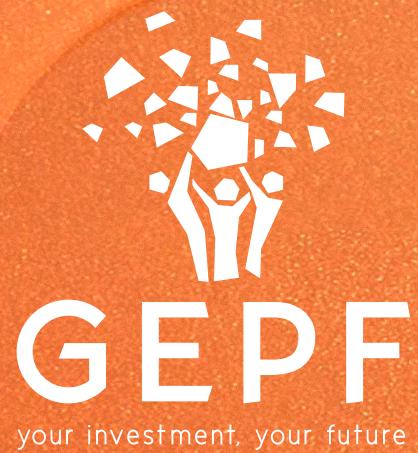


2019/2020
ANNUAL REPORT





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MINISTER'S NOTE TO PARLIAMENT



TT Mboweni

Minister of Finance

To the Speaker of Parliament

I have the honour, in terms of Section 9(6) of the Government Employees Pension Law, 1996 (Proclamation 21 of 1996), as amended, to submit the annual report of the Government Employees Pension Fund for the period 01 April 2019 to 31 March 2020.

TT Mboweni

Minister of Finance

October 2020



CHAIRPERSON'S REVIEW



Dr Renosi Mokate

*Chairperson:
GEPF Board of Trustees*

It is with great pleasure that I present the 2019/20 Annual Report on behalf of the Board of Trustees of the Government Employees Pension Fund (GEPF).

IMPACT OF THE GLOBAL AND LOCAL ECONOMIC ENVIRONMENT

In the first quarter of 2020, global capital markets sustained one of their greatest shocks in history, driven by the Covid-19 pandemic. It would be remiss of me not to highlight its impact not only on the performance of the Fund but on the broader South African economy, particularly, its implications for the fund's investments.

In March 2020, major indices across the world plummeted significantly. The MSCI World Index fell 21%, while the Standard & Poor's (S&P) 500 index fell 23% and the local JSE all Share Index declined by 21.4% in the first quarter of 2020. The All Bond Index returned -8.7% for the quarter on the back of interest rates cuts and a credit rating downgrade. The already ailing listed property market was severely impacted resulting in the listed property index declining by 48% for the quarter.

On 27 March 2020, as the country was grappling with the national state of disaster imposed by Government, the rating agency Moody's cut South Africa's sovereign rating moving the rating down to 'Ba1' from 'Baa3', maintaining a negative outlook. This led to the SA government bonds falling out of the World Government Bond Index in April 2020.

As a result of the turmoil in the economy the GEPF's financial year concluded with South Africa in recession after the economy in the fourth quarter of 2019 contracted 1.46%, resulting in the economy growing just 0.2% in 2019.

Headline inflation remained within the South African Reserve Bank's (SARB) target of 3% to 6%, with CPI at 2.43% year-on-year at 31 March 2020, from 4.13% as at 31 March 2019. The current economic downswing is the longest since data collection began in 1945 and can be ascribed *inter alia* to the financial challenges in 2019/2020 which, in part can be attributed to the instability of power generation at Eskom as well as South Africa's unsustainable fiscal position and credit ratings downgrades.

The poor state of the South African economy as indicated previously, was very impactful on the Fund as the economic climate in the three months leading to 31 March was extremely turbulent and coincided with the end of the 2019/2020 financial year.

It is worth noting that the disruption to economic activity by the spread of Covid-19 and the imposition of strict lockdown measures impacted negatively on the GEPF's performance.

I am pleased to reveal that these challenges did not detract us from ensuring its impact on pensioners and beneficiaries was negated through prudent management of the Fund.

Despite the challenging conditions for the year in review as a result of the adverse local and global economic developments, the Fund has managed to sustain an acceptable overall investment performance in an economic environment that saw negative growth and returns for pension and investment funds.

Understandably, people are concerned about the status of their pension during a pandemic such as this. I wish to reassure all members, pensioners and beneficiaries that despite the decline on the global financial markets, the GEPF remains financially sound.

We remain committed to ensuring the best possible outcome for our members and beneficiaries, however, one cannot avoid the reality of the pandemic with the global and South African economy facing a contraction worse than that experienced in 2009. Covid-19 has pushed an already fragile economy into deep recession, exacerbated by the initial economic lockdown, which hurt household and company earnings, and the pension and investment industry.

On a positive note, I am pleased to inform you that the 2019 OECD Annual Survey of Large Pension Funds and Public Pension Reserve Funds, noted our developmental investment portfolio allocation, which comprises 5% of the overall portfolio and consists of investments in economic and social infrastructure, which contribute towards improvement of social indicators, while meeting the fund's primary goal of safeguarding members' and pensioners' benefits.

INVESTMENTS

As a result of the market crashes that coincided with the last quarter of our financial year and the tough economic conditions that the GEPF operates in, the Fund did experience a significant fall in the asset value as market value declined by R243 billion from R1.89 trillion at the end of December 2019 to R1.64 trillion at the end of March 2020. Much of the decline was due to local equities, capital markets and listed property. The decline in international asset classes was offset by a significant decline in the value of the rand against the dollar. The value of the assets reflects depressed market values as at 31 March 2020.

However, it is important to note that due to the resilience of the GEPF investment strategies the Fund has largely recovered the losses incurred and its value had increased to R1.87 trillion at end June 2020.

OVERSIGHT

During the period under review the Minister of Finance appointed an interim Board for the Public Investment Corporation (PIC). The Board and Management of the GEPF have been working closely with the interim Board to ensure a strong and resilient PIC as this is crucial to the growth and protection of the retirement benefits of GEPF members, pensioners and beneficiaries.

The GEPF has continued to strengthen its oversight responsibilities and relationship with the PIC. We welcome the findings and recommendations in the Report of the Judicial Commission of Inquiry into Allegations of Impropriety at the Public Investment Corporation (the Mpatis Commission).

Although the Commission's terms of reference did not include the GEPF, the GEPF has paid careful attention to the Commission's recommendations specific to it and the PIC. The Board and Executive Committee of the GEPF have already begun reviewing the agreements, policies, mandates, procedures, processes, benchmarks and fee structures that govern the relationship with the PIC as well as addressing areas where the relationship has been eroded.

Engagements between the Boards as well as the Investment Committees of the GEPF and the PIC took place during the reporting period. These regular interactions will continue to ensure that there is an alignment between the interests of the two entities and secondly, to continue strengthening their relationship. A joint task team was also established to oversee the implementation of the recommendations made in the Mpatis Commission Report.

We are committed to cooperating with the National Treasury which has been tasked with oversight in addressing the Commission's findings and recommendations. We are encouraged by the actions taken by the PIC in response to the Commission's report, including action initiated against named individuals and organisations. The GEPF looks forward to being regularly briefed by the PIC, as it deals with the various recommendations in the report.

Some of the recommendations made in the Mpatis Commission Report also included the need to review the investment mandate given to PIC. A review of the Investment Policy Statement had already commenced prior to the report being issued and we approved a revised Investment Policy Statement subsequent to the year end. We have initiated a review of the mandate and engagements are taking place with the PIC in this regard. We will continue to exercise oversight over the PIC through existing bilateral engagement structures between ourselves at Board and Management levels respectively.

CHAIRPERSON'S REVIEW CONTINUED

We welcome the report of an investigation by the Public Protector into allegations of maladministration and mismanagement of the funds by the GEPF which confirmed that the GEPF does exercise due diligence and oversight of the PIC as its investment manager. This finding follows a complaint to the Public Protector. It is also important to note that the Mpati Commission which investigated the PIC did not make adverse findings of negligence against the GEPF relating to its oversight function regarding investments made by the PIC on its behalf.

The allegation that the GEPF is not providing its members with sufficient information to establish if their pensions are being invested correctly was not substantiated despite certain stakeholders continuing highlight the issue as a concern.

With regard to the administration of benefits which is managed by the Government Pensions Administration Agency (GPAA), the Board and the funds executives continue work with the GPAA to improve the turnaround time on the payment of benefits including finding ways to implement an optimal operating model that ensures the fund's members, beneficiaries and pensioners receive excellent service. This continues to be work in progress.

INDEPENDENCE OF INVESTMENT DECISIONS

How the GEPF invests its funds is a carefully thought out strategy aimed at achieving long term growth for the fund. The strategy is focused on ensuring that we allocate and manage the fund assets so that it meets or outperforms the Fund's current and future liabilities, which has been done very successfully in its 24 years of existence.

All investment decisions are taken in the best interests of the fund, its members, pensioners and beneficiaries and the Public Investment Corporation (PIC), the asset manager for the GEPF, acts in line with the GEPF's mandate requirements and the investment risk parameters stipulated by the mandate.

IMPAIRMENTS

Impairment provisions may be required to reflect the business reality of an asset at a particular point in time. Asset values fluctuate over time, impacted by market conditions and the performance of the underlying businesses. Such provisions are made when an asset has a lower market value than the original investment was made. However, the asset may subsequently recover, or even exceed the value of the original investment. Therefore, impairments are reversible should the value of the asset recover as is evident in this year's financial statements.

Over the course of the year under review the GEPF has impaired a number of assets of which the following assets are significant:

TOP FIVE IMPAIRMENTS AS AT 31 MARCH 2020:

1. LANCASTER GROUP

The low valuation of the Lancaster 101 investment is directly linked to the collapse of Steinhoff's share price. The PIC has engaged Steinhoff to amongst others, request a reconfiguration of the Steinhoff Board; representation on the committee investigating the state of affairs at Steinhoff; and it is collaborating with other investors, regulators, including the JSE to find a solution to Steinhoff's challenges for the benefit of affected parties.

2. BELELANI CAPITAL

The valuation of Belelani Capital is valued at R3.5 billion after taking into account an impaired value of R2.3 billion because the company is not in the position to repay the outstanding Term Loan Facility. Amongst others, the failure to repay the loan is attributable to the following reasons: the economy has averaged less than 1% over the last 3-year period; a weaker retail environment; and significant downward pressure on the income and valuation of the portfolio. This has also been exacerbated by the fact that South Africa experienced a several downgrades and increased sovereign risk, which resulted in increased cost of funding for all corporates including Pareto and Belelani.

3. KILIMANJARO SAKHUMNOTHO – TOSACO

At the outset, it is necessary to state that the PIC has been receiving repayments from Tosaco. The main issue with the Tosaco loan is that the repayment mechanism of the loan is structured such that Tosaco uses 80% of the dividends it receives from Total SA to service the interest owing. As a result, any shortfall between the dividends received and the interest payable is accumulated with the capital portion of the loan and is to be repaid in a bullet payment at the end of the loan term. These factors, combined with the decline of 36% in the industry within which Total/Tosaco operates, contributed to a low valuation.

4. KUSENI GROUP 2

The decline in loan value in the MOGS investment is attributable to several reasons. These include downward revised cash flow projections given the slow economic growth expectations; higher discount rates used in the financial year under review affected largely by the macroeconomic conditions within the south Africa economy; and the underperformance of the mining, oil and gas sectors, which have negatively impacted the performance of the MOGS group.

5. S&S REFINARIAS DE OLEOS LDA

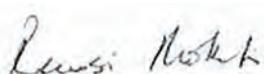
The zero valuation on the investment is attributable to several factors. These include delays in the construction and commissioning of the oil refinery plant and significant devaluation of the Mozambican metical to the US dollar, which negatively affected procurement of raw materials. These and other factors have affected the production capacity of the plant.

APPRECIATION

It is with heartfelt gratitude that I thank the Board of Trustees, the previous Principal Executive Officer, Mr Abel Sithole, the current acting PEO Mr Musa Mabesa, management and all the GEPF employees for their commitment to meeting the challenges of a tough year.

It is with a mixture of sadness and confidence in his credentials for the post, that the GEPF welcomes the appointment of Mr Sithole as the new Chief Executive Officer of the Public Investment Corporation (PIC). We thank Abel for his hard work and dedication to the Fund and its stakeholders. He brought stability and direction to the GEPF at a time when it was most required, and we are sure that he will do the same at the PIC.

Finally, I thank Minister Mboweni for his unwavering support.



Dr Renosi Mokate

Chairperson: GEPF Board of Trustees

19 October 2020

PRINCIPAL EXECUTIVE OFFICER'S REPORT



Musa Mabesa

*Acting Principal
Executive Officer*

It is a pleasure to report that the GEPF remains financially sound despite the tough economic conditions that the fund operated in. The financial results do however, continue to highlight that the performance of the Fund is not isolated from the country's economic and development constraints.

As the financial year drew to a close, South Africa got its second downgrade when Fitch dropped its rating another notch to "BB" from "BB+". As a result, the Rand fell to new lows above R19 to the dollar. This followed the decision by Moody's to cut South Africa's sovereign credit rating to junk amid the country's recession, deepened by the impact of Covid-19. The downgrades did weaken the Rand, a barometer of confidence, and placed upward pressure on inflation, which impacted negatively on all South Africans, including the fund which invests 91% of its funds in the South African economy.

The resultant global and local market upheaval was that the Fund's asset market value declined by R243 billion from R1.89 trillion at the end of December 2019 to R1.64 trillion at the end of March 2020, it has since rebounded standing at an unaudited R1.87 trillion by the end of June 2020. The value of the assets reflect depressed market values as at 31 March 2020.

Much of the decline was due to local equities, capital markets and listed property. The decline in international asset classes was offset by a significant decline in the value of rand against the dollar.

The GEPF is in discussions with the Minister of Finance to address its dependence on the South African economy. Increasing its off-shore investments can be a key strategy in cushioning the fund from the poor economic climate in South Africa. The need for innovative solutions, particularly, in a post-Covid-19 scenario calls for fresh insight in this regard to ensure the Fund continues to deliver on its goal for its members and beneficiaries.

PERFORMANCE AGAINST STRATEGY

During the 2019/20 financial year, the GEPF has made progress in meeting its performance targets based on the strategic objectives adopted by the Board, namely:

improving benefits administration;

- improving member and beneficiary communication and education;
- improving investment monitoring and evaluation;
- reviewing the governance and operating model;
- enhancing risk management architecture; and
- improving stakeholder relations.

Detailed information on the progress can be found in the reports of the various committees of the Board on pages 37 to 39.

FINANCIAL AND INVESTMENT HIGHLIGHTS

The GEPF continues to invest in a manner that ensures diversification of its portfolio of investments through the PIC and other asset managers, so as to reduce its exposure to any one market risk, and thereby maximising its return on investments. These decisions are guided and made in accordance with the GEPF's strategic asset allocation policy and risk management systems and has served the GEPF well especially when global and local markets become volatile. In particular, the funds exposure to multi asset classes assisted to cushion it from a possible deeper decline as a result of the economic shocks that occurred in the last quarter of the financial year.

The GEPF's investments are largely long-term in pursuit of sustainable risk-adjusted returns. It is therefore important that the GEPF's performance be assessed over a long term. Measured over the period 2011 – 2020, the GEPF's accumulated funds and reserves grew at an average rate of 8%. The fund outperformed its benchmark by 0.22% over the longer term 5-year period.

For the reporting period, the performance of the fund was largely impacted by the global and local market downturn in the last quarter of the financial year. As a result we expected a negative performance for the financial year.

The GEPF made losses of R214.4 billion during the year under review. Its investment market value was R1.64 trillion, which is a decrease of R205.7 billion in relation to the 2018/19 financial year.

Local listed equities comprised 47%, with domestic debt capital markets at 34%. These continued to be across sectors such as financial services, retail, oil and gas, mining, telecoms, industrials, technology, government, parastatals and municipalities.

Annual investment management costs averaged out at 0.11% of the Fund's value, amounting to R1.8 billion, which is down by R391 million from the previous year. This is attributable to the Covid-19 impact on the investment value.

RESPONSIBLE AND ESG INVESTING

Responsible investment is an integral part of the management of the Fund's assets. As a responsible asset owner we account for how we view the Fund's long-term environmental and social risks, with an emphasis on upholding the highest standards of quality in the Fund's management, inclusive of the greatest possible transparency of the Fund's activities.

IMPROVING STAKEHOLDER ENGAGEMENT

During the year we continued to implement the GEPF Integrated Communications Strategy, which serves to inform and educate all stakeholders about the GEPF benefits and processes, and to address concerns about the Fund.

In this regard, activities included roadshows, pre-and-post-retirement workshops, participation in PSCBC and Union workshops/events, information dissemination campaigns, exhibitions, stakeholder roundtable engagements, increased mobile office presence, print outdoor and electronic advertising as well as client liaison programmes.

The GEPF continued to play a leading role in the sector with its hosting of the GEPF's Second Thought Leadership Conference, in partnership with the World Bank, which was well attended in September 2019 by local and international speakers and participants.

ENSURING MEMBERS AND PENSIONERS BEST INTEREST

The GEPF continuously strives to identify and implement initiatives that will enhance the lives of its members and beneficiaries.

The 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. The Board is in the process of finalising the establishment of the Government Employees Pension Ombud and the processes and procedures associated with the Ombud's Office.

The GEPF is fully funded and financially sound. Members and pensioners benefits are protected and the pension fund is able to pay benefits to all its beneficiaries. During the period under review, the GEPF's member and pensioner management, including contribution management and the payment of benefits, continued to be managed by the GPAA.

PRINCIPAL EXECUTIVE OFFICER'S REPORT CONTINUED

The GPAA processed and finalised 34 134 pension claims in 2019/2020 compared to 35 931 in 2018/2019 and paid R69.1 billion compared to R61.6 billion in 2018/2019, reflecting an increase of 12.2% in payments. The total benefits paid amounted to R111 billion, compared with R103 billion in 2018/19.

The number of active members increased slightly from 1 265 421 in 2018/19 to 1 269 161 in 2019/2020. The number of pensioners and beneficiaries increased from 464 138 in 2018/19 to 480 615 in 2019/2020.

OUTLOOK

The outlook for the domestic and global economy remains uncertain as the spread of Covid-19 continues. GEPF is committed to ensuring that the interests of its members and beneficiaries are put first. Vulnerable economies, including South Africa, are also facing severe external liquidity pressures. While the GEPF had by June 2020 recovered the losses incurred in the last quarter of the financial year as a result of financial markets having rebounded from the sell-off in March 2020, the global and especially the South African economic outlook remains unclear.

APPRECIATION

I express my gratitude and appreciation to the Chairperson of the GEPF Board, Dr Renosi Mokate, the Board of Trustees and its Committees, and the management team and staff for executing their roles with diligence during the past financial year. I am honored to serve the GEPF and look forward to leading our great team in the interim.



Musa Mabesa

Acting Principal Executive Officer

19 October 2020

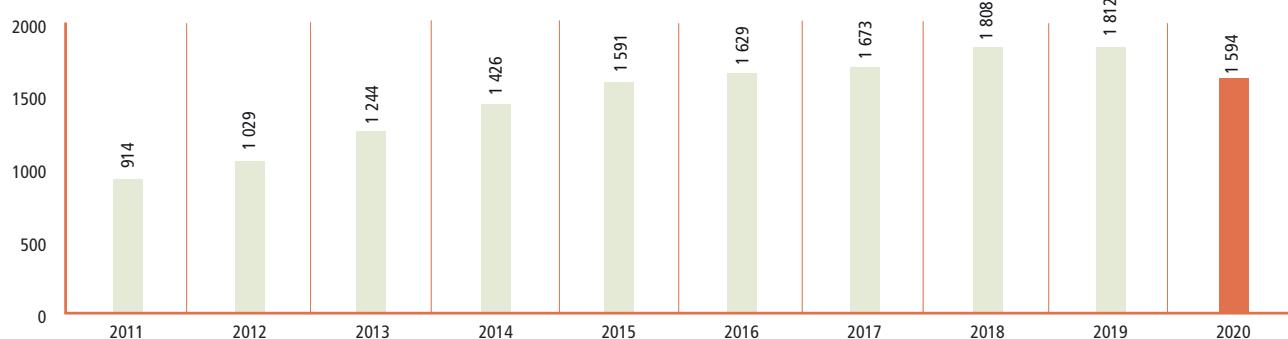
FINANCIAL AND ADMINISTRATIVE HIGHLIGHTS

ACCUMULATED FUNDS AND RESERVES AS AT 31 MARCH 2020

The GEPF's accumulated funds and reserves amounted to R1.59 trillion on 31 March 2020. The reserves represent the actuarial reserve that was set aside to address past discriminatory practices in terms of a collective agreement negotiated and agreed to with the Public Service Co-ordinating Bargaining Council (PSCBC). An amount of R4.5 billion is currently held in the reserve account.

Accumulated funds and reserves grew at an average rate of 7.5% during the 2011 – 2020 period.

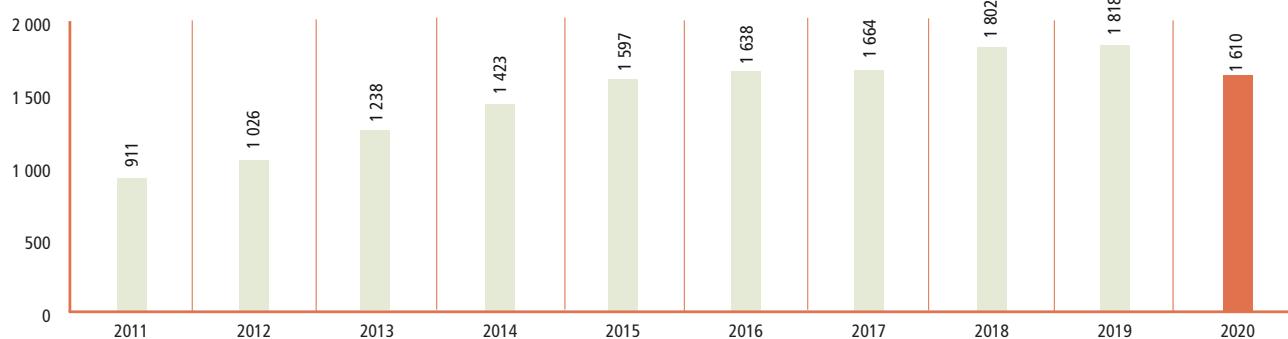
ACCUMULATED FUNDS AND RESERVES (R'BILLION)



GROWTH IN INVESTMENT PORTFOLIO

The GEPF investment portfolio declined by 11.4% from R1.8 trillion in 2019 to R1.61 trillion in 2020. The decrease in the investment value is mainly attributable to the turmoil in the South African economy, including the impact of Covid-19, at the end of the financial year.

GROWTH IN INVESTMENT PORTFOLIO (R'BILLION)



FINANCIAL AND ADMINISTRATIVE HIGHLIGHTS CONTINUED

Below is the movement of major asset classes over the reporting period.

Description	2020 R'000	2019 R'000	Movement R'000	% change
Listed equities	763 017 302	962 998 068	(199 980 766)	(20,8)
Domestic bills and bonds	540 044 466	551 839 805	(11 795 339)	(2,1)
Unlisted equities (domestic)	49 474 883	50 683 420	(1 208 587)	(2,4)
Collective Investments Scheme (foreign)	117 829 856	107 687 853	10 142 003	9,4

- Listed equity decreased by 20.8%
- Domestic bonds decreased by 2.1%
- Domestic unlisted equities decreased by 2.6%
- Foreign collective investments schemes increased by 9.4%.

Factors that resulted in the decline in performance of local markets (equities and bonds) amongst others include the turmoil in the South African economy, including the impact of Covid-19, a downgrade in credit ratings and interest rate cuts that were imposed by the Reserve Bank.

RETURN ON INVESTMENTS

During the reporting period, the GEPF investments yielded a return of -11.2% compared to 2.6 % in 2019, based on net investment loss of R179.7 billion (2019: investment income of R46.7 billion). Income during the financial year under review included dividend income (R34.1 billion), interest income (R52.3 billion) and property income (R1.8 billion).

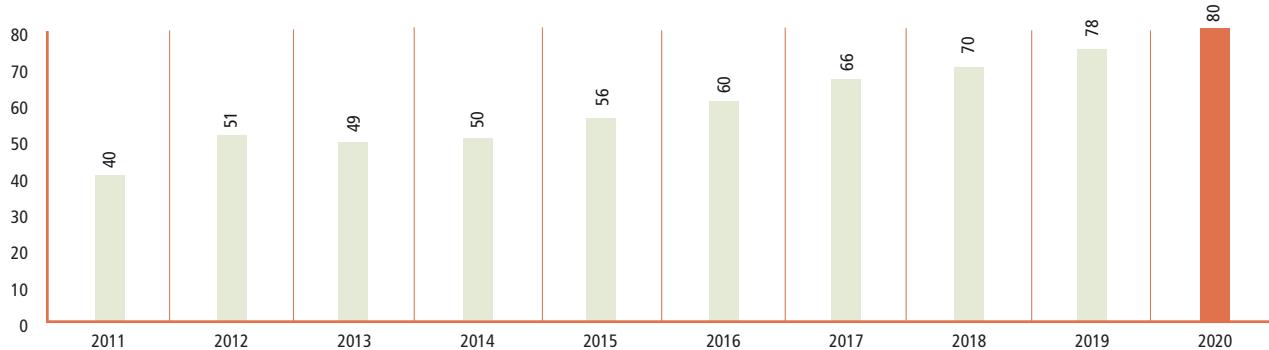
RETURN ON INVESTMENT PERCENTAGES



CONTRIBUTIONS RECEIVED

The GEPF receives a percentage of members' pensionable salaries as contributions. Accrued contributions increased by 2.6% during the reporting period, from R78 billion in 2019 to R80 billion in 2020. This result is mainly due to members' annual salary increases.

CONTRIBUTIONS RECEIVED (R'BILLION)

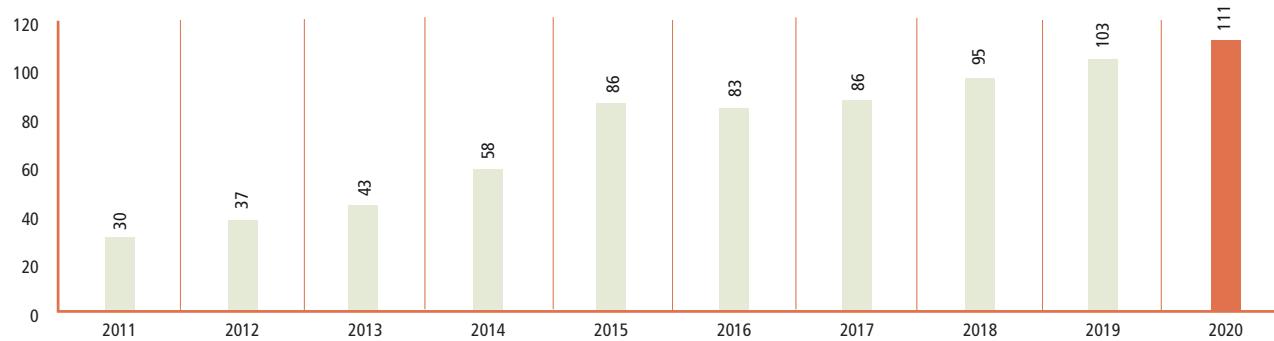


BENEFITS PAID

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

The amount of total benefits paid during the year under review increased by R8.4 billion (2019: R7.6 billion) which represents an 8.2% increase, mainly due to the increase in pension payments which accounted for 62% of the total benefits paid for the current financial year. The increase in the pension payments were driven by the 5.2% monthly increase granted to pensioners from 1 April 2019 and a 3.1% increase in the number of pensioners.

BENEFITS PAID (R'BILLION)

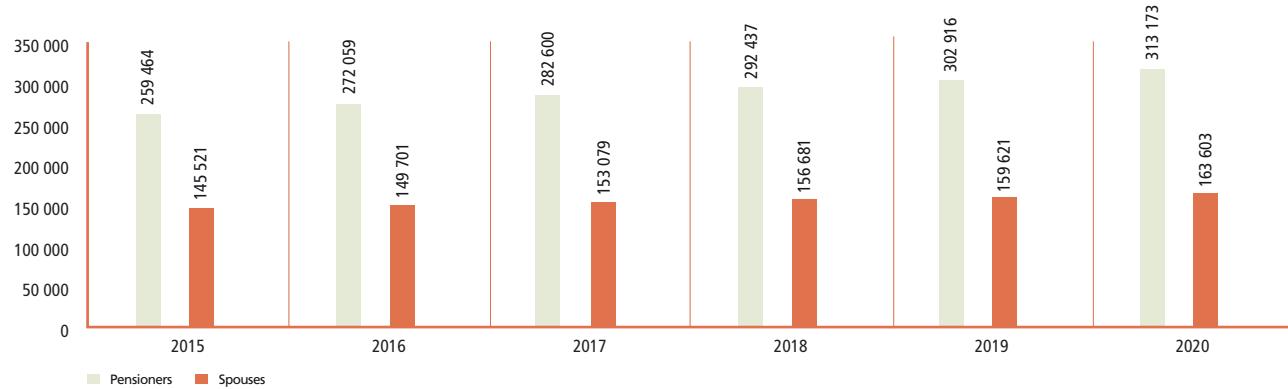


FINANCIAL AND ADMINISTRATIVE HIGHLIGHTS

CONTINUED

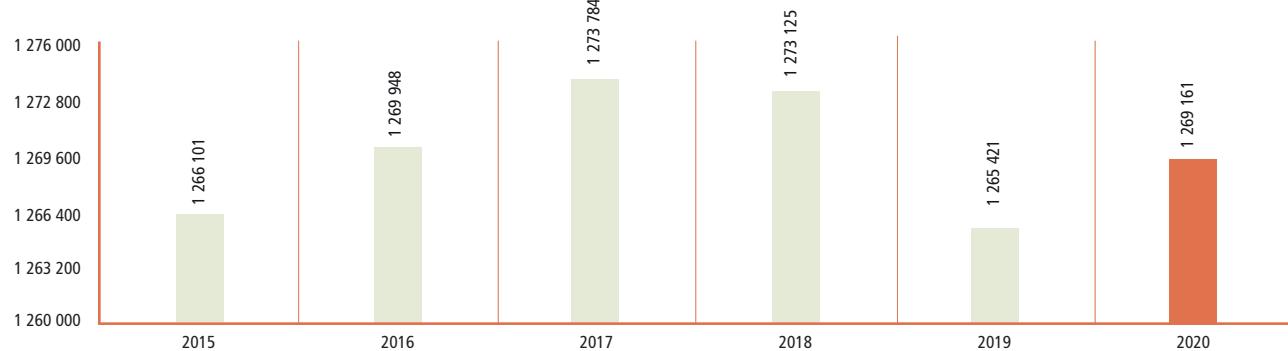
PENSIONER MOVEMENT

The GEPF has experienced an increase related to the number of pensioners, as well as spouses who are receiving a monthly pension.



ACTIVE MEMBERS

The number of active members remained stable over the past five years, with a slight increase of 0.3% in relation to the prior financial year.





GEPF AT A GLANCE

Mission, Vision and Values

16

Overview of the GEPF

17

OUR MISSION, VISION AND VALUES

The GEPF is committed to be a global leader and reputable pension fund that delivers quality service to beneficiaries. As the Government Employees Pension Fund is the custodian of a significant portion of the wealth of public servants, we are responsible for safeguarding and building financial wealth for current and future generations. This is achieved through a transparent policy in which we assure our stakeholders of active communication to promote understanding of the role played by GEPF in pursuing this task.

As a team we ensure the sustainability of the Fund so that all beneficiaries can derive maximum benefit from them placing faith in us.

Given our commitment to integrity, innovation and excellence, we strive to use our resources cost-effectively so that we can deliver on our pledge to produce efficient delivery of benefits, and also empower beneficiaries through effective communication.

As such, the GEPF prides itself on integrity, transparency, client centricity, accountability, and innovation. To us integrity is an expression of our commitment to act in a manner that is ethical and truthful; living up to good governance practices; and not misrepresenting or withholding information to which our stakeholders are entitled.

Inevitably, this leads to transparency, and the assurance that pensioners and beneficiaries have of always getting

open and frequent communications with our stakeholders; information in a format that is clear and understandable; and being open to scrutiny and oversight.

Despite being the largest pension fund in Africa, we place great emphasis on client centricity, ensuring that we are working collectively and cooperatively with our stakeholders, caring and, maintaining customer focus. Pensioners and beneficiaries are reliant on us for the provision of a service in which there is no compromise on quality. This means acting with due diligence, competence, confidentiality, and reliability.

The onset of Covid-19 has highlighted the need to embrace the goals of the Fourth Industrial Revolution and Artificial Intelligence. Consequently, the GEPF is committed to championing research and development in the retirement industry worldwide.

OVERVIEW OF THE GEPF

OPERATING MODEL

The Government Employees Pension Fund (GEPF) is a defined benefit fund that manages pensions and related benefits on behalf of government employees in South Africa. Established in 1996, it is the largest pension fund in Africa and one of the largest in the world. Its current benefit structure offers members amongst others:

- Resignation benefits;
- Retirement benefits;
- Child pension;
- Death benefits; and
- Funeral benefits

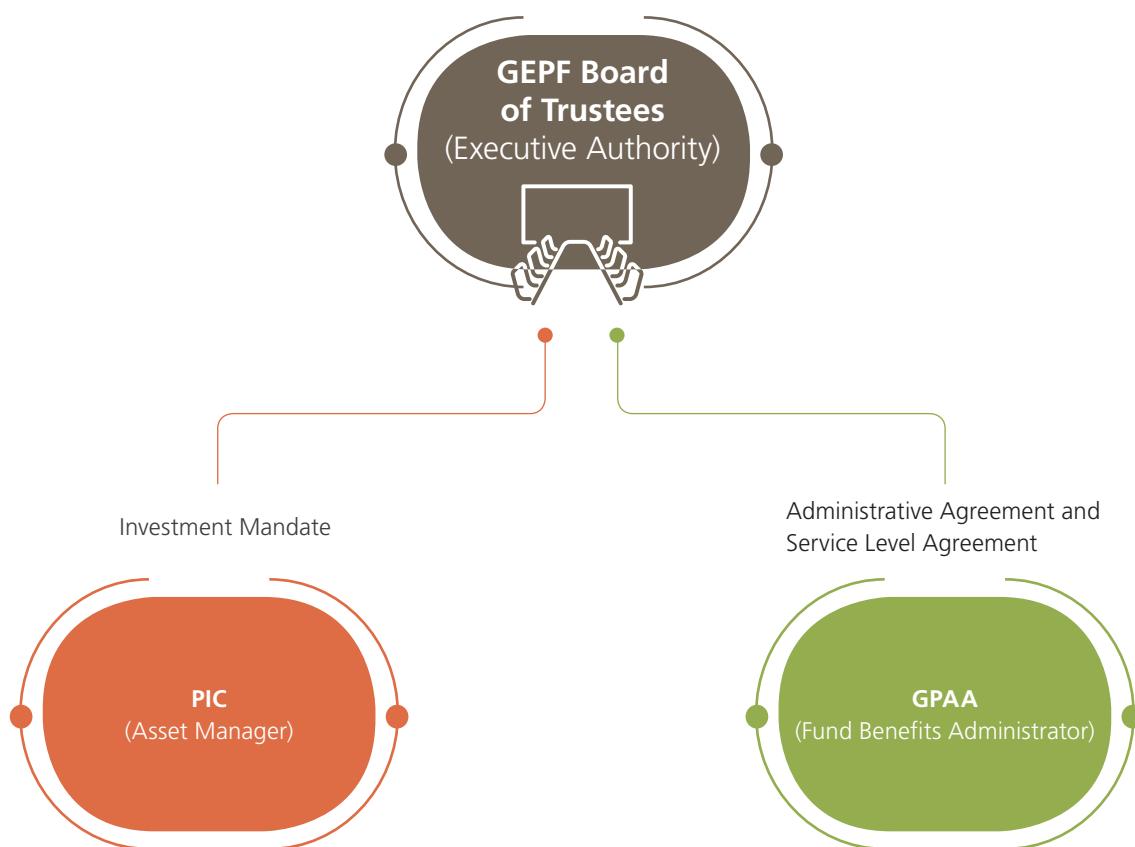
The GEPF core business, which is to manage and administer pensions and related benefits for government employees, is governed by the Government Employees Pension (GEP) Law (1996). The executive authority of the GEPF is the Board of Trustees. The duties and powers of the GEPF Board are prescribed by the GEP Law and Rules and require that:

- Proper registers, books and records of the Pension Fund are kept, inclusive of proper minutes of all resolutions passed by the Board;
- Proper internal control systems are implemented by, or on behalf of, the Pension Fund;

- Adequate and appropriate information is communicated to the members of the Pension Fund, informing them of their rights, benefits, and duties in terms of the Rules of the Fund;
- All reasonable steps are taken to ensure that contributions to the Pension Fund are paid in a timely manner;
- The Board of Trustees obtain expert advice on matters where it requires additional expertise;
- The rules, operation, and administration of the Pension Fund comply with the applicable laws; and
- Investments are made and maintained in accordance with the Pension Fund's investment strategy.

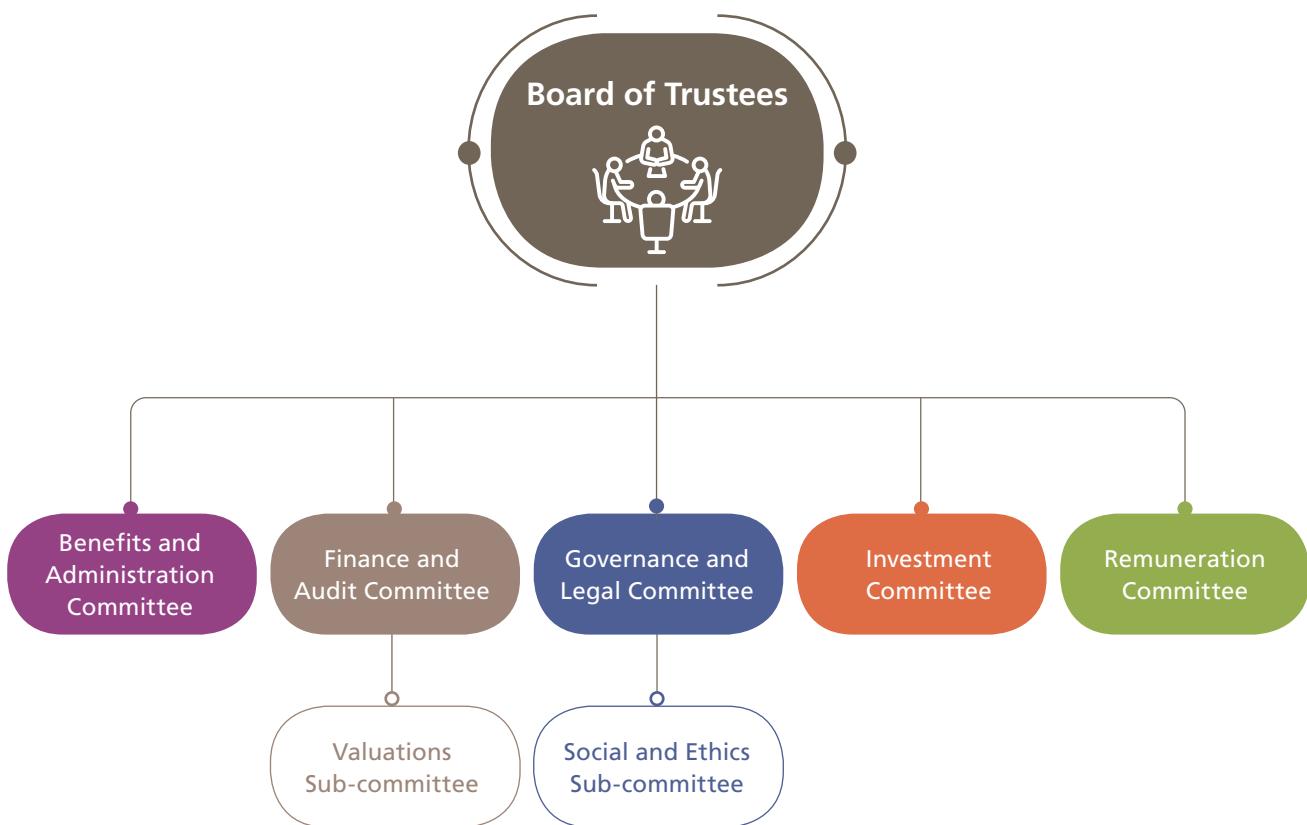
The GEPF has outsourced its administration and almost all of its investment activities to the Government Pensions Administration Agency (GPAA) and the Public Investment Corporation (PIC) respectively. The GPAA carries out day-to-day administration while the PIC invests funds on behalf of the GEPF.

The relationship with both entities is governed by various agreements and the entities report to the Board, through its Committees.



OVERVIEW OF THE GEPF CONTINUED

The GEPF Board of Trustees governs the pension fund and is accountable for its administrative and investment performance. According to the Government Employees Pension (GEP) Law, fiduciary responsibility for the pension fund rests with the Board of Trustees. The Board has constituted five permanent committees and two sub-committees to give effect to its strategic direction and to ensure that proper oversight and monitoring over the outsourced services exists.



PUBLIC INVESTMENT CORPORATION

OVERVIEW

The Public Investment Corporation (PIC) is a South African state-owned entity, with the Minister of Finance as shareholder representative. Established in 1911, PIC is one of the largest asset managers in Africa.

The role of the PIC is to invest funds on behalf of public sector entities, including the GEPF. The investment arrangements between the GEPF and the PIC are set out in an investment mandate (the Mandate Agreement) agreed to by both parties.

The mandate includes the investment policy of the GEPF, as well as the investment portfolio structure, risk parameters, benchmarks and fees, the proxy voting policy, and the derivatives policy of the GEPF.

The PIC manages 82.73% of the GEPF's investment portfolio directly and the remainder through local and international external managers.

PIC GOVERNANCE

The Public Investment Corporation is a financial services provider registered with the Financial Sector Conduct Authority (FSCA).

In terms of financial management and accountability, the PIC is regulated by the PIC Act, the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), the Companies Act, 2008 (Act 71 of 2008) and the Prevention of Organised Crime Act, 1998 (Act 121 of 1998) and adheres to the provisions of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FICA).

The PIC Board of Directors is responsible for setting the strategic direction of the company and has six permanent committees to assist in this regard:

- Audit Committee
- Risk Committee
- Social, Ethics and Transformation Committee
- Listed Investment Committee
- Unlisted Investment Committee

- Directors' Affairs Committee
- Human Resources and Remuneration Committee
- Information Communication and Technology Governance Committee

OVERSIGHT AND MONITORING OF INVESTMENTS

The GEPF has policies and processes in place to govern its investment function. The GEPF Investment Committee monitors the pension fund's investments and oversees the implementation of the GEPF investment policy and strategy.

The Investment Committee considers factors such as changes in the GEPF liabilities, changes in the expected return on assets, the likely volatility of the value of the pension fund's assets, and the implications that such changes may have on the funding level, contribution requirements, or benefits of the GEPF.

The Investment Committee's duties include, but are not limited to:

- setting the pension fund's investment policy, with approval from the Board of Trustees;
- determining the pension fund's strategic asset allocation to align with the fund's future liabilities;
- monitoring and reviewing the implementation of the pension fund's investment strategy through its investment manager(s) primarily the PIC, to assure compliance with policy, and procedure;
- monitoring investment performance – the investment committee ensures that an independent review and evaluation of the investment returns, and risk of the investment portfolio is conducted at least quarterly; and
- reviewing quarterly investment reports and reporting where appropriate to the Board on issues that are considered important or relevant for Board deliberation.

The Valuations Sub-committee is a sub-committee of the Finance and Audit Committee and reports to the Finance and Audit Committee of the Board and the Investment Committee. The Valuations Sub-committee was established to advise the pension fund on the relatively complex matter of the valuation of GEPF unlisted investments managed by the PIC.

Monitoring and oversight of GEPF investments takes place primarily at management level. The GEPF Investment Management division bridges the gap between the PIC and GEPF investment committees by overseeing the implementation of the investment strategy as set out in the investment mandate.

The Investment Management division also facilitates investment processes and eases the flow of information and communication between the GEPF and PIC. There are meetings that take place monthly, between the two teams, and are augmented whenever necessary.

There are also quarterly meetings between the executive committees of the PIC and GEPF to oversee the execution of the GEPF's Investment Management Agreement by the PIC.

EXPERT ADVISORS

The Fund also makes use of various other expert advisors to assist the Board in fulfilling its fiduciary duties. All advisors are appointed through a competitive bidding process. Some of these advisors include:

- Fund Valuators
- Legal and Compliance Expert
- Internal Auditors
- Investment Advisory Experts

GOVERNMENT PENSIONS ADMINISTRATION AGENCY

OVERVIEW

The Government Pensions Administration Agency (GPAA) is a government agency, established in terms of Section 7A (4) of the Public Service Act (1994) with effect from 1 April 2010.

The role of GPAA is to administer benefits on behalf of the GEPF and of National Treasury. The relationship between GPAA and GEPF is managed through an administration agreement as well as a service level agreement.

Approximately 7% of the work done by the GPAA is for the GEPF and 93% is work done on behalf of the National Treasury.

GPA GOVERNANCE

The Government Pensions Administration Agency (GPAA) is headed by a chief executive officer who is assisted by an executive management committee (EXCO). Various internal committees, including risk management and internal audit, report to the EXCO.

The administration agency reports to an independent audit committee and is guided by the Advisory Board appointed by the Minister of Finance to strengthen the governance and executive oversight of the work of the GPAA. The GPAA reports to the Minister of Finance, who serves as its executive authority.

OVERVIEW OF THE GEPF CONTINUED

OVERSIGHT AND MONITORING OF BENEFITS ADMINISTRATION

The GEPF Benefits and Administration Committee oversees and monitors the performance of the GPAA with regards to the administration of benefits. The committee meets quarterly and the GPAA submits the following reports to the committee:

- Compliance to the service level agreement
- Resignations from the pension fund
- Unclaimed benefits
- ICT Modernisation updates

The executive committees of the GEPF and the GPAA meet on a quarterly basis to assess GPAA performance according to the service level agreement, as well as to discuss other strategic matters.

To ensure effective and efficient operations, the executive committees also hold ad hoc meetings whenever necessary. The GPAA submits its annual operating budget to the GEPF Finance and Audit Committee, and thereafter the budget is submitted to the GEPF Board of Trustees for approval. Oversight and monitoring of the expenses of the GPAA is the responsibility of the GEPF Finance and Audit Committee.



BOARD OF TRUSTEES



Dr Renosi Mokate (62)

*Executive Director –
Concentric Alliance*

GEPF positions

- Employer-nominated trustee (Specialist)
- Chairperson of the Board of Trustees
- Chairperson of the Investment Committee

Qualifications

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

Meeting attendance

Board meetings	4/4
Investment Committee	10/10
Board training and strategic planning session	2/4



Mr Eddie Kekana (56)

*Provincial Chairperson –
South African Democratic
Teachers' Union (SADTU)
Gauteng*

GEPF positions

- Employee-nominated trustee
- Vice-Chairperson of the Board of Trustees
- Chairperson of the Social and Ethics Sub-committee
- Member of the Governance and Legal Committee
- Member of the Investment Committee

Qualifications

- Secondary Teachers Diploma
- Advanced Certificate in Education
- Higher Certificate in Economic Development
- Certificate Programme in Human Resource Management – UNISA
- Certificate Programme in Project Management – Regenesys Business School

Meeting attendance

Board meetings	4/4
Governance and Legal Committee	4/4
Investment Committee	9/10
Social and Ethics Sub-committee	4/4
Board training and strategic planning session	4/4



Mr Sibonelo Cele (43)

*Provincial Chairperson –
Democratic Nursing
Organisation of South Africa
(DENOSA) – KwaZulu Natal*

GEPF positions

- Employee-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

Qualifications

- National Diploma in Nursing – KwaZulu-Natal College of Nursing
- National Diploma in Political Studies – Workers College/UKZN
- Business Management (attended) – North West University

Meeting attendance

Board meetings	4/4
Benefits and Administration Committee	5/5
Investment Committee	10/10
Board training and strategic planning session	4/4

**Colonel Johan Coetzer (55)**

Senior Staff Officer – Military Defence Counsel (SANDF)

**Mr Themba Gamedze (62)**

Non-executive director on various boards

**Ms Jennita Kandailal (50)**

Manager: Human Resources – State Security Agency

GEPF positions

- Employee-nominated trustee
- Member of the Finance and Audit Committee
- Member of the Remuneration Committee

Qualifications

- Bachelor of Commerce (Law) – University of Pretoria
- LLB – University of Pretoria
- LLM (Labour Law) – University of Johannesburg
- LLM (Labour Law) – University of Pretoria
- Post Graduate Diploma in Labour Law – University of Johannesburg
- Admitted Attorney of the High Court of South Africa (North Gauteng Division, Pretoria)
- Certificate in Labour Dispute Resolution Practice – Stellenbosch University
- Member of the International Pension and Employee Benefits Lawyers Association

Meeting attendance

Board meetings	4/4
Finance and Audit Committee	7/7
Remuneration Committee	8/8
Board training and strategic planning session	4/4

GEPF positions

- Employer-nominated trustee (Specialist)

Qualifications

- BA (Honours) – University of Warwick
- MSc – University of Warwick
- Fellow of the Actuarial Society of South Africa (FASSA)

Meeting attendance

Board meetings	1/4
Board training and strategic planning session	2/4
Investment Committee*	2/6

* No longer a member of the Committee since September 2019

GEPF positions

- Employer-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Remuneration Committee

Qualifications

- Master of Arts (Psychology) – University of Natal, Durban
- Higher Diploma in Education – University of Natal, Durban
- Executive Education (Pensions Management) – ICPM University of Toronto, Canada

Meeting attendance

Board meetings	3/4
Benefits and Administration Committee	5/5
Remuneration Committee	7/8
Board training and strategic planning session	4/4

BOARD OF TRUSTEES CONTINUED



Dr Frans le Roux (73)

Former Deputy Director General – Financial Management, National Treasury

GEPF positions

- Pensioner-elected trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

Qualifications

- BCom – University of Pretoria
- MCom – University of Stellenbosch
- DCom – University of Stellenbosch
- Program in Investment Analysis and Portfolio Management – UNISA

Meeting attendance

Board Meetings	4/4
Benefits and Administration Committee	5/5
Investment Committee	9/10
Board training and strategic planning session	4/4



Ms Kgomotsi Makhupola (50)

National Treasurer – National Health, Education and Allied Workers' Union (NEHAWU)

GEPF positions

- Employee-nominated trustee
- Chairperson of the Benefits and Administration Committee
- Member of the Finance and Audit Committee

Qualifications

- Diploma in Public Relations – Allenby College
- Certificate in Human Resource Development and Management – Damelin College
- Certificate in Economic Development – University of Western Cape

Meeting attendance

Board Meetings	3/4
Benefits and Administration Committee	5/5
Finance and Audit Committee	7/7
Board training and strategic planning session	4/4



Mr Stadi Mngomezulu (54)

Deputy Director General – National Treasury

GEPF positions

- Employer-nominated trustee
- Chairperson of the Finance and Audit Committee
- Member of the Investment Committee
- Standing invitee to the Valuations Sub-committee

Qualifications

- Master of Business Leadership -UNISA
- BCom (Accounting) - Vista University
- Executive Development Programme – Gestalt International Study Centre, Massachusetts, USA

Meeting attendance

Board Meetings	2/4
Finance and Audit Committee	5/7
Investment Committee	3/10
Valuations Sub-committee (standing invitee)	2/5
Board training and strategic planning session	2/4



Mr Thabo Mokwena (50)
*Chairman –
 Leago Group*

GEPF positions

- Employer-nominated trustee
- Member of the Finance and Audit Committee
- Member of the Investment Committee

Qualifications

- Masters in Finance: Financial Strategies – Oxford University
- Masters in Economic Development – Wits University
- Honours degree – University of Durban Westville
- Bachelor of Social Science degree – University of Cape Town
- Certificate in Private Equity – Oxford University
- Certificate in Infrastructure development and Finance – Said Business School Oxford University
- Certificate in Economic Challenges for African Development – London School of Economics

Meeting attendance

Board Meetings	2/4
Finance and Audit Committee	3/7
Investment Committee	5/10
Board training and strategic planning session	1/4



**Advocate Makhubalo
 Ndaba (49)**
*Group General Counsel
 Workerslife Group*

GEPF positions

- Employee-nominated trustee
- Chairperson of the Governance and Legal Committee
- Member of the Investment Committee

Qualifications

- LLM – University of Central Lancashire, United Kingdom
- LLB – University of Transkei
- BJuris – University of Transkei
- Diploma in Legislation Drafting – University of Johannesburg
- Advanced Research Diploma – Institute of Social Studies, Netherlands
- Executive Education (Governance) – Gordon's Institute of Business Studies (GIBS)
- Executive Education (Governance) – Institute of Directors of Southern Africa (IoDSA)
- Executive Education (Pensions Management) – ICPM University of Toronto, Canada

Meeting attendance

Board Meetings	3/4
Governance and Legal Committee	4/4
Investment Committee *	6/7
Benefits and Administration Committee **	1/2
Board training and strategic planning session	4/4

* No longer a member of the Committee since December 2019

** Appointed to the Committee in December 2020

BOARD OF TRUSTEES CONTINUED



**Lieutenant General
Lineo Ntshiea (47)**

Deputy Director General (DDG): Human Resources Management – South African Police Service

GEPF positions

- Employer-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

Qualifications

- Secondary Education Diploma – Vista University
- Baccalaureus of Artium – Vista University
- Postgraduate Diploma: Public Administration – University of the Free State
- Executive Development & Leadership (AIM) – Potchefstroom University
- Strategic Management – UNISA
- Executive Leadership Programme – WITS Graduate School of Business Administration
- Law Enforcement Executive Development: FBI Academy – Quantico, Washington, DC
- Executive Education (Pensions Management) CPM University of Toronto, Canada
- Executive HRM Course for Public Service, China Executive Leadership Academy, Shanghai

Meeting attendance

Board Meetings	4/4
Benefits and Administration Committee	4/5
Investment Committee	9/10
Board training and strategic planning session	4/4



Dr Morgan Pillay (58)

Chief Director: Human Resource Management and Development, Labour Relations and IT – Department of Basic Education

GEPF positions

- Employer-nominated trustee
- Member of the Governance and Legal Committee
- Member of the Benefits and Administration Committee

Qualifications

- BPaed Degree – University of Durban Westville
- BA Hons Degree – University of Durban Westville
- BEd Degree – University of South Africa
- MEd Degree – Rand Afrikaans University
- Phd – University of Johannesburg

Meeting attendance

Board Meetings	4/4
Benefits and Administration Committee	4/5
Governance and Legal Committee	3/4
Board training and strategic planning session	4/4



Major General Mulungisa Sitshongaye (53)

Chief Director: Human Resource Strategic Direction and Policy – Department of Defence

GEPF positions

- Employer-nominated trustee
- Member of the Governance and Legal Committee
- Member of the Benefits and Administration Committee

Qualifications

- Bachelor of Social Science – University of Cape Town
- Master's in International Studies – King's College, University of London

Meeting attendance

Board Meetings	4/4
Benefits and Administration Committee	5/5
Governance and Legal Committee	4/4
Board training and strategic planning session	4/4



Mr Pierre Snyman (47)

Chairperson – Public Servants Association of South Africa (PSA)

Member of the Public Service Committee – FEDUSA

GEPF positions

- Employee-nominated trustee
- Member of the Governance and Legal Committee
- Member of the Investment Committee

Qualifications

- Advance Labour Law Programme – UNISA
- Executive Education (Governance) - Institution of Directors of SA
- Executive Education (Pension Management) - University of Toronto

Meeting attendance

Board Meetings	4/4
Governance and Legal Committee	3/4
Investment Committee	8/10
Board training and strategic planning session	4/4



Mr Alan Thompson (45)

President of the National Teachers Union (NATU)

GEPF positions

- Employee-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Finance and Audit Committee

Qualifications

- Bachelor of Science – University of the North
- Bachelor Science Honours Degree – University of the North
- Post Graduate Certificate in Education – University of the North

Meeting attendance

Board Meetings	2/4
Benefits and Administration Committee	1/5
Finance and Audit Committee	4/7
Board training and strategic planning session	2/4

BOARD OF TRUSTEES CONTINUED

SUBSTITUTE TRUSTEES OF THE FUND



Ms Lindy Bodewig (42)

Chief Director in the Office of the Accountant General (South African National Treasury)

GEPF positions

- Employer-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Governance and Legal Committee
- Member of the Valuations Sub-committee

Qualifications

- Chartered Accountant (SA) – University of Pretoria
- BCom Accounting Hons and CTA – University of Pretoria
- BCom Accounting Sciences – University of Pretoria

Meeting attendance

Board meeting	2/2
Finance and Audit Committee	7/7
Governance and Legal Committee	1/4
Valuations Sub-committee	5/5
Board training and strategic planning session	1/4



Mr Terrence Chauke (53)

Mathaveiya Skills Enhancement – Chief Executive Officer

GEPF positions

- Employer-nominated substitute trustee (Specialist)
- Member of Finance and Audit Committee
- Member of Investment Committee
- Member of Valuations Sub-committee
- Member of Social and Ethics Sub-committee

Qualifications

- Master in Business Administration – University of Cape Town
- Financial Modelling and Analyses Certificate – University of Cape Town
- Senior Executive Leadership programme – University of Witwatersrand
- Post Graduate Diploma in Management – University of Witwatersrand
- Bachelor of Administration – University of the North (now University of Limpopo)
- Chartered Director – Institute of Directors South Africa
- Master Human Resources Professional (Generalist) - SA Board for People Practices
- Member of ABSIP

Meeting attendance

Finance and Audit Committee	5/7
Investment Committee	10/10
Social and Ethics Sub-committee	4/4
Valuations Sub-committee	5/5
Board training and strategic planning session	4/4



Major Gen Dries De Wit (64)

Retired Major General – South African National Defence Force (SANDF)

GEPF positions

- Pensioner-elected substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

Qualifications

- National Diploma in Human Resource Management
- Advanced Diploma in Negotiation Skills
- Board Effectiveness Programme – The World Bank

Meeting attendance

Benefits and Administration Committee	5/5
Investment Committee	10/10
Board training and strategic planning session	4/4



Dr Vuyo Dyantyi (54)

Vice President: Public Servants Association of South Africa (PSA)

GEPF positions

- Employee-nominee substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Governance and Legal Committee
- Member of Social and Ethics Sub-committee

Qualifications

- Primary Teachers Diploma – Vista University
- BA, BEd, MEd, Doctoral Technologae – Vista University

Meeting attendance

Benefits and Administration Committee	5/5
Governance and Legal Committee	4/4
Social and Ethics Sub-committee	4/4
Board training and strategic planning session	4/4



Mr Kenny Govender (60)

Deputy Director General: Special Projects – Department of Water and Sanitation

GEPF positions

- Employer-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Governance and Legal Committee

Qualifications

- Senior Primary Education Diploma – Springfield College of Education
- Higher Diploma in Education – Mathematics – Springfield College of Education
- Further Diploma in Education – Computers – Rand Afrikaans University

Meeting attendance

Benefits and Administration Committee	4/5
Governance and Legal Committee	2/4
Board training and strategic planning session	1/4

BOARD OF TRUSTEES CONTINUED

SUBSTITUTE TRUSTEES OF THE FUND CONTINUED



**Brigadier Johan Griesel
(51)**

*Section Head:
Compensation
Management, South
African Police Services
(SAPS)*

GEPF positions

- Employer-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Investment Committee

Qualifications

- National Diploma – Technicon RSA
- Certified Fraud Examiner (CFE)

Meeting attendance

Finance and Audit Committee	6/7
Investment Committee	5/10
Board training and strategic planning session	2/4



Mr Sidney Kgara (50)

*Head of Policy
Development Unit:
National Education,
Health and Allied
Workers' Union
(NEHAWU)*

GEPF positions

- Employee-nominated substitute trustee
- Member of the Governance and Legal Committee
- Member of the Investment Committee

Qualifications

- Bachelor of Social Science
- Masters in Town and Regional Planning

Meeting attendance

Investment Committee	6/10
Governance and Legal Committee	3/4
Board training and strategic planning session	3/4



Ms Thandi Khoza (58)

*Director: Human Resource
Development and Social
Responsibility –
Department of Basic
Education*

GEPF positions

- Employer-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Governance and Legal Committee

Qualifications

- Degree in Social Work – University of the North
- Honours in Social Science – UNISA
- Advanced Diploma in Social Work – University of North West
- Masters Degree in Public Administration – University of Pretoria

Meeting attendance

Benefits and Administration Committee	5/5
Governance and Legal Committee	4/4
Board training and strategic planning session	4/4



**Mr Mugwena Maluleke
(57)**

General Secretary: South African Democratic Teachers' Union (SADTU)

GEPF positions

- Employee-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

Qualifications

- Bachelor of Arts (BA) - UNISA
- Primary Teachers Diploma (PTD)
- Masters in Labour Law (LLM) – Nelson Mandela Metropolitan University
- Master of Business Administration (MBA)
- Diploma in Negotiations
- Certificate in Project Management Programme – Regenesys
- Certificate in Personal Finance Management – UNISA

Meeting attendance

Benefits and Administration Committee	2/4
Finance and Audit Committee *	1/1
Investment Committee **	2/6
Board training and strategic planning session	1/4

* Appointed to the Committee in December 2019

** No longer part of the Committee since September 2019



**Corporal Thobile
Maqhubela (53)**

Corporal in Uniformed Services (Tels Operator – Western Cape Signal Unit)

GEPF positions

- Employee-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Finance and Audit Committee

Qualifications

- Diploma in Personnel and Training Management
- Certificate in Customer Service Management
- Certificate in OHS Management

Meeting attendance

Benefits and Administration Committee	5/5
Finance and Audit Committee	7/7
Board training and strategic planning session	3/4



**Mr Success Mataitsane
(65)**

*General Secretary:
National Union of Public Service & Allied Workers*

GEPF positions

- Employee-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Governance and Legal Committee
- Member of the Social and Ethics Sub-committee

Qualifications

- National Diploma in Analytical Chemistry

Meeting attendance

Finance and Audit Committee	7/7
Governance and Legal Committee	4/4
Social and Ethics Sub-committee	3/4
Board training and strategic planning session	3/4

BOARD OF TRUSTEES CONTINUED

SUBSTITUTE TRUSTEES OF THE FUND CONTINUED



Rear Admiral Gladys Mbulaheni (47)

Director: Human Resources Maintenance South African National Defence Force – SANDF

GEPF positions

- Employer-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Finance and Audit Committee

Qualifications

- Bachelor of Art in Government Administration and Development (UNISA)
- Senior Management Programme Certificate (TUT)
- Postgraduate Diploma in Management in the field of security (WITS)

Meeting attendance

Benefits and Administration Committee	5/5
Finance and Audit Committee	7/7
Board training and strategic planning session	4/4



Advocate Sibusiso Mtsweni (45)

Head of Legal Department: Police and Prisons Civil Rights Union

GEPF positions

- Employee-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of Governance and Legal Committee

Qualifications

- Bachelor of Laws (LLB) Degree – University of Zululand

Meeting attendance

Board meeting	1/1
Benefits and Administration Committee	5/5
Governance and Legal Committee	3/4
Board training and strategic planning session	2/4



Ms Suveena Pillay (39)

Acting Manager: Financial Accounting – State Security Agency (SSA)

GEPF positions

- Employer-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Governance and Legal Committee
- Member of the Valuations Sub-committee

Qualifications

- Bachelor of Commerce Degree – University of KwaZulu-Natal
- Bachelor of Commerce Honours (Accounting) – University of KwaZulu-Natal
- Bachelor of Commerce Honours (Accounting) with CTA – University of KwaZulu-Natal
- CA(SA)

Meeting attendance

Finance and Audit Committee	6/7
Governance and Legal Committee	4/4
Valuations Sub-committee*	2/2
Board training and strategic planning session	4/4

* Appointed to serve on the Sub-committee in September 2019

**Mr Khaya Sodidi (46)**

*National Chief Negotiator
in Public Sector,
Democratic Nursing
Organisation of South
Africa (DENOSA)*

GEPF positions

- Employee-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Governance and Legal Committee

Qualifications

- Diploma in Nursing Science – Eastern Cape College of Nursing
- Diploma in Education – University of Cape Town
- Advanced Labour Law - UNISA
- BA in Policy Studies – UNISA

Meeting attendance

Finance and Audit Committee	7/7
Governance and Legal Committee	3/4
Board training and strategic planning session	4/4

**Advocate Nonku Tshombe (64)**

*Head: General Counsel
(Legal Services) – Financial
Sector Conduct Authority*

GEPF positions

- Employer-nominated substitute trustee (Specialist)
- Member of the Benefits and Administration Committee
- Member of the Governance and Legal Committee

Qualifications

- BA Law (LLB) – University of Witwatersrand
- Higher Diploma in Tax Law – UNISA
- Certificate in Pension Law

Meeting attendance

Board Meetings	2/2
Benefits and Administration Committee	4/5
Governance and Legal Committee	3/4
Board training and strategic planning session	4/4

FUND GOVERNANCE

THE GEPF BOARD

The Board is established in terms of the GEP Law and Rules and appointed for a four-year period. The Minister of Finance inaugurated the current Board on 21 May 2018. In line with the GEP Law, the Board consists of 16 Trustees, led by an elected Chairperson and Vice-Chairperson. The Trustees elect the Chairperson and Vice-Chairperson from its own ranks at the first meeting of the newly-appointed Board. Each trustee has an elected or appointed substitute, ensuring full and proper representation at all times.

The Rules prescribe that the Board is responsible for the proper and efficient management of the Fund and consists of:

- Eight employer nominees; and
- Eight employee nominees, which includes a pensioner member and representative of the South African National Defence Force (SANDF) and Intelligence, elected through postal ballot.

The Board, supported by the Principal Executive Officer (PEO) and the executive management team, meets annually to discuss and agree on the Fund's long-term strategies. Although the Board Charter prescribes that the Board should meet quarterly, during the financial period under review the Board held 4 meetings to deal with normal and special business interests of the Fund.

EMPLOYER NOMINEES

Trustee		Substitute Trustee	
Department	Name	Department	Name
National Treasury	Mr Stadi Mngomezulu	National Treasury	Ms Lindy Bodewig
Department of Public Service and Administration	Mr Thabo Mokwena	Department of Public Service and Administration	Mr Kenny Govender
Department of Defence	Major General Mulungisa Sitshongaye	Department of Defence	Rear Admiral (Junior Grade) Gladys Mbulaheni
State Security Agency	Ms Jennita Kandailal	State Security Agency	Ms Suveena Pillay
South African Police Services	Lieutenant General Lineo Ntshiea	South African Police Services	Brigadier Johan Griesel
Department of Basic Education	Dr Morgan Pillay	Department of Basic Education	Ms Thandi Khoza
Specialist Trustee	Mr Themba Gamedze	Specialist Trustee	Advocate Nonku Tshombe
Specialist Trustee	Dr Renosi Mokate	Specialist Trustee	Mr Terrence Chauke

EMPLOYEE NOMINEES

Trustee		Substitute Trustee	
Department	Name	Department	Name
National Education, Health and Allied Workers' Union (NEHAWU)	Ms Kgomo Makhupola	National Education, Health and Allied Workers' Union (NEHAWU)	Mr Sidney Kgara
South African Democratic Teachers' Union (SADTU)	Mr Eddie Kekana	South African Democratic Teachers' Union (SADTU)	Mr Mugwena Maluleke

The Board has constituted five permanent committees and two sub-committees to effect its strategic direction. Both trustees and substitute trustees serve on these committees. All the committees have formal terms of reference that clearly detail the mandate and duties of each committee.

The committees are as follows:

- Benefits and Administration Committee;
- Finance and Audit Committee
 - Valuations Sub-committee;
- Governance and Legal Committee
 - Social and Ethics Sub-committee;
- Investment Committee; and
- Remuneration Committee.

The Board also established formal engagement structures with the PIC Board. The GEPF and PIC Board meets at least twice a year to discuss matters of strategic interest and the following committees of the two entities also meets twice a year:

- Investment Committee
- Finance and Audit Committee
- Social and Ethics Committee

BOARD COMPOSITION

Trustees are appointed in accordance with Section 6 of the GEP Law and Rules.

Trustee		Substitute Trustee	
Department	Name	Department	Name
National Teachers Union (NATU)	Mr Alan Thompson	National Union of Public Service and Allied Workers (NUPSAW)	Mr Success Mataitsane
South African National Defence Force and Intelligence Community	Colonel Johan Coetzer	South African National Defence Force and Intelligence Community	Corporal Thobile Maqhubela
Public Servants Association (PSA)	Mr Pierré Snyman	Public Servants Association (PSA)	Dr Vuyo Dyantyi
Democratic Nursing Organisation of South Africa (DENOSA)	Mr Sibonelo Cele	Democratic Nursing Organisation of South Africa (DENOSA)	Mr Khaya Sodidi
Police and Prisons Civil Rights Union (POPCRU)	Advocate Makhubalo Ndaba	Police and Prisons Civil Rights Union (POPCRU)	Advocate Sibusiso Mtshweni
Pensioner	Dr Frans le Roux	Pensioner	Major General Dries de Wit

INDEPENDENCE OF TRUSTEES

The GEPF Trustees are considered non-executives as they are without executive responsibilities and are accordingly not involved in the day-to-day business operations. The Board contributes collectively in respect of their combined judgement, experience, and independence for the benefit of the Fund. Robust Board discussions ensure an appropriate balance of power and encourages different views and independence of mind at meetings.

SKILLS, 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 specialists currently serve as Trustees, supported by two specialist substitute Trustees. The other Trustees and their substitutes have the necessary skills, knowledge, and experience to effectively manage and govern the Fund. The profiles of the 16 Trustees are reflected on pages 22 to 27. The terms of reference of all Board Committees allows for the appointment of specialists to serve on a Committee to augment the skills and expertise of the trustees serving on the Committee.

THE BOARD CHARTER

The Board's role is to ensure that it directs its efforts collectively towards the Fund's affairs to ensure its prosperity, but also in meeting the expectations of the shareholders and relevant stakeholders. The Board has an established formal Board Charter to assist it to meet such requirements, inclusive of determining the roles and responsibilities of the Board as a collective, for the committees, and serving individuals. The Board Charter specifies its general governance of the Fund and ensures compliance to policies and procedures.

THE GOVERNANCE CHARTER

The Board is governed by a Governance Charter derived from sources that include the GEP Law and Rules, Good Governance on Retirement Funds (Circular PF130, issued by the Financial Sector Conduct Authority), and King IV. The Governance Charter is reviewed regularly to ensure that it is compliant with local and international corporate governance best practices.

The Governance Charter includes: A Trustee Code of Conduct and Ethics; Trustee Fit and Proper guidelines; Trustee Responsibilities; Trustee Development and Training; Board and Trustee Performance Assessments; Board Remuneration and Expenses; Media Policy; Confidentiality Policy; Conflict of Interest Policy; Compliance Policy; Risk Policy and Framework; Committee Terms of Reference; and Rules on the Delegation of Authority.

TRUSTEE EDUCATION AND TRAINING POLICY

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

Compulsory training sessions are organised to ensure that Trustees and substitute Trustees have a thorough understanding of the GEPF's operating environment.

Training sessions held included:

- Ethics;
- Protection of Personal Information Act (POPI)
- Insider Trading; and
- Risk Budgeting.

FUND GOVERNANCE CONTINUED

Trustees attended other sessions inclusive of local and international conferences in respect of ongoing training and development. All the Trustees and substitute Trustees are members of the IoDSA.

TRUSTEE REMUNERATION POLICY

According to the GEP Law, Trustees are compensated for their services and expenses as determined by the Board. Trustees receive payment for meetings attended as well as an annual retainer fee. The Trustee Remuneration Policy clearly details the principles upon which trustee remuneration is determined. The details of remuneration paid can be found in the annual financial statements on pages 117 to 118. The GEPF's trustee remuneration levels are aligned to the remuneration levels of trustees/directors at similar organisations.

BOARD PERFORMANCE ASSESSMENT

A formal performance assessment for the Board and its committees and the relevant chairpersons were undertaken after the reporting period. The results of the assessments indicated that there were no development areas identified for the Board. However, a need to focus on training and development of matters falling within the sphere of responsibilities of some Board Committees were identified. A detailed training and development program will be developed to address this and implemented during the 2020/21 financial year.

ETHICS AND THE MANAGEMENT OF THE GEPF'S ETHICAL RISKS

The Board views its ethical duty towards the Fund, broader stakeholders, the society and the environment, in a very serious light. The Board endeavours to ensure that the Fund is seen as, and is, a responsible corporate citizen. The Board has a formal Code of Conduct and Ethics that espouses the following ethical principles:

RESPONSIBILITY

- Trustees must assume responsibility for the assets and actions of the Fund and be willing to implement corrective actions to keep the Fund on an ethical and sustainable strategic path.

ACCOUNTABILITY

- Trustees must assume accountability collectively and individually and be able to justify their decisions and actions to pensioners, GEPF members, regulatory authorities, and the guarantor of the Fund. Trustees may be held personally and/or collectively liable for any breach of governance that results in any loss to the Fund and its members, pensioners, and beneficiaries.
- In striving towards fairness, Trustees must identify the Fund's ethics risks through engagement with internal and

external stakeholders given that stakeholders are able to identify such risks and opportunities. Subsequently, risk strategies will be implemented to ensure that ethical risks are within acceptable limits.

FAIRNESS

- When making decisions, Trustees must ensure they give fair consideration to legitimate interests and expectations, in the best interest of the Fund.

TRANSPARENCY

- Trustees must ensure that they disclose information in a manner that enables stakeholders to make an informed analysis of the Fund's performance and sustainability.
- Trustees must communicate any aspects of the Fund that are relevant to the Fund's members, and which can assist in establishing credibility and trustworthiness of the Fund in terms of its governance and administration, its investment performance, and the delivery of its benefits.

CONSCIENCE

- Trustees must act with intellectual honesty and integrity and show independence of mind in the best interest of the Fund and its stakeholders. Trustees are independent of their principal organisations and must always conduct themselves, in the best interests of the Fund, its pensioners, and members.

INCLUSIVITY OF STAKEHOLDERS

- Trustees must strive towards stakeholder inclusion, which is essential for sustainability. The legitimate interests and expectations of stakeholders must also be taken considered in decision-making and when determining strategy.

COMPETENCE

- Trustees must have the relevant knowledge, competencies, and skills required for governing a fund effectively.
- Trustees must maintain the relevant capacity to deal diligently and thoroughly in effecting their duties and responsibilities to the Fund.
- Trustees must utilise the results of the annual appraisal assessment to identify lack of skills or competency and ensure that they receive rigorous and robust training in order to equip themselves to effectively carry out their duties and responsibilities.

COMMITMENT

- Trustees must be diligent in performing their duties and devote the necessary time to Fund affairs. Fund performance and compliance requires unwavering dedication and appropriate effort.

COURAGE

- Trustees must have the courage to take appropriate risks associated with directing and controlling a successful, sustainable enterprise, as well as acting with integrity in all Board decisions and activities.

The Board established a Social and Ethics Sub-committee despite the GEPF not being required to do so in terms of the law. This reflects the Board's commitment to positioning the GEPF as an ethical leader and good corporate citizen.

An Ethics Officer is responsible for the implementation of an ethics programme within the GEPF. Quarterly reports are submitted to the Social and Ethics Sub-committee and a formal report, in respect of ethics matters, is tabled to the Governance and Legal Committee and the Board.

BOARD COMMITTEES

INVESTMENT COMMITTEE

The Board established the Investment Committee to consider and review all aspects of the Fund's investment activities and to advise and make recommendations to the Board relating to the management of Fund assets and any recommended changes thereto, Investment Policies, strategy procedures, and other similar issues.

Composition of Committee

The Committee comprises a mix of full trustees and substitute trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 22 to 33.

The Committee members are:

Dr Renosi Mokate (*Chairperson*)

Mr Sibonelo Cele

Mr Terrence Chauke

Maj Gen Dries de Wit

Mr Themba Gamedze*

Brig Johan Griesel

Mr Eddie Kekana

Mr Sidney Kgara

Dr Frans Le Roux

Mr Mugwena Maluleke*

Mr Stadi Mngomezulu

Mr Thabo Mokwena

Adv Makhubalo Ndaba*

Lt Gen Lineo Ntshiea

Mr Pierre Snyman

The PIC has a standing invitation to present its quarterly investment report to the Investment Committee.

Committee highlights

The INV-C facilitated the following Board resolutions during the period under review:

- The PIC should obtain GEPF Board approval for unlisted investments above R2 billion;
- A moratorium was placed on all Structured Investment Products (SIPS)

The Committee also focused on the review of the Investment Policy Statement (IPS) as well as the Investment Mandate. The Investment Policy Statement was approved by the Board after the reporting period. It is envisaged that the revised Investment Mandate will be approved by the Board during the 2020/21 financial year.

The Investment Committee is satisfied that during the period under review it has fulfilled its responsibilities in respect of its terms of reference.

FINANCE AND AUDIT COMMITTEE

The Board established the Finance and Audit Committee to keep under review all aspects of the Fund's audit, financial, and risk activities; and advised and made recommendations to the Board regarding these issues.

Composition of Committee

The Committee comprises a mix of full trustees and substitute trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 22 to 33.

Mr Stadi Mngomezulu (*Chairperson*)

Mr Terrence Chauke

Col Johan Coetzer

Brig Johan Griesel

Ms Kgomoitso Makhupola

Mr Mugwena Maluleke

Corp Thobile Maqhubela

Mr Success Mataitsane

Rear Adm Gladys Mbulaheni

Mr Thabo Mokwena

Mr Richard Morris

Ms Suveena Pillay

Mr John Raphela

Mr Khaya Sodidi

Mr Alan Thompson

The CEO and related personnel of the GPAA, and the administration arm of the GEPF attend the Finance and Audit Committee as invitees. The GPAA reports to the Committee on matters in respect of a Service Level Agreement (SLA), such as the expenditure against their budget, fraud prevention, and other issues relative to the Fund.

* Messrs Gamedze, Ndaba and Maluleke were appointed to serve on the Interim Board of Directors of the PIC in June 2019. The Board therefore resolved that the three members should no longer serve on the INV-C to mitigate the risk of a conflict of interest arising both real or perceived.

FUND GOVERNANCE CONTINUED

Committee highlights

- Facilitated the approval of the External Audit Planning Memorandum.
- Recommended, to the Board, that certain adjustments for fair value be approved.
- Facilitated the Board's approval of the Annual Report and Annual Financial Statements for the 2018/19 reporting period.
- Recommended to the Board that the GPAA budget be approved.
- Successfully recommended the approval by the Board, of the Board's revised strategic planning objectives.
- Successfully recommended to the Board that the budget and business plans for 2020/2021 be approved.
- Recommended, a revised Enterprise Risk Management Framework to the Board for approval.
- Developed and submitted a Fraud and Corruption Policy, Fraud Management Strategy and Fraud Response Plan.
- Facilitated the appointment of various service providers in line with the GEPF's Supply Chain Management Policy
- Revised the following Policies and obtained Board approval:
 - End-user Policy
 - Risk Management Policy
 - Asset Management Policy
 - User ID and Password Policy
 - Information Security Policy
 - Business Continuity Policy

The Finance and Audit Committee is satisfied that during the period under review, it fulfilled its responsibilities in respect of its terms of reference.

BENEFITS AND ADMINISTRATION COMMITTEE

The Board established the Benefits and Administration Committee and mandated it to keep under review all aspects of the Fund's administration activities, to advise and make recommendations to the Board related the Fund's benefits, to administer the Fund's affairs inclusive of issues related to the benefit or administration policies, strategy, procedures, management and any recommended changes thereof.

Composition of Committee

The Committee comprises a mix of full trustees as well as substitute trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 22 to 33.

Ms Kgomotso Makhupola (*Chairperson*)
Mr Sibonelo Cele
Maj Gen Dries de Wit
Dr Vuyo Dyantyi
Mr Themba Gamedze
Mr Kenny Govender

Ms Jennita Kandailal
Ms Thandi Khoza
Dr Frans le Roux
Mr Mugwena Maluleke
Corp Thobile Maghubela
Rear Adm Gladys Mbulaheni
Adv Sibusiso Mtsweni
Advocate Makhubalo Ndaba
Lt Gen Lineo Ntshiea
Maj Gen Mulungisa Sitshongaye
Mr Alan Thompson
Adv Nonku Tshombe
Dr Morgan Pillay

Committee highlights

- Facilitated the approval of requests made by various participating employers.
- Facilitated the approval of the Fund Valuator.
- Facilitated the approval of a pension increase.
- Recommended the further amendments to the GEPF Rules in respect of the Additional Voluntary Contribution Scheme.
- Facilitated the approval of the decrement investigation to be used in the next statutory actuarial valuation. Recommended, for approval, the restriction of the charging of interest on outstanding divorce debts for all affected members who may elect to have their divorce debt converted to a reduction in service years, up to 31 October 2020.

The Benefits and Administration Committee is satisfied that during the period under review it fulfilled its responsibilities in respect of its terms of reference.

GOVERNANCE AND LEGAL COMMITTEE

The Board established a Governance and Legal Committee mandated to review all aspects of the Fund's governance, legal and compliance activities, and to advise and make recommendations to the Board accordingly.

Composition of the Committee

The Committee comprises a mix of full trustees and substitute trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 22 to 33.

Adv Makhubalo Ndaba (*Chairperson*)
Ms Lindy Bodewig
Dr Vuyo Dyantyi
Mr Kenny Govender
Mr Eddie Kekana
Mr Sidney Kgara
Ms Caroline Khoza

Mr Success Mataitsane
 Adv Sibusiso Mtsweni
 Dr Morgan Pillay
 Ms Siveena Pillay
 Mr Khaya Sodidi
 Maj Gen Mulungisa Sitshongaye
 Mr Pierre Snyman
 Adv Nonku Tshombe

Committee highlights

The following governance related policies/documents were revised and submitted to the Board for approval:

- The terms of reference of all Board Committees and Sub-committees
- The Board Code of Conduct
- Staff Ethics Policy
- Trustee Training and Education Policy
- Confidentiality Policy
- Conflict of Interest Policy
- Fit and Proper Questionnaire

The Governance and Legal Committee is satisfied that during the period under review it fulfilled its responsibilities in respect of its terms of reference.

REMUNERATION COMMITTEE

The Board established a Remuneration Committee (Remco) to keep under review all remuneration and human resources policies and practices of the Fund.

Composition of Committee

The Committee comprises a mix of full trustees and substitute trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 22 to 33.

Ms Jenny Jeftha (*Chairperson*)
 Col Johan Coetzer
 Ms Jennita Kandailal
 Ms Mantuka Maisela
 Dr Lese Matlhape

Committee highlights

- Facilitated the approval of short-term incentive performance bonuses for Fund employees and the annual performance related salary increases.
- Submitted the Human Resources Strategy to the Board for approval.
- Revised the Total Rewards Strategy of the GEPF.
- Reviewed the organisational structures and submitted a revised structure to the Board for approval.

The Remuneration Committee is satisfied that during the period under review it fulfilled its responsibilities in respect of its terms of reference.

VALUATIONS SUB-COMMITTEE

The Board established the Valuations Sub-committee to advise the Finance and Audit Committee on the relatively complex matter of the valuation of the unlisted investments of the Fund.

Composition of Sub-committee

The Committee comprises a mix of full trustees as well as substitute trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 22 to 33.

Mr Richard Morris (*Chairperson*)
 Ms Lindy Bodewig
 Mr Terrence Chauke
 Ms Siveena Pillay

Committee highlights

- Facilitated the approval of the adjustments to fair value and the impairments and reversals of impairments of unlisted investments.

The Valuations Sub-committee is satisfied that during the period under review it fulfilled its responsibilities in respect of its terms of reference.

SOCIAL AND ETHICS SUB-COMMITTEE

The Board established the Social and Ethics Sub-committee to keep under review all aspects of the Fund's governance, social and ethics activities, and to advise the Governance and Legal Committee and make recommendations to it.

Constitution of the Sub-committee

The Committee comprises a mix of full trustees and substitute trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 22 to 33.

Mr Eddie Kekana (*Chairperson*)
 Ms Mantuka Maisela
 Mr Terrence Chauke
 Mr Success Mataitsane
 Dr Vuyo Dyantyi

Committee highlights

- Various quarterly reports on material, and social and ethics matters were considered and reported on. Matters that affected the GEPF, PIC, and the GPAA where a mutual interest existed were considered and discussed.
- Organisational ethics was also considered and no matters on ethics were reported by GEPF staff in either the 'ethics box' or through any other reporting mechanisms.

THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER

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

ROLE AND RESPONSIBILITY

The management structure consists of the PEO, the Head of Corporate Services, the Head of Investments and Actuarial, the Head of Stakeholder Management and Communications, and the Company Secretary.

THE PEO

The PEO assists the Board in meeting its fiduciary and oversight obligations in line with the GEP Law, and other laws and regulations. The PEO also represents the Board at different strategic and operational forums, and has overall responsibility for financial reporting and disclosure, consolidating and amending Fund Rules, and valuating liabilities and assets.

The PEO implements all Board decisions, gives effect to the Board's strategy and is supported in this role by executive managers.

HEAD OF INVESTMENTS AND ACTUARIAL

The Head of Investments and Actuarial monitors and manages the assets and liabilities of the GEPF, and is responsible for:

- Ensuring that regular actuarial valuations are duly conducted by the Pension Fund's actuary;
- That asset liability modelling is undertaken to ensure the investment strategy can be aligned to meet the profile of its liabilities;
- Advising the Board on the investment strategy and execution thereof; and
- Overseeing the implementation of the Responsible Investment Policy (RI) and Developmental Investment Policy (DI).

THE COMPANY SECRETARY

The Company Secretary ensures: that the Board practises good governance at all times; provides guidance to the Board on the duties of the Trustees; that the Trustees are adequately inducted and trained; and provides an executive secretariat function to the Board and its committees.

HEAD OF CORPORATE SERVICES

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

HEAD OF STAKEHOLDER MANAGEMENT AND COMMUNICATIONS

The Head of Stakeholder Management and Communications is responsible for managing and overseeing a comprehensive stakeholder management strategy, as well as a communication and education strategy.

EXECUTIVE MANAGEMENT



Mr Abel Sithole
Principal Executive Officer

- MA (International Relations) – University of Stellenbosch
- MPhil (Futures Studies) – University of Stellenbosch
- MBA – University of the Witwatersrand
- BA – Lawrence University, USA
- Fellow: Institute of Life and Pension Advisors
- Chartered Financial Planner
- Member of the IoDSA



Ms Adri van Niekerk
Company Secretary

- B.Admin (Honours) Public Management – University of Pretoria
- B.Admin Public Management – University of Pretoria
- Fellow of the IoDSA
- Member of the International Corporate Governance Network (ICGN)



Mr Babs Naidoo
Head: Stakeholder Management and Communications

- BA – University of Westville
- BA Honours – University of Westville
- Member of the IoDSA
- Member of the International Association of Business Communicators (IABC)
- Chartered Public Relations Practitioner with the Public Relations Institute of South Africa (PRISA)

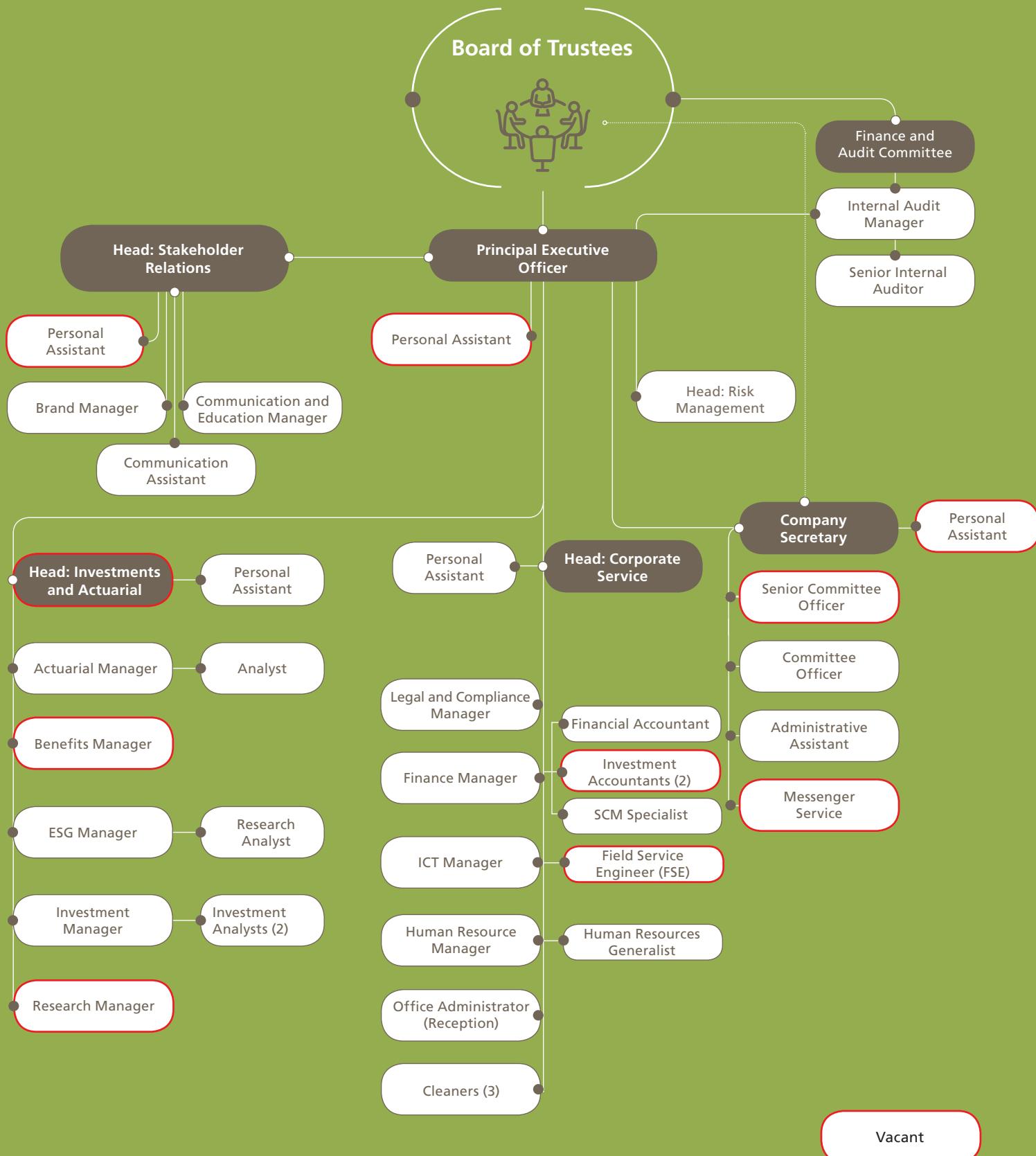


Mr Musa Mabesa
Head: Corporate Services

- MSc – University of London
- ACCA
- Bachelor of Accounting Sciences (BCompt) – University of South Africa
- Leadership – University of Stellenbosch Business School
- Member of the IoDSA

THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER CONTINUED

ORGANISATIONAL STRUCTURE



THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER CONTINUED

INTERNAL GOVERNANCE STRUCTURES

The GEPF has an established Executive Committee that is responsible for ensuring that all matters are tabled, through committees, to the Board for approval and report back. The Executive Committee drives the Board strategy and ensures that all divisions are adept at meeting the strategic targets set by the Board.

The Board's delegation to the PEO enables the functioning of the Fund office and expenditure is managed in line with the supply chain management delegations. Various Bid Committees administer the implementation of procurement functions and the Bid Adjudication Committee deliberates on all tenders above R500 000 to ensure compliance with policy guidelines. The PEO, Finance and Audit Committee and Board of Trustees grant approval of procurement in line with the thresholds in the procurement policy.

EMPLOYMENT EQUITY

The GEPF is committed to complying with the requirements of the Employment Equity Act, No. 55 of 1998 by taking appropriate steps to promote equal opportunity and fair treatment in all employment practices. This is achieved through the elimination of unfair discrimination and

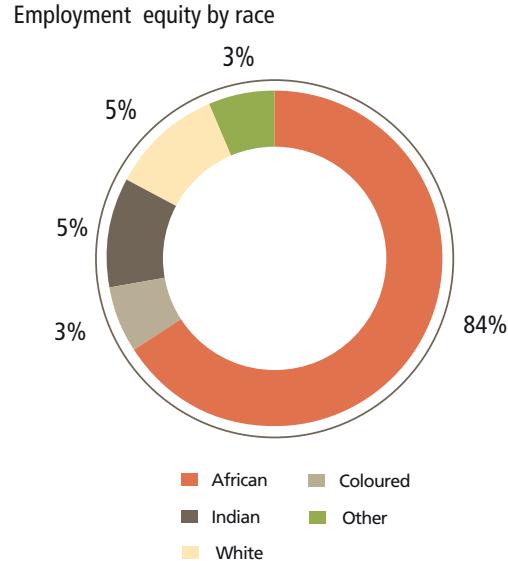
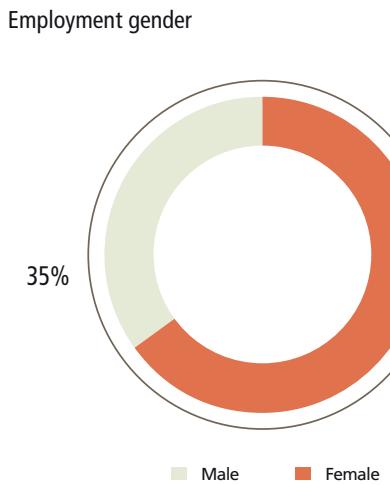
in implementing affirmative measures to redress the disadvantages in employment experienced by designated groups.

The GEPF is fully committed to:

- Transforming the demographic profile of the GEPF workforce to reflect adequately the local and national demographic profile representative of the people while embracing diversity in the workplace in respect of race, gender and culture.
- Developing action plans to accelerate the advancement of employees from designated groups
- Removing all identified barriers to equity for designated groups
- Ensuring fair, non-discriminatory practices which respect the rights and dignity of all GEPF employees irrespective of colour, race, gender and disability.

The GEPF capacitates its Employment Equity Forum to effectively develop and facilitate the employment equity plan, within a strategically integrated framework, which enables members to engage meaningfully in all key aspects of the development, monitoring, evaluation and reporting process.

EMPLOYMENT EQUITY DEMOGRAPHICS BY RACE AND GENDER



THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER CONTINUED

REMUNERATION REPORT

The GEPF provides an engaging and fulfilling work environment that encourages personal and professional growth and development for its employees. The environment enables all employees to give their best towards achieving the strategic imperatives of the organisation.

REMUNERATION PHILOSOPHY

The GEPF's remuneration philosophy is to provide a framework of total rewards that attracts and retains talent and motivates and recognises excellent performance so that the Pension Fund can achieve its strategic deliverables.

The GEPF aims to pay employees at the median of the South African national market, thereby ensuring that remuneration neither leads nor lags the selected market. When performance targets are exceeded and the Pension Fund performs well, the Pension Fund rewards employees through a short-term incentive scheme.

REMUNERATION POLICY

The Remuneration Policy of the GEPF aims to crystallise the spirit of the total rewards plan and seeks to ensure that the remuneration and rewards framework is robust, supports the GEPF's objectives and meets best practice standards. The existing total rewards strategy is compelling, flexible, and compliant, and seeks to reinforce the appropriate employee behaviours in their daily delivery of work.

PAY BENCHMARKING

The GEPF subscribed to, and participated in, two reputable South African remuneration surveys in the final quarter of the year under review. The information obtained from the surveys is used to assess the Pension Fund's position in the market and to inform its remuneration philosophy, policies, and practices in terms of fixed and variable remuneration. The outcome of the pay benchmarking process was approved and implemented.

During the reporting period, a remuneration benchmark exercise was conducted and the recommendations were approved by the GEPF Board.

REMUNERATION GOVERNANCE

The Remco is committed to the principles of fair and responsible remuneration practices ensuring that the GEPF is both externally competitive and internally equitable. The GEPF's governance framework ensures that the reward process is subject to independent oversight by the Remco to enhance the perception of fairness and objectivity and approval by the Board. The remuneration policy and implementation thereof, enables the GEPF to achieve its short, medium and long-term goals which supports

organisational sustainability. The Board approved the implementation of a long-term incentive scheme (LTIS) for mission critical skills as part of improving the employee value proposition. The LTIS will vest every three years subject to performance conditions and other criteria being met, commencing 01 April 2018.

REMUNERATION ELEMENTS

The GEPF's remuneration comprises three elements:

- Fixed remuneration;
- Short-term incentives (STI) - annual cash incentive based on performance assessment outcomes; and
- Long-term Incentives for Executives and mission critical roles – subject to performance conditions and vests in three years if conditions are met

EXECUTIVE REMUNERATION AND PERFORMANCE MANAGEMENT

The GEPF endeavours to ensure a direct link between the performance of its employees, attainment of organisational goals and remuneration, so that remuneration and rewards are structured to promote and sustain high levels of performance.

Performance bonuses are allocated for above-average performance and beyond, and the performance review process undergoes a rigorous independent moderation process, which culminates in bonuses being effected at the end of the financial year. The Board approved the payment of performance bonuses to qualifying employees during the year under review. No ex-gratia payments were made during this period. Following the remuneration benchmark exercise, the short term incentive quanta for the Principal Executive Officer and the guaranteed pay for the Head: Corporate Services was adjusted upwards in line with the market benchmark.

TRAINING AND DEVELOPMENT:

For the period under review, the GEPF conducted a comprehensive organisation wide skills audit which analysed the skills inventory of the Organisation, identified skills gaps and assisted in the development of competency profiles. Consequently, a skills plan has been developed in order to streamline, conduct and manage training and development of employees.

WORK-LIFE BALANCE

The GEPF upholds the highest standards and seeks to add value to the lives of employees through employer-employee interactive engagements, policies, practices and programs to enhance this objective.

ICT GOVERNANCE STATEMENT

During the reporting period, focus was placed on improving the IT ecosystem through enhanced service provider management. Regular monitoring of service providers internal control systems took place and reporting requirements have been put into place. A continuation of the digital strategy to automate processes to reduce paper use was implemented.

The Board oversight and monitoring of strategic IT projects have assisted with the improvement of the delivery of projects. IT placed significant focus on improving cybersecurity and risk mitigation during the year.

Business continuity and disaster recovery plans are in place to ensure operations are unaffected by unplanned events such as disasters, outages and pandemics. The Business continuity plans and disaster recovery were invoked successfully during the state of emergency due to Covid-19 pandemic. All the core IT services continued working seamlessly and it enabled GEPF to continue servicing its clients under the circumstances.

The GEPF continues to implement various IT controls and best practices to further improve IT governance; productivity, efficiencies and reduction of costs.

SYSTEMS UPGRADES TO IMPROVE SERVICE DELIVERY TO GEPF CLIENTS.

Benefit Payment Automation (BPA) was deployed to allow for the paperless processing of exit claims for the pension administration. The BPA resignation process was implemented, and it is currently used by the operational business units responsible for the payment of benefits.

During this year, an additional 86,359 clients were enrolled on the self-service solution. Self Service Agents were appointed to assist with registration and updating of members' information in all nine provinces.

The pensioner increases and payments were processed in time and accurately paid to the pensioners who qualify for the monthly pension amounts.

ICT successfully utilised the automated interfaces with the South African Revenue Services (SARS), the Department of Home Affairs (DoHA) and with National Treasury SafetyWeb. The interfaces enable the efficient verification of benefits for the members and pensioners. It also enables the timely processing of tax certificates required to process benefits. The automated life verification with Home Affairs confirms the existence and automate the renewal of monthly pension payments on an annual basis.

ICT systems were available 99.4% of the time during the production window.

The digital communication project was initiated during the financial year. Paper-based communication to the members was replaced by electronic communication and the electronic contact detail database was updated through external sources.

MODERNISATION

The finalisation of the Modernisation project will include the replacement of the current legacy administration system.

The GEPF continued with the in-flight Modernisation projects in the financial year.

The Digital Communications project will be expanded to include a smartphone application (app). The application will allow members' to securely access their personal and confidential information seamlessly. The app and self-service will reduce the load on the Call Centre and redirect clients to digital solutions.

The Enterprise Content Management (ECM) system was deployed to Production and all new electronic documents will be moved to the new document repository.

The GEPF also started with a project to implement a workflow solution to process all claim forms electronically. The current focus is only on the Exit withdrawals, other benefits will be included incrementally.

During the year, we have focused on improving our IT ecosystem by improving our service provider management. We have initiated the implementation of the digital strategy by automation of processes to reduce paper use.

The Board oversight and monitoring of strategic IT projects have assisted with the improvement of the delivery of projects. IT placed significant focus on improving cybersecurity and risk mitigation during the year.

Business continuity and disaster recovery plans are in place to ensure operations are unaffected by unplanned events such as disasters, outages and pandemics. The Business continuity plans and disaster recovery were invoked successfully during a state of emergency which was invoked in South Africa due to the Covid-19 Pandemic. All the core IT services continued working seamlessly and it enabled GEPF to continue servicing its clients efficiently.

The GEPF continues to implement various IT controls and best practices to further improve IT governance, improve productivity, efficiencies and reduce costs.

THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER CONTINUED

FINANCIAL CONTROL

The oversight role of the Finance and Audit Committee (FA-C) holds management and key service providers accountable for effective internal financial controls. Internal audit conducts reviews on the internal financial controls as part of an ongoing project to improve this oversight. Added focus was placed on oversight and monitoring of transactions and accounting for investments both internally and through the master custodian.

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

External auditors were appointed during the year and it is expected that they will focus a lot of their attention on areas of the Fund that are deemed risky. Together with the internal audit, risk management enabled the consolidation of financial risks and tightening of controls to minimise these risks. Audit reports from both internal and external auditors are also utilised to implement improvements in internal controls.

INTERNAL AUDIT

In line with the requirements of the King IV Report on Corporate Governance, the GEPF's Internal Audit unit continues to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes to Management and the Board – through the Finance and Audit Committee.

To promote independence of the Internal Audit unit, the Internal Audit Manager (responsible for the internal audit function of the Fund) reports functionally to the Finance and Audit Committee, and administratively to the Principal Executive Officer. During the year under review, Internal Audit discharged its responsibilities in line with the Internal Audit Charter approved by the Finance and Audit Committee.

The Finance and Audit Committee approved the risk-based internal audit coverage plan for the 2019/20 financial year. Internal audit reports were presented to the Finance and Audit Committee in line with the approved internal audit plan. These reports highlighted areas of process control gaps and/or weaknesses for corrective action and improvement; providing assurance on the effectiveness and adequacy of the control environment. Internal audit follows a risk-based approach in performing their work in order to ensure that high ranking risks as approved by the Board are prioritised and subjected to the audit to ensure that adequate and effective internal controls are in place.

During the financial year ended 31 March 2020, the following audits were conducted in line with the approved 2019/20 Internal Audit Coverage Plan:

- Supply Chain Management Review
- ISAE 3402
- ICT Governance Review
- Business Continuity and Disaster Recovery Review
- Fraud Risk Management Review
- Investment, Actuarial and ESG Follow-up Review;
- Communications and Stakeholder Management Review;
- Corporate Governance Review;
- Legal and Compliance Follow Up Review
- Occupational Health and Safety Review
- GPA Service Level Agreement Review

Based on the work performed, internal audit did not identify any significant control deficiencies that would raise concern with regard to the effectiveness of the GEPF's governance, risk management and control processes. Management continues to implement corrective actions to improve the control environment of the GEPF.

LEGAL COMPLIANCE

During this period, the Board's focus was on the protection of the GEPF's intellectual property rights. There was a performance of Compliance Risk Management Plans on all legislation concerning patents, designs, trademarks and copyright protection. It is meant to protect the intellectual property of the GEPF, as intellectual property can also carry significant value and is thus vulnerable for exploitation by outside parties.

The following pieces of legislation were identified: The Copyright Act, 1978; The Counterfeit Goods Act, 1997; The Merchandise Marks Act, 1941; Trade Marks Act, 1993; Companies Act.

There was no material breach recorded of often repeated instances of non-compliance by either the GEPF or its trustees in their capacity as such.



INVESTMENT REPORT

INVESTMENT POLICY STATEMENT

The GEPF updated its Investment Policy Statement (IPS) to align its key policies and principles underlying the investment strategy of the Fund. The revised IPS was approved by the Board post the reporting period. This alignment is important because it provides a clear understanding between the Board of Trustees, Investment Committee, Investment Managers and other Stakeholders concerning the investment policies and objectives of the Fund. It also provides a clear framework within which the Fund's management, Investment Committee and Board of Trustees can arrive at investment decisions. The updated investment policy statement is robust, well researched and aligned to international best practice as well as the applicable legislation and regulations including GEP law.

The updated investment policy statement also includes the following additional functions:

- Governance of the investments in the Fund including the duties and responsibilities of various role players within the Fund.
- Integration of the newly developed investment beliefs into the Fund, adopted by the Board in 2018 to reflect the Fund's investment philosophy and approach.
- The determination of the Fund's investment strategy by taking the Fund's long-term investment objectives into account and following a liability-driven investment (LDI) approach.
- Implementation of the Fund's investment strategy, using the Fund's Strategic Asset Allocation and risk budgeting process.
- Investment Risk Management: The Fund has identified a few risks relevant to the investments, including their mitigating factors.

INVESTMENT POLICIES

All investment decisions made by the GEPF are subject to various policies and frameworks, which are based on international best practice and are aligned to applicable legislation and regulations, including the GEP law. The GEPF is currently reviewing its policies to align with international best practise and investment beliefs. However, during the reporting period the following mandates and policies were in place to govern our investment management function:

- Investment Policy Statement
- Investment Management Agreement(s)
- Investment Performance Reporting Policy Statement
- Valuation policy for Unlisted Investments
- Framework for Developmental Investments
- Responsible Investing Policy
- Risk Budgeting Framework
- Proxy Voting Guidelines and Corporate Governance principles
- Policy on Nominee Directors
- Derivatives Policy

INVESTMENT DECISION MAKING PROCESS AT THE GEPF

The GEPF's investment function is implemented by the operational team at the GEPF and supported by the Investment Committee, Valuations sub-committee and Board of Trustees. This investment function includes, among others, the oversight and implementation of the Fund's investment policy and strategy. The GEPF has an investment decision making process in place to govern investments of the Fund, which are subjected to various robust policies and frameworks. These are, in turn based on international best practice and are aligned to applicable legislation and regulations including GEP law. A summary of our investment decision making process is indicated in the graph below:



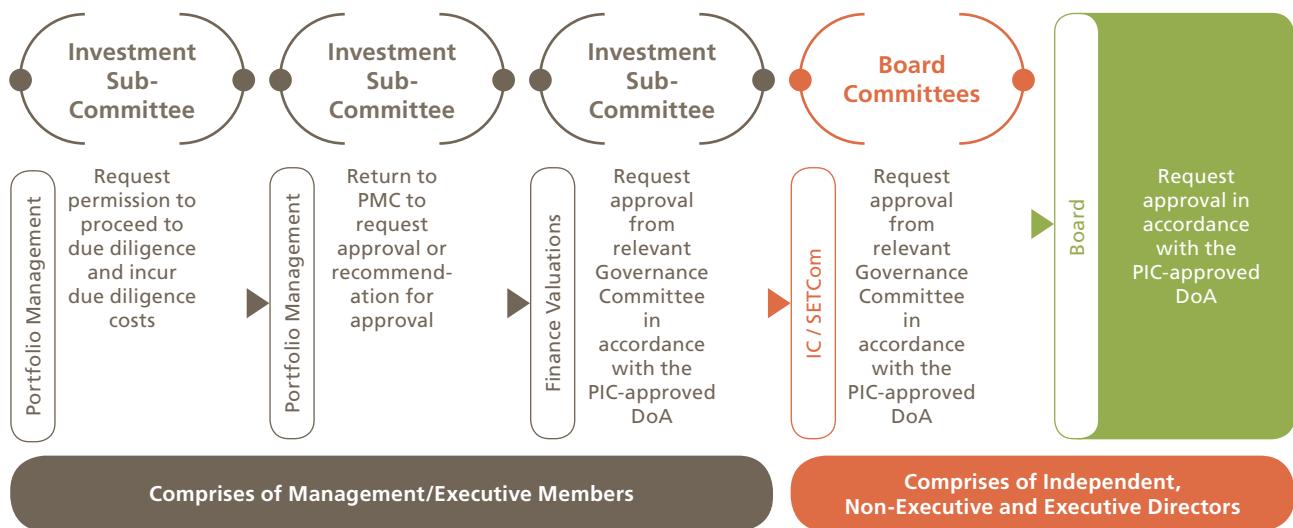
In addition to GEPF's investment decision making process, the Public Investment Corporation (PIC), which manages approximately 87% of GEPF's assets and is considered the principal asset manager of the Fund, applies its own investment decision making process on transactions before they are submitted to the GEPF for approval. Transactions for approval include unlisted investment transactions above the combined limit of R2 billion.

* Investment process may include input from the Valuations sub-committee, a sub-committee of the Financial and Audit Committee.

PIC'S INVESTMENT DECISION MAKING PROCESS:

The Delegation of Authority (DoA) Framework at PIC, delegates responsibilities for the consideration and approval of different transaction sizes to various role players within the PIC. The DoA also outlines the powers of the Board, its Committees and those of the Executive.

The diagram below illustrates the committees involved in the investment process.



Under the DoA, the Portfolio Management Committee for Unlisted Investments (PMC UI), a sub-committee of the Investment Committee can approve unlisted investments between certain limits. The Social, Ethics and Transformation Committee (SETCom) is involved in the approval process.

For each transaction, the following investment decision making process is applied:

- PMC Unlisted Investments comprises of management. This committee assesses the merits of a potential investment, and grants permission for the deal team to proceed to the due diligence stage where appropriate.
- After the due diligence is complete, the deal team returns to a second PMC meeting (PMC UI) to seek approval or a recommendation for approval in line with DoA the where PMC is delegated to approve.
- If the unlisted transaction size exceeds R2 billion, it is also subject to GEPF approval.
- After approval by PMC, the transaction is submitted to the Investment Committee for further approval in accordance with the DoA.

ECONOMIC AND MARKET OVERVIEW

LOCAL AND GLOBAL ECONOMY

Global economic growth and trade was predominantly impacted by unfolding trade tensions and geopolitical issues amongst other factors. The world's real gross domestic

product (GDP) growth was 2.9% in 2019 according to the International Monetary Fund, lower than the 3.7% growth for 2018. Emerging markets outperformed the developed world, with strong growth reported in developing Asia. China in particular reported a 6.1% growth for 2019, while the United States of America reported 2.3%.

GDP comparison	2019 %	2020 (projected) %
World output	2.9	(3.0)
Developed Markets	1.7	(6.1)
Emerging Markets	3.7	(1.0)
South Africa	0.2	(5.8)

Source: IMF, WEO, Stats SA

South Africa's economic growth remained subdued in 2019/20 due to various factors affecting the local economy, including the deteriorating fiscal strength, power supply instability, policy uncertainty and other structural problems. The local economy entered into a technical recession in the 4th quarter of 2019 after two consecutive quarters of real GDP contraction. Statistics SA reported a flat GDP of 0.2% for the year and a rise in unemployment from 27.1% in 2018 to 29.1% in 2019. Slow economic activity was cited particularly in sectors such as agriculture, forestry and fishing, electricity and gas, mining and construction. The local economy underperformed most emerging markets, including Nigeria (2.2%), Russia (1.3%) and Brazil (1.1%).

INVESTMENT REPORT CONTINUED

THE COVID-19 PANDEMIC

The first quarter of 2020 proved to be a difficult one and wiped all hopes of improvements in the local and global economy. The news of the outbreak and the spread of Coronavirus disease (Covid-19) in some parts of the world gained momentum as early as January 2020. This resulted in travel restrictions and lockdowns imposed in many parts of the world in effort by governments to curb the spread of the virus. The contagion was subsequently declared a global pandemic by the World Health Organisation on 11 March 2020.

The IMF termed these crises as the "great lockdown" and predicted the world economy to fall by 3% as a result, as it impacted global supply chains and movements. The developed world is expected to contract by 6.1%, while the emerging markets are expected to contract by 1%.

South Africa followed suit and declared a state of disaster, imposing travel restrictions and subsequently a lockdown towards the end of March as the reported number of infections in the country were on the rise. This further exacerbated the economic woes of an already ailing economy which would result in a deep recession in the first quarter of 2020. Amid pandemic crises, the rating agency, Moody's, cut South Africa's credit rating to below investment grade, citing weak fiscal strength and poor growth. This meant that SA government bonds would be removed from the World Government Bond Index..

The local currency depreciated by 21.6% in the first quarter of 2020 on the back of an ailing domestic and global economy due to the outbreak of the disease. The South

African Reserve Bank cut the repurchase rate by 100 basis points on the 21st of March and later announced a program to buy government bonds in the secondary markets in an effort to inject liquidity.

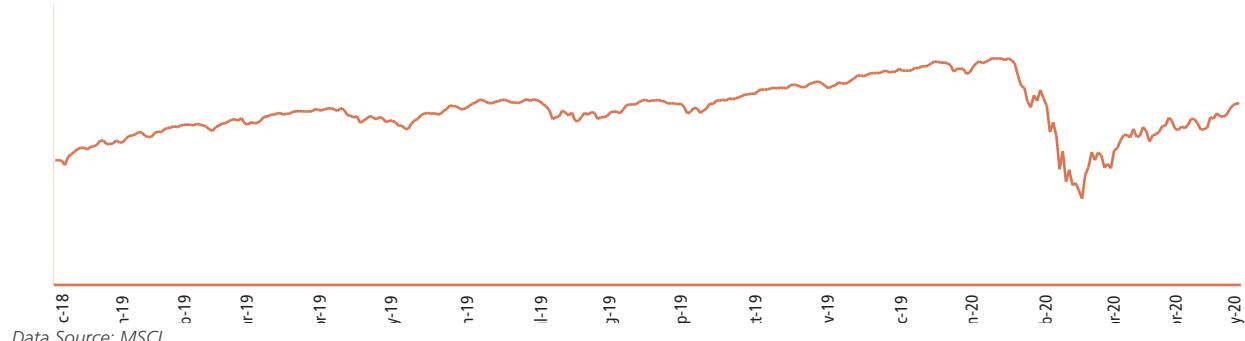
The combination of both domestic and global events painted a bleak future for the already troubled local economy which is projected by the IMF to contract by 5.8% for the year 2020. The full impact of the pandemic on both the local and global economies is not yet certain as the event is still unfolding.

THE INVESTMENT MARKETS

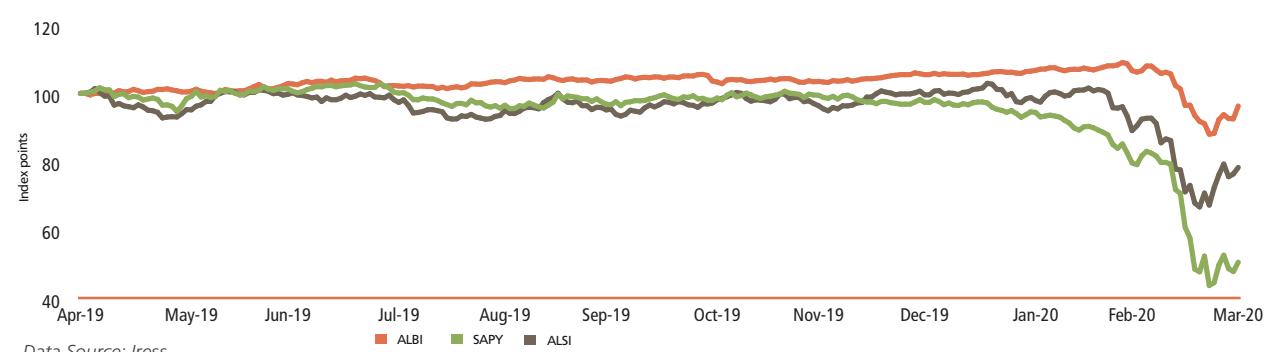
The developments in the world economy has an impact on investments and financial markets in general. Uncertainty persisted in the financial markets throughout 2019 as investors monitored developments on the trade tensions, Brexit deal and other issues. The news of the spread of Covid-19 in the first quarter of 2020 sparked a massive sell off in the investment markets as investors favoured safe haven assets such as gold and cash. Oil prices fell to record lows as price wars took place between major oil producers, Russia and Saudi Arabia amid a sharp decline in demand for oil due to the impact of the pandemic across the world.

Global Stock markets declined sharply in the first quarter of 2020 in response to the pandemic. The MSCI all countries world index (ACWI) declined by 21.3% in US dollar terms and the local JSE all share index declined by 21.4% in rand terms in the first quarter of 2020. The local listed property index declined by 48.2% and the all bond index declined by 8.7% for the quarter.

ACWI STANDARD (LARGE+MID CAP)



CUMULATIVE GROWTH



The following table shows both the quarterly and annual returns of major asset classes as at 31 March 2020. Apart from cash, all other asset class returns were significantly negative reflecting adverse effects of the health crises on investment markets.

Index returns	Quarterly %	Yearly %
All share index	(21.4)	(18.4)
All bond Index	(8.7)	(2.9)
Listed Property Index	(48.2)	(47.9)
Cash	1.2	7.2

Data Source: Iress



Annualised returns	Q1 2020 %	Yearly %	3 Years %	5 Years %	10 years %
Fund	(13.7)	(9.8)	0.55	1.90	8.09
Benchmark	(15.3)	(11.7)	0.21	1.68	8.22

The Fund's exposure to multi asset classes assisted to cushion it from a possible deeper decline as a result of the economic shock. The Fund takes a long-term view when making investments, although the short-term economic shock eroded a significant value, the Fund is expected to recover when the economy and the markets recover from the crises.

INVESTMENT MANAGEMENT FEES

FEES ON LISTED ASSETS

The investment management fees for all listed portfolios were negotiated and agreed with the Fund manager as stipulated in the investment mandate. The manager charges a flat fee for each investment asset class: The total management fees levied from the listed portfolio for the period 2019/2020 is R677.15 million, which is 18% lower

PORTFOLIO PERFORMANCE

The pandemic and the accompanying economic meltdown and falling investment markets significantly impacted the Fund. The market value declined by R243 billion to close to R1.64 trillion in the first quarter of 2020. Much of the decline was due to the Fund's significant exposure to local equities, bonds and listed property. The decline in international asset classes was offset by a significant decline in the value of rand against the dollar. The Fund's returns declined by 13.7% in the first quarter of 2020 and by 9.8% for the year for the reporting period. The Fund outperformed its benchmark over the longer term (5 years). The portfolio did however recover from the decline in the three months post March 2020 with gains of approximately R200 billion as at 30 June 2020.

than last year's fee of R678.37 million dues to a decrease in the Fund's market value by 11.3% from R1.86 trillion last year. The biggest portion of the fee comes from local equities as it forms approximately 50% of the Fund.

Investment Management fees	2019/2020	2018/2019
PIC Unlisted Portfolio	R291 388 712,34	R308 609 940,97
Internally Managed Portfolio	USD8 140 685,18	USD10 766 381,94

The management fees on the unlisted portfolio have declined from the previous financial period as a result of the end of the commitment period in some funds and others being fully drawn.

INVESTMENT REPORT CONTINUED

OVERVIEW OF DIRECT INVESTMENTS IN PRIVATE EQUITY FUNDS

The GEPF manages an internal portfolio, which allocates capital to private equity funds that invest on the African continent. The private equity managers pursue direct investments in diversified sectors including energy, financial services, consumer goods, technology, telecommunication and transport.

Private Equity Firm	Fund Name	Allocation (USD)	Year	Strategy
African Capital Alliance	CAPE IV	20 million	2015	Capital Alliance Private Equity IV ("CAPE IV") is a diversified West African private equity fund. The fund makes equity and equity related investments in high-growth sectors such as business services, energy, fast moving consumer goods, financial services and telecommunications in the regions of West Africa and Gulf of Guinea.
Development Partners International	ADP II	30 million	2015	African Development Partners II ("ADP II") is a diversified private equity fund. The objective of the is to build a diversified Pan-African portfolio of private equity investments in established and growing companies with emphasis on those benefiting from Africa's growing middle class
Harith General Partners	PAIDF I	250 million	2007	The objective of Pan African Infrastructure Development Fund I ("PAIDF I") is to, invest in private equity interests in infrastructure development projects in sectors such as power and energy, telecommunication, transport, water and sanitation on the African continent.
	PAIDFII	350 million	2016	Pan African Infrastructure Development Fund II ("PAIDF II") was set up as a follow-up fund to PAIDF I. The objective of the fund is to invest in private equity interests in infrastructure development projects on the African continent.
South Suez Capital	SSAF II	25 million	2014	South Suez Africa Fund II ("SSAF II") is a generalist Pan-African fund of funds. SSAF II invests through fund managers and supplements this exposure with a pool of co-investments and secondary opportunities.
Verod Capital Partners	VCGF II	10 million	2015	Verod Capital Growth Fund II (VCGF II) invests in equity or equity-linked securities in Nigerian and Ghanaian growth-stage companies which require growth capital.
Total		685 million		

The impact of the global health crisis, Covid-19, and economic crisis on the portfolio is continually being monitored and assessed. The investments by fund managers in the portfolio have resulted in exposure to sectors considered to be resilient such as the energy, telecoms, ICT and medical supply services, thereby cushioning the magnitude of the negative impact on the portfolio.

OUR APPROACH TO RESPONSIBLE INVESTING

The Fund invests the pension contributions of our members that are paid by their employers each month in a manner so that they earn the best possible returns at an acceptable level of risk. Investing responsibly helps ensure members receive a good pension now and in the future. In South Africa, addressing the high levels of inequality, high levels

of unemployment and providing access to quality education and healthcare are priorities. These unique challenges cannot be separate in the GEPF's long-term thinking on responsible investment and form part of our strategy and investment beliefs.

The Fund addresses these challenges by:

- Investing to optimise the risk-adjusted financial returns;
- Integrating environmental, social and governance (ESG) issues across all asset classes and through developmental investing to yield a social return;
- Engaging investees through proxy voting, thematic engagement and industry collaboration;
- Contributing to the integrity of financial markets in South Africa and strengthening the African diaspora.

Robust investment requires a clear understanding of the opportunities and risks. The Fund's investment decisions are based not only on understanding financial risk but includes ESG risk assessment in its decisions. These ESG factors include those elements that have the ability to affect an investee company or stakeholder group, in a manner that impacts the investment's long-term value. The range of issues relate to policies considering environmental issues such as water, waste management and climate change; social issues such as transformation, human rights, labour; and governance issues such as remuneration and gender diversity or disabilities.

ENGAGEMENT AND INDUSTRY COLLABORATION

The GEPF subscribes to the principles of the Code for Responsible Investing South Africa (CRISA) and the United Nations Principles for Responsible Investment (UN PRI), for which it is a founding signatory. During the 2019 and 2020 calendar year, the Fund has engaged on the following responsible investment matters:

- Engagement with the Investment and Infrastructure Office of the Presidency with regard to the Sustainable Development Infrastructure Symposium.
- Presented at the European Pension Fund Investment Forum (EPFIF) conference in Cambridge, United Kingdom and engaged at the Johannesburg Stock Exchange on ESG matters.
- Hosted an ESG Asset Owner discussion on impact investing with industry peers.
- Participated in the Batsela Responsible Investment Owner Guide project which aims to provide guidance to Pension Funds on Responsible Investment Ownership (RIO) practices.
- Participated in the UN PRI workshops on the Just Transition, which aims to research low-carbon business objectives through a measured transition from coal intensive engagement, while taking into consideration the impacts on the economy and workforce.
- Taking part in the Ceres Valuing Water Finance taskforce.
- Signed up to the PRI Investor response to Covid-19, which commits to managing the effects of Covid-19 in a responsible manner.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Fund reports to its stakeholders in an open and transparent manner, and its Responsible Investment policy is made publicly available. The Fund monitors the progress of its ESG related activities in the following ways:

- Quarterly reporting on ESG matters on listed and unlisted investments
- Setting standards and requirements for ESG criteria and reporting for its asset managers

- Reviewing quarterly proxy voting records from its asset managers
- Specialist research and monitoring of responsible investment controversies and ESG ratings
- Liaison committee meetings aimed at improving the oversight of ESG related matters.

CLIMATE CHANGE AND THE JUST TRANSITION

The GEPF endorses and applies the just transition approach to climate change. We take cognisance of the significant abrupt transitional implications which may occur in key South African sectors and consider human rights, labour standards, inclusive growth and interrogates the nexus point of social implications of the shift to a low carbon economy and the increasing impact of climate change.

The GEPF through impact investing projects also invests in renewable energy, green building, energy efficiency, recycling and clean technology projects. The Fund has endorsed and engaged carbon intensive companies on their emission targets in accordance with the Paris Agreement in which South Africa has ratified. The GEPF has embarked on a carbon and water footprint exercise in order to understand our portfolio exposure to climate related risks.

DEVELOPMENTAL INVESTING AND THE UN SUSTAINABLE DEVELOPMENT GOALS

The Fund's Developmental Investment Policy communicates the GEPF position as a responsible investor by communicating its strategy to

- Invest in infrastructure, for its long investment horizon and for its developmental impact;
- Invest in unlisted and illiquid investments for developmental purposes;
- Measure and monitor the socioeconomic impact of its investments in order to play a role in addressing past inequalities, through initiatives such as developing previously disadvantaged fund managers through an incubation programme, investments in agriculture, renewable energy, education, healthcare and water.

The Fund has committed 5% of its total portfolio towards domestic development inclusive of infrastructure, transformation, sustainability, priority sectors, and small-medium enterprises (SMEs).

The Fund has aligned its understanding of impact with the 17 United Nations Sustainable Development Goals (SDGs), with 169 associated targets which are integrated and build on the Millennium Development Goals (MDGs).

INVESTMENT REPORT CONTINUED



The Fund aims to grow the economy and reduce poverty through job creation, skill development and promote entrepreneurs; promoting transformation by applying B-BBEE principles across all investments; encouraging a service-oriented approach to optimise use of public and private resources; and encourage local private provision of services and development of local industries for infrastructure development and maintenance of facilities. There is also recognition of supporting the development of marginalised groups and improving representation of women and disabled people through the Fund's investments.

GEPF increased the number of jobs facilitated by 9% from the previous year. The overall number of youths employed has increased by 1 495 individuals, however is shown as 9% from the previous year's 16% due to the growth of the overall base.

SOCIAL IMPACT – GEPF

For the 12 months ending 31 March 2020

Categories	2019/20	2018/19
Employment		
Total job numbers	138 523	127 178
% Women employed*	16	N/R
% Youth employed**	9	16
% Disabled	1	0.2
Community upliftment and economic benefit		
Number of SME's supported***	307	538
% Women employed*	38	N/R
% Youth employed**	5	N/R
% Disabled	24	N/R
Number of Community Trust and Employee Share Schemes established and supported	15	14

* 54 178 individuals did not disclose their gender in our reporting

** Total number of youth employed increased by 1 495

*** The reduction in SME's supported was through construction of projects that have concluded and a fund that has been exited.



Education	2019/20	2018/19
Number of student loans disbursed	47 194	43 679

The Fund invested in institutions that facilitate access to quality education by providing 47 194 student loans with a total amount of disbursements equal to R326 200 000 over the period of the fund. The Education Focus fund supported 18 schools from inception.



Healthcare	2019/20	2018/19
Total number of hospital beds	225	225

The Fund has invested in the creation of two hospitals in Gauteng and Mpumalanga and provided an additional 225 hospital beds due to its investments.



The fund continued investing in social Infrastructure investments, including affordable housing projects. To date the fund has undertaken 658 housing projects and constructed 63 782 houses as part of its commitment to ensure affordable housing is delivered.



In line with the Fund's stance on the Just Transition and mitigating the impacts of climate change the GEPF has invested in renewable energy through solar and wind farm projects and other clean technology. The total invested installed capacity is 2345 MW with a total of 13 projects funded. Total enterprise development spend in these funds amounted to R14.5 million with R47.3 million spend on corporate social investments.



GEPF MEMBERSHIP AND BENEFITS

06

COMMUNICATIONS
AND STAKEHOLDER
ENGAGEMENTS

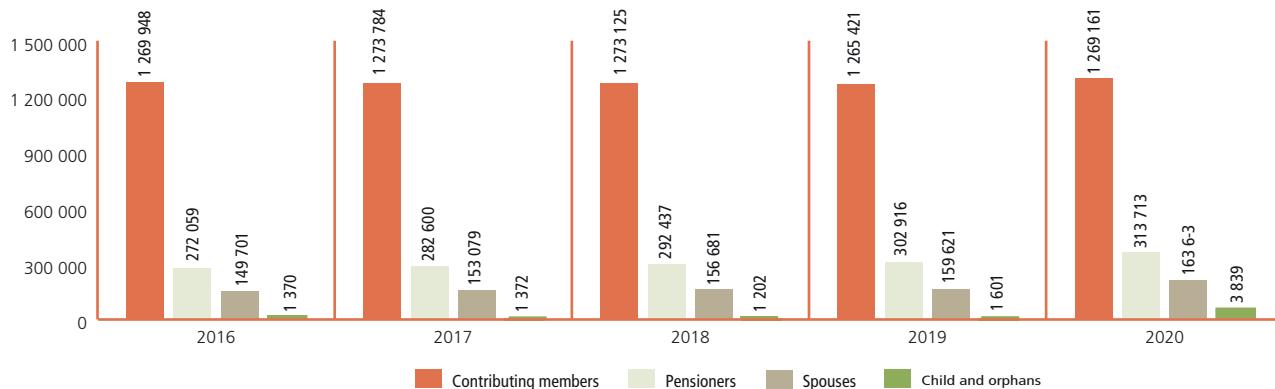
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GEPF MEMBERSHIP AND BENEFITS

The Government Pensions Administration Agency (GPAA) manages member services, which include member and pensioner management, contribution management and the payments of benefits. The relationship between the GEPF and the GPAA is governed through a Service Level Agreement.

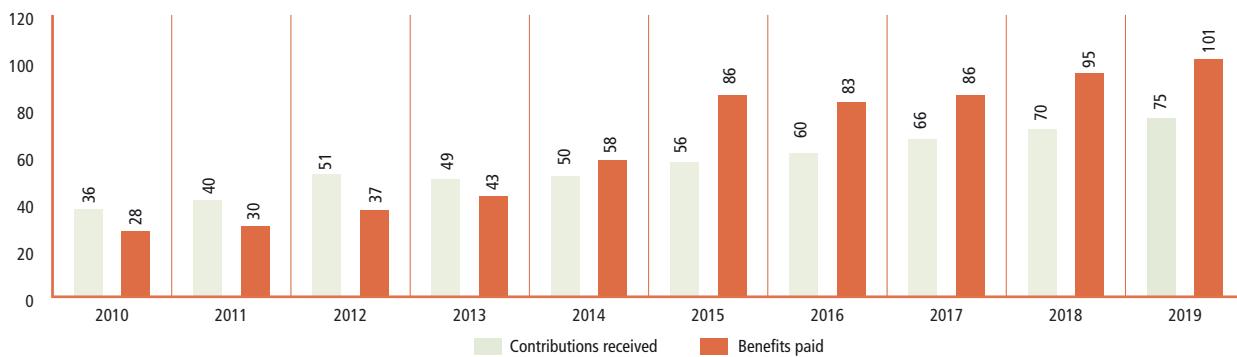
SERVICE HIGHLIGHTS

The GEPF provided benefits to 1 269 161 active members and 480 615 pensioners and beneficiaries as at 31 March 2020. The figure below depicts the changes in 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 children receiving a benefit from the Fund due to the recent rule change that changed the definition of orphan's benefits.



The benefits payable to beneficiaries started exceeding the contributions received by the fund from the 2013/14 financial year. This trend is continuing.

BENEFITS PAID VS CONTRIBUTIONS RECEIVED



This is not only due to an increase in resignations and retirements but also to the following benefit enhancements implemented by the Board:

- Pension increases equal to 100% of CPI;
- Enhanced funeral benefits;
- Child pensions; and
- Payment of actuarial benefit on resignation.

The GEPF is a defined benefit fund. This means that the benefits defined in the Rules of the Fund are guaranteed; they do not depend on the amounts contributed by the member and employer.

The pension Fund provides:

- Benefits for normal, early and late retirement and ill health retirement;
- Resignation benefits;
- Benefits for members affected by retrenchment/ restructuring and
- Funeral benefits.

Detailed information on the GEPF'S benefits can be found on its website at www.gepf.gov.za

RETIREMENT BENEFITS

The GPAA processed and finalised 34 134 (2019: 35 931) cases of members retiring during the period under review. The total value of gratuities paid was R17.9 billion (2019: R16.0 billion), and annuities R51.2 billion (2019: R45.6 billion).

RESIGNATION BENEFITS

An amount of R30.2 billion (2019: R25.2 billion) was paid in resignation benefits to 22 678 (2019: 23 362) beneficiaries during the year under review.

DEATH BENEFITS

The GEPF paid an amount of R6,0 billion (2019: R4.8 billion) in death benefits to 6 672 (2019: 5 914) during the reporting period under review.

CHILD PENSION

The GEPF pays annuities to the orphans of members who became pensioners on or after 01 December 2002. A child's annuity is also only payable when a member, who has a service period of 10 years or more, dies in service or at retirement.

The number of orphans/children receiving a benefit from the GEPF is 3 839 (2019: 1 601). A total of 2 884 (2019: 1 101) new applications were processed, with 315 (2019: 120) of the current orphans/children receiving a benefit from the GEPF having reached the termination age. The GEPF paid R200,9 million (2019: R77.4 million) in orphans'/ children annuities during the reporting period.

FUNERAL BENEFITS

The GEPF processed and paid 21 274 funeral benefit claims compared to 24 852 claims in 2019. Of the 10 820 claims paid, 5 900 were for members, whilst 3 483 were for members' spouses. In addition, out of 10 454 claims for pensioners, 7 348 were for pensioners and 3 030 for pensioners' spouses.

R358.8 million funeral benefits were paid to the beneficiaries during the reporting period.

SERVICE INTERACTIONS WITH BENEFICIARIES

- Visitors at all GEPF Offices: 513 574
- Telephone calls received 1 264 675
- Telephone calls attended to: 786 305
- Visitors to Mobile Offices: 124 814
- Employer sites visited: 10 797
- Employer education sessions: 3 405
- Employer on-site RMC group sessions: 787
- One-on-one client RMC interviews: 8 802
- Member awareness sessions at employer work sites: 1 385

91.6% satisfaction rating was received through the variety of channels (regional offices call centres, emails, mobile offices and outreach activities)

SERVICE IMPROVEMENT PROGRAMMES

The Fund strives to improve customer experience and service delivery to its members, pensioners, beneficiaries and employer departments. The following initiatives were implemented in the 2019/20 financial year:

- **Self-service:** This system allows members to view their benefit statements online. During the period under review, an additional 86 359 members were enrolled on the Self-Service system.
- **Digital Communication:** electronic communication distribution and the electronic contact detail database were updated via external sources.

Amongst others, the following strategies will be implemented to ensure the fast tracking of benefit payments:

- The Digital Communications project will be expanded to include a smart phone application (app).
- Self-Service enrolment of the remainder of the clients.
- Expedition of the business processing automation retirement deployment to improve electronic processing of cases.

COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT

During the reporting period, the GEPF continued to implement its Integrated Marketing Communication Strategy. The primary objective of the strategy is to deliver clear, timely and relevant communications to its stakeholders through the execution of effective and efficient marketing communication and stakeholder programmes.

Key stakeholders identified for such communications and engagement included:

- Fund members (active, pensioner and beneficiaries)
- Public Service Bargaining Council (PSCBC)
- Employer departments
- Trade federations and unions
- Ministry of Finance
- Ministry of Public Service and Administration
- National Treasury
- Department of Public Service and Administration
- Parliamentary committees such as Standing Committee on Finance and Standing Committee on Public Accounts
- Retirement and investment stakeholder associations
- Media

The Fund's key goal was to ensure that it delivered clear, relevant and accessible communications to its key stakeholders. To achieve this, the fund set out to:

- Communicate information about the Funds benefit, rules, regulations and policies in an effective and efficient manner to the varying groups of clients and stakeholders to enable them to make fully informed decisions
- Keep clients and stakeholders informed about administration of the fund
- Consult with key stakeholders on changes to policies and procedures that impact clients and stakeholders
- Marketing the GEPF as a preferred and beneficial fund for its members
- Supporting employer departments to fulfil their responsibilities thereby ensuring ease of doing business with the GEPF
- Enhance the Fund's reputation as a leading pension fund by engaging in partnerships and promoting thought leadership

To ensure clear, timely and relevant information to stakeholders, communications to stakeholders was directed through:

- GEPF's national outreach programme which entailed hosting member roadshows, HR forums, retirement member forums, national and provincial roundtable workshops with unions and employers' representatives and exhibitions.

- Mobile offices roving throughout the country. The mobile offices – which are equipped with latest ICT and satellite receivers – provided on-site, real-time assistance to members, pensioners and beneficiaries.
- Direct communication by sending emails and SMS to bring specific and relevant issues to the attention of members, pensioners, beneficiaries and other stakeholders.
- In addition to direct engagement initiatives, the GEPF also communicated with stakeholders through advertising on radio, print, television, outdoor platforms; editorials, radio interviews and social media interventions.

ENGAGEMENT PROGRAMME

During the reporting period the following was undertaken:

MEMBER ROADSHOWS

Member roadshows form part of the GEPF direct communications approach. A total of fifteen roadshows were held across the country reaching over 11 000 members, pensioners and beneficiaries. These engagements took the form of presentations by officials, question and answer sessions, as well as one-on-one consultations to resolve specific queries. The pension fund also used the roadshows as an opportunity to engage with local media platforms to disseminate information, through broadcasting and newspaper coverage, in order to ensure that a wider audience was reached.

As part of the GEPF Fiscal Education Programme, the Government Employees Medical Scheme (GEMS), South African Revenue Service (SARS) and the Financial Services Conduct Authority (FSCA) were invited to participate in the roadshows and provided valuable information to those that were present.

PRE-RETIREMENT MEMBER WORKSHOPS

In an effort to ensure that those members that are nearing retirement have a smooth retirement process, the GEPF hosts retirement member workshops on a regular basis. During these workshops the discussions and interactions focus on the requirements and responsibilities of members and departments when retirement is applied for. These information sessions are crucial in ensuring that members are well prepared when they retire. Twelve community-based Pre-retirement workshops were held during the reporting period, with over 6 350 members attending.

GEPF HUMAN RESOURCE FORUMS

To empower human resources practitioners with the latest information and processes, the GEPF hosts Human Resource Forums (HR forums) in which human resources practitioners interact with the pension fund officials to address any challenges being experienced as well as receive the latest information so as to ensure ease of business. These forums have been extremely useful in addressing bottlenecks in the pension claiming process, whether it be registration, retirement or resignations. During the period under review, there were 12 engagements resources practitioners in all nine provinces.

CLIENT LIAISON PROGRAMME

As part of ensuring ease of business, Clients Liaison Officers visited different employer departments to assist in the processing of claims and educate HR practitioners in dealing with the bottlenecks. During the reporting period the following engagements were undertaken:

- 10 797 employer department site visits undertaken
- 3 405 employer education sessions
- 787 onsite retirement member group sessions
- 8 802 one on one client retirement interviews
- 1 385-member awareness sessions

Lastly, as per the enhanced outreach strategy, we targeted the national departments where we usually experience more challenges with respect to resignations and delays in processing member's claims.

MOBILE OFFICES

The GEPF has vehicles that serve as mobile offices. These mobile offices enable the GEPF to execute its outreach initiatives. They are equipped with the latest IT and satellite communication technologies that make it possible to link with the main information system and provide on-site, real-time assistance to members, pensioners and beneficiaries who are unable to visit our walk-in centres.

During 2019/20 financial year, a total of 1 145 mobile sites were visited in the nine provinces, reaching over 124 814 individuals. The mobile offices are a significant step towards achieving improved service levels for members, pensioners and beneficiaries in the remote or rural areas, including easing the burden of engagement.

GEPF CONFERENCE

The GEPF together with the World Bank hosted the GEPF 2nd annual thought leadership conference on 30 September – 01 October 2019 in Cape Town. This conference is part of the GEPF's commitment to stimulate dialogue amongst the leaders of the global pension industry and once again attracted leading pension funds, experts in pension funds, investment and economic policy decision makers, unionists in Africa and across the globe. A total of 242 delegates attended the event. The conference once again proved to immensely successful in embracing knowledge sharing and prompted thought provoking leadership discussions to source solutions to the challenges facing the pension fund sector.

The theme for the conference was "In Pursuit of Excellence" exploring the challenging areas of:

- Pension systems design with sessions devoted to topics such as the challenges faced in ensuring a pension for all upon retirement; defined benefit plans vs. defined contributions plans; and building sustainable defined benefit plans.
- Pension fund investments with sessions covering topics such as impact investing and incorporating environmental, social and governance (ESG) factors aspects, prescribed investments and co-investing; as well as opportunities and challenges related to international investing by pension funds.
- Governance with sessions tackling issues such as the fiduciary responsibilities of trustees, including challenges that they face in executing their responsibilities.

UNION AND EMPLOYER ENGAGEMENTS

To empower employee and employer representatives, the Fund decided to host stakeholder's roundtables to educate these key stakeholders that have a direct influence in the operations and wellbeing of the Fund. Such discussion forums, often robust and engaging dealt with how the Fund operates, how the Fund invests and what benefits does the Fund offer to its members.

During the period under review, the Fund hosted two national Roundtable dialogues with employers and public service union's representatives. The first roundtable workshop focused on benefits including the clean break principle and the second focused on Annual Report Results of the fund.

COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT

CONTINUED

During the reporting period, the GEPF also had several key engagements with the National and Provincial Public Service Co-ordinating Bargaining Council (PSCBC). These included discussions on the:

- GEPF Statutory Actuarial Valuation
- Actuarial Interest Factors
- Additional Voluntary Contribution Scheme
- Preservation Scheme
- Reduction factors in lieu of an increased Spouse's Pension
- Housing finance for members

INVESTMENT TOURS

The GEPF together with its asset manager the Public Investment Corporation (PIC) created an initiative whereby the Fund hosts trustees of both entities and the media to tour some of the investments that the PIC has made on behalf of the Fund. The objective here is to monitor whether our funding is utilised accordingly as well as obtain an understanding of the socio-economic impact of such investments.

For the reporting period the Fund visited the following investments:

- Cape Olive Farm in Western Cape
- Distell and Nederburg Wines in Western Cape and Gauteng
- New Ocean's development in KwaZulu-Natal
- Fertiliser Producer in KwaZulu-Natal
- Export Storage Facility in KwaZulu-Natal
- Student Accommodation in Gauteng
- Karoshoek Solar Project in Northern Cape

PUBLIC DISPLAYS AND EXHIBITIONS

To enhance visibility as well as accessibility, we showcased the GEPF offerings at various events. These included the Rand Show, the Annual Batseta Winter Conference, the Armed Forces Day as well as at the NEHAWU Policy conference and all SADTU's Provincial General Council's in provinces.

During the reporting period, mall activations were held in Gauteng, Limpopo, Eastern Cape, North West, Northern Cape and Mpumalanga.

INDIRECT COMMUNICATION ACTIVITIES

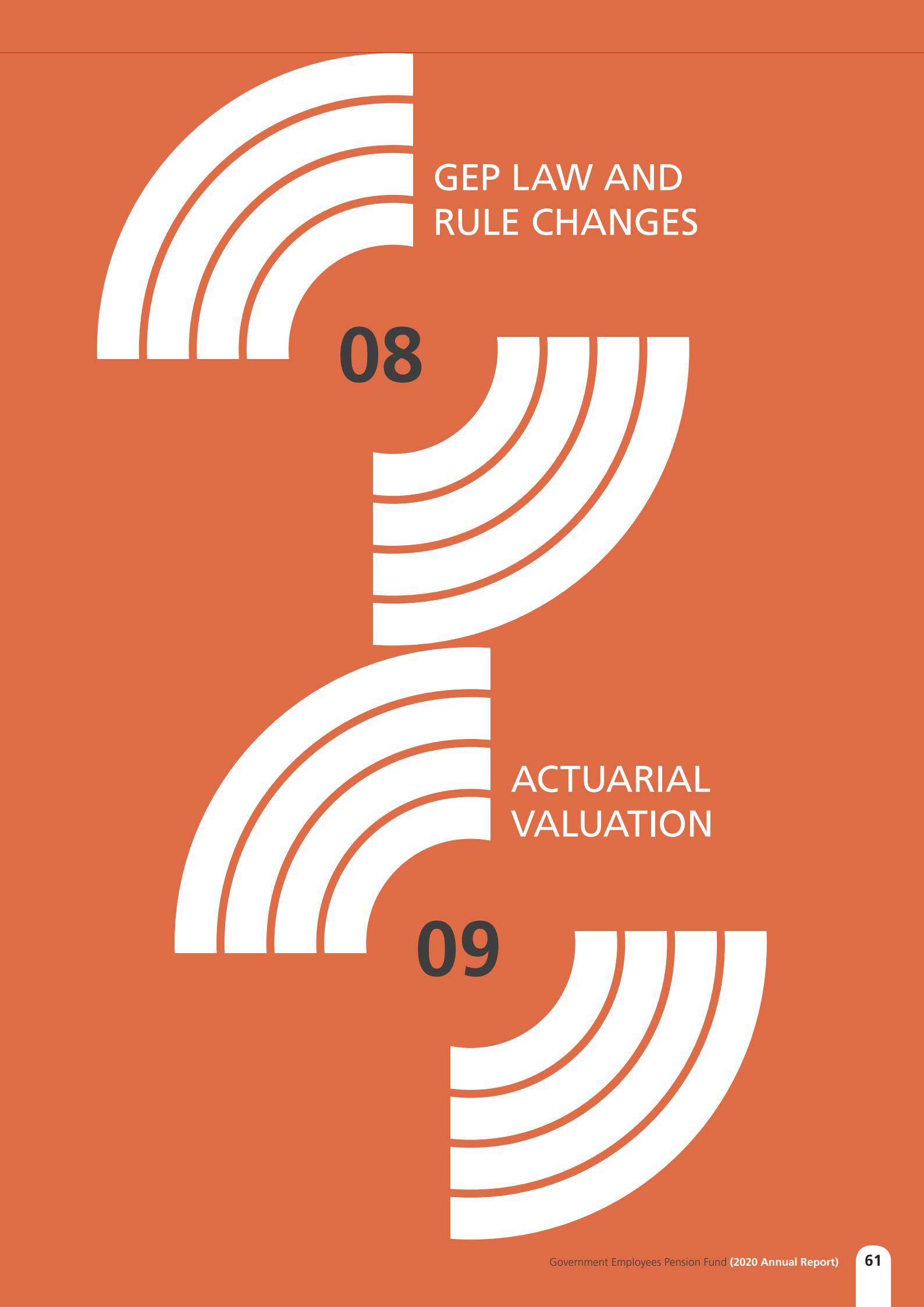
In addition to direct engagement initiatives, GEPF also communicated with stakeholders through advertising on radio, print, television and outdoor platforms; quarterly newsletters to members and pensioners, editorials, regular radio interviews and social media interventions.

Major activities for the year under review included:

- Radio campaigns raising awareness of the GEPF and its processes in an effort to educate members of their benefits and the processes associated with claiming or registering for such benefits. Other than using radio interviews to communicate the above issues, the GEPF partnered the SABC in a 13-week radio talk-show in all the SABC radio stations.
- A television campaign aimed at tracing beneficiaries who have not claimed their benefits. This campaign involved story line insertions in the popular TV series, Khumbul' ekhaya.
- Digital campaigns took the form of advertising through Taxi-Television and digital screens at popular PSL soccer games.
- Print campaign in a form of advertorials and editorials campaign aimed at communicating the impact of GEPF investments in the South African economy, the reward of belonging to the GEPF, highlighting some of the benefits that the Fund is offering as well as the Fund communicating 2018/19 financial year performance results.

The Fund on an ad hoc basis also placed advertorials in Union magazines, newsletters, diaries as well as targeted publications that get distributed directly to our members like the Teacher's Magazine with the aim of educating them about their benefits as well as informing them that their pensions are safe with the GEPF and that the Fund is financially sound.

These activities formed a crucial element of the sustained and enhanced communication during the financial year.



GEP LAW AND RULE CHANGES

08

ACTUARIAL
VALUATION

09

GEP LAW AND RULE CHANGES

PRESERVATION FUND

GEPF members do not have the option to preserve their pension proceeds within the GEPF upon exit. The establishment of the Preservation Fund will enable members to preserve their benefits within the GEPF until their retirement. The Board approved the draft Rule amendment in the last financial year. This is a long-term project which is still in negotiation with the PSCBC.

ADDITIONAL VOLUNTARY SCHEME

The Additional Voluntary Scheme will allow GEPF members an option to increase their retirement provision while in active employment, as well as to allow those members who have 36-month or more fixed term contracts and who are currently not members of the GEPF, the option to make provision for retirement. The establishment of this scheme is a long-term project and the GEPF is working closely with the GPAA to finalise its implementation. This is a long-term project which is still in negotiation with the PSCBC.

GUARANTEES FOR HOME LOANS

The Board approved proposed Law and Rule changes in the last financial year. This is a long-term project, which is still in consultation with the PSCBC, and implementation thereof will require following the prescribed Parliamentary process to effect changes to the GEP Law.

ACTUARIAL VALUATION

FUNDING OF LIABILITIES

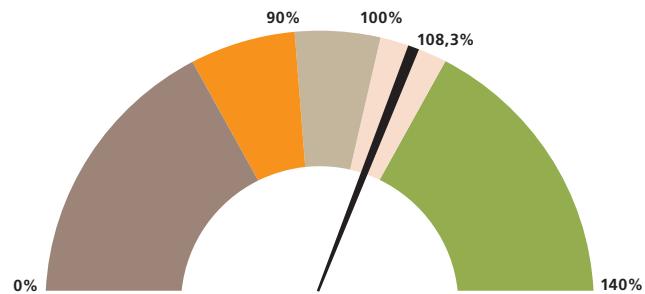
In terms of the GEP Law and the Rules of the Fund, an actuarial valuation must be carried out at least once every three years. The valuation as at 31 March 2018 was performed based on the Funding Policy that was adopted by the Board of Trustees in consultation with the Minister of Finance. The policy provides for the comparison of the assets held by the Fund with the valuation of the liabilities on a long-term best-estimate basis.

The funding level of liabilities is the Fund's financial gauge. The higher this funding level, the better the financial situation. The results of the March 2018 actuarial valuation show that the Fund is 108.3% funded, i.e. there are sufficient assets to cover the actuarial liabilities in full.

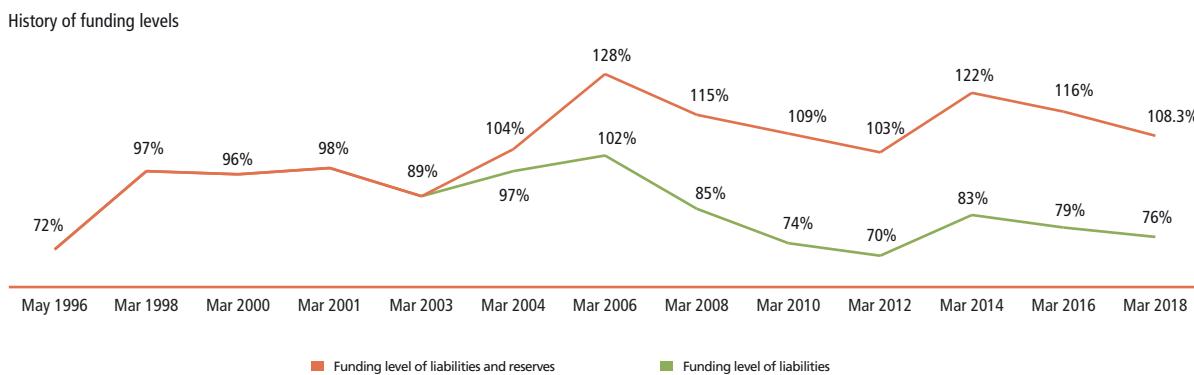
The Funding Policy requires that the Board of Trustees ensure that the funding level of liabilities is above 90%. This is in line with Rule 7.2 of the Rules of the Fund, which states that the employer contributions should be sufficient

to ensure that the Fund is able to meet its obligations at all times, subject to a funding level of liabilities of at least 90%.

FUNDING OF LIABILITIES AS AT 31 MARCH 2018



Thirteen statutory actuarial valuations have been undertaken since the establishment of the Fund in May 1996 with the most recent having been undertaken as at 31 March 2018. The following graph illustrates the funding level trends:



FUNDING OF LIABILITIES AND RESERVES

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

The valuation reports since 31 March 2004 have reported on the comparison of the assets held by the Fund with the valuation of the liabilities on a long-term best-estimate basis together with the additional contingency reserves recommended by the valuator. The funding level of liabilities and reserves is a policy measure that plays an important role in the decisions concerning benefit improvements, pension increases and employer contributions.

The results of the March 2018 actuarial valuation show that 75.5% of the liabilities and the fully recommended reserves could be afforded at that date. In terms of the policies adopted by the trustees, the reserves established as at 31 March 2018 are limited to the amount affordable by the Fund, namely R137 428 million. On this basis 19.1% of the recommended reserves could be held. As at 31 March 2016, a reserve of R222 747 million (or some 34.4% of the recommended reserves) was affordable.

ACTUARIAL VALUATION CONTINUED

HIGHLIGHTS FROM THE 2018 ACTUARIAL VALUATION REPORT

MEMBERSHIP PROFILE	Total 2018	Total 2016
Contributing members		
"Other" members	1 048 072	1 062 318
"Services" members	233 751	223 108
Total	1 281 823	1 285 426
 Pensioners		
Retired members	286 831	266 480
Spouses	153 590	146 624
Orphans	1 204	–
Total	441 625	413 104

VALUATION ASSUMPTIONS AS AT 31 MARCH 2018

The economic assumptions were updated to consider the market conditions as at 31 March 2018. The demographic assumptions were based on an investigation into the Fund's experience over the period 1 April 2008 to 31 March 2012. The full details of the investigation are set out in a report prepared by Willis Towers Watson, which was finalised in October 2013.

Mortality improvements are being observed internationally and South Africa is expected to follow suit. The actuaries therefore believe that it is appropriate to include an explicit allowance for future mortality improvements in the 2018 valuation, as was the case in the previous valuation.

VALUATION RESULTS AS AT 31 MARCH 2018

The results of the GEPF actuarial valuation as at 31 March 2018 are indicated in the table below:

FINANCIAL POSITION	31 March 2018 (R million)	31 March 2016 (R million)
Contributing member liability	1 171 396	1 029 889
S-case and exits in progress	11 673	12 063
Pensioner and deferred pensioner liability	462 022	349 805
Data and past discriminatory practice reserves	17 548	15 419
Total best-estimate liabilities	1 662 640	1 407 176
Net assets	1 800 068	1 629 923
Excess of assets over liabilities	137 428	222 747
Funding level of liabilities	108.3%	115.8%
Recommended reserves*	720 893	647 049
Total best-estimate liabilities and reserves	2 383 533	2 054 225
Net assets	1 800 068	1 629 923
Excess of assets over liabilities and reserves	(583 464)	(424 302)
Funding level of liabilities and reserves	75.5%	79.3%

* This consists of a solvency reserve of R402 000 million, 100% CPI pension increase reserve of R270 634 million, and a mortality improvement reserve of R48 259 million.

The 2018 actuarial valuation results show that the funding level has deteriorated when compared with the 2016 actuarial valuation.

EMPLOYER CONTRIBUTION RATE FOR THE YEAR FROM 1 APRIL 2019 TO 31 MARCH 2020

The employer currently contributes at a rate of 16% of pensionable salary in respect of "services" members and 13% in respect of "other" members. All members of the Fund contribute at a rate of 7.5% of pensionable salary.

Based on the best-estimate actuarial valuation basis and ignoring the excess of the assets over the best-estimate liabilities, the required employer contribution rate is 18.9% of pensionable salary in respect of "services" members and 14.4% of pensionable salary in respect of "other" members, reflecting the differences in the benefit structure of these two categories of members.

The shortfall in the required contribution rate is estimated to amount to some R5 600 million over the next year and can be afforded from the excess of the assets over the best-estimate liabilities.

VALUATION AS AT 31 MARCH 2020

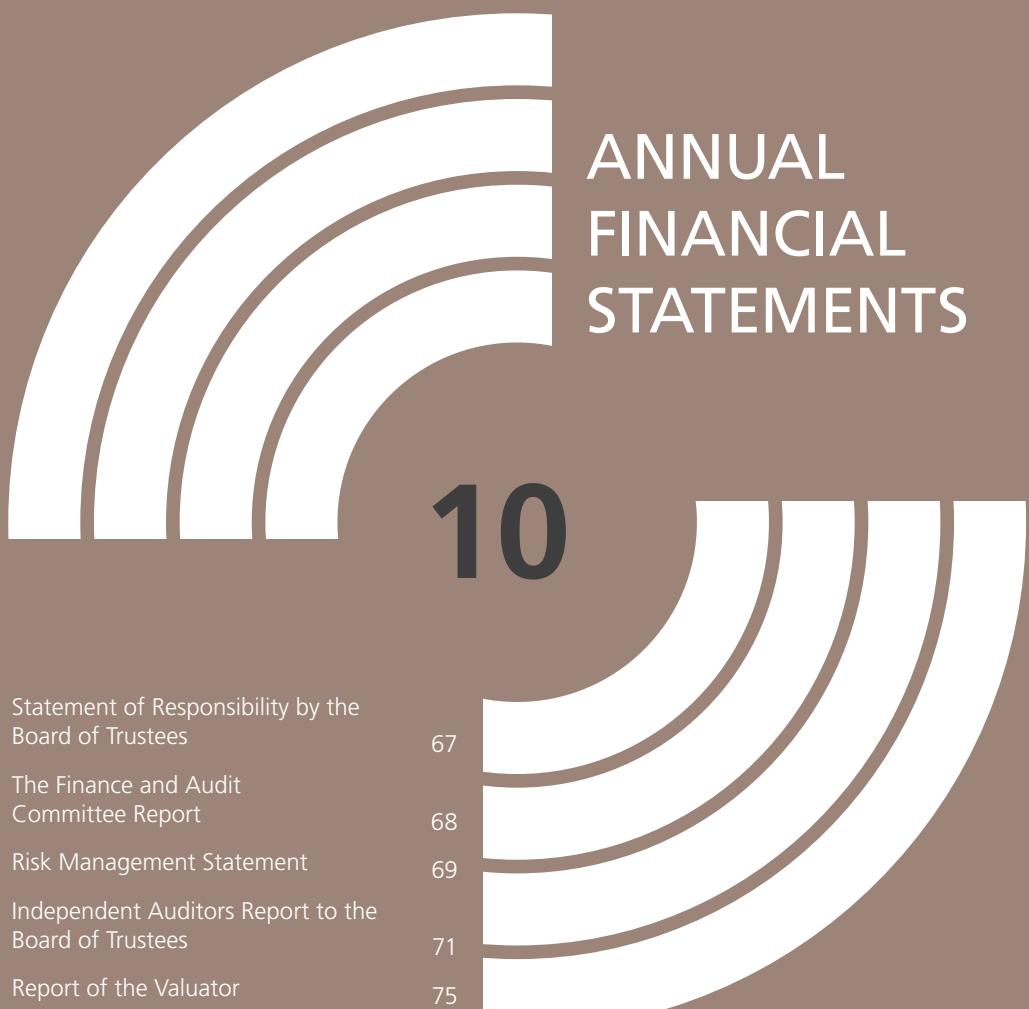
The valuation of the Fund effective 31 March 2020 is currently in progress, the results of which are expected to be available to the public in January 2021.



Sandile Mbili

Valuator to the Fund

19 October 2020



STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

for the year ended 31 March 2020

RESPONSIBILITIES

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

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

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

The annual financial statements set out on pages 82 to 124 were prepared in accordance with:

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

The independent auditors, Deloitte & Touche and Nexia SAB&T, have reported on these financial statements. During their audit, the auditors were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The annual financial statements have been audited by the independent auditors and the report of the independent auditors is presented on pages 71 to 74.

These audited annual financial statements were approved by the Board of Trustees on 28 September 2020 and were signed on its behalf by:

Dr Renosi Mokate
Chairperson

28 September 2020

Mr Edward Kekana
Vice-Chairperson

28 September 2020

THE FINANCE AND AUDIT COMMITTEE REPORT

for the year ended 31 March 2020

The fundamental role of the Finance and Audit Committee is to assist the Board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, and the internal and external audit functions.

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

- Examine and review the quality (adequacy, reliability and accuracy) of the GEPF's annual financial statements and unaudited interim financial statements.
- Make recommendations to the Board regarding the approval of the annual financial statements, as well as the adoption of the unaudited interim financial statements.
- Review of the effectiveness of the internal control systems.
- Ensure that executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified in internal and external audits.
- Oversee the functioning of the internal audit unit of the fund through the revised internal audit charter, methodology and the internal audit three-year rolling plan.
- Oversee the co-ordination of activities between the GPAA and GEPF internal audit to ensure there is no duplication of activities. Also oversee co-ordination with the external auditors and receiving the reports of significant findings of the GPAA internal audit and ensuring that management of the GPAA implement agreed management actions.
- Ensure that an external audit firm is appointed to conduct the annual external audit for the 2019/20 and ensure their independence and objectivity. Oversee the risk management function of the Fund and ensure the separation of this function from internal audit to ensure the independence of internal audit.

The FA-C is satisfied that the external auditor is independent of the organisation and that no non-audit services were rendered to the GEPF by the external auditors during the reporting period. The external auditor has rotated the designated external audit partner for the 2019/20 reporting period. Based on the information and explanations given by management and the internal audit department, and discussions with the independent external auditors on the result of their audits, the FA-C is confident that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained. Nothing significant has come to the attention of the FA-C to indicate any material breakdown in the functioning of these controls, procedures and systems during the period under review.

The FA-C has evaluated the financial statements of the GEPF for the year ended 31 March 2020. Based on the information provided, they comply in all material respects with the Fund's stated accounting policies, the provisions of the GEP Law (21 of 1996), the GEPF Rules and the regulatory framework, which the Board adopted based on the FA-C's recommendation.

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



Mr Stadi Mngomezulu

Chairperson: Finance and Audit Committee

28 September 2020

RISK MANAGEMENT STATEMENT

for the year ended 31 March 2020

INTRODUCTION

The GEPF is committed to establishing a sound system of risk oversight; management and internal control to identify, assess, monitor and manage material risks related to the conduct of the fund's activities. The governance structures, such as the Finance and Audit Committee and the Board, provide oversight to the risk management process. Management is responsible for designing and implementing controls within the Fund. The risk management function supports management and the Board through the identification, assessment, monitoring and reporting of risk exposures.

The Board and relevant stakeholders are periodically appraised of the Fund's risk profile. An approved strategic risk profile is monitored and reported periodically. Emerging risks are also monitored and reported to the relevant governance structures. The risk management system continued to function effectively in 2019/20. This is demonstrated by the attainment of the performance targets for the unit and adherence to sufficient rigour and challenge that is a prerequisite within this GEPF's risk management process.

MANDATE

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

- The requirements of Section 6 and 7 of the GEP Law and Rules;
- The Pension Funds Guidelines for Good Governance, known as the PF 130, issued by the Financial Sector Conduct Authority (FSCA); Codes of good corporate governance, including the King IV Code and the code issued by the Committee of Sponsoring Organisations (COSO).
- ISO 31000:2018, Risk management – Principles and Guidelines; and
- Other relevant legislation.

TOP 10 RISKS

These risks are prioritised and monitored periodically to ensure sufficient mitigation and reporting to the relevant governance structures.

RISK	
1	Long-term underfunding of the fund
2	Late payment of benefits
3	Inefficient and ineffective administration
4	Accuracy of data
5	Ineffective operating model
6	Ineffective stakeholder relations
7	Inadequate communication to members
8	Financial losses due to fraud and corruption
9	Regulatory risk
10	Investment execution breaches risk appetite

RISK MANAGEMENT STATEMENT continued

for the year ended 31 March 2020

KEY RISK MANAGEMENT FOCUS

In 2019/20 the risk management function focused on the review of risk governance documents to ensure effective and efficient execution of the risk management mandate within the GEPF. Furthermore, the strategic risk register was revised to ensure alignment to the approved strategy and add value by creating relevance to the operating environment. Monitoring and reporting were conducted in order to ensure that controls are in place for the identified risks and the relevant governance structure are appraised. In response to emerging risks, a Covid-19 steering committee was established and a response plan formulated in conjunction with Human Resources and ICT. The Risk Management Liaison Committee was established, and meetings took place with the key service providers to deliberate on risk management matters.

CONCLUSION

The Board approved and implemented adequate and effective policies and procedures covering the prioritised risk exposures. Where significant events presented an adverse impact to the GEPF risk profile, additional mitigations were instituted, and the Board applied due care in ensuring the implementation of appropriate risk responses to such events.

INDEPENDENT AUDITORS REPORT TO THE BOARD OF TRUSTEES

for the year ended 31 March 2020

OPINION

We have audited the financial statements of the Government Employees Pension Fund (the Fund) set out on pages 82 to 124, which comprise the statement of net assets and funds as at 31 March 2020, the statement of changes in net assets and funds and the cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared for the purpose of reporting to the Minister of Finance.

In our opinion, the financial statements of the Fund for the year ended 31 March 2020 are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the provisions of the Government Employees Pensions Law 21 of 1996, as amended ("GEP Law") and the rules of the Fund.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Public Investment Corporation (PIC) Governance: The integrity of information produced by the PIC on behalf of the Fund for financial reporting purposes <p>The PIC is a service provider to the Fund in terms of a signed agreement with appropriate authorisation from the Board of Trustees. The activities of the PIC are significant to the financial information presented in the financial statements.</p> <p>Due to the governance related developments/allegations that took place at the PIC over the Fund's reporting period and the subsequent termination of relationships between the PIC and its Board of Directors, CEO and other senior members of management, we have increased our level of scrutiny of the financial reporting information produced by the PIC on behalf of the Fund.</p> <p>As noted on the Chairperson's review on pages 4 to 7 of the annual report, the Board of Trustees has over the past financial year put in place a number of measures to enhance the Fund's oversight of the PIC.</p> <p>Accordingly, the PIC Governance – information produced by the PIC on behalf of the Fund for financial reporting purposes, is considered a key audit matter.</p>	<p>As part of the audit procedures performed, we increased our professional scepticism and specifically performed the following:</p> <ul style="list-style-type: none"> • Inspected a copy of the signed investment management mandate between the Fund and the PIC and confirmed that the investment additions that we tested complied with the agreed mandate; • Held discussions with senior management at the Fund including the Principal Executive Officer on the procedures applied to monitor the compliance of the PIC with the signed mandate; • Obtained and inspected a copy of the ISAE 3402 report prepared on the assessment of the financial controls at the PIC; • Inspected significant business relationships identified during the audit and assessed the potential of any undisclosed related party transactions, in particular, those with senior business associates and directors at the PIC and the Fund; and • We also made use of our Corporate Finance and Financial Services Advisory expertise to critically analyse the appropriateness of the valuation models and sensitive inputs used by the Fund's specialists in calculating the unlisted investments' values and to independently perform valuations for selected unlisted investments.

INDEPENDENT AUDITORS REPORT TO THE BOARD OF TRUSTEES continued

Key audit matter	How the matter was addressed in the audit
Valuation of unlisted investments	
In accordance with the investment strategy, the Fund holds investments in unlisted instruments. These investments include unlisted equities, loans, properties and derivatives.	We had a greater focus on the testing of the unlisted investments by using a lower materiality benchmark. Our focus was mainly based on the methodologies and key assumptions made by the Fund's valuation specialists. Our audit procedures included the following: <ul style="list-style-type: none">• We assessed the design and implementation of controls around the valuation of unlisted investments;• We attended the Valuation Sub-committee's meeting wherein the valuations performed by Fund's valuation specialists were analysed and challenged;• We engaged our internal specialists (Corporate Finance and Financial Services Advisory Specialists) to assist with:<ul style="list-style-type: none">◦ assessing the competence and independence of the external investment valuation specialists engaged by the Fund;◦ performing detail testing on a sample of independent valuations performed by the Fund's valuation experts. Our audit procedures included assessing the appropriateness of the valuation methodology applied, assessing the reasonability of valuation inputs and re-performing the valuation,◦ While we note that there is increased estimation uncertainty in relation to the investment valuations as a result of Covid-19, we have found the models used for the investment valuations and assumptions applied by management in the valuation models to be within a reasonable range;◦ Inspected the disclosure of unlisted investments in the financial statements.
The Board of Trustees is ultimately responsible for the review of the valuations on an annual basis and to assess the appropriateness of the fair values reported in the financial statements. The Board of Trustees has however discharged this function to the PIC, who in turn engages with and appoints independent valuation experts to perform valuations on the unlisted investments on an annual basis.	
As detailed in Item 5.2 of the Report of the Board of Trustees, in some cases the valuations provided by the external valuers were recorded without specific adjustments for the impact of the Covid-19 pandemic as it was impractical to estimate this reliably at the time that the valuations were performed. There is less certainty and a higher degree of judgement is to be attached to the valuations when compared to prior year.	
As disclosed in note 1.19, the valuation of these investments involves the use of various valuation techniques, subjective valuation inputs as well as significant levels of judgement.	
Accordingly, the valuation of unlisted investments is considered a key audit matter.	
The valuation of benefit payable provision	
In accordance with the rules of the Fund, a benefit becomes due when a member ceases to be a member of the Fund. This results in the Fund having a constructive obligation to pay the benefit. Consequently, the Fund is required to recognise the liability related to such benefits.	Our testing of the benefit payable provision focused on the methodologies and key actuarial assumptions made by the Board of Trustees. Our audit procedures included: <ul style="list-style-type: none">• Assessing the competence and independence of the actuarial specialists;• Testing the integrity of the information used in the calculation of the benefit payable provision by performing detailed substantive procedures on such information;• Assessing the design and implementation of controls around the valuation of the benefit payable provision;• Inspecting the appropriateness of the disclosure in the financial statements of the benefit payable provision, and• We engaged our internal actuarial specialists to assist us with:<ul style="list-style-type: none">◦ Benchmarking the methodologies used in calculating the benefit payable provision against similar schemes in the industry; and◦ Verifying that the methodologies and assumptions used by actuarial specialists appointed by the Board of Trustees are reasonable.
The benefits payable to members are calculated in terms of section 14 of the rules of the Fund. There are a number of key actuarial assumptions made and complex methodologies applied in the calculation of the benefits payable to members as disclosed in note 10 of the financial statements, which include: <ul style="list-style-type: none">• type of exit,• member's age,• years of service, and• earnings.	
The Board of Trustees has involved actuarial specialists to assist in calculating the benefit payable provision as at year-end.	
Therefore, the valuation of the benefit payable provision is considered a key audit matter.	

EMPHASIS OF MATTER – FINANCIAL REPORTING FRAMEWORK

We draw attention to Note 1 which describes the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Financial Sector Conduct Authority. Consequently, the financial statements and related auditors' report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The Board of Trustees is responsible for the other information. The other information comprises the information included in the document titled "Government Employees Pension Fund Annual Financial Statements for the year ended 31 March 2020", which we obtained prior to the date of this report, and the "Government Employees Pension Fund 2019/2020 Annual Report", which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF TRUSTEES FOR THE FINANCIAL STATEMENTS

The Board of Trustees is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the provisions of the GEP Law and the rules of the Fund, and for such internal control as the Board of Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Trustees either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Conclude on the appropriateness of the Board of Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.

INDEPENDENT AUDITORS REPORT TO THE BOARD OF TRUSTEES continued

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board of Trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

SECTION 13(2) AND 13(4) OF THE GEP LAW

We have read the Annual Report as required by section 13(2) (a) (ii) of the GEP Law and the information furnished in terms of section 9 and 10 of the GEP Law, is presented in accordance with the requirements of the GEP Law.

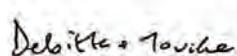
With reference to Section 13(2) (a) the auditor is required to state whether:

- (iii) the transactions of the Fund that had come to the auditors' notice in the course of his or her examination were executed in accordance with the applicable laws and instructions; and
- (iv) the transactions which had come to his or her attention during auditing were in all material respects in accordance with the mandatory functions of the Fund determined by law or otherwise.

There are no instances of non-compliance with laws and regulations that came to our attention during the course of our audit of the financial statements.

With reference to section 13(4) of the GEP Law, we are required to draw attention to any matters that are in the public interest. Such matters have been summarised and reported in the Key Audit Matters section above.

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte and Nexia SAB&T have been the joint auditors of Government Employees Pension Fund for 7 years.



Deloitte & Touche

Registered Auditors

Per: E Zungu

Partner

Johannesburg

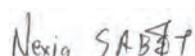
6 October 2020

5 Magwa Crescent

Waterfall City

Gauteng

2090



Nexia SAB&T

Registered Auditors

Per: Philemon Mawire

Director

Centurion

6 October 2020

119 Witch-Hazel Avenue

Highveld Technopark

Centurion

0169

REPORT OF THE VALUATOR

for the year ended 31 March 2020

PARTICULARS OF FINANCIAL CONDITION OF THE FUND BASED ON THE ACTUARIAL VALUATION EFFECTIVE 31 MARCH 2018

1. Net assets available for benefits amounted to R1 800 068 million as at 31 March 2018.
2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement and other benefits, amounted to R1 800 068 million as at 31 March 2018.
3. The actuarial present value of promised retirement and other benefits in respect of contributing members amounted to R1 171 396 million as at 31 March 2018.
4. The actuarial present value of promised retirement and other benefits in respect of S-case members and exits in progress amounted to R11 673 million as at 31 March 2018.
5. The actuarial present value of retirement benefits in respect of pensioners and deferred pensioners amounted to R462 022 million as at 31 March 2018.
6. The data and past discriminatory practices reserves were considered as "liabilities" for the purposes of the valuation and were fully funded.
7. The full value of the recommended contingency reserve accounts, including the solvency reserve, amounted to R720 893 million as at 31 March 2018. The affordable level of these contingency reserves amounted to R137 428 million as at 31 March 2018.

In summary, the assets of the Fund therefore exceed the best-estimate liabilities in respect of benefits for members and pensioners, i.e. the Fund is solvent. In addition, the Fund is able to set up contingency reserves to meet both known and unknown contingencies of R137 428 million. On a conservative basis and if affordable, the Fund would have ideally set up contingency reserves of R720 893 million.

8. Details of the valuation method adopted (including that in respect of contingency reserves) and details of any changes since the previous summary of report:
 - As for the previous valuation, the Projected Unit Method was used to determine past service liabilities and the future service contribution rate.
 - Under the Projected Unit Method, the present value of benefits that have accrued to members in respect of service prior to the valuation date is compared with the value of the Fund's assets. Allowance is made in the valuation of the accrued benefits for estimated future salary increases, ill-health retirements and deaths.
 - A liability of R11 673 million was set aside in respect of S-case members and exits in progress. This liability is in respect of members who have left the Fund and the benefit due to them is yet to be paid and is not yet provided for in the financial statements of the Fund.
 - A reserve of R8 763 million was set aside in respect of previous discriminatory practices. This reserve was obtained from the financial statements, being the accumulated value of one per cent (1%) of the funding level in 1998, less amounts already utilised to fund discriminatory practices.
 - A reserve of R8 785 million was set aside in respect of errors or omissions in the valuation data. This reserve was set at a level of 0.75% of the contributing member liability
 - A reserve was held to provide for mortality improvements for all members:
 - For pensioners, current mortality rates have been set equal to the mortality rates calculated in the experience investigation dated 31 March 2012 with an allowance for mortality improvements determined using the mortality assumption rated down one and a half years.
 - For active members, current mortality rates have been set equal to the mortality rates calculated in the same experience investigation with an allowance for mortality improvements determined using the mortality assumption rated down two and a half years.

REPORT OF THE VALUATOR continued

for the year ended 31 March 2020

- The solvency reserve has been set, based on modelling by asset consultants. This model is broadly based on a 90% probability of the fund remaining solvent over the three-year period following the valuation date.
 - 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.
8. When the above contingency reserves (excluding the data and past discriminatory practice reserves) were set up, it was not the intention of the Trustees to hold such reserves if they will place the Fund into a deficit funding level position. As at 31 March 2018, the Fund could only afford to hold a total of R137 428 million as contingency reserves. On this basis 19.1% of the desired level of contingency reserves could be held.
9. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.
- Net pre-retirement discount rate: 3.44% per annum (previously 2.93% per annum).
 - Post-retirement net discount rate: 5.70% per annum for actives and current pensioners (previously 5.53% per annum).
 - Post retirement mortality: Rates based on experience of GEPF mortality over 1 April 2008 to 31 March 2012. These rates are the same as those used for the 2016 statutory valuation.
 - Salary increases: 7.50% per annum (previously 9.30% per annum). It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 6.50% per annum (previously 8.30% per annum). In addition, an allowance is made for merit salary increments.
 - Proportion married: Assumptions have been made regarding proportions of members who are married at each age. The age difference between males and females is assumed to be four years, with males older than their female counterparts.
 - Expenses: An allowance for future administration expenses of 0.3% of annual pensionable salary was made.
10. Any other particulars deemed necessary by the valuator for the purposes of this summary: None.
11. 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 19.1% of the desired level) on a best-estimate basis.



Sandile Mbili

Fellow of the Actuarial Society of South Africa

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

In my capacity as Valuator to the Fund

19 October 2020

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 March 2020

1. DESCRIPTION OF THE FUND

1.1 TYPE OF FUND

The GEPF is a defined benefit fund established in terms of the GEP Law, No 21 of 1996, as amended. In terms of Section 1 of the Income Tax Act, No 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.

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 service employees, respectively, of a member's pensionable emolument to the GEPF.

1.4 RESERVES

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

In October 2018, a resolution was signed by the PSCBC to implement the 1998 agreement in paying members affected by discriminatory practices and as such an amount of R3.8 billion was incurred during the current year.

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	2020 R'000	2019 R'000
Ciskei strikers	180 060	168 083
General assistants	142 023	132 576
Other past discriminatory practices	4 196 886	9 025 380
Total balance at end of year	4 518 969	9 326 039

REPORT OF THE BOARD OF TRUSTEES continued

for the year ended 31 March 2020

1. DESCRIPTION OF THE FUND continued

1.5 RULE AMENDMENTS

The rule amendments or new rules relating to the following were approved and implemented during the current year:

In 2012, the Fund introduced the Clean Break principle which allowed for a former spouse of a member of the GEPF to be paid his or her share of the pension shortly after the divorce and not only when the member exits the GEPF. The Clean Break principle was effected in terms of a debt model, which required the GEPF to register the amount paid to the former spouse as a debt against the member. The member had to either repay this notional debt with interest or the outstanding amount was deducted from the member's pension upon exit. The GEP Law and rules in respect of the Clean Break principle have changed from 1 August 2019. This means that all divorces that take place on or after 1 August 2019 to which the Clean Break principle is applicable will be dealt with in terms of the service reduction model, which means the benefit that is subsequently payable to the member shall, as provided in the rules, be decreased by reducing the member's years of pensionable service to take into account the pension interest of the member which was assigned to any former spouse of the member.

Amendment to rule 14.2.2 relating to increased spouse option a member can exercise on retirement. The option to allow a member to choose a reduced gratuity or annuity in favour of an increased spouse pension already existed but Rule 14.2.2 was amended, with effect from 1 November 2019, regarding the method of calculating the reduced gratuity or annuity for the retiring member if he chooses the enhanced spouse pension. The new calculation method takes into consideration all the spouse(s)' age and gender as at date of retirement of the member to calculate the reduction in the gratuity or annuity. Previously a set reduction factor was used.

1.6 BOARD OF TRUSTEES

The Minister of Finance inaugurated the current Board on 21 May 2018 for a period of four years. 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. The current Board's tenure will end on 20 May 2022.

2. INVESTMENTS

2.1 MANAGEMENT OF INVESTMENTS

The assets of the GEPF are managed primarily by the Public Investment Corporation (PIC). In terms of their mandate, the PIC appointed the following external asset managers to manage part of the Fund's portfolio:

- Aeon Investment Management (Pty) Ltd.
- Afena Capital (Pty) Ltd.
- All Weather Capital (Pty) Ltd.
- Aluwani Capital Partners (Pty) Ltd.
- Argon Asset Management (Pty) Ltd.
- Benguela Global Fund Managers (Pty) Ltd.
- Black Rock Advisors (UK) Ltd.
- Cheyne Capital LLP
- Coronation Asset Management (Pty) Ltd.
- Enko Capital Management LLP.
- First Avenue Investment Management (Pty) Ltd.
- Gemcorp Capital LLP.
- Goldman Sachs Asset Management International.

2.1 MANAGEMENT OF INVESTMENTS continued

- International Bank for Reconstruction and Development.
- Ninety One Asset Management (Pty) Ltd.
- JP Morgan Asset Management (UK) Ltd.
- Legacy Africa Fund Managers (Pty) Ltd.
- Mazi Capital (Pty) Ltd.
- Meago (Pty) Ltd.
- Mergence Investment Managers (Pty) Ltd.
- Mianzo Asset Management (Pty) Ltd.
- Oasis Asset Management (Pty) Ltd.
- Perpetua Investment Managers (Pty) Ltd.
- Prowess Investment Managers (Pty) Ltd.
- Prudential Investment Managers South Africa (Pty) Ltd.
- Robeco Institutional Asset Management B.V.
- Sanlam Investment Management (Pty) Ltd.
- Sentio Capital Management (Pty) Ltd.
- Umthombo Wealth (Pty) Ltd.
- Vunani Fund Managers (Pty) Ltd.

The balance of the assets of the GEPF is invested in African Development Partners II LP (ADP II) which is managed by Development Partners International, Pan African Infrastructure Development Fund (PAIDF) which is managed by Harith Fund Managers, South Suez African Fund II LP (South Suez) which is managed by South Suez Capital Limited, Verod Capital Growth Fund II LP (Verod) which is managed by Verod Capital Management and Capital Alliance Private Equity IV (Cape IV) which is managed by Capital Alliance Private Equity IV Limited on behalf of the Fund.

During the current year, Standard Bank of South Africa Limited performed the custody and investment accounting function on behalf of the Fund.

2.2 ASSETS ARE INVESTED IN A RANGE OF ASSET CLASSES CONSISTING OF:

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

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

Asset classes	Guideline %	Actual %	
		At 31 March 2020	
Cash and money markets	0 – 8		3
Domestic bonds	26 – 36		36
Domestic property	3 – 7		4
Domestic equity	40 – 55		47
Africa (ex SA) equity	0 – 5		2
Foreign bonds	0 – 4		2
Foreign equity	1 – 5		6
Total	100		100

REPORT OF THE BOARD OF TRUSTEES continued

for the year ended 31 March 2020

2. INVESTMENTS continued

2.3 OTHER INVESTMENTS NOT IN THE NAME OF THE GEPF

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

3. MEMBERSHIP

The GEPF membership as at 31 March 2020 consisted of 1 269 161 (2019: 1 265 421) government and parastatal employees from participating employers, as well as 480 615 (2019: 464 138) pensioners and orphans receiving monthly annuity benefits.

4. ACTUARIAL VALUATION

An actuarial valuation of the GEPF is conducted at least once every three years as prescribed in Section 17(3) of the GEP Law. The latest actuarial valuation was performed by Alexander Forbes Financial Services (Pty) Ltd as at 31 March 2018 based on the funding level policy adopted by the Board in consultation with the Minister of Finance. This funding level 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 RisCura (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 as at 31 March 2018 in that assets were equal to accrued liabilities and 19.1% of the desired level of solvency and contingency reserves.

5. SIGNIFICANT MATTERS

5.1 OUTBREAK OF COVID-19

Covid-19 was announced as an international health concern by the World Health Organisation (WHO) in January 2020, in March 2020 the outbreak was deemed to be a global pandemic.

South Africa's response to this global pandemic was to declare Covid-19 as a National State of Disaster and implement a National lockdown where social gatherings, traveling and economic activity were all subject to significant restrictions during this national lockdown period. The lockdown was initially planned to start from 26 March 2020 until 17 April 2020. The President of South Africa, Cyril Ramaphosa, extended the lockdown to 30 April 2020. On 1 May the lockdown restrictions were gradually lifted, this resulted in certain businesses being able to operate based on the sector they operate in and subject to certain restriction requirements. The Government continues to monitor the spread of Covid-19, the impact of this spread on the Health sector, social distancing and trade restrictions in order to ensure that restrictions continue to be lifted so that economic activities can once again include all economic sectors.

The Government restrictions were aimed at outcomes ranging from successful virus containment with a short-term economic impact. At the same time, there have been a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. The GEPF has been monitoring the Covid-19 outbreak and developments closely. The Fund follows guidance from the WHO and abides by the requirements as activated by local governments. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the GEPF's employees and operations.

At the same time of Covid-19 becoming a pandemic, South Africa lost its investment grade crediting and saw downgrades from all three major rating agencies (Moody's, Fitch and S&P Global).

The outcome of the aforementioned macro-economic factors resulted in the Rand depreciating, bond yields fluctuated and economic inactivity as many sectors throughout South Africa were closed due to the National lockdown.

The impact of Covid -19 on GEPF is that fair value losses have increased from R40 billion to R297 billion as at 31 March 2020, this has significantly contributed to losses incurred of R214 billion in relation to the R13 billion profit made in the prior financial year.

The aforementioned fair value losses have led to investments decreasing from R1.8 trillion to R1.6 trillion as at 31 March 2020.

The impact of Covid-19 on the GEPF's going concern has been assessed by management, who are confident that the GEPF will continue to operate for the foreseeable future, this based on a number of factors, including the following:

- Since May 2020 the market has started to recover some of the losses experienced in March 2020 as policy makers introduced more liquidity in the market and gradually increasing economic activity which have reduced fears in the market. The gradual increase in economic activity has seen the GEPFs investment assets increase to R1.8 trillion in June 2020 as opposed to R1.6 trillion in March 2020.
- Contributions from employees are expected to continue to be paid to the GEPF as there have not been any issues noted before and during the pandemic in relation to payments of contributions by members.

With the increase in investment values post year end and expected contributions, the management is confident that the GEPF will continue to be solvent and liquid for the foreseeable future and therefore continues to be a going concern.

5.2 VALUATION OF UNLISTED INVESTMENTS

The GEPF via the PIC appoints external valuers who work independently of each other and their valuations are combined to arrive at the total fair value for unlisted equities, properties and other investments. The valuations were performed on an open-market basis with consideration to the future earnings potential and are supported by market evidence.

Discounted cash flow valuation methodology and Earnings Multiple was favoured by the external valuers in the current year, which allows for the impact of the Covid-19 pandemic on various assumptions included in the valuations to be taken into account. However, in some cases the valuations provided by the external valuers were recorded without specific adjustments for the impact of Covid-19 as it was impractical to estimate these reliably at the time that the valuations were performed.

The valuations of the Fund's unlisted portfolio are inherently subject to a significant degree of judgement in respect of certain assumptions used in the valuations, including judgement in respect of the determination of future cash flows/earnings and appropriate capitalisation discount rates and earnings multiple. As a result, the valuations are subject to a degree of uncertainty, and assumptions may prove not to be accurate, particularly given the current economic uncertainty due to the Covid-19 pandemic.

6. SUBSEQUENT EVENTS

6.1 LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA (LAND BANK)

In April 2020 The Land and Agricultural Development Bank of South Africa (Land Bank) was experiencing liquidity constraints and as result could not repay maturing money market investments. The GEPFs exposure to the Land Bank is R4.5 billion as at 31 March 2020 in the form of fixed bonds and promissory notes.

On the 7th of August 2020, The Land Bank issued a communication stating that the entity would recommence with interest payments to financial creditors as from 11 August 2020. The interest payments will be made as and when they become due and payable in accordance with the terms of each relevant underlying agreement together with any accrued interest due in respect of such unpaid interest in accordance with the terms of each relevant underlying agreement.

6.2 THE PUT OPTION AGREEMENT GROCAPITAL AND NEDBANK

The PIC acting on behalf of GEPF entered into an agreement granting Nedbank a right to require the GEPF, on the occurrence of a trigger event, to purchase from Nedbank all the present and future liabilities and obligations of Nedbank's facility in GroCapital Holdings.

The Nedbank facility expired and was not renewed. The GEPF took up the direct exposure of R 250 million to GroCapital in July 2020.

6.3 THE CRO AGREEMENT WITH DRIVE-IN TRADING, BANK OF AMERICA, MERRILL LYNCH

The PIC acting on behalf of GEPF (CRO Grantor) entered into a Contingent Repurchase Obligation (CRO) agreement with Drive-In Trading (Pty) Limited and Bank of America, Merrill Lynch (BoAML). The CRO required the PIC to purchase the facility liabilities upon occurrence of a Trigger Event during the CRO period.

The BoAML facility expired in August 2020 and the CRO was exercised upon expiry. An amount of R126 million was paid out as a result of the CRO to purchase the facilities from BoAML.

STATEMENT OF NET ASSETS AND FUNDS

as at 31 March 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets			
Equipment	2	1 610 120 249	1 818 851 590
Investments	3	9 909	12 309
		1 610 110 340	1 818 839 281
Current assets			
Funding loan	4	39 245 014	40 197 458
Accounts receivable	5	6 716	6 716
Transfers receivable	11.2	4 615 331	8 111 082
Contributions receivable	6.1	1 431	1 431
Cash and cash equivalents	7	2 782 927	3 230 895
		31 838 609	28 847 334
Total assets		1 649 365 263	1 859 049 048
FUNDS AND LIABILITIES			
Total funds and reserves			
Accumulated funds	8	1 594 525 798	1 812 702 086
Reserve accounts		1 590 006 829	1 803 376 047
		4 518 969	9 326 039
Non-current liabilities			
Unclaimed benefits	9	1 001 795	863 122
Current liabilities			
Benefits payable	10	1 001 795	863 122
Transfers payable	11.1	53 837 670	45 483 840
Accounts payable	12	49 585 057	42 128 322
Provisions	13	799	899
		4 240 564	3 345 544
		11 250	9 075
Total funds and liabilities		1 649 365 263	1 859 049 048

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

for the year ended 31 March 2020

	Notes	Accumulated funds R'000	Reserve accounts R'000	Total 2020 R'000	Total 2019 R'000
Net (loss)/income before transfers and benefits		(95 652 501)	–	(95 652 501)	122 060 874
Contributions received and accrued	6.2	80 231 144	–	80 231 144	75 138 760
Purchase of periods of service	14	4 673 938	–	4 673 938	834 467
Net investment (loss)/income	15	(179 660 555)	–	(179 660 555)	46 777 176
Other income	16	378 354	–	378 354	417 591
Less: Administrative expenses	17	(1 275 382)	–	(1 275 382)	(1 107 120)
Transfers and benefits		(118 699 516)	–	(118 699 516)	(109 427 053)
Benefits	10 & 8	(110 917 750)	–	(110 917 750)	(102 505 414)
Transfers to other funds	11.1	(111 930)	–	(111 930)	(192 748)
Transfers from other funds	11.2	7 026	–	7 026	102 680
Interest expense	18	(7 676 862)	–	(7 676 862)	(6 831 571)
Net (loss)/income after transfers and benefits		(214 352 017)	–	(214 352 017)	12 633 821
Funds and reserves					
Balance at beginning of the year		1 803 376 047	9 326 039	1 812 702 086	1 800 068 265
Benefits recognised		–	(3 824 271)	(3 824 271)	
Transfer of net investment return to reserves	8	982 799	(982 799)	–	–
Balance at end of the year		1 590 006 829	4 518 969	1 594 525 798	1 812 702 086

CASH FLOW STATEMENT

for the year ended 31 March 2020

	Notes	2020 R'000	2019 R'000
Cash flow from operating activities			
Cash utilised from operations	20	(28 131 614)	(19 605 110)
Contributions and other income received		80 679 112	75 618 719
Benefits paid during the year		(106 412 049)	(93 661 449)
Other expenses paid		(2 398 677)	(1 562 380)
Interest received		52 671 740	48 326 152
Interest paid		(1 752 019)	(1 470 689)
Dividends received		36 463 883	34 507 006
Transfers and bought services (paid)		(71 301)	(49 649)
Divorce benefits paid		(2 076 163)	(1 960 806)
Net cash inflow from operating activities		57 104 526	59 746 904
Net cash outflow from investing activities		(54 113 251)	(53 096 264)
Proceeds on sale of equipment		7	16
Additions to equipment		(635)	(12 192)
Additions to investments		(54 112 623)	(53 084 088)
Net increase in cash and cash equivalents		2 991 275	6 650 640
Cash and cash equivalents at beginning of the year		28 847 334	22 196 694
Cash and cash equivalents at end of the year	7	31 838 609	28 847 334

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

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

1.2 EQUIPMENT

Historical cost includes costs that are directly attributable to the acquisition of the asset. Subsequent costs are included in the 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
Leasehold improvements	20

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

1.3 INVESTMENTS

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

1.3.1 Classification

1.3.1.1 The 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 the 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. PRINCIPAL ACCOUNTING POLICIES continued

1.3 INVESTMENTS continued

1.3.1 Classification continued

The GEPF classifies its financial assets into the following categories:

Loans and receivables

Financial assets classified as loans comprise direct loans to 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 at fair value through the statement of changes in assets and funds.

1.3.2 Recognition

The GEPF recognises financial assets 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.

1.3.3.1 Equities

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

Equity instruments designated at 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 multiples.

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

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

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

1.3.3.2 Preference shares

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

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, in order to calculate the fair value.

1.3.3.3 Debentures

Debentures comprise unlisted debentures.

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

1.3.3.4 Bills and bonds

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

Listed bonds

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

Unlisted bills

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. PRINCIPAL ACCOUNTING POLICIES continued

1.3 INVESTMENTS continued

1.3.3 Measurement continued

1.3.3.5 Investment properties

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

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

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

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

1.3.3.6 Collective investment schemes

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

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

1.3.3.7 Special investment products

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

Where there are instruments within the structured products, which require a different treatment, these are measured separately in accordance with the measurement 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.

1.3.5 Impairments

1.3.5.1 Financial assets carried at amortised cost

The Fund assesses at each statement of net assets and funds 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 exists 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 asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's 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's 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. PRINCIPAL ACCOUNTING POLICIES continued

1.3 INVESTMENTS continued

1.3.5 Impairments continued

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 asset's 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 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 in the statement of changes in net assets and funds when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Purchased service

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

1.6 UNCLAIMED BENEFITS

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

1.7 ACCOUNTS PAYABLE

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

1.8 PROVISIONS

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

1.9 CONTRIBUTIONS

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

1.10 PURCHASE OF SERVICE

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

1.11 DIVIDEND, INTEREST, RENTALS AND GAINS AND LOSSES ON SUBSEQUENT MEASUREMENT

1.11.1 Dividend income

Dividend income is recognised in the statement of changes in net assets and funds, when the right to receive payment is established, which is the last date to trade for equity securities.

1.11.2 Interest income

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

1.11.3 Rental income

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

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

1.11.4 Collective investment schemes distributions

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

1.11.5 Gains and losses on subsequent measurement to fair value

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

1.12 TRANSFERS TO AND FROM THE GEFP

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

1.13 INTEREST PAYABLE TO MEMBERS EXITED FROM THE GEFP

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

1.14 INTEREST PAYABLE TO DORMANT MEMBERS

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

1.15 FOREIGN EXCHANGE GAINS OR LOSSES

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. PRINCIPAL ACCOUNTING POLICIES continued

1.16 OPERATING LEASES

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

1.17 INTEREST ON LATE PAYMENTS OF CONTRIBUTIONS AND/OR LOANS AND RECEIVABLES

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

1.18 EXPENSES INCURRED IN MANAGING INVESTMENTS

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

1.19 JUDGEMENTS AND ESTIMATES

Critical judgements in applying the entity's accounting policies

In the process of applying the GEPF's accounting policies, the Board has made the following judgements relating 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 for impairment of receivables is raised on all receivable amounts aged 730 days and older, amounts due from individuals who have attained the age of 70 years and older, as well as all fraud case receivables.

- **Accumulated leave pay provision**

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

- **Performance bonus provision**

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

- **Fair value estimation**

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

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

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

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

Key assumptions of estimations with uncertainty

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

- **Accrual for benefits payable**

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

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

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

- **Reserve accounts**

A reserve was set aside in respect of errors or omissions in the valuation data. This reserve was set at a level of 0.75% of the contributing member liability.

- **Past Discriminatory Practices**

A reserve was set aside in respect of previously discriminatory practices. This reserve was obtained from the financial statements, being the accumulated value of one per cent (1%) of the funding levels in 1998, less amounts already utilized to fund discriminatory practices.

- **Investments**

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

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

1.20 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

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

1.21 RESERVES

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

1.22 BENEFITS

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

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

1.23 ADMINISTRATION EXPENSES AND OTHER EXPENSES

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. PRINCIPAL ACCOUNTING POLICIES continued

1.24 CONTINGENT ASSETS AND LIABILITIES

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

1.25 RELATED PARTIES

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

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

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

1.26 FINANCIAL LIABILITIES

1.26.1 Classification

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

1.26.2 Recognition

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

1.26.3 Measurement

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

1.26.4 Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

2. EQUIPMENT

	Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
2.1 CURRENT YEAR, 2020							
Gross carrying amount	2 908	817	4 084	4 016	656	13 452	25 933
At beginning of the year	2 400	817	4 040	3 934	656	13 452	25 299
Additions	516	—	44	82	—	—	642
Disposals	(8)	—	—	—	—	—	(8)
Accumulated depreciation and impairments	(2 122)	(814)	(3 143)	(3 168)	(656)	(6 121)	(16 024)
At beginning of the year	(1 725)	(809)	(2 858)	(2 850)	(656)	(4 092)	(12 990)
Depreciation	(398)	(5)	(285)	(318)	—	(2 029)	(3 035)
Accumulated depreciation on disposals	1	—	—	—	—	—	1
Net carrying amount at end of the year	786	3	941	848	—	7 331	9 909
2.2 PRIOR YEAR, 2019							
Gross carrying amount	2 400	817	4 040	3 934	656	13 452	25 299
At beginning of the year	2 624	817	2 909	2 992	656	3 333	13 331
Additions	—	—	1 131	942	—	10 119	12 192
Disposal	(224)	—	—	—	—	—	(224)
Accumulated depreciation	(1 725)	(809)	(2 858)	(2 850)	(656)	(4 092)	(12 990)
At beginning of the year	(1 650)	(795)	(2 682)	(2 603)	(656)	(3 112)	(11 498)
Depreciation	(299)	(14)	(176)	(247)	—	(980)	(1 716)
Accumulated depreciation on disposals	224	—	—	—	—	—	224
Net carrying amount at end of the year	675	8	1 182	1 084	—	9 360	12 309

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

3. INVESTMENTS

3.1 INVESTMENT SUMMARY

Notes	Amortised			Total 2019 R'000
	Fair value 2020 R'000	cost 2020 R'000	Total 2020 R'000	
Money market instruments*	3.1.1	–	29 170 756	42 323 368
Direct loans*	3.1.2	–	42 343 071	41 886 273
Bills and bonds**	3.1.3	568 765 757	568 765 757	575 542 873
Local		540 044 466	540 044 466	551 839 805
Foreign		28 721 291	28 721 291	23 703 068
Investment properties**	3.1.4	14 989 029	14 989 029	14 650 804
Equities**	3.1.5	833 428 996	833 428 996	1 031 061 316
Listed equities		763 017 302	763 017 302	962 998 068
Primary listings		557 489 466	557 489 466	763 107 297
Secondary listings		205 527 836	205 527 836	199 890 771
Unlisted equities		70 411 694	70 411 694	68 063 248
Local equities		49 474 883	49 474 883	50 808 472
Foreign equities		20 936 811	20 936 811	17 254 776
Preference shares**	3.1.6	2 951 900	2 951 900	5 044 182
Collective investment schemes**	3.1.7	118 460 831	118 460 831	108 330 465
Local instruments		630 975	630 975	642 612
Foreign instruments		117 829 856	117 829 856	107 687 853
		1 538 596 513	71 513 827	1 610 110 340
				1 818 839 281

* Classified as loans and receivables.

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

Explanatory notes:

- Included in the unlisted foreign equities above are internally managed investments by the GEPF to the value of R11.3 billion (2019: R7.8 billion). These investments include ADPI II, PAIDF, South Suez, Verod and Cape IV.
- 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. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.1 Money market instruments

	Amortised cost 2020 R'000	Amortised cost 2019 R'000
Certificate of deposits	1 834 840	452 500
Development Bank of SA Ltd	1 834 840	452 500
Fixed deposits	22 869 572	35 610 127
Standard Bank Group Ltd	5 198 615	6 293 642
FirstRand Ltd	4 659 494	7 158 660
Nedbank Ltd	4 644 399	8 101 311
ABSA Group Ltd	4 286 780	7 504 055
Investec Bank Ltd	4 080 284	6 537 322
Land and Agricultural Development Bank of SA	–	15 137
Promissory notes	4 466 344	6 260 741
Land and Agricultural Development Bank of SA	4 466 344	6 191 050
South African National Road Agency Ltd	–	69 691
Total money market instruments	29 170 756	42 323 368

3.1.2 Direct loans

	Secured by	Amortised cost 2020 R'000	Amortised cost 2019 R'000
SAHL Investments Holding (Pty) Ltd	Shareholder guarantees, cession and pledges	7 327 974	8 081 080
Industrial Development Corporation SOC Limited	Not secured*	5 066 368	5 074 084
Lancaster 101 (RF) (Pty) Ltd	Secured by collar options, primary cession over Steinhoff Africa shares, primary cession over dividends received from Steinhoff Africa shares, reversionary cession over proceeds from put option, reversionary cession over Steinhoff International shares, as well as cash and operating accounts	3 641 000	6 000 557
Belelani Capital (Pty) Ltd	Share of linked units in Pareto Ltd and personal security pledged by Mr Kekana in the form of a share portfolio and property	3 490 068	–
Firefly Investments 326 (RF) (Pty) Ltd	Corporate guarantees from Bayport Financial Services (BFS) and Bayport Management Ltd (BML), cession in securitatum debit of all positive bank accounts, pledge and cession of shares in BML, BFS and Firefly Investments 326, as well as shareholder guarantee	2 323 802	2 398 155

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.2 Direct loans

Secured by	Amortised cost 2020 R'000	Amortised cost 2019 R'000
V & A Waterfront Holdings (Pty) Ltd	Not secured 2 290 485	–
Honsha Property (Pty) Ltd	Pledge and cession of shares by HEA Trading 1 Pledge and cession of share from Honsha Properties Proprietary Limited Security on personal assets (properties) Personal surety (limited guarantee) 1 984 988	2 071 268
Lebashe Investment Group (Pty) Ltd formerly known as Petratouch (Pty) Ltd	Pledge and cession in securitatum debiti of its rights, title and interest including acquired Ashbrook and Capitec shares 1 793 148	1 600 663
Kilimanjaro Sakhumnotho Consortium (Pty) Ltd	First ranking pledge and cession in security of pledged shares, pledged share distributions and disposal proceeds; and pledge (and not an out and out cession and transfer) of the ceded rights and accordingly, cedentes shall be and remain the owner of such rights until the cessionary exercises its rights, guarantee from each of the obligors 1 654 828	2 812 583
Tanga Cement Company Ltd	Cession and pledge of debenture and mortgage registered under Tanga Cement Company Ltd and stand-by payment guarantee 1 430 730	1 383 419
Kuseni Group 2 (RF) (Pty) Ltd	Cession and pledge of shares, shareholders' guarantee and cession of bank accounts –	1 433 624
South Point Management Services (Pty) Ltd	Shareholders' guarantee, cession and pledge in security –	596 024
Other	 11 339 680	10 434 816
Total loans	42 343 071	41 886 273

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

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.3 Bills and bonds

	Issuer rating long-term	Fair value 2020 R'000	Fair value 2019 R'000
Bills		6 926 412	539 406
Eskom Holdings Ltd	B	4 963 896	539 406
Republic of SA	AAA	1 962 516	—
Commercial paper		1 543 941	534 740
The Thekwini Fund Ltd	AAA	1 372 029	534 099
Transnet SOC Ltd	AA	101 416	—
Discovery Holdings Ltd	A+	70 496	—
Telkom SOC Ltd	AA	—	641
Government bonds		380 232 685	369 692 649
Republic of SA	AAA	379 058 750	368 561 235
Republic of Namibia	A+	619 783	612 412
Republic of Angola	**	554 152	519 002
Corporate bonds		19 962 267	29 232 300
Standard Bank Group Ltd	AA	5 564 136	6 831 718
FirstRand Ltd	AA	4 785 262	4 907 113
ABSA Group Ltd	AA	3 396 230	2 269 975
Nedbank Ltd	AA	3 155 811	3 116 792
The Thekwini Fund Ltd	AAA	512 233	1 498 743
African Bank Ltd	A-	465 408	671 501
Investec Group Ltd	AA	352 271	919 138
Old Mutual Plc	A+	343 156	603 904
MMI Holdings Ltd	AAA	297 552	—
Santam Ltd	AAA	206 066	
Pareto Ltd		—	4 552 000
Barclays Africa Group Ltd		—	1 519 277
Other		884 142	2 342 139
Parastatal bonds		131 379 161	151 840 710
Eskom Holdings Ltd	B	73 166 386	84 487 323
South African National Road Agency Ltd	A+	20 881 315	23 136 937
Transnet SOC Ltd	AA	20 304 782	21 087 869
Trans-Caledon Tunnel Authority	AA-	6 918 870	6 925 770
Development Bank of SA Ltd	AA+	6 661 159	12 594 646
City of Cape Town	AA	721 832	730 461
City of Johannesburg	AA	608 486	615 135
Rand Water Board	AAA	543 487	537 992
Industrial Development Corporation SOC Ltd	AA	502 506	517 062
Ekurhuleni Metropolitan Municipality	AA	413 780	424 146
Other		656 558	783 369
Foreign bonds		28 721 291	23 703 068
Black Rock Advisors (UK)	*	13 667 761	10 961 531
International Bank for Reconstruction and			
Development	*	7 040 281	5 496 475
JP Morgan Asset Management (UK) Ltd	*	5 281 273	4 808 120
Goldman Sachs Asset Management			
International	*	2 731 976	2 436 942
Total bills and bonds		568 765 757	575 542 873

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.3 Bills and bonds continued

The National Credit ratings are used as investment grade ratings, unless otherwise mentioned. The rating categories are as follows:

National Long-term Rating Definition	National Scale Rating Symbol
Highest grade quality	AAA
Very high credit quality	AA+, AA, AA-
High credit quality	A+, A, A-
Adequate protection factors	BBB+, BBB, BBB-
Capacity for timely repayment	BB+, BB, BB-
Possessing risk that obligations will not be met when due	B+, B, B-
Defaulted	D

* Foreign bonds are held in bond portfolios. These bond portfolios invest in a range of bonds with different credit ratings.

** The S&P Global rating scale is CCC+.

Included in the bond value on the previous page are the following scrip lending transactions:

Transaction date	Bonds on lent	Security in place	Number on loan	Fair value	Name of counterparty	Scrip custodian
		2020	2020	2020		
		R'000	R'000	R'000		
31 March 2020	R2 030	*	1 437 583	1 157 220	Standard Bank	Standard Bank
31 March 2020	R2 048	*	1 731 845	1 256 405	Standard Bank	Standard Bank
31 March 2020	R209	*	1 767 962	1 031 088	Standard Bank	Standard Bank
31 March 2020	R213	*	1 726 316	1 231 876	Standard Bank	Standard Bank
31 March 2020	R214	*	1 664 149	952 253	Standard Bank	Standard Bank
Total			8 327 855	5 628 842		

* Collateral is not done on an individual bond level basis. The total out on loan position is collateralised across all securities. The security in place for the bond collateral is 110% of the daily market value of the Bonds Gross Market value.

3.1.4 Investment properties

	Fair value 2020 R'000	Fair value 2019 R'000
Residential properties	208 060	208 530
Industrial properties	2 076 020	1 551 000
Office properties	6 613 772	7 211 350
Retail properties	5 252 568	4 985 795
Specialised properties	712 660	636 800
Vacant land	365 230	354 702
Lease income accrual	(239 281)	(297 373)
Total properties	14 989 029	14 650 804

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.4 Investment properties continued

Name of property	Address	Valuation method	Date of last valuation	Pledged as guarantee	Fair value 2020 R'000	Fair value 2019 R'000
Tshwane Regional Mall	Denneboom Station Mamelodi Tshwane	DCF	2020/03/31	No	786 000	437 000
Centre Square Development	Cnr of Dallas Road and Aramist Road, Menlyn Maine, Tshwane	DCF	2020/03/31	No	765 000	771 300
Vangate Shopping Centre	Vanguard Drive, Athlone, Cape Town	DCF	2020/03/31	No	715 200	683 000
Riverwalk Office Park	41 Matroosberg Street, Ashlea Gardens, Tshwane	DCF	2020/03/31	No	693 100	715 400
Trevenna	70 Meintjies Street, Trevenna, Tshwane	DCF	2020/03/31	No	617 100	598 100
Central City Shopping Centre	Stand 426, Unit E, Central Road, Tshwane	DCF	2020/03/31	No	613 300	654 400
Business Connexion	1037 Lenchen Avenue, Zwartkop	DCF	2020/03/31	No	575 300	545 000
Portion 97 Farm	Portion 97, Farm Palmietfontein, 403 and Farm, North	Comparable sales	Comparable sales			
Palmietfontein 403 and Farm Isago N12	West			No	517 320	-*
Joggie Vermooten	57 Joyner Road, Prospecton, Isipingo Ext. 12, eThekweni	DCF	2020/03/31	No	327 100	319 600
Portions 43 – 50 of Erf Cornubia	Portions 43 – 50 of Erf Cornubia, eThekweni	Comparable sales	2020/03/31	No	300 000	300 000
Kasteel Park Office Park	Corner Nossob and Jochemus Street Erasmuskloof Tshwane	DCF	2020/03/31	No	-	303 900
Other					9 318 890	9 620 477
Lease income accrual					(239 281)	(297 373)
Total properties					14 989 029	14 650 804

* 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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.4 Investment properties continued

3.1.4.1 Investment properties

	2020 R'000	2019 R'000
Balance at beginning of the year	14 948 177	14 564 480
Additions	517 382	319 756
– Direct acquisition	1 007 976	820 299
– Capital expenditure	–	(63 225)
Disposals	–	(63 225)
Fair value adjustment*	(1 245 225)	(693 133)
Closing fair value	15 228 310	14 948 177
Operating lease income accrual	(239 281)	(297 373)
Balance at end of year	14 989 029	14 650 804

An independent valuation of the investment properties was performed as at 31 March 2020. The properties were valued at fair value on the basis of the comparable sales and 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 Knight Frank, Broll Property Group, De Leeuw Valuers and Spectrum Valuations and Asset Solutions who are registered valuers in terms of Section 19 of the Valuers Professional Act, No 47 of 2000, and have recent experience in valuing similar properties at similar locations.

3.1.5 Equities

	Fair value 2020 R'000	Fair value 2019 R'000
Primary listing	557 489 466	763 107 297
Secondary listing	205 527 836	199 890 771
Unlisted equities	70 411 694	68 063 248
Total equities	833 428 996	1 031 061 316

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.5 Equities continued

	Total issued shares (number)	GEPF's shareholding (number)	GEPF's shareholding %	Fair value 2020 R'000	Fair value 2019 R'000
1. Primary listing (listed on the JSE)				557 489 466	763 107 297
Naspers Ltd	435 511 058	72 241 409	17	184 483 608	231 243 942
Vodacom Group Ltd	1 835 864 961	248 244 839	14	29 047 129	27 317 969
MTN Group Ltd	1 884 269 758	487 392 310	26	23 584 914	42 020 047
Standard Bank Group Ltd	1 619 929 317	221 681 889	14	22 715 743	36 528 444
FirstRand Ltd	5 609 488 001	526 504 465	9	21 202 335	29 923 361
Sanlam Ltd	2 343 338 047	280 657 195	12	14 338 776	18 548 393
Anglogold Ashanti Ltd	416 261 292	43 815 529	11	13 981 973	-
Bid Corporation Ltd	335 404 212	54 536 699	16	11 598 865	14 807 993
Shoprite Holdings Ltd	591 338 502	82 394 439	14	10 299 305	-
Remgro Ltd	529 217 007	80 585 024	15	9 901 482	13 316 407
Sasol Ltd	-	-	-	-	38 709 668
Nedbank Group Ltd	-	-	-	-	13 244 696
Other	-	-	-	216 335 336	297 446 377
2. Secondary listing				205 527 836	199 890 771
Prosus N.V.	1 624 652 070	42 832 731	3	52 890 284	-
Anglo American Plc	1 363 118 080	130 135 625	10	39 596 367	64 796 672
British American Tobacco Plc	2 456 520 738	52 576 965	2	31 475 726	26 457 209
BHP Group Plc	2 112 071 796	59 313 938	3	16 038 489	19 936 735
Richmont Securities AG	5 220 000 000	122 355 985	2	11 842 836	13 123 651
Mondi Ltd	485 553 780	29 993 420	6	9 097 904	5 491 792
Reinet Investments S.C.A.	195 941 286	23 500 954	12	6 687 196	5 578 794
Dangote Cement Plc	17 040 507 405	805 582 668	5	4 889 444	6 177 242
Quilter Plc	1 882 579 991	172 555 769	9	4 429 506	-
Mediclinic International Plc	737 243 810	67 954 091	9	3 893 090	-
Old Mutual Plc	-	-	-	-	14 345 723
Nepi Rock Castle Plc	-	-	-	-	5 460 823
Glencore Plc	-	-	-	-	5 168 432
Other	-	-	-	24 686 994	33 353 698
3. Unlisted equities				70 411 694	68 063 248
Pareto Ltd	4 551 646 134	3 459 251 062	76	13 468 000	12 659 000
Pan African Infrastructure Development Fund*	*	*	40/98	9 847 363	6 736 825
V & A Waterfront Holdings (Pty) Ltd	1 000 000	500 000	50	8 988 905	10 295 000
ABSA Group Ltd	**	**	**	5 858 213	9 694 000
MTN Group Ltd	**	**	**	4 155 638	-
ETG Inputs Holdco Ltd	500	245	49	3 720 503	2 840 628
African Bank Ltd	500 000 000	125 000 000	25	2 221 000	2 690 000
Arch Property Fund (Pty) Ltd	25 000 000	5 000 000	20	1 985 000	2 071 000
Bayport Management Ltd	31 398 089	6 377 550	20	1 785 270	2 058 006
ADR International Airports SA (Pty) Ltd	166 000	166 000	100	1 768 000	3 344 000
MTN Nigeria Communications Ltd	-	-	-	-	1 452 199
Other	-	-	-	17 769 440	14 222 590

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

** This instrument is an option and therefore GEPF shareholding percentage is not applicable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.6 Preference shares

	Total issued shares (number)	GEPF's shareholding (number)	GEPF's %	Fair value 2020 R'000	Fair value 2019 R'000
BK One Ltd	24 492 823	1 200 000	5	120	120
Zambezi Platinum (RF) Ltd	159 905 453	41 574 355	26	2 951 780	5 044 062
Total preference shares				2 951 900	5 044 182

3.1.7 Collective investment schemes

Description	Fair value 2020 R'000	Fair value 2019 R'000
Black Rock Advisors (UK)	76 368 970	70 217 284
Robeco Institutional Asset Management B.V.	24 234 367	22 260 488
Gemcorp Capital LLP	5 833 503	5 003 111
Cheyne Capital Management (UK) LLP	5 448 424	4 936 044
Enko Capital Management LLP	3 735 965	2 824 585
Mazi Africa Capital (Pty) Ltd	1 178 253	1 268 345
Coronation African Frontiers Unit Trust	896 102	1 076 980
H4 Collective Investments (RF) (Pty) Ltd	463 842	477 894
Sanlam Ltd	167 133	164 301
Investec Africa Unit Trust	134 272	101 016
Mazi Capital (Pty) Ltd	—	417
Total	118 460 831	108 330 465

The GEPF owns units in all above listed collective investment schemes.

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.8 Risk management

Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/liquid asset with counterparty R'000	Guarantees	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty (% of the fair value of assets)
Banks						
ABSA Group Ltd	4 506 562	394 569	No	7 683 009	12 584 140	1
African Bank Ltd	1 507 000	—	No	465 408	1 972 408	—
Bank of New York	—	1 138 658	No	—	1 138 658	—
Barclays Africa Group Ltd	—	—	No	995	995	—
BNP Paribas SA	—	—	No	18 530	18 530	—
Capitec Holdings Ltd	7 192 575	—	No	51 748	7 244 323	—
China Construction Bank	20 605	—	No	—	20 605	—
Citygroup Global Markets	—	—	No	6 049 683	6 049 683	—
Deutsche Bank	—	—	No	3 347 550	3 347 550	—
Development Bank SA Ltd	—	—	No	8 495 999	8 495 999	1
Ecobank Transnational Inc	706 801	196 338	No	—	903 139	—
FirstRand Ltd	21 202 335	1 743	No	9 444 755	30 648 833	2
Grinrod Bank Ltd	—	—	No	13 196	13 196	—
HSBC Holdings Plc	—	3 023	No	—	3 023	—
International Bank for Reconstruction and Development	—	—	No	7 040 281	7 040 281	—
Investec Ltd	3 806 086	353 079	No	4 432 555	8 591 720	1
Land and Agricultural Development Bank						
Nedbank Ltd	55 197	4 466 225	No	7 800 210	12 321 632	1
Rand Merchant Bank	8 200 034	—	No	—	8 200 034	1
Sasfin Holdings Ltd	—	15	No	—	15	—
South African Reserve Bank	88	125 226	No	—	125 314	—
Standard Bank Group Ltd	22 715 743	23 868 015	No	10 762 751	57 346 509	3
Asset managers						
H4 Collective Investments (RF) (Pty) Ltd	—	—	No	463 842	463 842	—
Black Rock Advisors (UK)	—	—	No	90 036 731	90 036 731	5
Coronation Asset Management (Pty) Ltd	1 267 900	—	No	896 102	2 164 002	—
Goldman Sachs Asset Management International	—	—	No	2 731 976	2 731 976	—
Investec Africa Unit Trust	—	—	No	134 272	134 272	—
JP Morgan Asset Management (UK) Ltd	—	—	No	5 281 273	5 281 273	—
Ninety-one Plc	1 887 982	—	No	—	1 887 982	—
Novare Africa Property Fund	1 740 087	—	No	—	1 740 087	—
Robeco Institutional Asset Management B.V.	—	—	No	24 234 367	24 234 367	1
Vunani Ltd	—	—	—	1 962 516	1 962 516	—
Insurance companies						
Alexander Forbes Ltd	303 245	—	No	—	303 245	—
Discovery Holdings Ltd	4 478 728	—	No	70 496	4 549 224	—
Liberty Group Ltd	1 893 355	—	No	56 797	1 950 152	—
MMI Holdings Ltd	1 770 482	—	No	297 552	2 068 034	—
Old Mutual Ltd	9 318 623	—	No	343 156	9 661 779	1
Sanlam Ltd	14 338 776	—	No	167 133	14 505 909	1
Santam Ltd	1 600 025	—	No	206 066	1 806 091	—

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.9 Market risk

Equity holdings

Ten largest rand-value equity holdings

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
Naspers Ltd	184 483 608	9 224 180
Prosus N.V.	52 890 284	2 644 514
Anglo American Plc	39 596 367	1 979 818
British American Tobacco Plc	31 475 726	1 573 786
Vodacom Group Ltd	29 047 129	1 452 356
MTN Group Ltd	23 584 914	1 179 246
Standard Bank Group Ltd	22 715 743	1 135 787
FirstRand Ltd	21 202 335	1 060 117
BHP Group Plc	16 038 489	801 924
Sanlam Ltd	14 338 776	716 939
Total value of ten largest equity holdings	435 373 371	21 768 667
As a percentage of total investments plus bank balances	27%	1%

3.1.10 Other financial instruments

Ten largest rand-value other financial instruments

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
Black Rock Global Equity Fund	62 027 722	3 101 386
RSA 197	53 552 720	2 677 636
RSA 2048	32 043 427	1 602 171
RSA 210	27 553 583	1 377 679
RSA 202	26 291 637	1 314 582
Robeco Equity Fund	24 234 367	1 211 718
RSA 2037	24 032 476	1 201 624
RSA 2030	23 598 334	1 179 917
RSA 2025	23 256 729	1 162 836
RSA 212	21 628 354	1 081 418
Total value of ten largest other instruments	318 219 349	15 910 967
As a percentage of total investments plus bank balances	19%	1%

3. INVESTMENTS continued

3.1 INVESTMENT SUMMARY continued

3.1.11 Foreign currency exposure

Description	Fair value 31 March 2020 USD'000	Fair value 31 March 2020 R'000	Exchange rate movement by 5% R'000
Black Rock Advisors UK Ltd	5 043 312	90 036 731	4 501 837
Robeco Institutional Asset Management B.V.	1 357 462	24 234 366	1 211 718
Pan African Infrastructure Development Fund	551 590	9 847 363	492 368
International Bank for Reconstruction and Development	394 354	7 040 281	352 014
Gemcorp Capital LLP	326 757	5 833 503	291 675
Cheyne Capital Management (UK) LLP	305 188	5 448 424	272 421
JP Morgan Asset Management (UK) Ltd	295 825	5 281 273	264 064
Dangote Cement Plc	273 877	4 889 444	244 472
ETG Inputs Holdco Ltd	224 080	4 000 438	200 022
Enko Capital Management LLP	209 266	3 735 965	186 798
Goldman Sachs Asset Management International	153 029	2 731 976	136 599
Bayport Management Ltd	100 000	1 785 270	89 263
Novare Africa Property Fund	97 469	1 740 087	87 004
Tanga Cement Company Ltd	80 141	1 430 730	71 536
Mazi Africa Fund	65 999	1 178 253	58 913
Grit Real Estate Group NPV	61 579	1 099 344	54 967
Vodacom Tanzania Ltd	60 401	1 078 318	53 916
African Export-Import Bank	50 239	896 902	44 845
Coronation Africa Frontiers Unit Trust	50 194	896 102	44 805
Smile Telecoms Holdings Ltd	45 000	803 372	40 169
Ecobank Transnational Inc	39 591	706 801	35 340
Neoma Africa Fund III	37 000	660 550	33 027
African Development Partners II LP	33 196	592 635	29 632
AP Ventures Fund	31 460	561 652	28 083
Republic of Angola	31 040	554 153	27 708
Kuvenco 1 Ltd	26 366	470 706	23 535
South Suez African Fund II LP	24 353	434 764	21 738
Kenya Electricity Generating Company Ltd	23 294	415 858	20 793
Convergence Partners Communications Infrastructure Fund	22 860	408 113	20 406
Kuramo Africa Opportunity II (Mauritius) LLC	15 778	281 680	14 084
West Africa Emerging Fund	13 184	235 380	11 769
Capital Alliance Private Equity IV Ltd	12 865	229 672	11 484
Verod Capital Growth Fund II LP	9 074	161 989	8 099
Cipla Quality Chemical Industries Ltd	8 397	149 906	7 495
Investec Africa Unit Trust	7 521	134 272	6 714
Africa Capital Works	6 638	118 498	5 925
Africa Food Security Fund	4 289	76 572	3 829
Alpha Namibia Industries Renewable Power Ltd	2 969	53 000	2 650
Total value of foreign instruments	10 095 637	180 234 343	9 011 717
As a percentage of total investments plus bank balances		11%	1%

3.1.12 Subsequent events

Refer to note 6 on subsequent events per the Report of the Board of Trustees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

4. FUNDING LOAN

	2020 R'000	2019 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. The GEPF has followed a conservative approach by adopting the lowest estimate provided by the liquidators.

5. ACCOUNTS RECEIVABLE

	2020 R'000	2019 R'000
Accrued interest	64 630	82 612
Accrued dividend	1 712 212	4 125 105
Estates debt	41 573	40 266
Total estates debt	111 088	99 779
Less: provision for doubtful debts	(69 515)	(59 513)
Fraud cases debt	–	–
Total fraud cases debt	64 192	60 713
Less: provision for doubtful debts	(64 192)	(60 713)
Investment debtors	2 322 474	3 413 066
Lease debtor	239 281	297 373
Purchased service	74 959	67 406
Purchased service not recovered at retirement or death	466	626
South African Post Office	57 837	27 590
Sundry debtors	3 844	3 475
National Treasury	3 836	2 330
Government Pensions Administration Agency	34 711	–
Temporary Employees Pension Fund	151	267
Overpayments	59 357	50 966
Total overpayments	84 820	68 499
Less: provision for doubtful debts	(25 463)	(17 533)
	4 615 331	8 111 082

6 CONTRIBUTIONS

	2020 R'000	2019 R'000
6.1 CONTRIBUTIONS RECEIVABLE		
Participating employers	129 372	147 169
Additional employer contributions*	2 219 586	1 988 791
Additional NSF employer contributions**	430 126	1 092 443
Interest on outstanding contributions	3 843	2 492
Statement of net assets and funds	2 782 927	3 230 895

* 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 174 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 employer.

	Contributions accrued 2020 R'000	Contributions received 2020 R'000	Contributions receivable 2020 R'000	Contributions receivable 2019 R'000
6.2 RECONCILIATION OF CONTRIBUTIONS RECEIVABLE				
Member contributions	28 571 019	(28 571 019)	–	–
Employer contributions	51 658 475	(52 107 794)	2 779 084	3 228 403
Interest on outstanding contributions	1 650	(299)	3 843	2 492
	80 231 144	(80 679 112)	2 782 927	3 230 895
Statement of changes in net assets and funds				80 231 144

7. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Cash resources	5 601 116	1 589 748
Short-term investments	26 237 493	27 257 586
	31 838 609	28 847 334

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

8. RESERVES

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

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

	Ciskei strikers' reserve 2020 R'000	General assistants' reserve 2020 R'000	Other past discriminatory practices' reserve 2020 R'000	Total reserve accounts 2020 R'000
Balance at the beginning of the year	168 083	132 576	9 025 380	9 326 039
Benefits recognised*	–	–	(3 824 271)	(3 824 271)
Transfer from net investment return to reserves	11 977	9 447	(1 004 223)	(982 799)
Balance at end of year	180 060	142 023	4 196 886	4 518 969

* In October 2018, a resolution was signed by the PSCBC to implement the 1998 agreement in paying members affected by discriminatory practices and as such an amount of R3.8 billion was incurred during the current year.

9. UNCLAIMED BENEFITS

	2020 R'000	2019 R'000
Balance at the beginning of the year	863 122	667 902
Transferred from benefits	642 968	1 728 822
Benefits paid	(802 616)	(1 782 286)
Interest provision	298 321	248 684
Balance at the end of the period	1 001 795	863 122

RECONCILIATION OF NUMBER OF CASES

	Cases	2020 R'000 Amount	Cases	2019 R'000 Amount
Payments rejected by the banks	5 274	319 137	4 058	217 226
Cases available for internal tracing	4 377	377 158	3 534	289 605
Unclaimed funeral benefits	140	1 262	103	1 142
Tax directives declined	627	24 144	724	37 435
Family disputes cases	204	115 209	208	113 960
Cases available for external tracing	8 172	164 885	8 886	203 754
Balance at the end of the period	18 794	1 001 795	17 513	863 122

10. BENEFITS

	Benefits payable 2019 R'000	Benefits transferred			
		Benefits accrued current year 2020 R'000	Benefits paid during year 2020 R'000	to unclaimed benefits 2020 R'000	Benefits payable 2020 R'000
Net benefit payments	32 686 951	110 917 750	(108 742 851)	(642 160)	34 219 690
Gratuities	4 373 878	17 805 412	(17 890 445)	(20 856)	4 267 989
Withdrawal benefits	16 782 140	26 924 354	(30 223 256)	(205 254)	13 277 984
Monthly pensions	1 859 136	54 138 148	(51 180 426)	(17 108)	4 799 750
Retrenchment benefits	49 459	(10 220)	(37 139)	–	2 100
Death benefits	9 490 438	8 591 922	(5 966 460)	(390 199)	11 725 701
Funeral benefits	67 074	373 256	(358 797)	(1 448)	80 085
Child and orphans' benefits**	50 746	201 891	(200 916)	(164)	51 557
Divorce benefits	14 080	2 892 309	(2 884 734)	(7 131)	14 524
Unclaimed benefits***	–	678	(678)	–	–
Interest to members	9 441 371	7 676 823	(1 752 019)	(808)	15 365 367
Benefits payable****	42 128 322	118 594 573	(110 494 870)	(642 968)	49 585 057
Statement of changes in net assets and funds					110 917 750

** Orphans' benefits are payable in terms of the provisions of Rule 14.6.3 of 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.

The new child's benefits replaced the orphans' benefits with effect from 1 June 2018. The concern about the orphans' pension was that both parents had to be deceased for a child to qualify for a pension. With the new child's pension, the death of one parent who is a member or pensioner of the Fund occurring from 1 June 2018 will result in an eligible child being entitled to a child's pension.

*** Unclaimed benefits are not currently written back to income as per the Prescription Act but will remain in the Fund as unclaimed until the member has been traced. These are claims which were written off prior 2009/10 financial year as per the policy during that time and have been claimed and paid in the current year due.

**** Benefits payable as at 31 March 2020 and benefits accrued during the year includes an amount of R6.5 billion (2019: R10.3 billion) representing exit cases that were not fully processed at year-end.

Benefits payable age analysis is summarised as follows:

	Cases	2020		Cases	2019 R'000
		R'000			
Current					
<2 years	33 788	21 842 874		35 627	23 279 742
Unpaid benefits					
2 – 5 years	24 142	3 521 362		25 950	3 145 738
>5 years	72 326	21 784 524		71 618	13 642 741
Contingency provision				–	1 977 864
Child and orphans' benefits					
Interest on NSF benefits	1 489	48 137		2 523	48 761
Total	446	58 877		295	33 476
	132 191	49 585 057		136 013	42 128 322

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

for the year ended 31 March 2020

11. TRANSFERS

11.1 TRANSFERS TO OTHER FUNDS

	Effective date	Number of members	Transfers payable 2019 R'000	Transfers approved 2020 R'000	Return on transfer 2020 R'000	Transfers paid 2020 R'000	Transfers payable 2020 R'000
Bulk transfers in terms of Rule 12 of the GEP Law							
Municipal transfers	2019/2020	117	899	99 565	12 365	(112 030)	799
		117	899	99 565	12 365	(112 030)	799
Transfers approved							99 565
Return on transfers							12 365
Statement of changes in net assets and funds							111 930

11.2 TRANSFERS FROM OTHER FUNDS

	Effective date	Number of members	Transfers receivable 2019 R'000	Transfers approved 2020 R'000	Return on transfers 2020 R'000	Transfer received 2020 R'000	Transfers receivable 2020 R'000
Transfers in terms of Rule 12 of the GEP Law							
Individual transfers	2019/2020	18	1 431	7 026	–	(7 026)	1 431
		18	1 431	7 026	–	(7 026)	1 431
Transfer approved							7 026
Return on transfers							–
Statement of changes in net assets and funds							7 026

12. ACCOUNTS PAYABLE

	2020 R'000	2019 R'000
Administrative creditors	26 774	19 280
Operating lease accrual	644	352
Child maintenance (court orders)	2 015	773
Contributions (employers)	6 308	7 930
Dormant members	425	466
Associated Institutions Pension Fund	1 979	3 140
Government Pensions Administration Agency	93 274	84 486
Investment creditors	3 522 691	2 518 887
National Treasury	245	—
Outstanding SA Post Office vouchers	55 560	26 236
Portfolio management fees payable	255 459	352 440
Sundry creditors	275 190	331 554
	4 240 564	3 345 544

13. PROVISIONS

	2020 R'000	2019 R'000
Provision for accumulated leave pay	1 154	773
Balance at beginning of year	773	769
Provided	1 154	773
Utilised	(773)	(769)
Provision for bonuses	10 096	8 302
Balance at beginning of year	8 302	6 900
Provided	10 672	7 410
Utilised	(8 878)	(6 008)
Balance at end of year	11 250	9 075

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

14. PURCHASE OF PERIODS OF SERVICE

	2020 R'000	2019 R'000
GEPF members	39 756	38 860
Divorce benefits	808 571	791 152
Past discriminatory members	3 825 611	4 455
	4 673 938	834 467

15. NET INVESTMENT INCOME

Income from investments	94 944 693	88 264 440
Dividends	34 050 990	34 825 209
Interest	52 275 404	47 915 778
Other income	595 668	393 004
Foreign exchange gain	5 941 911	2 934 215
Reversal of impairment ³	258 626	454 242
Property income	1 822 094	1 741 992
Net profit on sale of investments ¹	38 031 537	11 376 097
Adjustment to fair value	(297 168 244)	(40 455 432)
Impairment of investments ²	(11 950 511)	(8 766 971)
Total investment (loss)/income	(176 142 525)	50 418 134
Less: expenses incurred in managing investments		
– Management fees – externally managed	(1 695 397)	(1 729 469)
– Management fees and other expenses – internally managed	(113 179)	(470 429)
– Property expenses	(1 004 711)	(849 656)
– Transaction costs and other expenses	(704 743)	(591 404)
Total investment expenses	(3 518 030)	(3 640 958)
Net investment (loss)/income	(179 660 555)	46 777 176
 ¹ Profit on sale of investments		
Loss on sale of investments	42 014 751	18 085 366
Net profit on sale of investments	38 031 537	11 376 097

¹ Some of the loans entered into by the PIC on behalf of the GEPF in their capacity as the Fund's asset manager have been impaired based on the independent valuation as stated on the following page:

² In the current year, reversals of impairment were recognised for companies listed in the schedule of reversals of impairment below.

SCHEDULE OF REVERSALS OF IMPAIRMENT

	2020 R'000	2019 R'000
ACWA Power Solafrica Bokpoort CSP Power Plant (Pty) Ltd	67 954	–
Dikgosi Tailings Processing (Pty) Ltd	61 146	–
Magae Makhaya Housing	41 859	–
Friedshelf 1518 (Pty) Ltd	24 782	–
Firefly Investments 230 (RF) (Pty) Ltd	17 340	–
Kiaat Bridge Facility	13 558	–
Kiaat Private Hospital (Pty) Ltd	10 652	7 639
Mucet Investments (Pty) Ltd	8 178	–
Kiaat Ndabezitha Trust	3 965	–
King Sabata Dalindyebo Municipality	8 130	–
Kiaat Lehakwe Trust	1 062	–
Afgri Poultry (Pty) Ltd	–	400 783
Zamalwandle Transport Logistics (Pty) Ltd	–	29 547
Just Veggies (Pty) Ltd	–	8 920
Botshilu Private Hospital (Pty) Ltd	–	7 353
 Total	258 626	454 242

15. NET INVESTMENT INCOME continued

SCHEDULE OF IMPAIRMENTS

	2020 R'000	2019 R'000
Lancaster Group	3 361 426	959 277
Belelani Capital (Pty) Ltd	2 334 171	–
Kilimanjaro Sakhumnotho Consortium (Pty) Ltd	1 038 464	–
Kuseni Group (Pty) Ltd	809 412	307 067
Afrisam Group (Pty) Ltd	527 593	2 354 506
S&S Refinery (Pty) Ltd	429 528	490 838
Allied Mobile Communications (Pty) Ltd	415 573	646 054
Firefly Investments 326 (Pty) Ltd	401 289	480 633
Musa Group (Pty) Ltd	335 457	368 284
Smile Telecoms Holdings (Ltd)	322 857	542 057
Honsha Property (Pty) Ltd	309 650	67 722
Sakhumnotho Property Holdings (Pty) (Ltd)	279 884	43 706
Bafepi Agri (Pty) Ltd	231 336	–
Sub Saharan Investment Holdings (Pty) Ltd	187 454	227 485
Acapulco Trade and Invest 164 (RF) (Pty) Ltd	143 443	82 290
Independent News and Media SA (Pty) Ltd	112 531	338 510
Firefly Investments 319 (Pty) Ltd	110 361	104 082
Business Ventures Investments No 1697 (Pty) Ltd	87 830	–
Zamalwandle Transport Logistics (Pty) Ltd	79 445	–
Just Veggies (Pty) Ltd	70 488	13 699
Botshilu Private Hospital (Pty) Ltd	64 404	–
Projectprop (Pty) Ltd	53 745	–
Venda Building Society	48 560	40 619
Lona Group (Pty) Ltd	39 935	–
Sunrise Energy (Pty) Ltd	29 828	–
Yalu Financial Services (Pty) Ltd	24 781	–
EM Africa Properties (Pty) Ltd	24 680	–
La Crushers (Pty) Ltd	22 622	7 882
Madibeng Municipality	21 279	29 205
CPV Power Plant No.1 (Pty) Ltd	7 748	–
Business Venture Investments 1828 (Pty) Ltd	6 517	441 610
WH Pharma Couriers (RF) (Pty) Ltd	5 516	–
Kiaat Nozala Health Partners (Pty) Ltd	5 281	4 958
Kurisani Youth Development Trust	2 994	–
Ekuzeni Supplies (Pty) Ltd	2 469	–
Aspari (RF) (Pty) Ltd	1 574	–
Multisource (Pty) Ltd	270	433
Hot Dog Café (Pty) Ltd	116	1 053
Erin Energy Corporation Ltd	–	867 764
Firefly Investments 230 (RF) (Pty) Ltd	–	78 732
Dikgosi Tailings Processing (Pty) Ltd	–	68 444
ACWA Power Solafrica Bokpoort CSP Power Plant (Pty) Ltd	–	67 954
Magae Makhaya Housing	–	41 859
Friedshelf 1518 (Pty) Ltd	–	39 582
Jasper Power Company RF (Pty) Ltd	–	33 556
King Sabata Dalindyebo Municipality	–	8 129
Mucet Investments (Pty) Ltd	–	3 002
Kiaat Bridge Facility	–	2 646
Kiaat Private Hospital (Pty) Ltd	–	2 637
Kiaat Ndabezitha Trust	–	557
Kiaat Lehakwe Trust	–	139
Total	11 950 511	8 766 971

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

15. NET INVESTMENT INCOME continued

SCHEDULE OF IMPAIRMENTS continued

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

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

16. OTHER INCOME

	2020 R'000	2019 R'000
Interest received		
Arrear contributions	5 298	4 325
Purchase of service	5 526	4 535
Additional employer contributions – early retirement	182 815	166 774
Additional employer contributions – NSF	116 272	175 751
Operating bank account	68 293	65 315
Other	150	891
	378 354	417 591

17. ADMINISTRATIVE EXPENDITURE

17.1 TOTAL ADMINISTRATIVE EXPENDITURE

	2020 R'000	2019 R'000
Administration expenses	1 088 042	968 157
Actuarial fees	3 910	3 268
Investment accounting fees	2 539	3 561
Investment performance analysis	2 488	5 303
Audit fees	10 704	4 065
Depreciation	3 035	1 716
Foreign currency loss	164	161
Legal costs	21 820	10 255
Bad debts	94	6 439
Loss/ (profit) on sale of equipment	–	(24)
Operating expenses	53 575	39 117
Operating lease payments	5 162	5 633
Operating lease smoothing adjustment	644	352
Personnel expenses	61 794	51 416
Personnel expenditure (refer to note 17.2)	25 940	21 336
Executive officer expenditure (refer to note 17.3)	15 822	10 328
Principal officer expenditure (refer to note 17.4)	7 564	5 882
Trustees expenditure (refer to note 17.5)	12 468	13 870
Increase in provision for doubtful debt	21 411	7 701
	1 275 382	1 107 120

17. ADMINISTRATIVE EXPENDITURE continued

17.2 PERSONNEL REMUNERATION AND EXPENSES

	2020 R'000	2019 R'000
Remuneration to permanent and contract employees	22 260	18 931
Retirement fund contributions	3 113	1 661
Training expenses	—	609
Other benefits (housing, medical, etc.)	567	135
	25 940	21 336

17.3 EXECUTIVE OFFICERS' REMUNERATION AND EXPENSES

Remuneration and allowances	13 671	7 751
Bonuses	2 151	2 577
	15 822	10 328

17.4 PRINCIPAL OFFICER'S REMUNERATION AND EXPENSES

Remuneration and allowances	5 683	4 197
Bonuses	1 881	1 685
	7 564	5 882

17.5 BOARD OF TRUSTEES' REMUNERATION AND EXPENSES

Meeting allowances	9 472	11 305
Expenses	2 996	2 565
	12 468	13 870

17.6 TRUSTEE REMUNERATION

	Meeting attendance fee R'000	Retainer fee R'000	Subsistence and travel R'000	Total paid R'000
Ms Lindy Bodewig	0	0	0	0
Mr Sibonelo Cele	327	67	25	419
Mr Terrence Chauke	432	87	58	577
Col Johan Coetzer	365	67	27	459
Maj Gen Dries de Wit	262	38	0	300
Dr Vuyo Dyantyi	234	57	16	307
Mr Thembisa Gamedze	116	73	0	189
Mr Kenny Govender	0	0	0	0
Brig Johan Griesel	190	38	52	280
Ms Jennifer Jeftha	411	57	39	507
Ms Jennita Kandailal	290	67	16	373
Mr Eddie Kekana	420	173	13	606
Mr Sidney Kgara	303	86	0	389
Ms Thandi Khoza	179	38	0	217
Dr Frans Le Roux	341	109	0	450
Ms Mantuka Maisela	375	58	25	458
Ms Kgomo Makhupola	309	105	12	426
Mr Mugwena Maluleke	69	32	14	115
Corp Thobile Maqhubela	204	38	13	255
Mr Success Mataitsane	245	57	17	319
Dr Lese Mathape	285	19	21	325
Rear Adm Gladys Mbulaheni	217	38	7	262
Mr Stadi Mngomezulu	0	0	18	18

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

17. ADMINISTRATIVE EXPENDITURE continued

17.6 TRUSTEE REMUNERATION continued

	Meeting attendance fee R'000	Retainer fee R'000	Subsistence and travel R'000	Total paid R'000
Dr Renosi Mokate	563	174	30	767
Mr Thabo Mokwena	171	67	12	250
Mr Richard Morris	403	75	0	478
Adv Sibusiso Mtsweni	159	38	9	206
Adv Makhubalo Ndaba	318	138	27	483
Lt Gen Lineo Ntshiea	337	67	21	425
Dr Morgan Pillay	254	67	42	363
Ms Suveena Pillay	217	44	3	264
Mr John Raphela	216	19	6	241
Maj Gen Mulungisa Sitshongaye	270	67	16	353
Mr Pierre Snyman	310	67	40	417
Mr Khaya Sodidi	204	50	41	295
Mr Alan Thompson	288	140	0	428
Adv Nonku Tshombe	188	50	9	247
TOTAL	9 472	2 367	629	12 468

18. INTEREST EXPENSE

	2020 R'000	2019 R'000
Interest payable to members	7 676 823	6 831 529
Interest payable to members exited from the GEPF	7 481 428	6 664 623
Interest payable to external funds in respect of members exited from the GEPF	117 767	113 356
Interest payable to NSF members	77 628	53 550
Interest payable to dormant members	39	42
	7 676 862	6 831 571

	2020 R'000	2019 R'000
19. OPERATING LEASE		
INCOME		
Future minimum lease payments receivable under non-cancellable operating leases:		
Receivable within one year	974 745	1 032 749
Receivable between two and five years	2 227 643	2 150 588
Receivable after five years	1 367 065	1 188 420
	4 569 453	4 371 757
EXPENSES		
Future minimum lease payments under non-cancellable operating leases:		
Payable within one year	5 949	4 449
Payable between two and five years	18 656	18 533
	24 605	22 982
20. CASH GENERATED FROM OPERATIONS		
Net (loss)/income after transfers and benefits		
Adjusted for:		
Interest income	(185 881 005)	12 633 821
Interest expense	(52 653 758)	(33 751 841)
Divorce benefits	7 676 862	(48 333 369)
Dividends received	2 892 309	6 831 571
Adjustment to fair values of investments	(34 050 990)	2 751 958
Profit on sale of investments	297 168 244	(34 825 209)
Impairment of investments	(38 031 537)	40 455 432
Reversal of impairment	11 950 511	(11 376 097)
Foreign currency (income)/loss	(258 626)	8 766 971
Depreciation	(5 941 747)	(454 242)
Profit on sale of equipment	3 035	(2 934 054)
Lease smoothing	–	1 716
Bad debt written off	644	(24)
Increase in doubtful debt provision	94	352
Movement in provisions	21 411	6 439
Net transfers (in)/out	1 673 587	7 701
	(4 569 034)	6 093 413
Adjusted net income after transfers and benefits	(28 471 012)	(744 399)
Changes in working capital		
Decrease in accounts receivable	339 398	(21 118 020)
(Decrease)/Increase in accounts payable	351 493	1 512 910
	(12 095)	1 464 678
Cash flow generated from operations	(28 131 614)	48 232
	(19 605 110)	(19 605 110)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

21. FINANCIAL MANAGEMENT AND ASSOCIATED RISKS

Investment activities expose the GEPF to various types of risks that are associated with the financial instruments and the asset classes in which the portfolio is invested. Market, Credit, Liquidity and Solvency risk exposures are on the account of the GEPF's strategic asset allocation percentages for the various asset classes, which are set to counter, amongst other risks, inflation risk that affect the GEPF's liabilities and assets. The nature and extent of financial instruments as at financial year-end and the risk management policies employed by the GEPF and its investment manager are discussed below.

21.2 MARKET RISK AND INTEREST RATE RISK

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to adverse movements in market factors.

Investment managers are required to diversify investments of the GEPF and make investments within the specified asset allocation such that the performance of the asset classes are at least similar to the performance of corresponding sectors of the market as a whole and that exposure to a single investment is within an acceptable tolerance level.

Equities are the most volatile asset class and therefore the biggest source of short-term risk for the portfolio. The Investment Committee, on behalf of the Board, monitors this risk against predetermined benchmarks. The fair value of the equity portfolio at 31 March 2020 was R1.0 billion (2019: R1 031.1 billion).

Furthermore, market risk exposure is managed through adherence to investment mandate requirements.

Interest rate risk is the risk that the value of a financial instrument or the income received from such instruments will adversely change due to a change in interest rate levels, credit spreads and changes in the shape of the pricing yield curve. Risk caused due to a change in Interest rate levels is managed and evaluated through duration management techniques. In addition, interest rate risk caused by movements in credit spreads and changes in yield curve shape is managed primarily through credit and macroeconomic research, scenario analysis and stress testing.

21.2 CREDIT RISK

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

Credit risk is managed by utilising internal models, credit related policies, as well as ratings from external credit rating agencies for listed credit exposures. Credit related limits are managed through adherence to investment mandate requirements, as well as internal policies and guidelines set out by the Investment Manager which are approved by the relevant committees, in accordance with the Board approved delegation of authority. Risk reports are submitted to the respective committee structures for governance oversight.

The credit risk pertaining to loans and advances is managed partially through a combination of derivative structures, other collateral and forms of available risk transfer mechanisms for the credit exposure. Loans and advances are approved by the relevant governance structures within the Investment Manager and in accordance with investment mandates.

21.3 LIQUIDITY RISK

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

Liquidity risk is managed by investing in liquid assets such as money market instruments, bonds, fixed deposits and promissory notes as well as liquid debt issues from government, municipalities and other approved issuers in accordance with the investment mandate. In addition to this, an adequate reserve amount is kept in cash, following an asset-liability modelling exercise to further mitigate this risk.

21. FINANCIAL MANAGEMENT AND ASSOCIATED RISKS continued

21.4 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument denominated in a currency other than the reporting currency may fluctuate due to changes in foreign currency exchange rates, between the reporting currency and the currency in which the instrument is denominated.

The Fund's exposure to currency risk is mainly in respect of the foreign investment mandates which are denominated in US dollars. Currency risk is managed primarily by setting limits to strategic asset allocation percentages for foreign asset classes and hedging in other instances.

For translation into the functional currency or into a presentation currency, the following procedures apply:

- assets and liabilities are translated at the exchange rate at the end of the period; and
- income and expenses are translated at the exchange rate at the dates of the transactions.

The average USD/ZAR exchange rate for the period ended 31 March 2020 was R14,79 and the spot rate as at 31 March 2020 was R17,85.

21.5 SOLVENCY RISK

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

21.6 CONCENTRATION RISK

Concentration risk is the risk of losses arising due to poor diversification within funds. This relates to both credit and market risk as excessive concentrations in a particular or correlated sector, issuer, asset class, term structure or financial instrument type can result in undesirable risk exposures. This risk is managed in accordance with investment mandates, strategic asset allocation percentages, predetermined benchmarks and approved policies, which dictate the level of acceptable concentration.

22. RELATED PARTIES

With 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.

- 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.

23. CONTINGENT LIABILITIES

23.1 BENEFITS

A contingent liability exists for members that exited from the GEPF prior to 31 March 2020, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

23. CONTINGENT LIABILITIES continued

23.2 GEPF VALUE ADDED TAX

The GEPF is a registered vendor for value-added tax (VAT) purposes. It has to date only accounted for VAT on its commercial property rental income and has also only deducted VAT on expenses and acquisitions in relation to its commercial properties.

The GEPF earns various categories of taxable income, but only accounts for VAT on transactions in relation to its commercial properties. The GEPF will need to assess VAT input and output for five years retrospectively.

The GEPF cannot estimate the VAT payable to the South African Revenue Services (SARS), because the quantum of the liability is dependent on:

- Finalisation of the VAT audit by SARS;
- The SARS VAT assessment after the letter of audit findings has been issued by SARS to the GEPF;
- Late payment penalty and understatement penalty SARS will charge the GEPF;
- Approval of the input VAT apportionment ratio; and
- The VAT input and output assessment for the five-year period by the GEPF

23.3 PENDING LITIGATION

The following contingent liabilities exist in respect of legal claims against the GEPF on the date on which the financial statements were approved:

• TRANSKEI CIVIL SERVANTS V GEPF;

The matter was in court and application for leave to appeal was heard on 7th November 2019. The judgment was reserved and delivered on 15th November 2019. The appeal was dismissed with costs accordingly.

• SOLIDARITY V GEPF

Application for the review of Actuarial Factors. There was an appearance in court and Solidarity's application for class action was dismissed with costs and Solidarity served the appeal application in December 2017 and its still pending. The GEPF is proceeding with the claim for legal costs

• PSA V GEPF

Application for the review of Actuarial Factors. There was an appearance in court and the case was dismissed with costs. PSA proceeding with an application for leave to appeal and the judge granted the application but only on the concept of "consultation" as provided for the GEP Law.

• SOLIDARITY V GEPF

Application by Solidarity to obtain certain information from GEPF relating to investment matters. The matter is still at the pleading stages.

• PSA V GEPF

Application by PSA to obtain certain information from GEPF relating to investment matters. The matter is still at the pleading stages.

23. CONTINGENT LIABILITIES continued

23.4 FINANCIAL GUARANTEES

- **The agreement with Deutsche Bank AG, Econet New ARX Limited and Econet Global Limited**

Deutsche Bank AG offered a loan of USD 250 million on 14 August 2018 for a period of 36 months (maturing on 14 August 2021) to Econet New ARX Limited for operating and capital expenses. Econet Global provided a guarantee for the above loan and provided collateral of 33.5% of Liquid Telecom shares (currently this stake is diluted to 28.83% post an investment of USD 307,38 million in Liquid Telecom). The PIC on behalf of GEPF entered into a risk participation agreement with Deutsche Bank on the above loan. In terms of the risk participation agreement, the GEPF has to provide a pledge of global bonds to Deutsche Bank (110% of outstanding loan from Econet New ARX limited) in return for a cash interest margin of 5.5% in USD. The risk participant (PIC on behalf of GEPF) guarantees to repay the outstanding loan if there is a default from the borrower.

Currently the GEPF has posted a portfolio of global bonds worth USD 313.13 million as collateral. The GEPFs exposure to this structured investment as at 31 March 2020 is USD 311 million.

- Maximum Trigger event (Amount) USD 311 million (USD 250 plus any outstanding interest)
- Trigger event Default on loan.

The original contractual maturity date for this loan was 14 August 2021. Due to an exercise of a Put Option the termination date was brought forward to 29 May 2020, however there was an extension to exercise the Put Option on the 31 August 2020.

As at 31 March 2020, the likelihood of the trigger event (default on loan) occurring was assessed as high.

- **The guarantee agreement with Ecobank (ETI) and Deutsche Bank AG**

Deutsche Bank provided a 5 year USD 250 million Convertible Loan Facility on 5 September 2017, maturing on 5 September 2022 to ETI and for a participation fee, the GEPF has Guaranteed Deutsche Bank the full extent of the loan in the event of default by ETI. The GEPF Guarantee is backed by off-shore bonds to the value of USD 294 million that have been ring-fenced in a collateral account. The GEPFs exposure to this structured investment as at 31 March 2020 is USD 275 million.

- Maximum Trigger event (Amount) USD 275 million (USD 250 million plus any outstanding interest)
- Trigger event Default on loan.

The Put Option can only be exercised at expiry of the loan facility.

As at 31 March 2020, the likelihood of the trigger event (default on loan) occurring was assessed as moderate.

- **The agreement with GroCapital and Nedbank¹**

The PIC acting on behalf of GEPF entered into an agreement granting Nedbank a right to require the GEPF, on the occurrence of a trigger event, to purchase from Nedbank all the present and future liabilities and obligations of Nedbank's Facility in GroCapital Holdings. As part of the transaction, the PIC was required, together with all other shareholders to fund the shareholder loans in The South African Bank of Athens (SABA). Due to the rate being lower than the required return for the fund, the support was provided to Nedbank in order for Nedbank to fund the obligations.

- Maximum trigger event Amount R250 million
- Trigger event Default on loan

As at 31 March 2020, the likelihood of the trigger event (default on loan) occurring was assessed as high.

¹ Refer to the subsequent events disclosure on the Report of Board of Trustees for subsequent events.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

23. CONTINGENT LIABILITIES continued

23.4 FINANCIAL GUARANTEES continued

• The agreement with Drive In Trading, Bank of America, Merrill Lynch²

The PIC acting on behalf of GEPF (CRO Grantor) entered into a Contingent Repurchase Obligation (CRO) agreement with Drive In Trading (Pty) Limited and Bank of America, Merrill Lynch (BoAML). Drive In Trading was advanced a loan of USD 32.55 million through a short-term loan facility from PIC to purchase 23.25 million shares in Grit Real Estate Group (Grit) as listed in the Stock Exchange of Mauritius (SEM). Drive In Trading and BoAML entered into a Facility Agreement where BoAML will provide Drive In Trading a loan facility amount of USD 33.4 million to settle the short-term loan with the PIC.

The GEPF (through the PIC) granted a CRO to the Lenders. The CRO requires PIC to purchase the facility liabilities upon occurrence of a trigger event during the CRO period. Additionally, PIC obtained a put option such that it is able to assign half of the loan to Grit (up to a maximum of USD 17.5 million). The CRO Grantor is also entitled to the CRO upside participation, an amount equal to 30% of the Net Equity (Equity Upside Participation).

- Maximum Trigger event (Amount) USD 35 million
- Trigger event Default on loan

The fair value of the CRO at year end was measured to be USD 8.9 million (USD 4.1 million in 31 March 2019). The increase in the liability values as at March 2020 compared to March 2019 was due to the decrease in the spot share price of Grit Real Estate Group from \$1.35 to \$0.85 per share and to a lesser extent the weakening of the Rand.

The upside participation is fair valued at USD nil (USD 27 552 in 31 March 2019).

² Refer to the subsequent events disclosure on the Report of Board of Trustees for subsequent events.

24. CAPITAL COMMITMENTS

24.1 CAPITAL COMMITMENTS CURRENT YEAR

Name of fund	Total commitment	Drawn commitment	Undrawn commitment	Total commitment	Drawn commitment	Undrawn commitment	Estimated repayable period
	2020 USD'000	2020 USD'000	2020 USD'000	2020 R'000	2020 R'000	2020 R'000	
ADPI II	30 000	29 036	964	535 581	518 379	17 202	1 year
Cape IV	20 000	13 201	6 799	357 054	235 672	121 382	4 years
PAIDF I	250 000	250 000	—	4 463 175	4 463 175	—	—
PAIDF II	350 000	277 550	72 450	6 248 445	4 955 017	1 293 428	1 year
South Suez	25 000	21 021	3 979	446 318	375 282	71 036	6 years
Verod	10 000	9 971	29	178 527	178 009	518	1 year
Total	685 000	600 779	84 221	12 229 100	10 725 534	1 503 566	

24.2 CAPITAL COMMITMENTS PREVIOUS YEAR

Name of fund	Total commitment	Drawn commitment	Undrawn commitment	Total commitment	Drawn commitment	Undrawn commitment	Estimated repayable period
	2019 USD'000	2019 USD'000	2019 USD'000	2019 R'000	2019 R'000	2019 R'000	
ADPI II	30 000	24 967	5 033	434 790	361 843	72 947	1 year
Cape IV	20 000	12 341	7 659	289 860	178 852	111 008	5 years
PAIDF I	250 000	250 000	—	3 623 250	3 623 250	—	—
PAIDF II	350 000	221 627	128 373	5 072 550	3 212 046	1 860 504	2 years
South Suez	25 000	18 266	6 734	362 325	264 733	97 592	7 years
Verod	10 000	9 524	476	144 930	138 028	6 902	2 years
Total	685 000	536 725	148 275	9 927 705	7 778 752	2 148 953	

GLOSSARY OF TERMS

B-BBEE	Broad-based Black Economic Empowerment
BA-C	Benefit and Administration Committee
BATSETA	Council for Retirement Funds South Africa
CPI	Consumer Price Index
CRISA	The Code for Responsible Investing South Africa
DI	Developmental Investment
EE	Employment Equity
ESG	Environmental, Social and Governance
EXCO	Executive Committee
FA-C	Finance and Audit Committee
FSCA	Financial Sector Conduct Authority
GDP	Gross Domestic Product
GEMS	Government Employees Medical Scheme
GEP Law	Government Employees Pension Law
GEPF	Government Employees Pension Fund
GL-C	Governance and Legal Committee
GPAA	Government Pension Administration Agency
ICT	Information and Communication Technology
IMF	International Monetary Fund
INV-C	Investment Committee
IT	Information Technology
JSE	Johannesburg Securities Exchange
LTIS	Long Term Incentive Scheme
PEO	Principal Executive Officer
PIC	Public Investment Corporation
PSCBC	Public Service Coordinating Bargaining Council
REMCO	Remuneration Committee
RI	Responsible Investment
RMC	Retirement Member Campaign
SAA	Strategic Asset Allocation
SARS	South African Revenue Service
SLA	Service Level Agreement
STI	Short Term Incentives
UNPRI	United Nations Principal for Responsible Investment

GEPF Board of Trustees Office
Kasteel Park, 546 Cnr Nossob & Jochemus Streets, Erasmuskloof, Pretoria

GPAA Office
34 Hamilton Street, Arcadia, Pretoria, Toll free: 0800 117 669, Fax: 012 326 2507, Email: enquiries@gepf.gov.za

www.gepf.gov.za

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