an ombudsman as a dis-empowering obstacle to GEPF Members exercising their rights. This extract from the GEPF’s 2015/16 annual report refers:



GEPF members and pensioners currently do not have access to an independent ombudsman to assist them in resolving complaints they may have against the Fund. Some of the complainants turn to the courts to resolve matters between them and the GEPF, which is a very costly and time-consuming process. The Board approved in principle the establishment of an independent complaints handling mechanism. Local, as well as international benchmarking was done and the implementation of this structure should take place during the 2016/2017 financial year.

Well the 2016/17 financial year has come and gone AND we are almost two years later and still - THERE IS NOTHING IN PLACE!.

Not only was this expectation not delivered on BUT Those charged with governance has gone silent. No progress reports, no apology, no accountability accepted.

The Independent Pension Fund Adjudicator, in his 2018/19 Annual report, highlights the issue as well. Complaints about the GEPF, as received by his office, need to be channeled back to the GEPF.

Herewith an excerpt from PAGE 17 of the Pension fund adjudicator Annual Report 2018/19 (MY UNDERLINING):

"Complaints referred

The matters deemed out of jurisdiction were as follows: 1 355 complaints were referred to other entities. 54.2% of these were referred to the FSCA and 26.5% to the GEPF.....

AND

..... Again, this is a heartening statistic which shows that consumers are largely aware of where to lodge complaints whilst the GEPF and the Transnet Pension Fund need to invest in an impartial, independent complaints' tribunal that is advertised to their members."

Considering the time delay, and the current silence by TCWG, what should GEPF members read into this.

It does appear that the Trustees are not really committed to INVEST in an impartial Ombud. If they were, surely the function would have been in place by now?

**Delivery and a good reputation starts with keeping your word.
In the ombud example this has not been done.**

**WOULD THE FOLLOWING BE A FAIR SUMMARY OF THIS SECTION?
AT THE GEPF OUR TRUSTEES OVER PROMISE & UNDER DELIVER
YET ARE PAID INCREASED STIPENDS TOTALLY OUT OF SYNC
WITH THE "POOR ECONOMIC CONDITIONS IN SA"! THEY SET
STANDARDS FOR OTHERS TO ADHERE TO BUT THEN FAIL TO DO
SO THEMSELVES.**

**ON TOP OF THIS, THEY ARE NOT VERY SUCCESSFUL WITH THEIR
INTERNAL INVESTMENTS IE. IN PROCESSES, PRODUCTS AND
PEOPLE THAT CAN BENEFIT THE CURRENT MEMBERS AND
PENSIONERS.**

**IF THEY WERE, ALL BENEFITS WOULD BE PAID ON TIME AND IN
FULL AND COMPLAINTS WOULD BE DEALT WITH BY THE
INDEPENDENT TRIBUNAL [OMBUDSMAN]**

ENQUIRIES? - PLEASE EMAIL IT to: x2vandyk@gmail.com