

Annual Report **2022/23**



**STABLE POSITION,  
DESPITE CHALLENGING  
ECONOMIC CONDITIONS**



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MINISTER'S NOTE  
**TO PARLIAMENT**

# Minister's note to Parliament



## 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 1 April 2022 to 31 March 2023.

**Mr Enoch Godongwana**  
Minister of Finance

October 2023



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## OUR PERFORMANCE

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# Chairperson's review



## It is an honour to present the Government Employees Pension Fund (GEPF) 2022/2023 annual report on behalf of the Board of Trustees of the Fund.

The Minister of Finance inaugurated the current Board on 4 July 2022 and I am greatly honoured that my fellow trustees elected me to serve as the chairperson of the Board for the next four years. I'll be supported by Mr Eddie Kekana as deputy chairperson of the Board and my fellow trustees who have a wealth of knowledge, experience and expertise.

I'm grateful for the work performed by the previous Board under the sound leadership of Dr Renosi Mokate. They worked tirelessly to hand over a Fund that is financially sound and well-governed.

In a period of uncertainty, globally and in South Africa, the financial year 2022/23 has been challenging for investors around the world. This was no different for the GEPF. We began the year with optimism following a 9.6% growth in investment at the end of the 2021/22 financial year which was soon dampened by tremendous financial market volatility.

Governments and central banks are implementing various measures to stimulate economic activity and provide support to businesses and individuals. However, the long-term impact of these challenges on the global economy and the South African economy remains uncertain.

Despite this challenge of low returns and the increasing cost of living, we remain committed to growing the funds entrusted to us to safeguard retirement savings for our members and pensioners.

### **Economic environment**

The South African and global economy are facing numerous challenges, among them trade tensions, high energy cost and geopolitical conflicts. These factors have led to uncertainty and volatility in financial markets, low investment returns, increasing cost of living, increased unemployment and slower economic growth.

The ongoing conflict between Russia and Ukraine has influenced the South African and global economies. One major impact has been on the price of oil, as Russia is a major oil exporter and disruptions in supply have affected global oil prices. Additionally, economic sanctions imposed on Russia by some countries have also disrupted global trade and investment, impacting businesses in South Africa.

Ongoing tensions between Western countries and Russia have led to increased geopolitical risks, which could negatively affect global economic growth and indirectly impact South Africa's economy through reduced demand for its exports and higher commodity prices. Additionally, disruptions to global energy markets have led to higher oil prices.

South Africa is an oil-importing country, meaning changes in the global oil price have a significant impact on our economy. Rising oil prices have led to higher inflation and increased costs for businesses and consumers, putting pressure on household budgets and limiting consumer spending. Additionally, as South Africa relies heavily on road transport, increased fuel costs can lead to higher transportation expenses for goods, contributing to inflationary pressures.

South Africa faces several other economic challenges, including high unemployment rates, inequality and slow economic growth. Additionally, the country struggles with issues such as corruption, poor infrastructure and an inadequate education system. These problems have contributed to a stagnant economy that has struggled to create jobs and address the growing needs of its citizens.

State-owned enterprises (SOEs) play a significant role in the South African economy, as they provide essential services and infrastructure, such as energy, telecommunications and transportation. However, many SOEs in South Africa have struggled with financial mismanagement, corruption and inefficiencies.

These SOEs have accumulated billions of rands of debt, leading to a drain on the national fiscus and a reduction in investor confidence. This, in turn, has resulted in a slower economic growth rate, contributing to high levels of unemployment and poverty. Despite repeated attempts to turn the situation around, SOEs such as Eskom, Transnet and SAA continue to struggle financially, making the need for reform and restructuring urgent.

Eskom is the major electricity supplier in South Africa and its failure to provide reliable and affordable electricity has a significant negative impact on the country's economy. The persistent power cuts or load shedding disrupt business

operations, reduce productivity and damage investor confidence. Additionally, the high cost of electricity has made it difficult for businesses to operate competitively, while also burdening households already struggling to pay their bills. The overall effect of Eskom's failure is that it hampers economic growth and job creation and limits the country's ability to attract investment.

Our significant logistical challenges include poor infrastructure, limited transportation options, port congestion and a lack of supply-chain integration. These challenges make it difficult for businesses to move goods and services efficiently, leading to increased costs and delayed deliveries. As a result, local enterprises have become less competitive in global markets. Additionally, the lack of supply-chain integration has led to inventory inefficiencies and stock-outs, further reducing business competitiveness.

The South African Reserve Bank (SARB) has hiked interest rates repeatedly to manage inflation and return interest rates closer to levels that were the norm before the quantitative easing that followed the 2008 financial crisis and the onset of the Covid-19 pandemic.

### **Need for transforming the South African economy to stimulate economic growth**

The transformation of South Africa's economy remains slow, hampering our ability to redress historical imbalances and achieve economic inclusivity.

We at the GEPF believe that we have a crucial role to play in the growth and transformation of the South African economy. When I talk about transforming the South African economy, I refer not only to investing in a manner that will ensure economic and environmental gains but also how we can empower our members, pensioners, beneficiaries and the disadvantaged members of society, and those who struggle to access funding and investments to play their part in our economy.

In fulfilling our role we will not ignore governance and our investment processes and principles, nor will we allow our funds to be misused when making investment choices. Our investments must be sustainable and grow the funds under our management.

### **Performance of the Fund**

The Fund has proven itself resilient in the face of the lack of economic growth, high levels of unemployment, and load shedding. Add to these the global challenges of the Russia/Ukraine war, the high costs of energy and the high inflation rate, and as the GEPF we have done very well to continue to grow. If one looks at the audited results of our 2022/23 financial year the Funds investments grew by 1.2% year on year – a growth of R27.1 billion.

This continued growth despite the tough economic climate that the Fund operated in, clearly illustrates that the Fund's investment strategies continue to protect its assets.

### **Climate change**

Climate change presents significant investment challenges for South African pension funds, including the GEPF, as increased frequency of climate-related disasters, changes in regulatory frameworks and the shift towards a low-carbon economy can all impact investment returns.

The GEPF, like other pension funds in South Africa, faces several challenges in divesting from fossil fuels, given the country's heavy reliance on coal as a primary energy source and the significant representation of fossil fuel companies on the Johannesburg Stock Exchange.

The GEPF's commitment to responsible investing is articulated in our Responsible Investing Policy, which is underpinned by an investment approach that incorporates environmental, social and governance factors into investment decisions to better manage risk and generate sustainable risk-adjusted returns for our members, pensioners and beneficiaries. This is publicly demonstrated by the GEPF being a founding signatory to the United Nations Principles of Responsible Investment and being instrumental in developing the Code for Responsible Investing in South Africa.

The GEPF is committed to the Just Energy Transition as we believe that systemic emerging risks will have unprecedented impacts on society and our planet. Climate change risks will continue to have significant and devastating socio-economic ramifications that are not homogenous due to our vulnerabilities; the disproportionate impacts are further perpetuated by our levels of inequality, poor public health and poor access to food and water. Our limited natural water systems are further strained by our dependence on water-intensive industries such as mining and agriculture.

However, considering South Africa's historical dependency on fossil fuels (especially within our energy and economic sectors), a blanket decision to divest from fossil fuels will not be helpful. We believe that we will be able to effect greater change by using stewardship methods such as engagements and voting in a manner that is consistent with our beliefs and for the betterment of the broader society.

Our transition from fossil fuels to renewables must be just in all respects. In addition, the GEPF will continue to invest in alternative energy sources in order to contribute towards national and global de-carbonisation efforts. To date the GEPF has invested more than R14 billion in renewable energy projects.



## Looking forward

South Africa's and the global economy are in a worse position currently than a year ago, hence markets should be prepared for tougher results. Sustaining high growth is going to be a challenge for asset owners in the near term.

However, we take comfort from the fact that our diversified long-term investment strategy has proved to be the correct choice as evidenced by the growth of our assets over the past few years. As a long-term investor, we are prepared to "ride out" short-term market shocks, having learnt that over the long term they correct themselves.

We are proud that, despite the challenging environment, we have met all our obligations to our members and pensioners without asking for any government funding.

The GEPF Board is committed to growing the Fund and ensuring that it becomes more efficient and effective in benefits administration and its investment strategies. In this regard, we will continue to improve our relationship with and strengthen our oversight of the Government Pensions Administration Agency (GPAA) and the Public Investment Corporation (PIC) as our major service providers.

## Appreciation

It is with heartfelt gratitude that I thank the Board of Trustees, the Principal Executive Officer, Mr Musa Mabesa, and his executive team, and all the GEPF employees for their commitment in meeting the challenges of an extremely tough year. Their dedication has provided assurance that the GEPF is financially sound and in capable hands.



**Mr Dondo Mogajane**

*Chairperson: GEPF Board of Trustees*

September 2023

# Principal Executive Officer's report



As the largest pension fund in Africa, we are driven by our responsibility to grow and protect our members' and pensioners' retirement savings. We are cognisant that growth in our assets and the use of those assets to improve the lives of our members and pensioners is an important calling and a responsibility we do not take lightly.

## Staying true to our investment philosophy and strategy

Following the improved growth in the 2021/22 financial year as Covid-19 abated, the past financial year was one of economic uncertainty and low growth as a result of geopolitical instability, decreasing globalisation and high inflation. Despite the tough economic environment and challenges encountered in such an operating environment, the GEPF showed remarkable resilience.

As at 31 March 2023, our 10-year annualised return was 6.65%, illustrating a financially stable Fund at R2.32 trillion and a funding level of 110.1%. This is a remarkable achievement given that at its inception in 1996, the GEPF was approximately 72% funded and had assets under management of R127 billion.

Our investment growth of R27.1 billion for the financial year is satisfactory, noting the tough and volatile economic conditions that global and local investors faced. The Fund's ability to withstand such economic headwinds indicates that the fundamentals put in place over the past years, including our long-term investment strategy, continue to serve the GEPF well.

Our commitment to investment strategies and strategic asset allocations that favour diverse portfolios in local and international markets to ensure maximum gains, continues to limit the impact of a struggling global and local economy on the Fund.

Staying the course and not panicking when faced with sudden market volatility remains a crucial aspect of our strategy. At a time when the South African economy is struggling amidst energy challenges, high inflation and cost of living, high unemployment and a lack of job creation, our members and pensioners can take solace in knowing that their retirement savings remain safe and secure.

## Building a team that delivers

Our employees continue to be the lifeblood of the GEPF. Their skills, dedication and hard work drive the success and growth of the Fund. This is particularly important against the backdrop of the challenging environment we operate in.

As of 31 March 2023, the GEPF had 62 employees – a growth of 46% from the previous year as we continue to build an organisation capable of meeting the challenges we face. Statistically a demographic view of our employees is as follows:

**38**

females making up 61% of total employment.

**59**

black employees making up 95% of employment.

Investing in employee wellbeing, providing professional development opportunities, and fostering a positive work culture are crucial to ensuring that we attract and retain talented people. By prioritising employees, the GEPF creates a more productive, innovative and motivated workforce. Management has continued its efforts to foster a culture of mutual respect, and an environment where we can debate and challenge each other while staying true to the values of the organisation.

The GEPF continued to attract top talent with the filling of the following critical positions during the reporting period:

- Listed and performance investment manager
- Unlisted investment manager
- ESG manager

Career development is a key strategy in retaining staff. In this regard we have:

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**Allocated 14 bursaries to the value of R1.69 million**

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**Implemented a coaching and mentoring programme for executive management with an Exco team coach to support the new Exco team and foster a high-performance culture.**

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**Began a systematic process of identifying potential talent among existing employees as part of a structured development programme.**

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Having come out of the Covid-19 environment, the health and wellness of employees remain a priority with wellness sessions, counselling and the availability of an independent wellness service provider. It has been encouraging to note the extent to which our employees and their families make use of these services.

Management is focusing on enhanced and more regular communication with employees to ensure a shared understanding of the organisation's journey. We have continued with quarterly conversations with the Principal Executive Officer and the executive team, mandatory management team meetings, regular information updates via the intranet and the implementation of a digital internal communication.

## **Our members, pensioners and beneficiaries remain our priority**

As a defined-benefit fund, the GEPF promises a specified lumpsum pension payment when a member retires. This pension depends on the employee's earnings history, tenure of service and age, rather than directly on individual investment returns.

We keep our promise by paying pensions and processing claims related to retirement, death, resignation and funeral benefits. These day-to-day activities are carried out by our administrator, the Government Pensions Administration Agency (GPAA).

The GEPF granted a 5.55% pension increase, effective from 1 April 2023, underscoring our commitment to enhancing the financial wellbeing of our pensioners, especially in the face of the rising cost of living. Faced with various external challenges, the Fund took the measured step of granting an increase that was 75% of CPI. We recognise the implications this decision might have on our members, and we assure you

that it was made with the long-term sustainability and security of the Fund in mind. As we move forward, we are actively implementing strategic measures and exploring avenues to enhance the Fund's performance to ensure that we are better positioned to grant more substantial increases in the future.

During the reporting period, SARS introduced tax modifications that impacted pensioners with multiple taxable income sources in addition to their GEPF pension. Some of our pensioners were affected and were required to pay a higher tax rate, which reduced their disposable income. The Fund communicated with the affected pensioners, presenting them with a choice to either adapt to the revised tax rate or maintain the standard PAYE tax rate. This communication approach underscored our commitment to ensuring that pensioners can make informed choices in the face of evolving tax regulations.

Following the publishing of its statutory actuarial valuation report as at 31 March 2021, the Fund consulted comprehensively with the different employee organisations to review the actuarial interest factors. At the conclusion of this process, the GEPF implemented updated actuarial interest factors effective 1 November 2022. The lower actuarial factors resulted in a flood of queries, which abated thanks to an extensive media campaign to enhance member understanding. This is an encouraging indicator of members' growing grasp and acceptance of the changes.

The Fund is pleased to express its support for the proposed retirement reforms scheduled to be implemented on 1 March 2024. The reforms introduce a new approach where members' retirement savings will be divided into separate pots, each with different access levels. Member benefits accumulated up to 29 February 2024 will be placed in the vested pot. Benefits linked to one-third of service time from 1 March 2024 will be allocated to a savings pot, while the remaining portion will be assigned to a retirement pot. This shift represents a departure from the conventional retirement-funding model, granting members the ability to access a portion of their retirement savings without having to exit the Fund.

The savings pot will give members annual access to funds they can use to address unforeseen emergencies, while the retirement pot will only be accessible upon retirement. When the change comes into effect, members will have a once-off opportunity to transfer some funds subjects to a limit yet to be determined from their vested pot to their savings pot.

It is crucial to emphasise that while the details of the two-pot system are still being refined, the definitive legislative framework is yet to be unveiled. The Fund is working with the GPAA to ensure a seamless integration of this new structure into our operational processes.

This reform is in step with our commitment to lighten the financial burdens members face by giving them access to the savings pot. However, it is equally important to maintain a long-term view when it comes to retirement savings. While these changes give members more flexibility, we encourage them to protect their retirement savings in the interest of long-term financial wellbeing.

## Principal Executive Officer's report *continued*

Member education is an important part of this transition. In the months ahead, we will do all we can to give our members the information they need to make well-informed decisions. Our aim will be to ensure that our members understand the reforms and are able to navigate this evolving landscape with confidence.

Active membership remained fairly stable over the year, while pensioner membership steadily increased. In terms of benefits, the Fund paid R70.4 billion worth of pensions and processed and finalised 37 440 retirement claims compared with 33 627 in 2021/22, reflecting an increase of 11% in claims. The benefits awarded to these claims amounted to R92.7 billion compared with R83.7 billion in the previous year.

The number of active members increased from **1 261 363** in 2021/22 to **1 267 307** in 2022/23

The number of pensioners increased from **322 223** in 2021/22 to **336 629** in 2022/23

This resulted in a payment of **R57.4 billion** compared to **R50.8 billion** in 2021/22.

The number of child pensions increased from **9 824** in 2021/22 to **15 809** in 2022/23

This resulted in a payment of **R948.8 million** compared to **R551.4 million** in 2021/22.

The number of spouse pension beneficiaries increased from **167 679** in 2021/22 to **171 592** in 2022/23

This resulted in a payment of **R12.1 billion** compared to **R11.5 billion** in the previous year.

**28 453** funeral benefits were paid compared to **37 798** in 2021/22. This resulted in a payment of **R416 million** compared to **R550.1 million** in 2021/22.

### Ensuring empowered stakeholders

Empowered stakeholders are essential for the success of the GEPF. When our stakeholders are empowered, they are given the authority and resources necessary to contribute to and influence the decisions that affect them. This often leads to a sense of ownership and commitment. Such an approach by the GEPF encourages collaboration and understanding from our stakeholders.

Furthermore, empowered stakeholders can act as advocates for the GEPF, promoting it to others within their network and increasing the Fund's visibility and influence. Stakeholder engagement enables the Fund to identify and act upon concerns and issues that affect our business, while improving our understanding of what our stakeholders expect from us. It further contributes to improved levels of transparency and accountability.

In this regard the Fund focused on building and enhancing relationships with stakeholders both within South Africa and internationally.

### Appreciation

I would like to express my gratitude and appreciation to the chairperson of the GEPF Board, Mr Dondo Mogojane, the deputy chairperson, Mr Eddie Kekana, the trustees and the Board committees for their guidance and commitment to ensure the Fund's management meets its mandate is greatly appreciated.

I would also like to express my thanks to my executive team and staff for their support and contributions during the financial year. Their efforts and commitment continue to astound me.



**Musa Mabesa**  
Principal Executive Officer

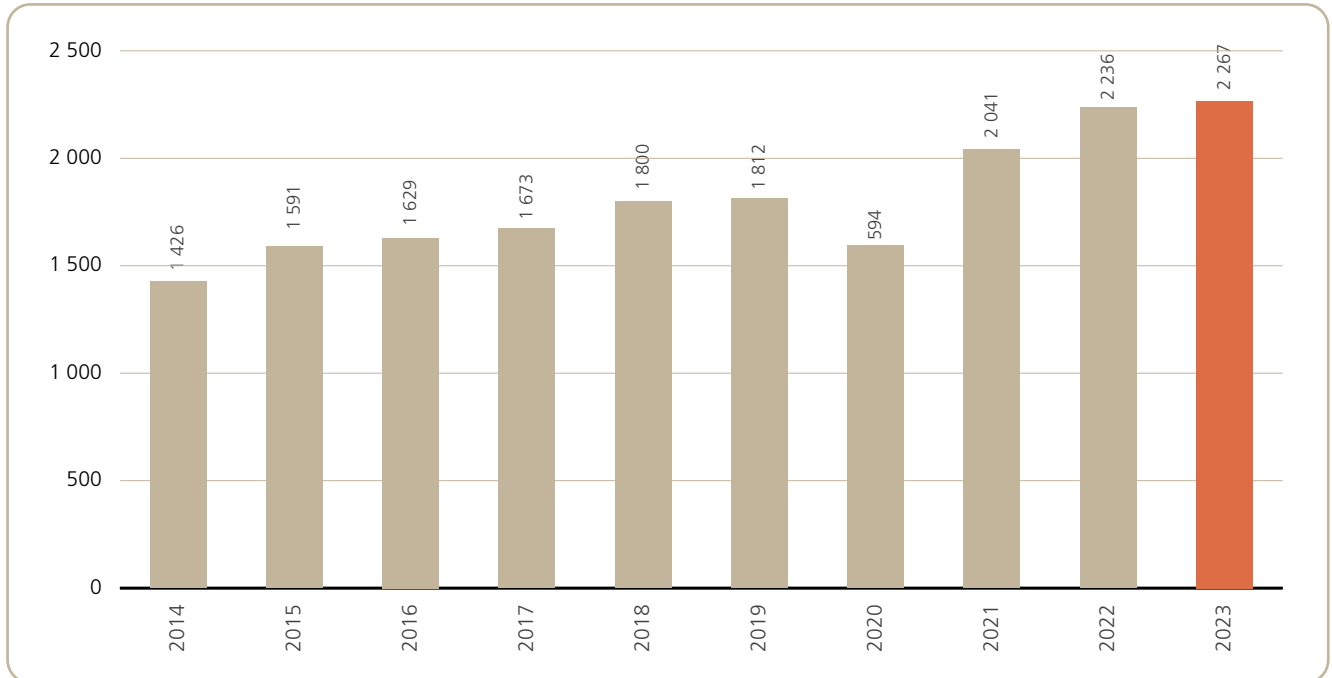
September 2023

# FINANCIAL AND ADMINISTRATIVE HIGHLIGHTS

## Accumulated funds and reserves as at 31 March 2023

The GEPF's accumulated funds and reserves amounted to R2.27 trillion on 31 March 2023. An amount of R5.1 billion is currently held in the reserve account. Accumulated funds and reserves grew at an average rate of 6.65% during the 2014 – 2023 period.

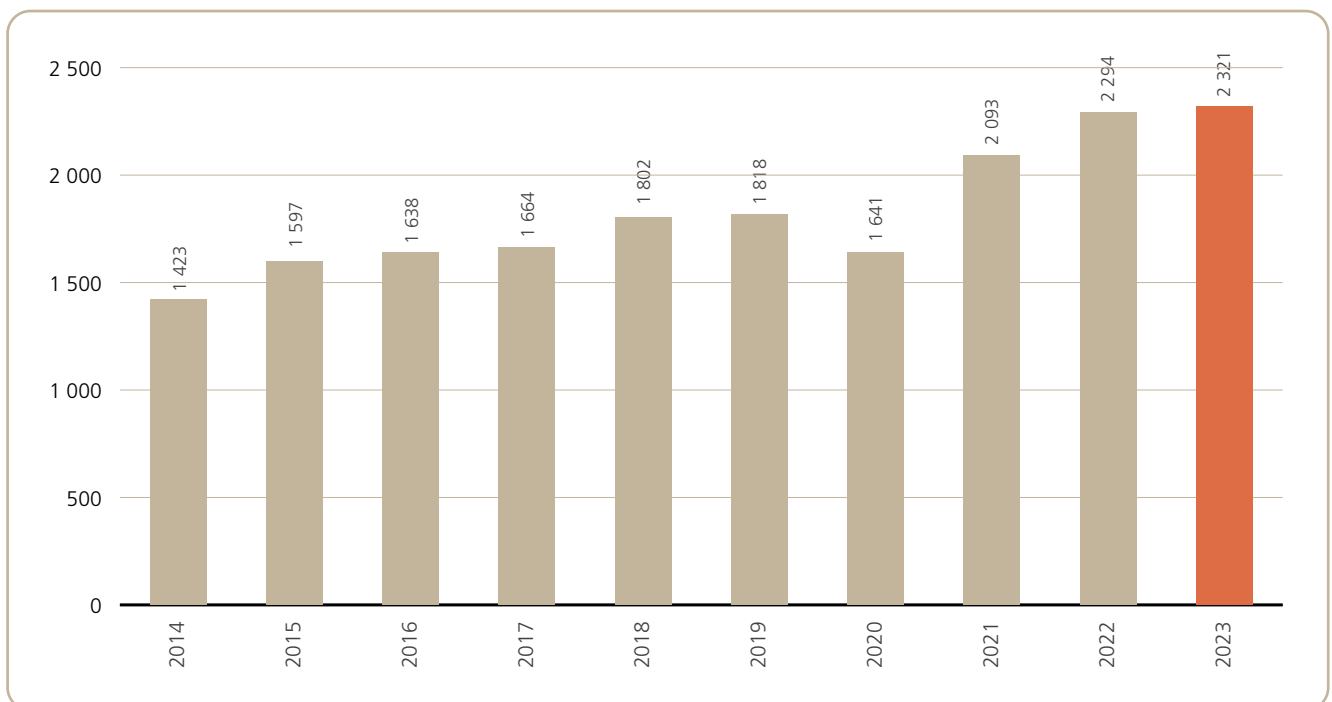
### Accumulated funds and reserves (R'billion)



## Growth in investment portfolio

The GEPF investment portfolio increased by 1.2% from R2.29 trillion in 2022 to R2.32 trillion in 2023. During the 2022/23 financial year, global markets faced a high interest rate environment driven by central banks' efforts to combat rapid inflation. This contributed to a significant decline in the global markets, largely characterised by high volatility. The MSCI World Index returned -8.57% for the year, while the local SWIX index remained flat at 0.71%. The local property stocks declined by 3.36% due to rising borrowing costs. The local bonds, represented by the JSE All Bond Index, returned a modest 5.83% as rising interest rates translated into higher yields, particularly on longer-dated instruments. All these affected the performance of the GEPF portfolio, as the Fund is heavily invested in these asset classes, so the Fund returned a modest 3.5% for the period.

### Growth in investment portfolio (R'billion)



# Financial and administrative highlights

*continued*

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

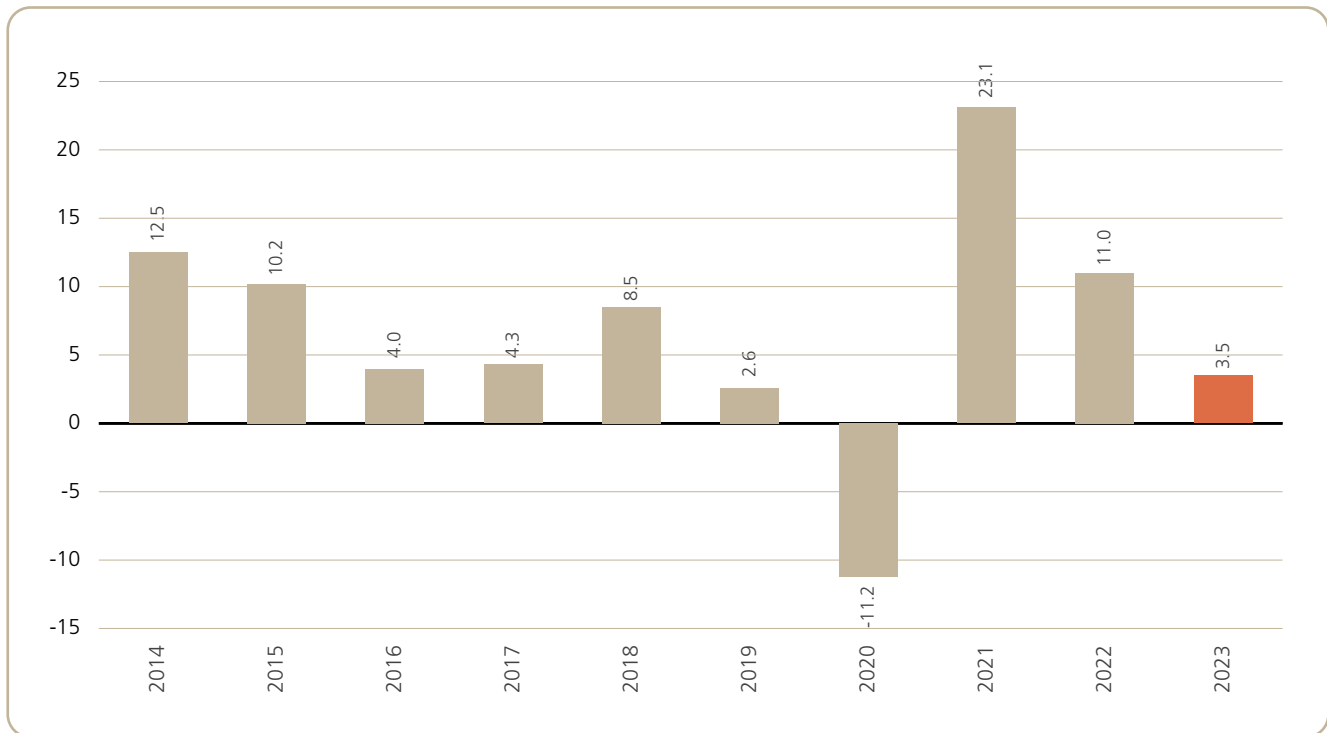
Description	2023 R'000	2022 R'000	Movement R'000	% change
Domestic and foreign listed equities	1 207 626 316	1 228 990 956	(21 364 640)	(2)
Domestic bills and bonds	701 735 911	682 750 363	18 985 548	3
Domestic unlisted equities	55 273 522	56 518 190	(1 244 668)	(2)
Foreign collective investment schemes	186 486 173	154 691 469	31 794 704	21

- Listed equity decreased by 2%
- Domestic bonds increased by 3%
- Domestic unlisted equities decreased by 2%
- Foreign collective investments schemes increased by 21%

## Return on investments

During the reporting period, the GEPF investments yielded a return of 3.5% compared to 11.1% in 2022, based on net investment income of R82.2 billion (2022: R255.70 billion). Income during the financial year under review included dividend income of R56.4 billion, interest income of R56.7 billion and property income of R2.03 billion.

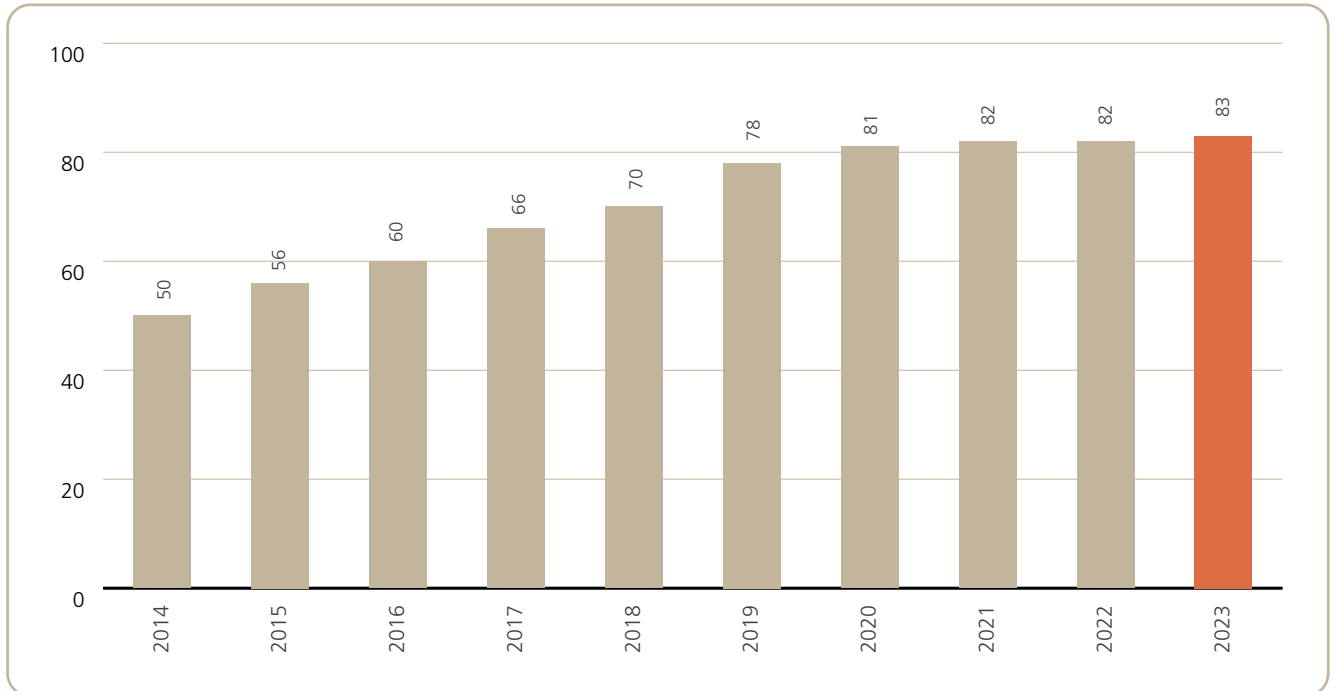
### Return on investments



## Member contributions received

The GEPF receives a percentage of members' pensionable salaries as contributions. Contributions income increased by 1.39% during the reporting period, from R81.99 billion in 2021/22 to R83.13 billion in 2022/23.

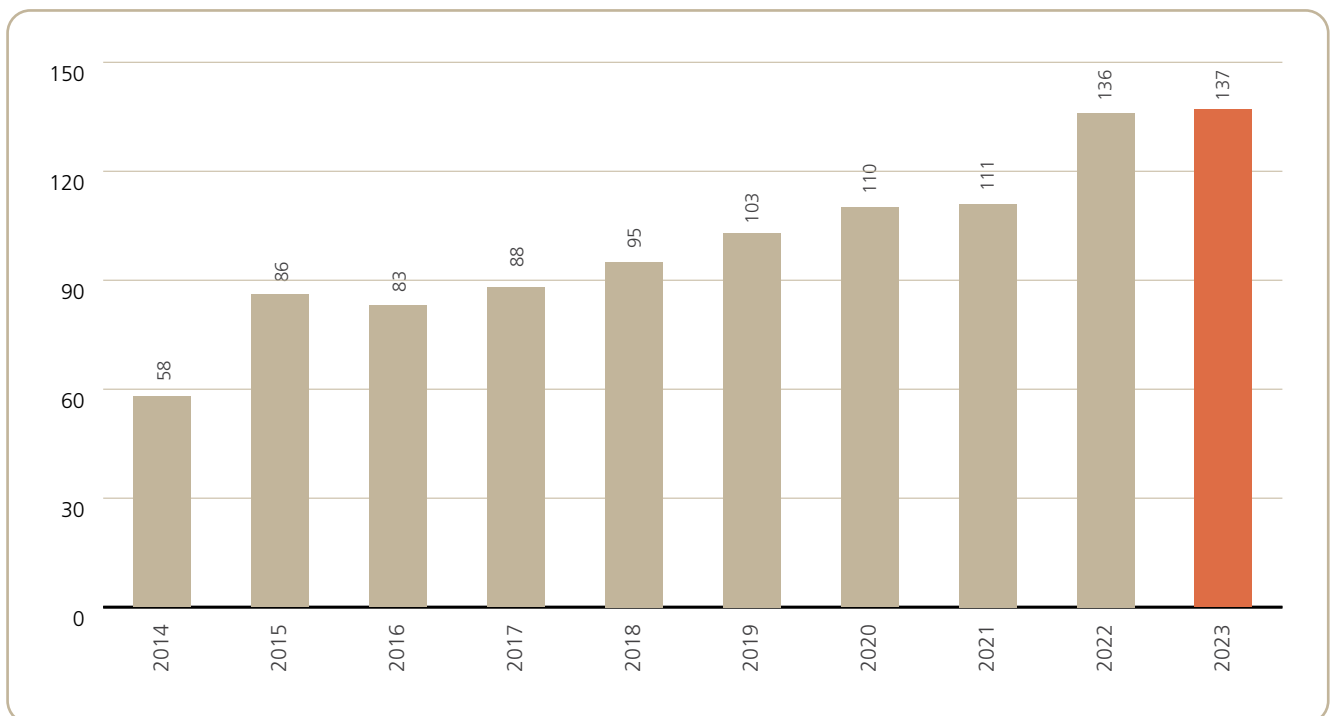
### Contributions received (R billion)



## Benefits paid

The GEPF awards benefits upon a member's resignation, retirement or death. The Fund also pays funeral benefits when applicable. Benefits paid and accrued increased by 0.70%.

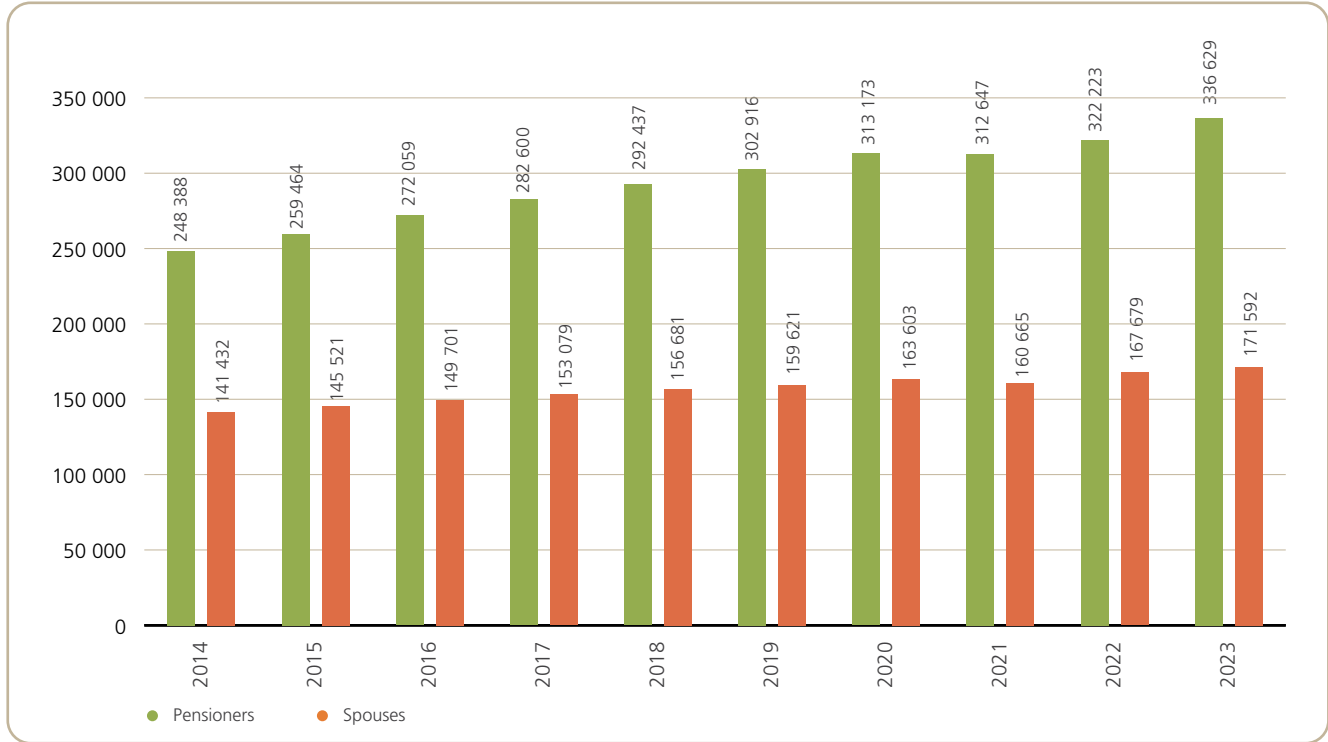
### Benefits paid (R billion)



**Pensioner movement**

The GEPF has experienced an increase in the number of pensioners and spouses who are receiving a monthly pension. The number of pensioners increased by 4.47% and spouse beneficiaries increased by 2.33%

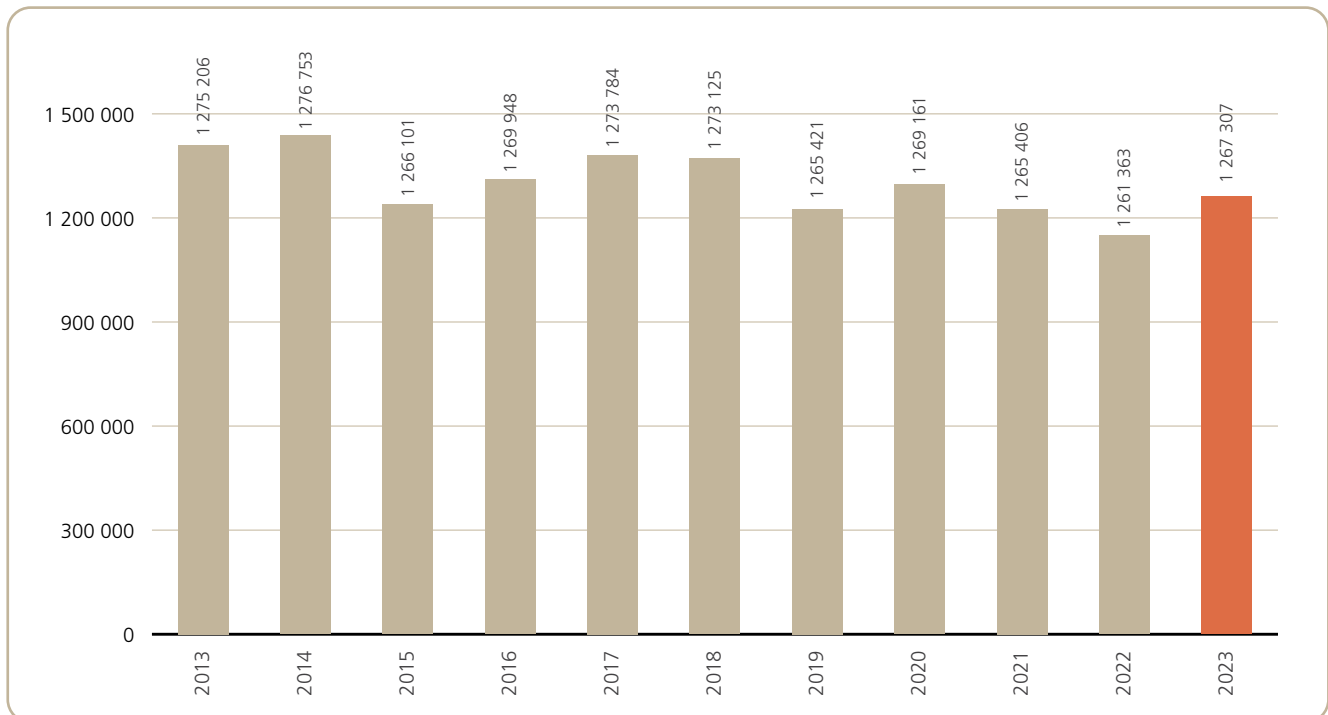
**Pensioner movement**



**Active members**

The number of active members remained stable over the past five years, with a slight increase of 0.47% in relation to the prior financial year.

**Member movement**

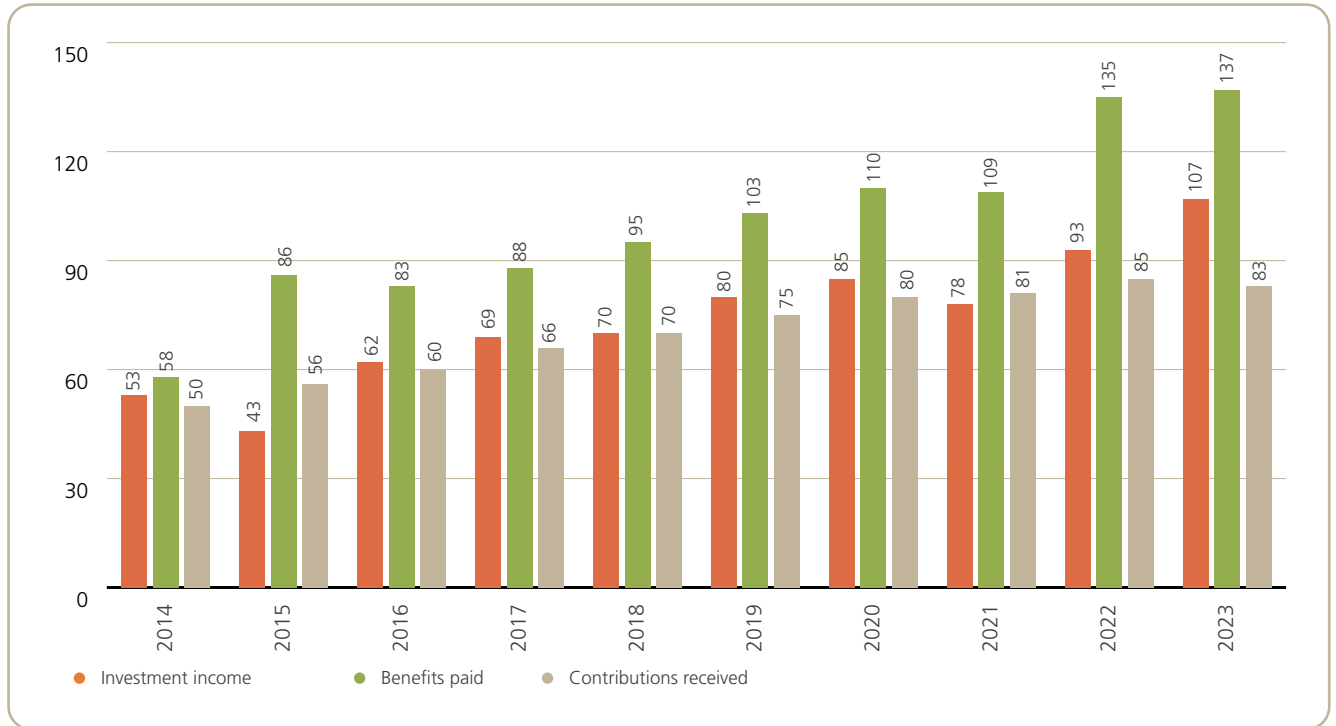




## Net cash flow assessment

The Fund's net cash flow position was R53 billion as at 31 March 2023. This is largely attributable to benefits paid of R137 billion, net investment income received of R107 billion and contributions received of R83 billion. The Fund receives sufficient cash flows from its investment returns and contributions to ensure that all benefits are paid without having to dispose of its investment assets.

### Cash flow assessment (R'-billion)



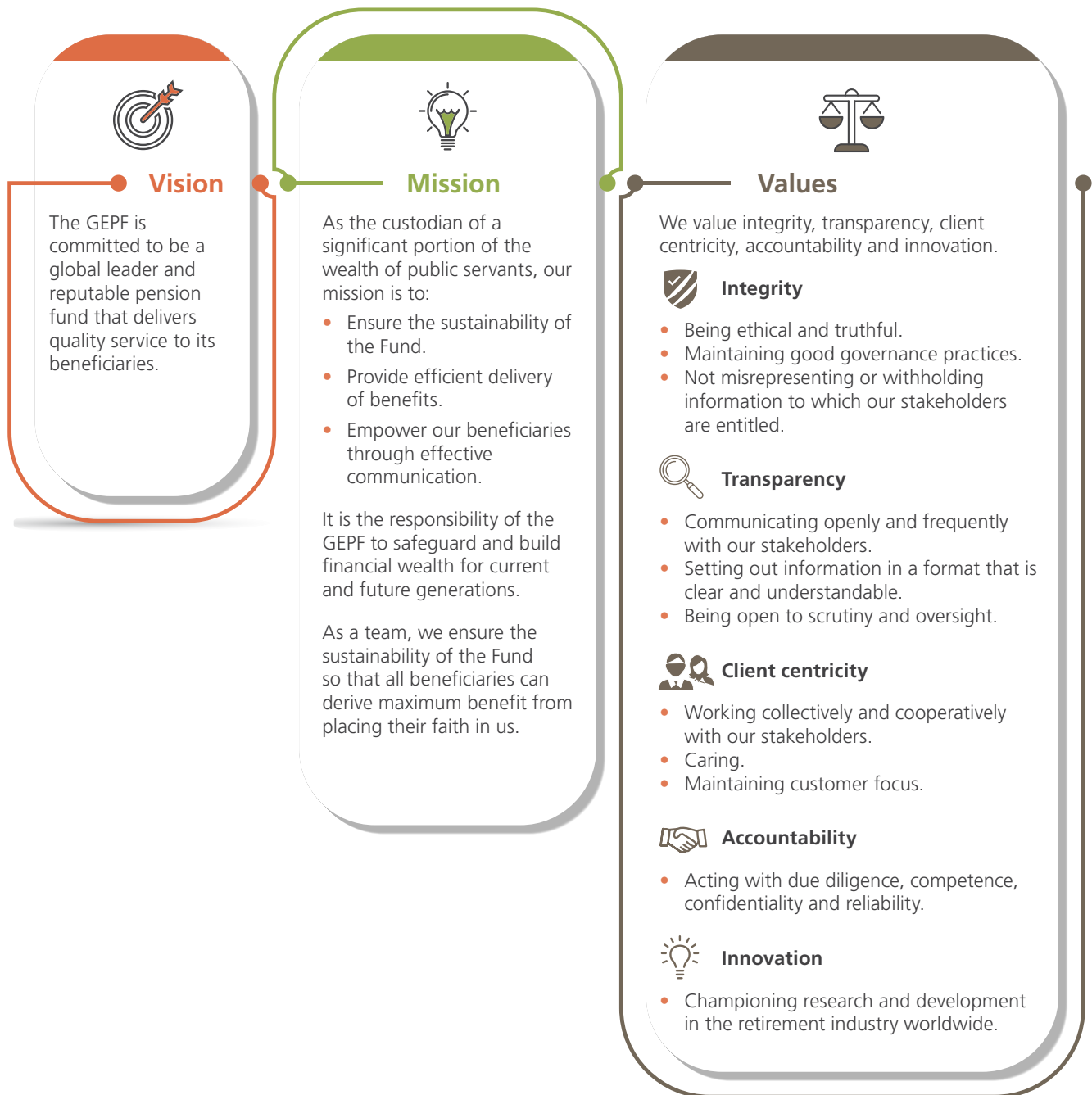


## GEPF AT A GLANCE

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# GEPF AT A GLANCE

The Government Employees Pension Fund (GEPF or “the Fund”) was established as a defined-benefit fund in 1996 through the amalgamation of various pension funds. It manages pension and related benefits for government employees in South Africa and is currently the largest pension fund in South Africa and one of the largest in Africa and the world.



**Overview of the organisation**

The GEPF is governed by the Government Employees Pension (GEP) Law (Proclamation 21 of 1996). Its core business is to manage and administer pensions and related benefits for government employees and employees of certain other participating employers.

The Board of Trustees is the executive authority of the Fund. Its powers and duties are prescribed by the GEP Law and the Rules of the Fund, which require that:

- Proper registers, books and records of the Fund are kept, including proper minutes of all resolutions passed by the Board.
- Proper internal control systems are implemented by or on behalf of the Fund.
- Adequate and appropriate information is communicated to the members of the Fund, informing them of their rights, benefits and duties under the Rules of the Fund.
- All reasonable steps are taken to ensure that contributions to the Fund are paid in a timely manner.
- The Board of Trustees obtains expert advice on matters where it requires additional expertise.
- The rules, operation and administration of the Fund comply with the applicable laws.
- Investments are made and maintained in accordance with the Fund’s investment strategy.

The GEPF Board of Trustees governs the Fund and is accountable for its administrative and investment performance. According to the GEP Law, fiduciary responsibility for the Fund rests with the Board.

**Board composition**

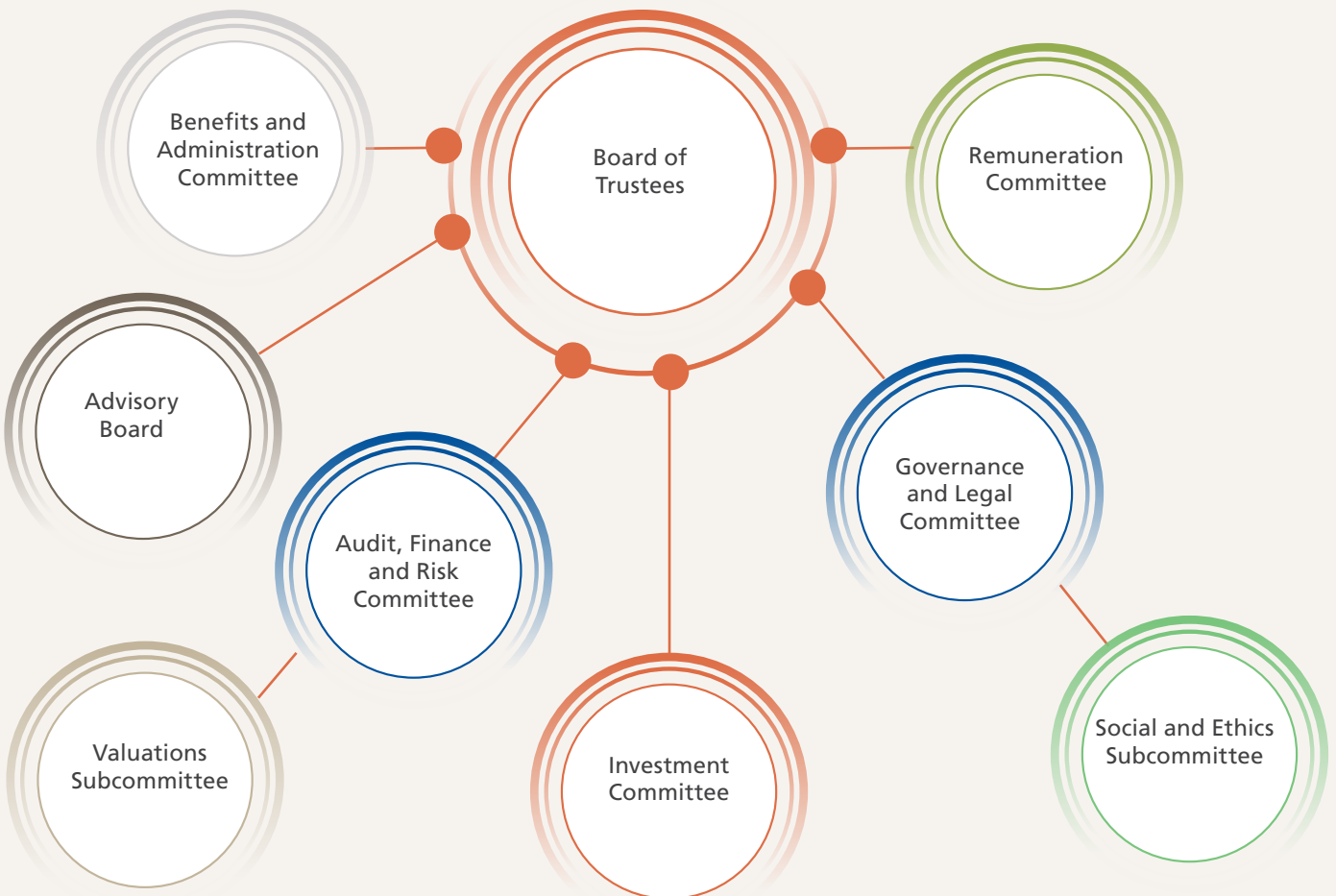
The GEPF Law requires that the Board consists of 16 trustees. The trustees elect the chairperson and deputy chairperson from their own ranks at the first meeting of the newly appointed Board. Each trustee has an elected or appointed substitute to ensure full and proper representation at all times.

The GEPF Board consists of:

- Eight employer nominees.
- Eight employee nominees, who include a pensioner member and a representative of the SANDF and intelligence community.

The Board has established six permanent committees and two subcommittees to give effect to its strategic direction and to ensure proper oversight and monitoring of outsourced services.

**GEPF Board Committees**



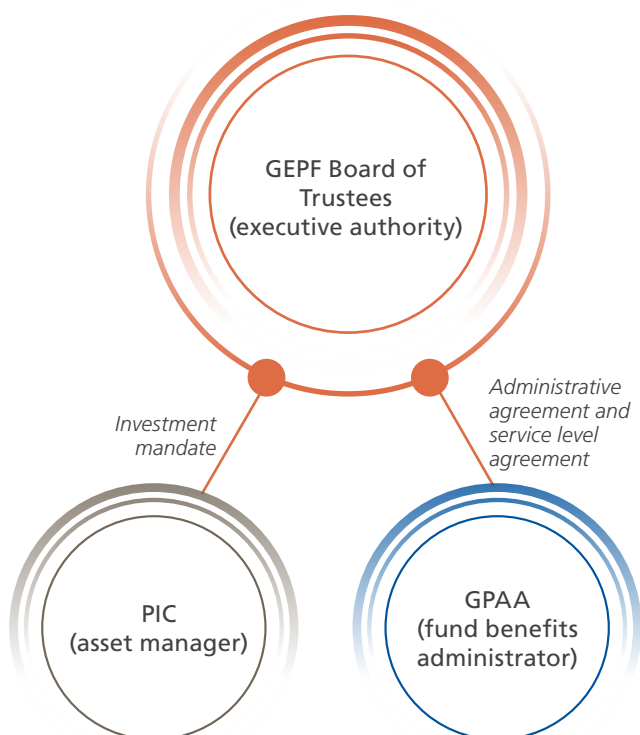
When necessary, the GEPF calls on external expert advisors to help it fulfil its fiduciary duties. These advisors are all appointed through a competitive bidding process and include:

- External auditors
- Internal auditors
- Fund valuers
- Legal and compliance experts
- Unlisted investment valuers

## Outsourced investment and administration

The GEPF has adopted an outsourced model to manage the Fund. As such, it has outsourced its administration and 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 the two entities is governed by various agreements and both report to the GEPF Board through its committees.



## Public Investment Corporation

### Overview

Established in 1911, the PIC is owned by the government of the Republic of South Africa and represented by the Minister of Finance. It is registered as a financial services provider with the Financial Sector Conduct Authority (FSCA) and is the largest asset manager in the country.

The PIC invests funds on behalf of the GEPF as well as public-sector entities. The investment arrangements between the GEPF and the PIC are set out in an investment mandate. The GEPF revised the mandate agreement for listed and unlisted investments during the 2021/22 reporting period and the

revised agreements were signed during the current reporting period.

The mandate agreements include the GEPF's investment and derivatives policies, the investment portfolio structure, risk parameters, benchmarks and fees, and the proxy voting policy.

The PIC manages 82% of the GEPF's investment portfolio directly; the remainder is managed through a few local and international external managers.

### PIC governance

The PIC is regulated by the PIC Act (Act 23 of 2004) as amended by the PIC Amendment Act (Act 14 of 2019), the Public Finance Management Act (Act 1 of 1999), the Companies Act (Act 71 of 2008) and the Prevention of Organised Crime Act (Act 121 of 1998). The company also adheres to the provisions of the Financial Intelligence Centre Act (Act 38 of 2001).

The PIC Board of Directors sets the company's strategic direction and draws on the assistance of six permanent committees:

- Audit and Risk Committee
- Social, Ethics and Transformation Committee
- Investment Committee
- Directors' Affairs Committee
- Human Resources and Remuneration Committee
- Information, Communication and Technology Governance Committee

### Oversight and monitoring of investments by the GEPF

The GEPF Investment Committee monitors the Fund's investments and oversees the implementation of its investment policy and strategy. The committee considers factors such as changes in GEPF liabilities and in the expected return on assets, the likely volatility in the value of the Fund's assets and the implications that such changes may have on the funding level and contribution requirements or benefits of the GEPF.

The Investment Committee's duties include:

- Setting the Fund's investment policy, with approval from the Board of Trustees.
- Recommends the Fund's strategic asset allocation to align with its future liabilities to the Board.
- Monitoring and reviewing the implementation of the Fund's investment strategy through its investment managers – primarily the PIC – to assure compliance with policy and procedure.
- Monitoring investment performance by ensuring that an independent review and evaluation of the investment portfolio's returns and risks is conducted at least quarterly.
- Reviewing quarterly investment reports and reporting on issues that need Board deliberation.

The Board resolved to establish an Advisory Board during the reporting period. The Investment Committee used to serve as the GEPF's Advisory Board but the Board decided that a separate committee was necessary to ensure that the GEPF's unlisted investment portfolio, managed by the PIC, receives adequate oversight and monitoring time and resources. This decision was taken during the last quarter of the reporting period, hence the Advisory Board will commence its work in the new reporting period.

## GEPF at a glance *continued*

The role of the Advisory Board will be to oversee the implementation of the GEPF's unlisted investment strategy and ensure that the PIC:

- Reviews all buy-to-sell investments that have been held for more than five years and discusses their intended disposal.
- Provides an update on value creation for investments that are still in the value-creation phase.
- Provides an update on any material negative or positive changes or events in respect of investments, including the results of the electronic monitoring of investments.
- Provides an update on any politically exposed persons (PEPs) or parties related to an investment.
- Discusses any proposed classification of an investment and any amendments to an existing classification.
- Provides an update on the investment pipeline and any anticipated capital calls.
- Discusses details of upcoming investments (including the investment memorandums presented to the PIC Investment Committee), deal sourcing (including the number of deals per source and the number of deals evaluated), the number of deals for which due diligence was undertaken and the number of deals approved for investment by the GEPF.
- Obtains guidance on the GEPF's overall investment strategy.
- Notifies the Advisory Board of any conflicts of interest.

The Valuations Subcommittee was established as a subcommittee of the Audit, Finance and Risk Committee to advise on the complex matter of the valuation of GEPF's unlisted investments managed by the PIC.

Monitoring and oversight of GEPF investments take place primarily at management level. The GEPF Investment Management unit 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 unit also facilitates investment processes and eases the flow of information and communication between the GEPF and PIC. Meetings take place monthly or more frequently 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 with the PIC.

The investment committees and boards of the GEPF and the PIC meet at least twice a year to discuss matters of strategic importance to the two entities.

### 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 GPAA administers benefits on behalf of the GEPF and National Treasury. The relationship between the GPAA and the GEPF is managed through an administration agreement and a service-level agreement (SLA). About 93% of the work done by the GPAA is for the GEPF and 7% is for National Treasury.

#### GPAA governance

The GPAA is headed by a chief executive officer who is assisted by an executive management committee. Various internal committees, including risk management and internal audit, report to the exco.

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

#### Oversight and monitoring of benefits administration by the GEPF

The GEPF Benefits and Administration Committee oversees and monitors the GPAA's performance. The committee meets quarterly to review the following GPAA reports:

- Compliance with the SLA
- Resignations from the GEPF
- Unclaimed benefits
- Modernisation update

The executive committees of the GEPF and the GPAA meet quarterly to assess the GPAA's performance in term of the SLA and to discuss other strategic matters. Whenever necessary, the executive committees hold ad hoc meetings.

The GPAA submits its annual operating budget to the GEPF Audit, Finance and Risk Committee who presents it to the GEPF Board of Trustees for approval. The GEPF Audit, Finance and Risk Committee is responsible for monitoring the expenses of the GPAA. To this end, the GPAA must submit a variety of financial reports to the committee to ensure that the Board has oversight over its financial management.

### Our footprint

The GPAA head office is in Pretoria, along with a separate service centre. Members and beneficiaries also have access to the GPAA via its service centres.

#### GPAA service centres

<b>Gauteng</b> Johannesburg	<b>Free State</b> Bloemfontein Phuthaditjhaba
<b>Limpopo</b> Polokwane Thohoyandou	<b>KwaZulu-Natal</b> Durban Pietermaritzburg
<b>Mpumalanga</b> Nelspruit	<b>Eastern Cape</b> Mtatha Bisho Gqeberha
<b>North West</b> Rustenburg Mahikeng	<b>Western Cape</b> Cape Town
<b>Northern Cape</b> Kimberley	

#### GPAA contact details

Toll free number: 0800 117 669  
 Fax: 012 326 2507  
 Email: [enquiries@gepf.co.za](mailto:enquiries@gepf.co.za)  
 GEPF web: [www.gepf.co.za](http://www.gepf.co.za)  
 GPAA web address: [www.gpaa.gov.za](http://www.gpaa.gov.za)



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# The Board of Trustees

The Minister of Finance inaugurated the current Board on 4 July 2022 and the following trustees served on it until 31 March 2023:



## Mr Dondo Mogajane (53)

*Independent non-executive director on various boards*

### GEPF positions

- Employer-nominated trustee
- Chairperson of the Board of Trustees
- Chairperson of the Investment Committee
- Member of the Benefits and Administration Committee
- Invitee to the Advisory Board

### Qualifications

- Masters Degree: Public Management – University of Maryland: College Park
- B Admin Honours degree: Public Management - University of Durban Westville
- B Admin Honours degree: Industrial Relations – University of Durban Westville
- Management Advancement Programme – Wits Business School
- Programme in Budgeting and Public Financial Management – Harvard University – Kennedy School of Government
- Performance Based Budget and Public Financial Management – University of Cape Town – Graduate School of Business (Afrec)

### Meeting attendance

Board meetings	9/9
Investment Committee	5/5
Benefits and Administration Committee	3/3
Board training and strategic planning session	8/9

## Mr Eddie Kekana (59)

*Provincial chairperson: South African Democratic Teachers' Union (SADTU), Gauteng*

### GEPF positions

- Employee-nominated trustee
- Deputy chairperson of the Board of Trustees
- Chairperson of the Social and Ethics Committee
- Member of the Governance and Legal Committee
- Member of the Investment Committee

### Qualifications

- Secondary teacher's 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
- BEd Hons in educational management – Unisa
- Board effectiveness – Toronto University, Canada
- Trustee effectiveness – GIBS

### Meeting attendance

Board meetings	9/9
Governance and Legal Committee	3/3
Investment Committee	5/5
Social and Ethics Subcommittee	2/2
Board training and strategic planning session	7/9



## Ms Thandi Khoza (61)

*Director human resource development and social responsibility: Department of Basic Education*

### GEPF positions

- Employer-nominated 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 – North-West University
- Master's in public administration – University of Pretoria

### Meeting attendance

Board meetings	9/9
Benefits and Administration Committee	3/3
Governance and Legal Committee	3/3
Board training and strategic planning session	9/9





**Ms Kgomotso Makhupola (53)**

*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 Investment Committee

**Qualifications**

- Diploma in public relations – Allenby College
- Certificate in human resource development and management – Damelin College
- Certificate in economic development – University of the Western Cape

**Meeting attendance**

Board meetings	8/9
Benefits and Administration Committee	3/3
Investment Committee	4/5
Board training and strategic planning session	9/9

**Mr Ntsoareng Marotholi (53)**

*Chief financial officer: State Security Agency*

**GEPF positions**

- Employer-nominated trustee
- Chairperson of the Audit, Finance and Risk Committee
- Member of the Investment Committee
- Standing invitee to the Valuations Subcommittee

**Qualifications**

- Postgraduate diploma in business administration – Unisa
- Certificate Programme in Leadership Development – Wits Business School
- Associate Chartered Institute of Secretaries and Administrators – ACIS
- Certificate in Public Finance – Harvard Kennedy School of Government
- National diploma in accounting – Mangosuthu University of Technology

**Meeting attendance**

Board meetings	9/9
Audit, Finance and Risk Committee	4/4
Investment Committee	4/5
Valuations Subcommittee (standing invitee)	3/3
Board training and strategic planning session	8/9



**Mr Thabo Matsose (51)**

*President: SA Police Union (SAPU)*

**GEPF positions**

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

**Qualifications**

- National diploma in policing – Unisa

**Meeting attendance**

Board meetings	9/9
Benefits and Administration Committee	3/3
Governance and Legal Committee	3/3
Board training and strategic planning session	8/9



## Leadership

*continued*



### Ms Lebo Mokgabudi (40)

*Financial inclusion expert: International Financial Corporation and independent non-executive director on various boards*

#### GEPF positions

- Employer-nominated trustee
- Member of the Advisory Board
- Member of the Audit, Finance and Risk Committee
- Member of the Investment Committee
- Member of the Valuations Subcommittee

#### Qualifications

- Master's in business administration – Gordon's Institute of Business Science
- Bachelor of Commerce, corporate finance and information systems – University of Witwatersrand

#### Meeting attendance

Board meetings	9/9
Audit, Finance and Risk Committee	4/4
Investment Committee	5/5
Valuations Subcommittee	3/3
Board training and strategic planning session	8/9

### Mr Zethu Msindo (57)

*Independent non-executive director on various boards*

#### GEPF positions

- Employer-nominated trustee
- Chairperson of the Advisory Board
- Member of the Benefit and Administration Committee
- Member of the Investment Committee
- Member of the Valuations Subcommittee

#### Qualifications

- Master's in management of finance and investments – Wits Business School
- Master's in business administration – North-West University
- BSc in chemistry – University of Witwatersrand
- Certificate – Fundamentals in Group Benefits – International Foundation of Employee Benefit Plans
- Program in Business Leadership – University of South Africa Business School
- Management Advancement Program (MAP) – University of the Witwatersrand Business School
- FSB Regulatory Examination RE 5: Representative – Fpi
- FSB Regulatory Examination RE 1: Key Individual – Moonstone

#### Meeting attendance

Board meetings	9/9
Benefits and Administration Committee	3/3
Investment Committee	5/5
Valuations Subcommittee	3/3
Board training and strategic planning session	9/9



### Mr Sipho Nkambule (58)

*Police and Prisons Civil Rights Union (POPCRU)*

#### GEPF positions

- Employee-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Remuneration Committee
- Member of the Social and Ethics Subcommittee

#### Qualifications

- Advanced diploma in labour law – University of Johannesburg
- Postgraduate diploma in labour law – North-West University
- National diploma in policing – Technicon SA

#### Meeting attendance

Board meetings	8/9
Benefits and Administration Committee	1/3
Remuneration Committee	3/3
Social and Ethics Subcommittee	2/2
Board training and strategic planning session	8/9





**Mr Musa Nkosi (51)**

Senior manager HR services: State Security Agency

**GEPF positions**

- Employee-elected trustee
- Member of the Advisory Board
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

**Qualifications**

- BAdmin – University of the North
- Management Development Programme – Wits Business School
- Postgraduate diploma in business management – MANCOSA

**Meeting attendance**

Board meetings	9/9
Benefits and Administration Committee	3/3
Investment Committee	5/5
Board training and strategic planning session	9/9

**Ms Buyiswa Nkunjana (47)**

Director HR governance, risk management and compliance: Department of Defence

**GEPF positions**

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

**Qualifications**

- Honours in public administration – University of Stellenbosch
- Postgraduate diploma in applied social science – University of KwaZulu-Natal
- BSocSci – University of KwaZulu-Natal

**Meeting attendance**

Board meetings	9/9
Benefits and Administration Committee	3/3
Investment Committee	4/5
Board training and strategic planning session	9/9



**Mr Bernie Ntlou (58)**

Senior manager supply chain management: Housing Development Agency

**GEPF positions**

- Employer-nominated trustee
- Member of the Audit, Finance and Risk Committee
- Member of the Governance and Legal Committee

**Qualifications**

- BProc – University of Transkei
- Advanced law certificate – Tshwane University of Technology

**Meeting attendance**

Board meetings	9/9
Audit, Finance and Risk Committee	4/4
Governance and Legal Committee	3/3
Board training and strategic planning session	9/9

## Leadership continued



### Lieutenant General Lineo Ntshiea (50)

Deputy director-general personnel management: South African Police Service (SAPS)

#### GEPF positions

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

#### Qualifications

- Secondary education diploma – Vista University
- Baccalareurs – Vista University
- Postgraduate diploma in public administration – University of the Free State
- Executive development and leadership – Potchefstroom University
- Strategic management – University of South Africa
- Leadership development – Wits Graduate School of Business Administration
- Law enforcement executive development – FBI Academy, Quantico, Virginia, USA
- ICPM pension governance education program – University of Toronto, Canada

#### Meeting attendance

Board meetings	9/9
Benefits and Administration Committee	3/3
Governance and Legal Committee	3/3
Social and Ethics Subcommittee	2/2
Board training and strategic planning session	9/9

### Mr Greg Rafferty (53)

Chairperson: Health & Other Services Personnel Trade Union of South Africa (HOSPERSA)

#### GEPF positions

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

#### Qualifications

- Senior certificate

#### Meeting attendance

Board meetings	9/9
Benefits and Administration Committee	3/3
Governance and Legal Committee	3/3
Board training and strategic planning session	9/9



### Mr Pierré Snyman (49)

Chairman: PSA Board of Directors

Vice President: Public Sector – Federation of Unions of South Africa (FEDUSA)

#### GEPF positions

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

#### Qualifications

- Advanced Labour Law Programme – Unisa
- PGD Labour Law – University of Western Cape
- Executive Education: Chartered Director – IODSA
- Executive Education in Pension Management – University of Toronto

#### Meeting attendance

Board meetings	9/9
Governance and Legal Committee	3/3
Remuneration Committee	3/3
Board training and strategic planning session	7/9







**Mr Christo van Dyk (63)**

*GEPF pensioner*

**GEPF positions**

- Employee-elected trustee
- Member of the Audit, Finance and Risk Committee
- Member of the Investment Committee

**Qualifications**

- Registered government auditor qualification examination
- BCom Hons – Unisa
- BCom – Unisa

**Meeting attendance**

Board meetings	9/9
Audit, Finance and Risk Committee	4/4
Investment Committee	4/5
Board training and strategic planning session	9/9

## THE 16 SUBSTITUTE TRUSTEES

**Ms Lindy Bodewig (44)**

*Chief director in the office of the accountant general: South African National Treasury*

**GEPF positions**

- Employer-nominated substitute trustee
- Member of the Advisory Board
- Member of the Audit, Finance and Risk Committee
- Member of the Governance and Legal Committee
- Member of the Valuations Subcommittee

**Qualifications**

- CA (SA) – University of Pretoria
- BCom accounting sciences (Hons) and CTA – University of Pretoria

**Meeting attendance**

Audit, Finance and Risk Committee	1/4
Governance and Legal Committee	1/3
Valuations Subcommittee	3/3
Board training and strategic planning session	3/9



**Ms Anadele Coetzee (54)**

*Director: Public Servants Association of South Africa (PSA)*

**GEPF positions**

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

**Qualifications**

- HIV/AIDS awareness peer educator
- Skills development facilitator
- Certificates in labour relations and advanced labour skills, records management, investment fundamentals in active ownership, leadership development and emotional intelligence, customer service excellence and business management

**Meeting attendance**

Benefits and Administration Committee	3/3
Governance and Legal Committee	3/3
Board training and strategic planning session	9/9



## Leadership continued



### Rev David Jantjies (71)

*GEPF pensioner*

#### GEPF positions

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

#### Qualifications

- Primary teacher's diploma – Southern Cape Teachers' College
- BA – Unisa
- BEd – University of the Western Cape
- MEd – University of the Western Cape

#### Meeting attendance

Benefits and Administration Committee	3/3
Governance and Legal Committee	3/3
Board training and strategic planning session	9/9

### Mr Sidney Kgara (53)

*Head of policy development unit: National Education, Health and Allied Workers' Union (NEHAWU)*

#### GEPF positions

- Employee-nominated substitute trustee
- Member of the Audit, Finance and Risk Committee
- Member of the Investment Committee

#### Qualifications

- BSocSci – University of KwaZulu-Natal
- Master's in town and regional planning – University of KwaZulu-Natal

#### Meeting attendance

Audit, Finance and Risk Committee	3/4
Investment Committee	5/5
Board training and strategic planning session	6/9



### Major General Nicholas Lushaba (39)

*Chief Financial Officer: Crime Intelligence: Secret Service Account*

#### GEPF positions

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

#### Qualifications

- Master's in management – Southern Business School
- Post Graduate Diploma in Risk Management – University of South Africa
- Advanced Programme in Risk Management – University of South Africa
- BAdmin Honours – Southern Business School
- BCom Accounting – University of KwaZulu-Natal

#### Meeting attendance

Audit, Finance and Risk Committee	3/4
Investment Committee	4/5
Board training and strategic planning session	8/9





**Ms Lerato Makwetla (56)**

*Legal Consultant*

**GEPF positions**

- Employer-nominated substitute trustee
- Member of the Advisory Board
- Member of the Governance and Legal Committee
- Member of the Investment Committee

**Qualifications**

- LL.M – University of the Witwatersrand
- LL.B – University of the Witwatersrand
- BA – University of the Witwatersrand

**Meeting attendance**

Governance and Legal Committee	3/3
Investment Committee	5/5
Board training and strategic planning session	8/9

**Mr Modibedi Maledu (51)**

*Acting manager management accounting: State Security Agency*

**GEPF positions**

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

**Qualifications**

- BCompt – University of South Africa
- National diploma in cost and management accounting – Technikon of South Africa

**Meeting attendance**

Benefits and Administration Committee	3/3
Governance and Legal Committee	3/3
Board training and strategic planning session	8/9



**Mr Solly Malema (44)**

*General secretary: National Union of Public Service and Allied Workers (NUPSAW)*

**GEPF positions**

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

**Qualifications**

- Business management diploma – Capricorn FET College
- Certificate in labour dispute resolution – University of Stellenbosch
- Certificate in management development practices – University of Pretoria
- Management Development Programme

**Meeting attendance**

Audit, Finance and Risk Committee	4/4
Governance and Legal Committee	3/3
Board training and strategic planning session	9/9

## Leadership continued



### Mr Sibusiso Malinga (55)

*President: National Teachers' Union (NATU)*

#### GEPF positions

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

#### Qualifications

- Senior secondary teacher's diploma – University of Zululand
- Outcome-based education certificate – Unisa
- Adult basic education and training – Unisa

#### Meeting attendance

Benefits and Administration Committee	2/3
Governance and Legal Committee	1/3
Board training and strategic planning session	6/9

### Mr Mugwena Maluleke (58)

*General secretary: South African Democratic Teachers' Union (SADTU)*

#### GEPF positions

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

#### Qualifications

- BA – Unisa
- Primary teacher's diploma
- LLM (labour law) – Nelson Mandela Metropolitan University
- MBA
- Diploma in negotiations
- Certificate in project management – Regenesys
- Certificate in personal finance management – Unisa

#### Meeting attendance

Benefits and Administration Committee	3/3
Audit, Finance and Risk Committee	2/3
Board training and strategic planning session	9/9



### Ms Emily Mmola (49)

*Director internal audit (chief audit executive): Department of Basic Education*

#### GEPF positions

- Employer-nominated substitute trustee
- Member of the Audit, Finance and Risk Committee
- Member of the Investment Committee
- Member of the Social and Ethics Subcommittee

#### Qualifications

- Professional internal auditor
- Post Graduate Certificate in Executive Leadership – North-West University
- BCom – University of the North

#### Meeting attendance

Audit, Finance and Risk Committee	4/4
Investment Committee	5/5
Social and Ethics Subcommittee	2/2
Board training and strategic planning session	9/9





**Advocate Makhubalo Ndaba (52)**

*Independent non-executive director on various boards*

**GEPF positions**

- Employer-nominated substitute trustee
- Member of the Advisory Board
- Member of the Governance and Legal Committee
- Member of the Investment Committee
- Member of the Social and Ethics Subcommittee

**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 (ISS), Netherlands
- Executive education (corporate governance) – GIBS
- Executive education (corporate governance) – Institute of Directors in South Africa (IoDSA)
- Executive education (impact investments) – Said Oxford Business School, United Kingdom
- Executive education (responsible investment) – Hauser Institute, Harvard University, USA
- Executive education (pension management) – International Centre for Pension Management, University of Toronto, Canada

**Meeting attendance**

Governance and Legal Committee	3/3
Investment Committee	5/5
Social and Ethics Subcommittee	1/2
Board training and strategic planning session	8/9

**Dr Zamu Shabane (42)**

*Deputy Director: human resources separation : Department of Defence*

**GEPF positions**

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

**Qualifications**

- DTech human resources management – Tshwane University of Technology
- MTech human resources management – Tshwane University of Technology
- BTech human resources management – Tshwane University of Technology
- National Diploma in Human Resources Management – Durban University of Technology

**Meeting attendance**

Benefits and Administration Committee	3/3
Governance and Legal Committee	3/3
Board training and strategic planning session	9/9



**Mr Vusumuzi Tshabalala (62)**

*Programme manager: Police and Prisons Civil Rights Union (POPCRU)*

**GEPF positions**

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

**Qualifications**

- Leadership Development Programme – University of the Witwatersrand
- Leading and Management Programme – University of the Witwatersrand
- Leadership and management – MSC College

**Meeting attendance**

Benefits and Administration Committee	3/3
Governance and Legal Committee	2/3
Board training and strategic planning session	7/9



## Leadership *continued*



### **Dr Bernard van Nieuwenhuyzen (55)**

*Senior lecturer: Stellenbosch University*

#### **GEPF positions**

- Employee-elected substitute trustee
- Member of the Advisory Board
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

#### **Qualifications**

- BMil – Stellenbosch University
- BMil Hons – Stellenbosch University
- MComm – Stellenbosch University
- Diploma in financial planning
- CFP® professional exam
- PhD in public and development management – University of Cape Town
- MSc in property studies – University of Cape Town

#### **Meeting attendance**

Benefits and Administration Committee	3/3
Investment Committee	3/3
Board training and strategic planning session	9/9

## INDEPENDENT SPECIALISTS

The terms of reference of all the committees provide for the appointment of independent specialists to augment the skills, expertise and experience of the trustees. Two independent specialist trustees currently serve on the Audit, Finance and Risk Committee. They are:

- Mr Richard Morris
- Mr Hale Qangule

The terms of reference of the Remuneration Committee require that three independent specialists serve on the committee together with two trustees. The three independent specialists are:

- Ms Jenny Jeftha
- Ms Phylcia Kekana
- Ms Mantuka Maisela



### **Ms Jenny Jeftha (63)**

*Independent Remuneration Committee specialist*

#### **GEPF positions**

- Independent specialist
- Member of the Remuneration Committee

#### **Qualifications**

- Chartered director – Institute of Directors South Africa
- Masters of Arts: Sociology – Roosevelt University, Chicago, USA
- Diploma in social work – University of the Western Cape

#### **Meeting attendance**

Board meetings (to present matters emanating from Remco)	1/1
Remuneration Committee	3/3
Board training and strategic planning session	4/4



**Ms Phyllicia Kekana (46)**

*Independent director and consultant*

**GEPF positions**

- Independent specialist
- Chairperson of the Remuneration Committee

**Qualifications**

- MBA – Management College of Southern Africa
- Postgraduate certificate in business management – Buckinghamshire Chilterns University
- National diploma in business management – Kempton Park College
- Higher certificate in payroll administration – Damelin College

**Meeting attendance**

Board meetings (to present matters emanating from Remco)	3/3
Remuneration Committee	3/3
Board training and strategic planning session	4/4

**Ms Mantuka Maisela (69)**

*Retirement fund trustee and human resources professional*

**GEPF positions**

- Independent specialist
- Member of the Remuneration Committee

**Qualifications**

- Master’s in management – University of the Witwatersrand
- Postgraduate diploma in management – University of the Witwatersrand
- Production management diploma – Kyushu, Japan
- Leadership Development Programme – Wharton Business School, Pennsylvania, USA

**Meeting attendance**

Remuneration Committee	3/3
Board training and strategic planning session	2/4



**Mr Richard Morris (70)**

*Retirement fund trustee and consultant*

**GEPF positions**

- Independent specialist
- Chairperson of the Valuations Subcommittee
- Member of the Audit, Finance and Risk Committee

**Qualifications**

- Chartered accountant
- BSc in computer science – University of the Witwatersrand

**Meeting attendance**

Audit, Finance and Risk Committee	4/4
Valuations Subcommittee	3/3
Board training and strategic planning session	5/5



### Mr Hale Qangule (58)

Independent director on various company boards

#### GEPF positions

- Independent specialist
- Member of the Valuations Subcommittee
- Member of the Audit, Finance and Risk Committee

#### Qualifications

- Chartered accountant
- BAcc – University of the Witwatersrand

#### Meeting attendance

Audit, Finance and Risk Committee	4/4
Valuations Subcommittee	3/3
Board training and strategic planning session	5/5

## Governance

### The GEPF Board

The Board is established in terms of the GEP Law and Rules and appointed for a four-year period. Two boards were in office during the reporting period, as the Minister of Finance inaugurated the current Board on 4 July 2022. Its term will end on 3 July 2026.

The new Board elected Mr Dondo Mogajane as chairperson and Mr Eddie Kekana as deputy chairperson at its first meeting on 4 July 2022. The fact that 11 trustees or substitute trustees served on the previous Board, ensured adequate continuation between the previous and current Board.

The Board, supported by the PEO and the executive management team, meets annually to discuss and agree on the Fund's long-term strategies. The board charter prescribes that the Board should meet quarterly. During the financial period under review, the Board held 10 meetings to deal with normal and special business interests of the Fund.

The Board's six permanent committees and two subcommittees have trustees and substitute trustees as members. All the committees have formal terms of reference that set out their mandate and duties.

The GEPF Board committees:

- Benefits and Administration Committee
- Audit, Finance and Risk Committee
  - Valuations Subcommittee
- Governance and Legal Committee
  - Social and Ethics Subcommittee
- Investment Committee
- Advisory Board
- Remuneration Committee

The Advisory Board was constituted at the last meeting of the Board in the current reporting period and will start its work during the next financial year.

The GEPF and PIC boards meet regularly to discuss matters of strategic interest. The investment committees of the two entities also meet as and when required, but at least twice a year.

### Board composition

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

### Employer nominees

Department	Name	Department	Name
Independent specialist	Ms Lebo Mokgabudi	Independent specialist	Mr Makhubalo Ndaba
Independent specialist	Mr Zethu Msindo	Independent specialist	Ms Lerato Makwetla
National Treasury	Mr Dondo Mogajane (chairperson)	National Treasury	Ms Lindy Bodewig
Department of Basic Education	Ms Thandi Khoza	Department of Basic Education	Ms Emily Mmola
Department of Defence	Ms Buyiswa Nkunjana	Department of Defence	Dr Zamo Shabane
South African Police Services	Lt Gen Lineo Ntshiea	South African Police Services	Maj Gen Nicholas Lushaba
Department of Public Service and Administration	Vacant	Department of Public Service and Administration	Mr Bernie Ntlou
State Security Agency	Mr Ntsoareng Marotholi	State Security Agency	Mr Modibedi Maledu

## Employee nominees

Department	Name	Department	Name
Police and Prisons Civil Rights Union	Mr Siphon Nkambule	Police and Prisons Civil Rights Union	Mr Vusumuzi Tshabalala
Health and Other Service Personnel Trade Union of South Africa	Mr Gregg Rafferty	National Teachers Union	Mr Sibusiso Malinga
South African Police Union	Mr Thabo Matsose	National Union of Public Service and Allied Workers	Mr Solly Malema
National Education, Health and Allied Workers' Union	Ms Kgomotso Makhupola	National Education, Health and Allied Workers' Union	Mr Sidney Kgara
Public Servants Association	Mr Pierré Snyman	Public Servants Association	Ms Anadele Coetzee
South African Democratic Teachers' Union	Mr Eddie Kekana (deputy chairperson)	South African Democratic Teachers' Union	Mr Mugwena Maluleke
SANDF and intelligence community	Mr Musa Nkosi	SANDF and intelligence community	Mr Bernard Van Nieuwenhuyzen
Pensioner	Mr Christo Van Dyk	Pensioner	Mr David Jantjies

The previous Board was in office for the first quarter of the reporting period. Led by Dr Renosi Mokate, it focussed on finalising a number of strategic matters before its tenure ended on 3 July 2023. The following trustees served on the previous Board:

## 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 Mokoena	Department of Public Service and Administration	Mr Kenny Govender
Department of Defence	Major General Mulungisa Sitshongaye	Department of Defence	Rear Admiral 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	Vacant

## Employee nominees

Trustee		Substitute trustee	
Department	Name	Department	Name
National Education, Health and Allied Workers' Union	Ms Kgomotso Makhupola	National Education, Health and Allied Workers' Union	Mr Sidney Kgara
South African Democratic Teachers' Union	Mr Eddie Kekana	South African Democratic Teachers' Union	Mr Mugwena Maluleke
National Teachers Union	Mr Sibusiso Malinga	National Union of Public Service and Allied Workers	Mr Success Mataitsane
SANDF and intelligence community	Colonel Johan Coetzer	SANDF and intelligence community	Vacant
Public Servants Association	Mr Pierré Snyman	Public Servants Association	Ms Anadele Coetzee
Democratic Nursing Organisation of South Africa	Mr Sibonelo Cele	Democratic Nursing Organisation of South Africa	Mr Khaya Sodidi
Police and Prisons Civil Rights Union	Advocate Makhubalo Ndaba	Police and Prisons Civil Rights Union	Mr Rankele Msinto
Pensioner	Vacant	Pensioner	Vacant



## Independence of trustees

The GEPF trustees are considered non-executives as they do not have executive responsibilities and are not involved in day-to-day business operations. The Board contributes collectively, through its members' combined judgement, experience and independence, to the benefit of the Fund. Robust Board discussions ensure an appropriate balance of power and encourage different views and independent thinking at meetings.

## Skills, knowledge and experience of trustees

According to Section 4.2.2 (a) and (b) 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 such 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 page 22 to 27.

The terms of reference of all Board committees allow for the appointment of specialists to augment the skills and expertise of trustees. The Board has appointed specialists to the Remuneration and the Audit, Finance and Risk committees. It has also resolved to appoint two independent specialists to serve on the newly constituted Advisory Board. The recruitment of those two specialists is underway and will be reported on in the next annual report.

## The board charter

The GEPF Board must direct its efforts collectively to ensure the Fund's prosperity and to meet the expectations of its shareholders and stakeholders. The board charter assists it to meet these requirements by setting out the roles and responsibilities of individual members and committees, and the Board as a collective. The charter specifies general Fund governance and ensures compliance with policies and procedures.

## The governance charter

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

The governance charter covers 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 GEPF trustee education and training policy prescribes that all trustees (including substitute trustees) must attend induction training within six months of their appointment. The current Board members attended a two-day induction training session that covered governance issues, benefits and rules, investment policies, actuarial valuations and the Fund's main service providers.

Compulsory training sessions are organised to ensure that trustees and substitute trustees have a thorough understanding of the GEPF operating environment. Training sessions held in 2022/23 included:

- Corporate governance for trustees
- Risk management for pension funds
- Environmental, social and governance issues for pension funds

Trustees attended other sessions, as well as local and international conferences, in the interest of ongoing training and development. All the training interventions took place via electronic platforms. All the GEPF 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 according to the principles contained in the trustee remuneration policy. Trustees receive payment for meetings attended, as well as an annual retainer fee. The details of trustee remuneration during 2022/23 are in the annual financial statements on page 137. The remuneration of GEPF trustees is aligned to what trustees/directors receive at similar organisations.

## Board performance assessment

The performance of the Board, its committees and the relevant chairpersons will be officially assessed during the 2023/24 reporting period, once the members have been in service for at least one year. A report on the outcome of the assessment will be published in the next annual report.

## Management of GEPF's ethics risks

The GEPF Board views its ethical duty towards the Fund, its stakeholders, society and the environment in a very serious light. Through a formal code of conduct and ethics, the Board wants to ensure that the Fund is seen as a responsible corporate citizen.

The GEPF's ethical principles are:

**Responsibility** Trustees are responsible for the assets and actions of the Fund and must be willing to implement corrective actions to keep the Fund on an ethical and sustainable strategic path.

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**Accountability** Trustees are collectively and individually accountable and must 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 losses to the Fund and its members, pensioners and beneficiaries.

In pursuit of fairness, trustees must engage with internal and external stakeholders to identify the Fund's ethics risks and opportunities. Acting on this information, strategies must be implemented to ensure that ethics risks are within acceptable limits.

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**Fairness** When making decisions, trustees must consider legitimate interests and expectations, in the best interest of the Fund.

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**Transparency** The way in which trustees disclose information must enable stakeholders to make an informed analysis of the Fund's performance and sustainability. This means that trustees must communicate everything about the Fund that is relevant to its members, and that can help to establish the credibility and trustworthiness of the Fund in terms of its governance and administration, its investment performance and the delivery of its benefits.

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**Conscience** Trustees must act with honesty and integrity and show independence of mind. Trustees are independent of the organisations they represent and must always conduct themselves in the best interests of the Fund, its pensioners and members.

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**Inclusivity of stakeholders** Trustees must promote stakeholder inclusion, which is essential for sustainability. The legitimate interests and expectations of stakeholders must also be considered when making decisions and determining strategy.

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**Competence** Trustees must have the necessary knowledge, competencies and skills to govern a fund effectively. They must also maintain the capacity to deal diligently and thoroughly with their duties and responsibilities to the Fund.

Trustees must use the results of the annual appraisal assessment to identify skill or competency gaps and make sure that they receive the training they need to carry out their duties and responsibilities.

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**Commitment** Trustees must be diligent in performing their duties and devote the necessary time to GEPF affairs. Fund performance and compliance require unwavering dedication and appropriate effort.

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**Courage** Trustees must have the courage to take risks that are appropriate when directing and controlling a successful, sustainable enterprise, and to act and make decisions with integrity.

The Board established a Social and Ethics Subcommittee despite the GEPF not being required to do so in terms of 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 GEPF Social and Ethics Subcommittee and a formal ethics report is tabled at the Governance and Legal Committee and the Board.

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**Board committees**

Benefits and Administration Committee (BA-C)	Chairperson	Members
4 meetings held during the year 2 workshops held during the year	Ms Kgomotso Makhupola	Ms Anadele Coetsee Mr David Jantjies Ms Thandi Khoza Mr Modibedi Maledu Mr Sibusiso Malinga Mr Mugwena Maluleke Mr Thabo Matsose Mr Dondo Mogajane Mr Zethu Msindo Mr Siphon Nkambule Mr Musa Nkosi Ms Buyiswa Nkunjana Lt Gen Lineo Ntshiea Mr Greg Rafferty Dr Zamu Shabane Mr Vusi Tshabalala Lt Col Bernard van Nieuwenhuyzen

**Responsibilities**

The BA-C reviews all aspects of the Fund’s administration activities, including policies, strategies, procedures and matters of management. It advises and makes recommendations to the Board on the Fund’s benefits and administrative affairs, and oversees the implementation of communication policies and strategy.

**Highlights**

- The annual pension increases were submitted and approved by the Board.
- Facilitated the approval of requests made by participating employers to be registered as per the Fund’s participating employer policy.
- Recommended that the GEPF conducts a feasibility study on the funding model for affordable and accessible housing products for its members.
- Reviewed the current operating model regarding the administration of benefits and made recommendations to the Board regarding the optimal operating model to ensure administrative excellence.
- Reviewed and recommended a revised service level agreement with the GPAA.
- Facilitated Board approval to revise the GEP Law and Rules to align the payment of death benefits to industry best practices.



Audit, Finance and Risk Committee (AFR-C)	Chairperson	Members
4 meetings held during the year 2 special meetings held during the year	<b>Mr Ntsoareng Marotholi</b>	Ms Lindy Bodewig Mr Sidney Kgara Maj Gen Nicolas Lushaba Mr Solly Malema Mr Mugwena Maluleke Ms Emily Mmola Ms Lebo Mokgabudi Mr Richard Morris Mr Bernie Ntlou Mr Hale Qangule Mr Christo van Dyk

### Responsibilities

The committee oversees external and internal audit, risk management and financial management. It ensures the independence, objectivity and effectiveness of the external auditors and the Internal Audit function. It also reviews the governance and strategic direction of the Fund's IT function.

### Highlights

- Facilitated the approval of the external audit planning memorandum.
- Recommended that the Board approve adjustments to the fair value of unlisted investments.
- Facilitated the Board's approval of the 2021/22 annual report and annual financial statements.
- Recommended to the Board the approval of the GPAA budget.
- Recommended to the Board the approval of the GEPP's revised strategic objectives.
- Recommended to the Board the approval of the 2023/24 budget and business plan.
- Facilitated two forensic investigations into GEPP investments and made recommendations to the Board regarding the implementation of the outcomes of the investigations.
- Recommended the approval of the appointment of service providers to render the following services to the GEPP:
  - Master custodian
  - Environment, social and governance
  - Network and mobile
  - Actuarial
  - Enterprise resource planning solution
- Reviewed the following policies and recommended them to the Board for approval:
  - Subsistence and travel
  - Internal audit charter
  - Internal audit manual
  - Valuation of unlisted investments
  - Supply chain management
- Oversaw the development of a cybersecurity strategy and framework.
- Reviewed the Fund's strategic risk register and obtained Board approval.
- Reviewed the mandatory audit firm rotation principle and made recommendations to the Board on its implementation.
- Reviewed the status of the modernisation of the administration system and made recommendations to the Board on the way forward with regards to the implementation of the modernisation project.

<b>Governance and Legal Committee (GL-C)</b>	<b>Chairperson</b>	<b>Members</b>
3 meetings held during the year 1 special meeting held during the year	Mr Pierré Snyman	Ms Lindy Bodewig Ms Anadele Coetzee Mr David Jantjies Mr Eddie Kekana Ms Thandi Khoza Ms Lerato Makwetla Mr Modibedi Maledu Mr Solly Malema Mr Sibusiso Malinga Mr Thabo Matsose Adv Makubalo Ndaba Mr Barnie Ntlou Lt Gen Lineo Ntshiea Mr Greg Rafferty Dr Zamu Shabane Mr Vusi Tshabalala

#### Responsibilities

The GL-C reviews all aspects of the Fund's governance, legal and compliance activities and advises and makes recommendations to the Board in this regard.

#### Highlights

- Reviewed Section 4 of the GEP Law and Rules that deals with governance arrangements for the Board of Trustees and obtained Board approval for it.
- Facilitated a joint investigation with the PIC into the rightful ownership of Harith as per the Mpati Commission of Enquiry recommendations and submitted a recommendation to the Board based on the outcome of the investigation.
- Reviewed and recommended revised terms of reference documents for the Board committees and subcommittees.
- Oversaw the development of a whistleblowing policy and obtained Board approval.
- Reviewed the following policies and recommended them to the Board for approval:
  - Minutes standards
  - Delegation of authority
  - Conflict of interest
  - International conferences
  - Confidentiality
  - Board governance charter
  - Trustee training and education
  - Fit and proper questionnaire
- Facilitated the approval of the GEPF's ethics risk register.
- Obtained legal advice on the GEPF's rights and duties to investigate investments made by its investment managers.
- Reviewed the cooling-off period for PIC directors in the investment management agreement and recommended to the Board that the current cooling-off period of 18 months was adequate.

<b>Investment Committee (INV-C)</b>	<b>Chairperson</b>	<b>Members</b>
3 meetings held during the year 3 special meeting held during the year	Mr Dondo Mogajane	Mr Eddie Kekana Mr Sidney Kgara Maj Gen Nicolas Lushaba Ms Kgomotso Makhupola Ms Lerato Makwetla Mr Ntsoareng Marotholi Ms Emily Mmola Ms Lebo Mokgabudi Mr Zethu Msindo Adv Makubalo Ndaba Mr Musa Nkosi Ms Buyiswa Nkunjana Mr Christo van Dyk Lt Col Bernard van Nieuwenhuyzen

#### Responsibilities

The committee considers and reviews all aspects of the Fund's investment activities and advises and makes recommendations to the Board on the management of Fund assets, investment policies, strategy and procedures.

#### Highlights

- Recommended the finalisation of the Distell transaction to the Board for approval.
- Reviewed the PIC's recommendations to acquire a portion in the Attacq Waterfall Investment Company and recommended it to the Board for approval.
- Oversaw the development and approval of an infrastructure framework for the Fund.
- Reviewed and obtained Board approval for Annexure B1 of the investment management agreement with the PIC.
- Recommended the appointment of a nominee director on the V&A Waterfront Board to the Board of Trustees.
- Facilitated the approval for the restructuring of PAIDF I.
- Recommended that the term of PAIDF I be extended with an additional year.
- Recommended the GEPF's participation on the Advisory Board of the Africa Sovereign Wealth and Pension Fund Leaders Forum.
- Facilitated the establishment of an Advisory Board that will oversee and monitor the GEPF's unlisted investment portfolio managed by the PIC.
- Recommended that the GEPF invests in the African Infrastructure Investment Fund 4.

<b>Remuneration Committee (Remco)</b>	<b>Chairperson</b>	<b>Members</b>
3 meetings held during the year 2 special meetings held during the year 1 workshop held during the year	Ms Phyllicia Kekana	Ms Jenny Jeftha Ms Mantuka Maisela Mr Siphon Nkambule Mr Pierré Snyman

#### Responsibilities

The Remco reviews and makes recommendations to the Board on the GEPF's HR policies and strategies. It insures that the Fund's (including the trustees') remuneration practices are aligned to industry best practice.

#### Highlights

- Reviewed the trustee remuneration rates and obtained Board approval.
- Obtained Board approval for salary increases and the payment of short-term incentives to GEPF employees for the 2022/23 financial year.
- Obtained Board approval for the payment of long-term incentives to qualifying GEPF employees.
- Facilitated the approval of a probation policy.
- Reviewed the cellular phone and computer data card policy, as well as the actuarial study policy.
- Recommended the approval of an additional resource on the GEPF structure.

Social and Ethics Subcommittee (SE-SC)	Chairperson	Members
2 meetings held during the year	Mr Eddie Kekana	Ms Emily Mmola Mr Siphon Nkambule Adv Makubalo Ndaba Lt Gen Lineo Ntshiea

#### Responsibilities

Reviews and recommends an appropriate ethics strategy for the Fund.

#### Highlights

- Considered and reported on various quarterly reports on material, social and ethical matters.
- Considered and discussed matters that affect and are of mutual interest to the GEPF, PIC and GPAA.
- Considered organisational ethics. No ethics-related concerns were raised by GEPF staff through any of the available reporting channels.
- Reviewed the Fund's ethics risk register.

Valuations Subcommittee (VAL-SC)	Chairperson	Members
4 meetings held during the year	Mr Richard Morris	Ms Lindy Bodewig Mr Lebo Mkgabudi Mr Ntsoareng Marotholi (invitee) Mr Zethu Msindo Mr Hale Qangule

#### Responsibilities

Advises the AFR-C on the complex matter of the valuations of the unlisted investments of the Fund.

#### Highlights

- Facilitated the approval of adjustments to fair value and impairments and reversals of impairments of unlisted investments.
- Reviewed the mid-year internal valuations prepared by the PIC.

## OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER

The Office of the Principal Executive Officer comprises a Principal Executive Officer (PEO) and an executive management team. It supports the Board in 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.

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

### The Principal Executive Officer

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 and gives effect to the Board's strategy and is supported in this role by executive managers.

### Head of Investments

The Head of Investments monitors and manages the assets and liabilities of the GEPF. The incumbent also advises and assists the PEO and the Board on the investment strategy and its execution, while overseeing the implementation of the responsible investment (RI) and developmental investment

(DI) policies. The Head of Investments furthermore ensures effective oversight of investment services, including those that are outsourced to the PIC and other external service providers.

### The Company Secretary

The Company Secretary ensures that the Board practises good governance at all times, guides the Board on the duties of the trustees and provides an executive secretariat function to the GEPF Board and its committees. The incumbent is also responsible for the induction and training of the trustees.

### Head of Corporate Services

The Head of Corporate Services manages all internal operations, including legal and compliance, human resources, information and communication technology, and facilities.

### Head of Stakeholder Management and Communication

The Head of Stakeholder Management and Communication is responsible for executing a comprehensive stakeholder management, and communication and education strategy.

### Head of Actuarial and Benefits

The Head of Actuarial and Benefits advises the PEO and the GEPF Board of Trustees on, and assists with, the management of asset liabilities and monitoring of the Fund. The incumbent also ensures effective oversight of the interrelated functions of benefit administration and actuarial services, including

activities that are outsourced to the GPAA and other external service providers. The Head of Actuarial and Benefits furthermore oversees the administration agreement and SLA with the administrator and provides insights on initiatives to improve benefits and administration.

## Head of Finance

The Head of Finance leads and directs the financial and administration services. This entails providing effective

financial and accounting services to the Fund to satisfy its finance requirement, which includes directing and overseeing all aspects of procurement and supply chain management to ensure appropriate procurement practices. The Head of Finance responds to internal and external audit observations that relate to the preparation of the financial statements, as well as other accounting and financial matters.

### Executive management



**Mr Musa Mabesa**  
*Principal Executive Officer*

- MSc – University of London
- ACCA
- BCompt – Unisa
- Leadership – University of Stellenbosch Business School
- Member of the IoDSA



**Mr Babs Naidoo**  
*Head of Stakeholder Management and Communication*

- BA – University of Westville
- BA Hons – University of Westville
- Member of the IoDSA
- Member of the International Association of Business Communicators (IABC)
- Chartered public relations practitioner – Public Relations Institute of South Africa (PRISA)



**Ms Portia Mngomezulu**  
*Head of Corporate Services*

- BCom accounting – Unisa
- Postgraduate diploma in business administration – University of Pretoria
- MBA – GIBS
- Executive development programmes – Harvard and University of Florida



**Mr Brian Karidza**  
*Head of Actuarial and Benefits*

- BSc Hons – University of the Witwatersrand
- Fellow of the Actuarial Society of South Africa (FASSA)
- Fellow of the Institute and Faculty of Actuaries, UK (FIA)
- Certified enterprise risk actuary (CERA) – the Actuarial Society of South Africa



**Ms Bulelwa Kotta**  
*Head of Finance*

- BCom accounting – University of KwaZulu-Natal
- ACMA (CGMA)
- Postgraduate diploma in financial planning – University of the Free State
- Postgraduate diploma in business management – Regenesys Business School
- MBA – Henley Business School (University of Reading)



**Mr Sifiso Sibiya**  
*Head of Investments*

- Master of management in finance and investments – University of the Witwatersrand
- Honours degree in mathematical statistics – University of the Witwatersrand
- Degree in actuarial science – University of the Witwatersrand
- Fellow of the Institute and Faculty of Actuaries, UK (FIA)
- Chartered enterprise risk actuary (CERA) – the Institute and Faculty of Actuaries, UK
- Chartered alternative investment analyst (CAIA) – Chartered Alternative Investment Analyst Association, US

### Company Secretary



**Ms Adri van Niekerk**  
*Company Secretary*

- BAdmin Hons public management – University of Pretoria
- BAdmin public management – University of Pretoria
- Fellow of the IoDSA
- Member of the International Corporate Governance Network (ICGN)

## Key corporate matters

### Corporate Service report

As outlined in the annual strategic plan, Corporate Services carried out its initiatives with precision and diligence during the reporting period. It implemented cutting-edge technologies and updated ICT infrastructure, implemented the human capital strategy in line with its annual strategic plan deliverables, executed the compliance management plan and provided oversight across all the Corporate Service functions. The division completed the year having achieved 80% of its targets.

### Management function and responsibilities

The Corporate Services division has four sub-divisions, namely, Human Capital Management, Information Communication Technology (ICT), Legal and Compliance and Facilities. Corporate Services develops an all-encompassing divisional strategy that supports the Fund's overall strategic objectives as outlined in the organisational strategy. Establishing effective governance, policies and compliance mechanisms is a top priority for the division to mitigate operational risks and improve controls flagged by internal and external auditors. Positive outcomes of Corporate Service's strategic initiatives are visible in a number of areas across the Fund. These range from the enforcement of compliance protocols, enhanced operational efficiency and an improved employee experience and value proposition, to greater data security and privacy, improved ICT systems and expanded digital capabilities.

### Human capital management

#### 1 Human capital strategy

Our people are at the heart of our organisation. Without them, the GEPF cannot deliver on its mandate and meet its strategic goals. The primary focus of our human capital strategy is to position GEPF as an employer of choice within the global retirement fund industry so that it can attract and retain the best available talent. Only with the right capabilities can we achieve our strategic objectives.

At the end of March 2023, the GEPF had 49 employees. The actuarial manager position had been filled but the employee had not assumed duty. In the financial year under review, the employee count rose to 62 with various vacant positions being filled and, in line with our commitment to create a pipeline for skills development, we appointed six interns.

Skills development and retention is pursued by creating an organisational culture that encourages innovation, accountability, integrity, transparency, client-centric performance and leadership excellence. We believe in a constant flow of talent to create and maintain a pool from which key positions can be filled so that the organisation can achieve its vision to be a global leading and reputable pension fund that delivers quality service to beneficiaries. To this end, Corporate Services has started a review of the GEPF's talent management framework.

The GEPF total rewards strategy incorporates a performance management and a remuneration policy and integrates with the human capital strategy to contribute to improved organisational performance and employee engagement. It is also part of the Fund's commitment to

manage and develop employees holistically and to ensure that our employees' total guaranteed pay allows us to retain scarce and critical skills. The Fund subscribes to the total-cost-to-company remuneration structure, which offers employees a total guaranteed salary that includes employee benefits and variable pay. The GEPF uses the results of two reputable South African remuneration surveys for benchmarking purposes.

Leadership development is another of our priorities. In the year under review, Corporate Services initiated an executive coaching programme to equip the GEPF executive team with the knowledge and skills to become more effective leaders, while driving a high-performance culture and maximum employee engagement. We are passionate about the programme, given that coaching is one of the most powerful ways to positively impact the success of an organisation.

During the 2022/23 financial year, the corporate scorecard was reviewed to ensure that it is aligned with the Fund's strategic goals and that performance against targets is appropriately measured and rewarded.

The GEPF continuously improves our employee value proposition to ensure that we attract new talent and motivate and retain those who are already part of the organisation. This is no simple task, given that we compete with other industry players for skills. To embed the desired performance-driven organisational culture, our focus in the past year was on operationalising the revised performance management methodology. The success of this is evident in the outcomes our organisation has achieved.

#### 2 Short-term incentive (STI) scheme

The short-term performance incentive is a financial reward employees receive in recognition of performance that is consistently excellent or above expectation. The incentive is paid in cash and is not part of salary increases or adjustments to the person's total guaranteed package.

#### 3 Long-term incentive (LTI) scheme

The purpose of this scheme is to retain scarce and critical skills by rewarding employees for achieving or exceeding long-term organisational targets over a three-year period. The scheme was introduced in the 2018/19 financial year, hence the year under review marked the second year in which participating employees received LTI awards.

#### 4 Learning and development

The GEPF promotes a learning culture in which its employees can develop and grow to reach their full potential. Staff members benefited from a range of external learning and development opportunities during the period under review. A total of 14 bursaries were awarded to employees in the financial year. Six graduates from various previously disadvantaged institutions of higher learning were appointed for a period of 24 months as part of the GEPFuture internship graduate programme. Total spend on the GEPFuture programme for the period of reporting was R1 437 488.00.



## 5 Work-life balance

As a responsible corporate citizen, the GEPF wants its employees to maintain a manageable balance between work commitments and life demands so that they can achieve success within and outside the workplace. To this end, we continuously explore and implement various working methods that ensure employee safety and business continuity. A specific current challenge relates to the threats that long-Covid poses to employee wellbeing. In this regard, we have had to deal with significant emotional and anxiety issues among our employees.

## 6 Policy review

The GEPF has reviewed various human capital policies to ensure that they comply with regulatory changes. Particular attention was paid to align the Fund's recruitment practices with the Basic Condition of Service and Employment Equity regulations. This culminated with the revision of employment contracts as well as four policies, which were approved by the Board.

## Information and communication technology

### 1 Compliance and governance

Compliance and governance are crucial ICT operations pillars. To ensure its integrity and to safeguard members' interests, the Fund prioritises regulatory compliance and subscribes to the highest standards of governance. It adheres to robust ICT governance frameworks, policies and procedures and conducts regular audits and risk assessments to identify and mitigate potential vulnerabilities and threats. The Fund protects sensitive member information against unauthorised access, breaches and losses by enforcing stringent controls and instituting secure data management practices.

In the year under review this included developing a cybersecurity framework to enable the GEPF to adhere to the approved cybersecurity standards. The GEPF also insourced ICT infrastructure and systems to ensure the safety of information and improve efficiency.

The team actively monitored and assessed regulatory changes to ensure ongoing compliance with applicable laws and regulations.

### 2 Modernisation report

During the reporting period, significant progress was made in restarting the modernisation project. A previous modernisation project did not address core deliverables to improve service delivery and was therefore abandoned in favour of a new approach.

The Fund completed a request for information (RFI), started work on a new solutions roadmap and received approval to develop the request for proposal terms of reference. Phase 1 of the roadmap has been completed and phase 2 was underway during the reporting period. Major deliverables in the reporting period were to enforce the futuristic governance protocol and document workflows and the migration from a manual to a digital platform. This project will help to make the processing of member retirement claims more efficient.

Our digital platforms, such as the GEPF app, SMS and email, have been enhanced to expedite member interactions and facilitate self-service. As a result, members now have better access to information and services and enjoy the benefits of faster response times, and enhanced accuracy and convenience.

The modernisation project will result in a pension fund that is more agile and member centric, and whose service delivery reputation supports its long-term viability. The GEPF will continue investigating innovative solutions to keep up with technological advancements.

### 3 Performance against strategic objectives

Positive outcomes of our strategic initiatives are visible in several areas, including heightened data security and privacy, enhanced operational efficiency and expanded digital capabilities. These accomplishments demonstrate our dedication to achieving the Fund's strategic objectives and leveraging technology to promote sustainable growth.

## Legal and compliance

### 1 Compliance matters

In order to establish an effective compliance framework and processes, the Fund reviewed its regulatory universe during the reporting period. As legislation that applies to the Human Capital unit was prioritised, risk management plans were done in terms of the Basic Conditions of Employment Act, 1997, Employment Equity Act, 1998, Labour Relations Act, 1995, Occupational Health and Safety Act, 1993, Compensation for Occupational Injuries and Diseases Act, 1993, Skills Development Act, 1998, and the Unemployment Insurance Act, 2001.

The process that was followed was to identify, assess, manage and monitor all compliance risks, and report to the Governance and Legal Committee on each of the steps. We are proud to report that in all instances, the Fund complies with its own compliance policy.

In adherence to Protection of Personal Information Act (POPIA) and Promotion of Access to Information Act (PAIA), the Board once again revised and approved the GEPF PAIA manual and data privacy policy. The latter gives effect to the provisions of POPIA by establishing the requirements and conditions for the collection, distribution, protection and retention of personal information. The updated PAIA manual and data privacy policy are available on the GEPF website. The Fund's POPIA task team remains vigilant in identifying gaps that may exist in terms of compliance with the Act. A PAIA annual report was submitted to the Information Regulator as required by the legislation.

In the current year, the Legal and Compliance unit focused on human capital legislation. Its findings have been reported and are being processed to ensure compliance with the relevant legislation.

Every Board member and employee must disclose all conflicts of interest at least annually. This is done by completing the financial disclosure form to identify any relationships, positions or circumstances that could contribute to or result in a conflict of interests. All Board

members and staff complied with this policy requirement during the financial year. Board and staff members must also declare any gifts in the Fund's gift register.

### 2 Legal matters

In terms of material litigation, GEPF received a large number of individual court applications from the Makhanda High Court in the Eastern Cape. Each of the applications seeks "an order directing the GEPF to take all steps necessary to procure the proper and comprehensive calculation of applicant's benefits in terms of the GEP Law and thereafter process the applicant's claim for further payments of pension benefits". GEPF is opposing the matter.

The Fund is pleased to announce that for the year under review, there was no material or repeated instances of non-compliance with regulatory requirements by either the Fund or its trustees.

### Internal governance structures

The Audit, Finance and Risk Committee holds management and key service providers accountable for effective internal financial controls. Internal Audit conducts reviews of the controls as part of a continuing project to improve oversight.

GEPF prepares an annual business plan and budget that are 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.

To assess the effectiveness of the internal financial controls, there is continuous engagements with the management team, independent external auditors, Internal Audit and the Risk Management unit.

### Finance monitoring and oversight

The GEPF, through the establishment of a middle-office framework, is in the process of improving its investment accounting, performance, and compliance reporting to further enhance the investment monitoring processes.

The GEPF executive committee has delegated its investment mandate responsibilities to the Finance Liaison Committee.

The objectives of the Finance Liaison Committee are to:

- Facilitate an effective working relationship between the GEPF, GPAA, PIC and the Master Custodian.
- Assist the GEPF, GPAA, PIC and the Master Custodian to implement the GEPF Board's reporting requirements, the mandate between the GEPF and PIC, and the service-level agreements between the GEPF and third-party service providers, including GPAA and the Master Custodian.
- Facilitate smooth audit processes and ease the flow of information and communication between the GEPF, GPAA, PIC, the Master Custodian and other third-party service providers.

### Supply chain management

The Board reviewed and approved a revised supply chain management (SCM) policy in the current financial year. The revision was to address operational challenges that arose as a result of the misalignment between the SCM policy and

Annexure A of the policy (SCM Delegations). The review included a benchmarking exercise with the Fund's peers and other public sector entities that operate similarly to the GEPF.

The SCM policy guides GEPF employees, trustees and suppliers on the process to follow when procuring goods and services. The Finance department is the custodian of the SCM policy and supports and guides the Fund in matters relating to supply chain management.

### Internal Audit report

The Internal Audit unit is a third-line independent internal assurance provider within GEPF. In line with the King IV Report on Corporate Governance, the unit provides objective and relevant assurance to management and the Board of Trustees through the Audit, Finance and Risk Committee, which contributes to the effectiveness of risk management, control and governance processes. Internal Audit conforms with the International Standards for the Professional Practice of Internal Auditing in carrying out its activities.

The internal audit manager reports functionally to the Audit, Finance and Risk Committee and administratively to the Principal Executive Officer to promote and strengthen independence. The internal audit manager has direct access to the Audit, Finance and Risk Committee through its chairperson.

In line with the standards of the Institute of Internal Auditors, Internal Audit reviews and submits the internal audit charter and the internal audit manual to the Audit, Finance and Risk Committee for approval. During the year under review, Internal Audit discharged its responsibilities in line with the approved charter.

The Audit, Finance and Risk Committee approved the risk-based internal audit coverage plan for the 2022/23 financial year and a three-year rolling internal audit plan. Internal audit reports were presented to the Audit, Finance and Risk Committee in line with the approved plan. Specific control weaknesses were identified and communicated to management, and corrective actions and improvements were agreed and implemented. Internal Audit also provided an assurance opinion on the effectiveness and adequacy of the control environment.

Internal Audit furthermore plays an oversight role regarding the activities of the internal audit division of the GPAA that relate to the risks that GEPF has outsourced to the Agency in line with the administration agreement and accompanying SLA. Internal Audit contributes to the development of GPAA's annual internal audit coverage plan to ensure that the GEPF risks are adequately covered. GPAA Internal Audit submits audit reports that are tabled at the quarterly GEPF/GPAA exco-to-exco and Audit, Finance and Risk Committee meetings. GEPF Internal Audit also attends GPAA Internal Audit's annual strategic sessions.

The internal audit manager represents Internal Audit on the GEPF Combined Assurance Forum.

### Performance against the approved annual coverage plan

Internal Audit's risk-based audit approach ensures that its efforts and resources are adequately allocated to the highest-ranking risks in the interest of effective internal controls. The function performed all the engagements specified in the approved audit plan, except for two with reliance being

placed on the work of other assurance providers, i.e., Deloitte for ISAE 3402 for the PIC and pwc for Standard Bank of South Africa Limited. The POPIA review was postponed as the project is still being implemented.

The following audits were conducted:

- Cybersecurity review
- Enterprise risk management follow-up review
- Legal and compliance follow-up review
- External audit management letter follow-up review
- Supply chain management review
- Stakeholder management and communications review
- Investments follow-up review

During the year, Internal Audit observed the specification and evaluation processes carried out for these tenders:

- Telephone solution
- ESG advisory services
- Network and mobile services
- Network security services

- Business continuity management services
- Enterprise resource planning (ERP) system
- Actuarial consulting and valuation services

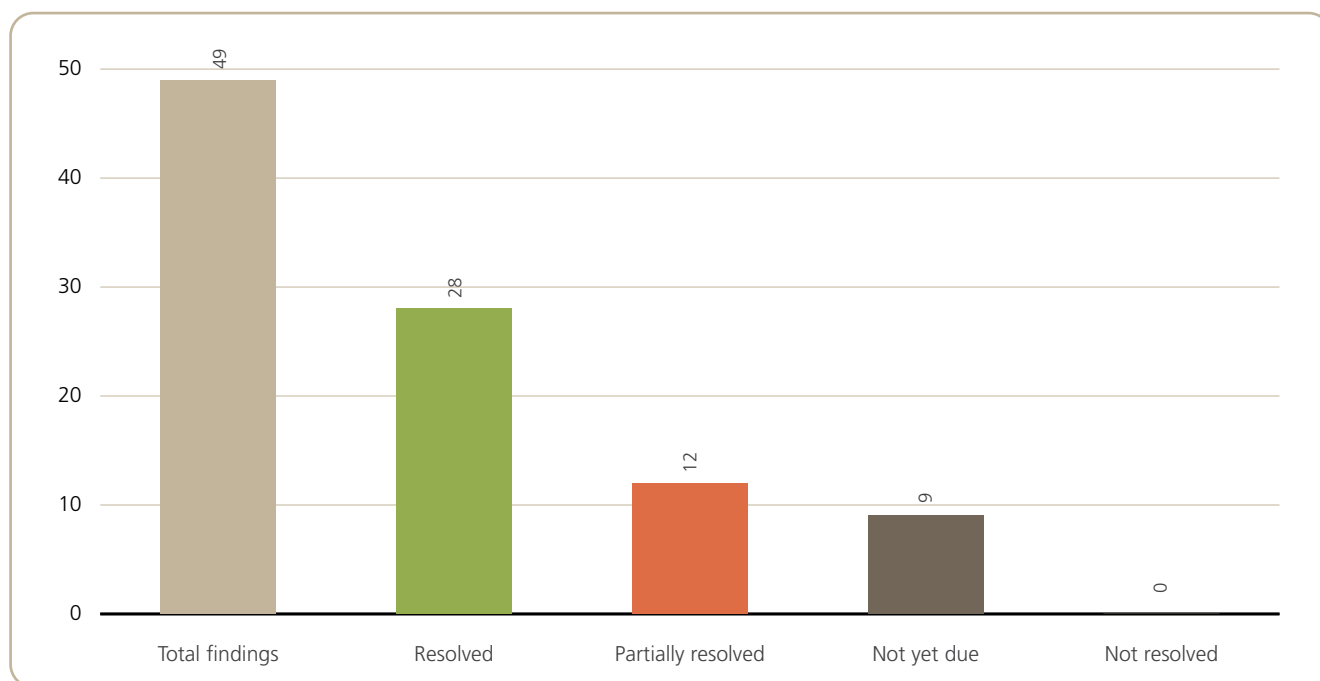
Other consulting reviews conducted:

- Short-term incentive performance bonus
- Trustee remuneration and attendance
- Trustee election
- Long-term incentive performance bonus

### Findings and remedial actions

At the beginning of financial year 2022/23, a total of 25 findings remained open. During the year, 24 new findings were raised. By 31 March 2023, 28 findings had been fully resolved and 12 partially resolved, meaning that while management has implemented some of the action plans the process could not be finalised due to other dependant factors. The reduction in the number of findings can be attributed to management’s commitment to improve internal controls.

### Summary of findings raised versus those that were resolved by management during 2022/23 (numbers)



Internal Audit did not identify any material control deficiencies that would raise concern about the effectiveness of the GEPF’s governance, risk management and control processes. Management continues to implement corrective actions to improve the control environment.

### Audit improvement projects

Internal Audit has implemented a quality assurance and improvement programme that covers all aspects of internal audit and entails internal and external assessments as required by the Institute of Internal Auditors. The unit has made significant progress in implementing the recommendations of the quality assurance assessment conducted in 2021.

The internal audit charter was reviewed in preparation for 2023/24 and in its updated form now provides for an annual evaluation of the Internal Audit function by the Audit, Finance and Risk Committee. Furthermore, the chairperson of the Audit, Finance and Risk Committee will be involved in the performance evaluation of the internal audit manager.

The Internal Audit function is acquiring an audit management solution to make its entire process – from audit planning, risk identification and assessment, to audit execution, reporting and follow ups – more efficient and effective, while adding value to all GEPF stakeholders.



## INVESTMENT REPORT

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# INVESTMENT POLICY IMPLEMENTATION

## Revised mandate

This financial year marked a milestone on the GEPF's investment journey to improve long-term returns. On 1 April 2022 the revised investment management agreement (IMA) between the GEPF and Public Investment Corporation became effective, replacing the 2007 agreement.

The revised legal framework consists of the listed and unlisted investment management agreements, and achieves four objectives:

1. Strengthen governance over the execution of the investment strategy by the PIC (on behalf of the GEPF), as recommended by the Commission of Inquiry into the Public Investment Corporation by Justice Lex Mpati.
2. Create a more harmonious legal framework.
3. Improve the focus and implementation of investment guidelines.
4. Introduce accountability mechanisms in case of poor investment decisions.

The revised agreement is supported by a set of policies that guides the oversight activities of the GEPF Investments team.

## Progress

The Judicial Commission of Inquiry into the Allegations of Impropriety at the Public Investment Corporation (PIC) did not make findings against the GEPF; however, the following was included in relation to the GEPF's relationship with the PIC:

- The relationship between the GEPF and the PIC is strained and efforts should be made by both parties to restore trust and a good working relationship.

- The PIC has not always acted in the best interests of the GEPF, and there have been a number of instances of improper conduct by PIC officials in relation to GEPF investments.
- There is a need for greater transparency and accountability in the relationship between the GEPF and the PIC.
- The GEPF should review its investment mandate with the PIC to ensure that it serves the best interests of its members.

The GEPF has taken these observations and recommendations to heart and took steps to address them, while monitoring the PIC's implementation of the Commission's recommendations. Progress on the Commissions' recommendations is monitored by the Minister of Finance and the revision of the 2007 investment management agreement has considered the Commission's findings.

## Investment policies

Robust governance over the investment process enhances the likelihood of healthy returns. The GEPF's investment decisions are subject to various policies, all based on international best practice, and aligned to applicable legislation (including the GEP Law). These are:

- Investment policy statement
- General investment guidelines
- Responsible investing policy
- Developmental investment policy
- Derivatives policy
- Proxy voting guidelines and corporate governance principles
- Determination of fair value

# INVESTMENT PROCESS

## Decision-making process

The GEPF's operational team supports the Investment Committee, Advisory Board, Valuations Subcommittee and Board of Trustees in performing a fiduciary role that includes the robust monitoring of the investment function and implementation of the Fund's investment policy and strategy. The GEPF follows a thorough decision-making process.

### Summary of the GEPF's investment decision-making process

1.	GEPF Office	Submits reports by fund managers for approval
2.	Investments team	Reviews, analyses and signs off
3.	Exco	Recommends for approval by Head of Investments
4.	Investment Committee or Advisory Board*	Recommends for approval by the Principal Executive Officer
5.	Board of Trustees	Recommends for approval by Investment Committee or Advisory Board

\* Investment process may include input from the Advisory Board and Valuations Committee, which is a subcommittee of the Audit, Finance and Risk Committee.

# Investment report

## continued

The PIC, which manages 82% of the GEPF's assets and is its principal asset manager, applies its own investment process to transactions before they are submitted to the GEPF for approval. Transactions that are considered by the GEPF Advisory Board include unlisted investments above the combined limit of R2 billion.

### The PIC decision-making process

The PIC's investment process applies to transactions below the R2 billion limit or within mandate guidelines. The delegation of authority (DoA) framework empowers different role players to consider and approve transactions of different sizes. It also outlines the powers of the Board and its committees and those of the executive.

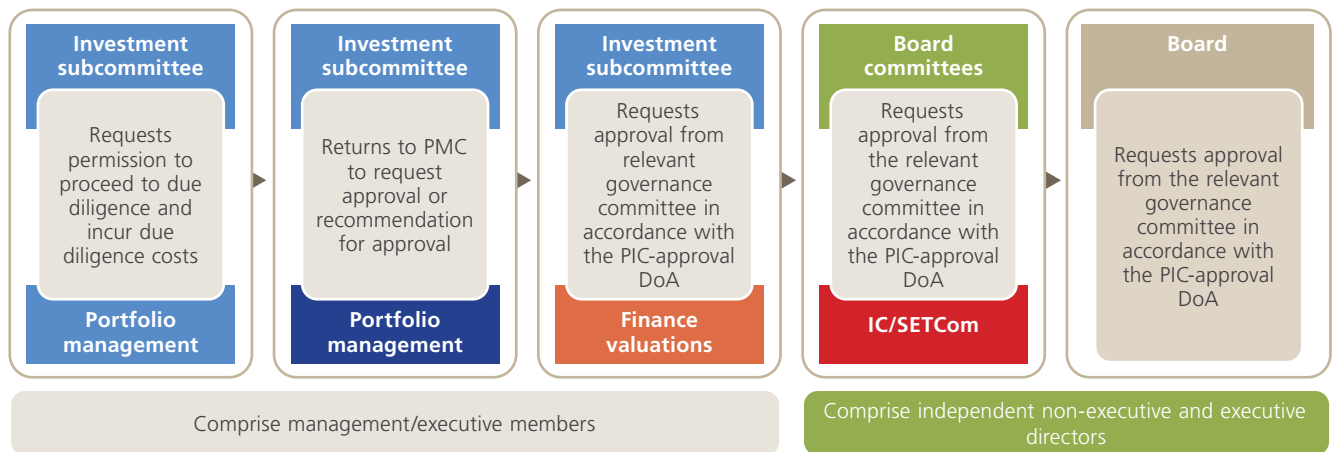
Under the PIC DoA, the Portfolio Management Committee Unlisted Investments (PMC UI), a subcommittee of the PIC

Investment Committee, can approve unlisted investments within certain limits. The PIC Social, Ethics and Transformation Committee is involved in the approval process.

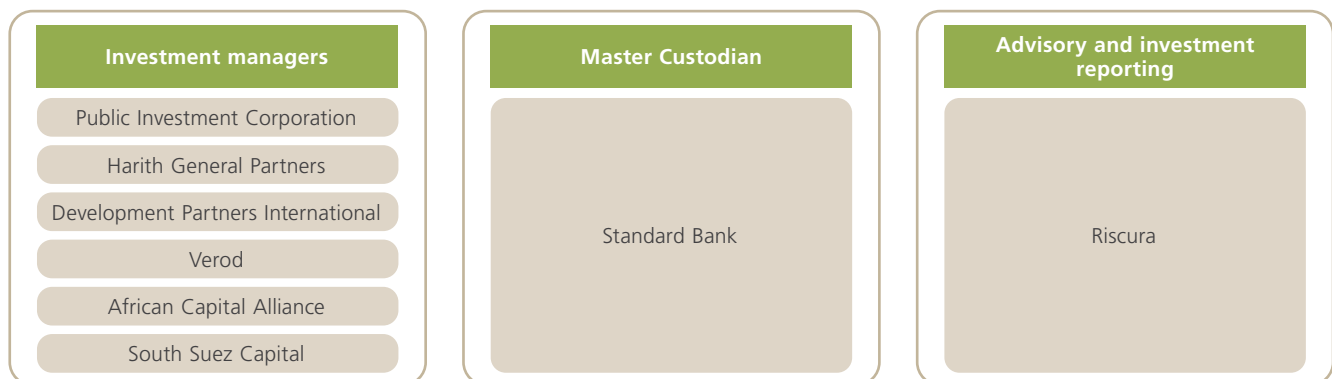
The investment decision-making process that applies to all transactions entails:

- The PMC UI assesses the merits of a potential investment and grants permission for the deal team to proceed with due diligence where appropriate.
- Following due diligence, the deal team returns to the PMC UI for approval or a recommendation for approval in line with the DoA.
- If the transaction size exceeds R2 billion, it is subject to GEPF approval.
- After approval by the PMC UI, the transaction is submitted to the Investment Committee.

### The committees involved in the PIC investment process



### Stakeholders involved in the execution of the GEPF's investment strategy





# ECONOMIC AND MARKET OVERVIEW

## From one crisis to the next

The 2022 calendar year was expected to be one of positive market outcomes as economies emerged from Covid-19 restrictions – a development that saw markets end 2021 with spectacular returns. In line with these expectations, some global market indices indeed reached record highs in January 2022, but then Russia invaded Ukraine in February 2022. As the West imposed sanctions on Russia, global inflation rose on the back of energy shortages and supply chain issues.

The International Monetary Fund (IMF) recorded global output of 3.5% for 2022, led by emerging markets that recorded 4% in contrast to advanced economies' 2.7%. Lower growth rates are predicted for most economies in 2023, with some plunging into recession. Market volatility will be a central theme for the year, driven by uncertainty caused by the effects of high inflation, war in Ukraine and Covid-19.

	2023 (projected) %	2022 %	2021 %
World output	2.8	3.5	6.1
Developed markets	1.3	2.7	5.2
Emerging markets	3.9	4.0	6.8
South Africa	0.1	2.0	4.9

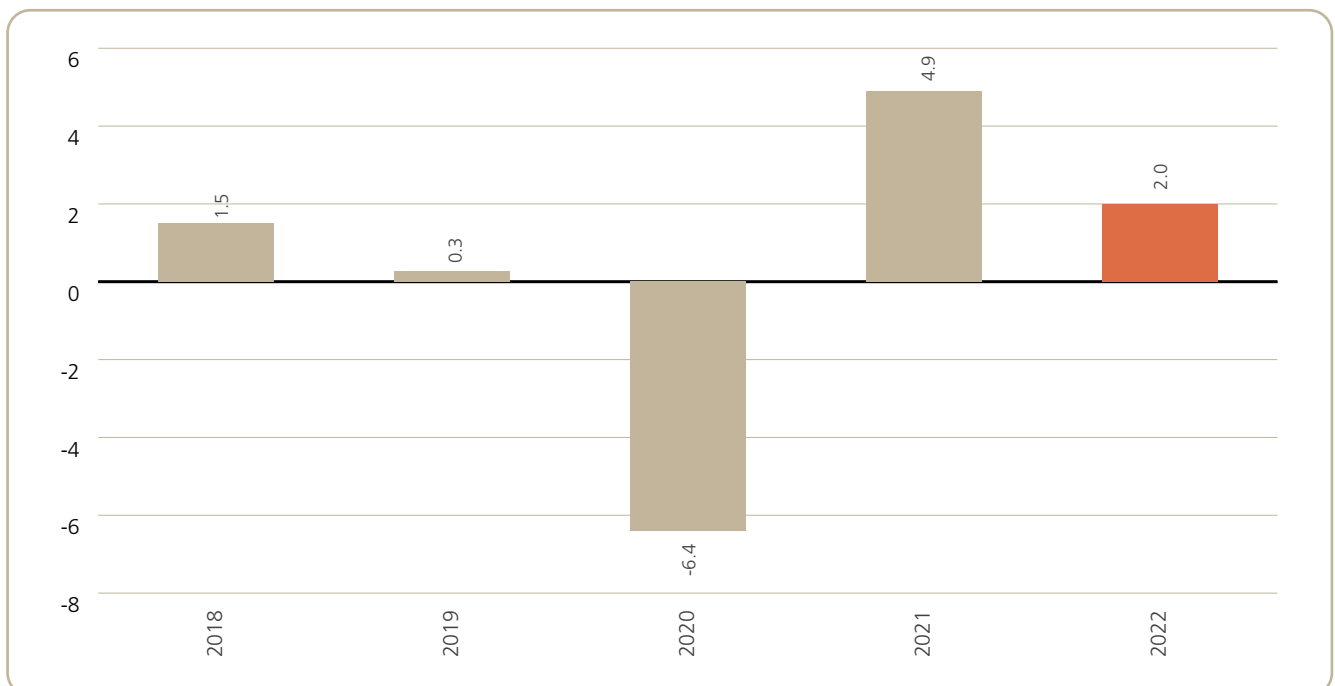
Source: IMF

South Africa continued to lag other emerging markets, recording 2% GDP growth compared to 4% of the emerging markets, led by India and Saudi Arabia. South Africa's growth prospects remain subdued with 2023 projected to be flat due to the challenges the country is grappling with.

## A myriad of problems for the domestic economy

While 2021 was a year of solid recovery for global markets, 2022 proved challenging for most economies. South Africa recorded an annual GDP growth of 2%. While it was the second consecutive year of GDP growth, the figure was less than half of the 4.9% achieved in 2021.

## Real GDP growth for the past five years (%)



Source: Stats SA, GEPF Research

## Investment report continued

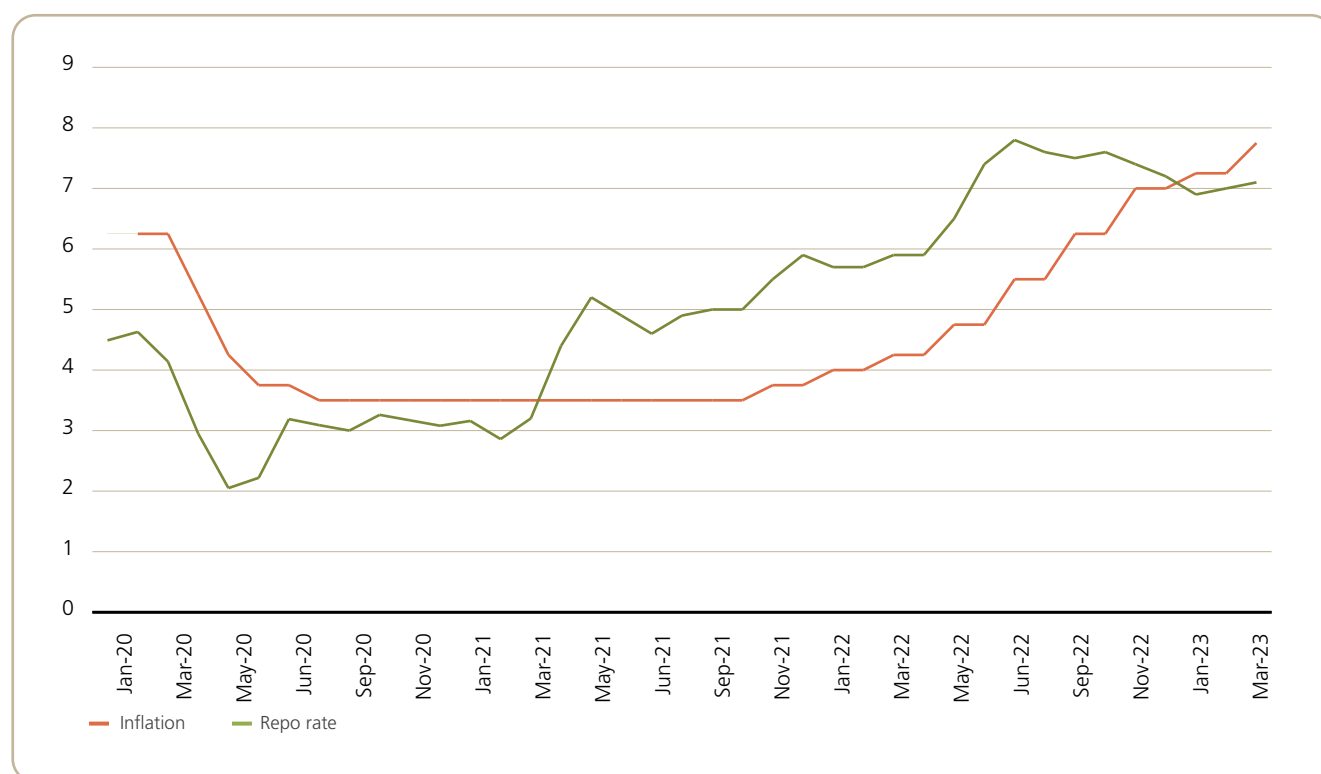
Although external conditions battered the domestic economy, several internal factors also stifled growth. In May 2022, KwaZulu-Natal, particularly around Durban, was ravaged by floods that shut down manufacturers and the country's largest port. These floods and continued power cuts were the biggest causes of the 0.8% GDP contraction in Q2. GDP expanded by 1.8% in Q3 of 2022, with most industries contributing positively and the manufacturing sector showing signs of recovery. However, in the face of load shedding and other structural issues, the increased economic activity of Q3 did not last long.

The final quarter of 2022 recorded -1.3% growth, ending a highly volatile year and painting a bleak picture for what lay ahead in 2023.

While markets have been used to central banks stepping in with expansionary monetary policy during economic downturns, higher inflation and efforts to curb it negated this trend. Inflationary pressure was a key theme for global economies in 2022 leading into 2023, and most central banks implemented a series of sharp and consistent interest rate hikes to combat rapidly rising inflation. Annual consumer inflation in South Africa jumped to 7.4% in June 2022 – its highest level in 13 years – driven by rising food and transport prices that are yet to subside significantly.

To curb inflation, which has exceeded the target band of 3% to 6%, the South African Reserve Bank (SARB) has maintained a hawkish stance since 2021. The target rate at the end of March 2022 was 4.25%, a figure that was still below pre-pandemic levels. However, faced with surging inflation, the SARB hiked the repo rate by 375 basis points over the next 12 months to end the financial year on 7.75%. Despite the repo rate being 125 basis points higher than its pre-pandemic level, the market still anticipates further hikes, which does not bode well for capital markets and an already constrained economy.

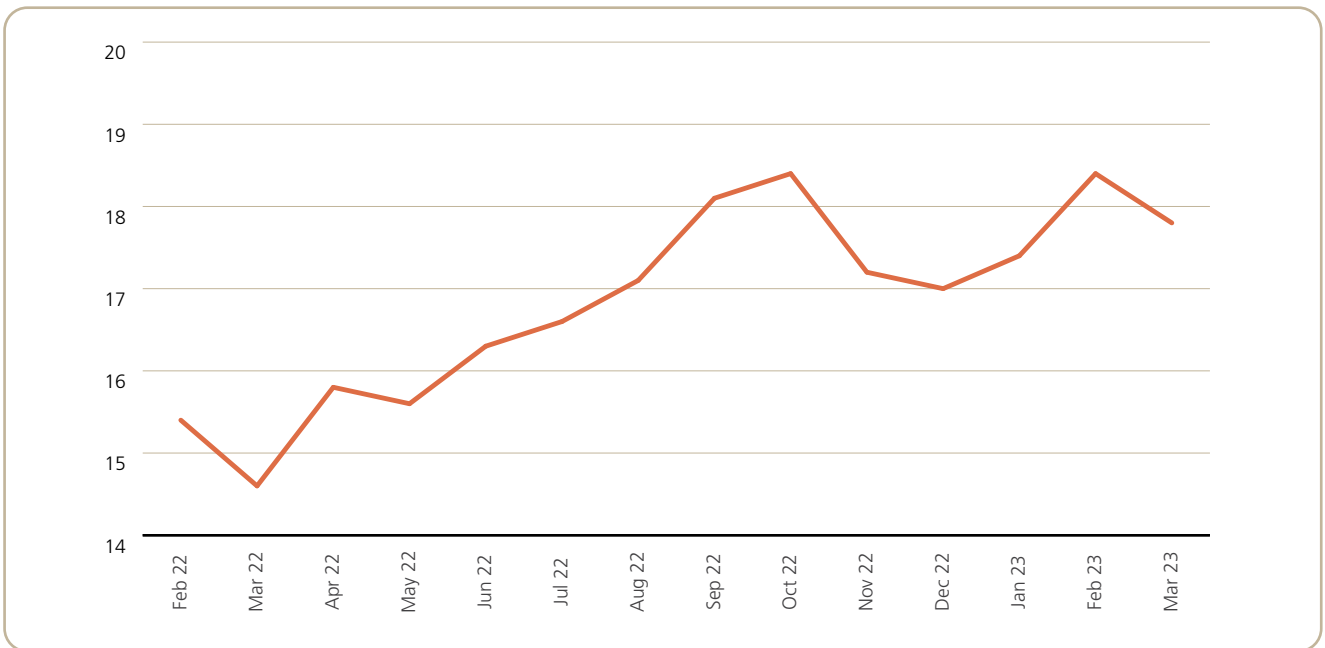
### CPI (year-on-year) vs repo rate (%)



Source: Bloomberg, GEPF Research

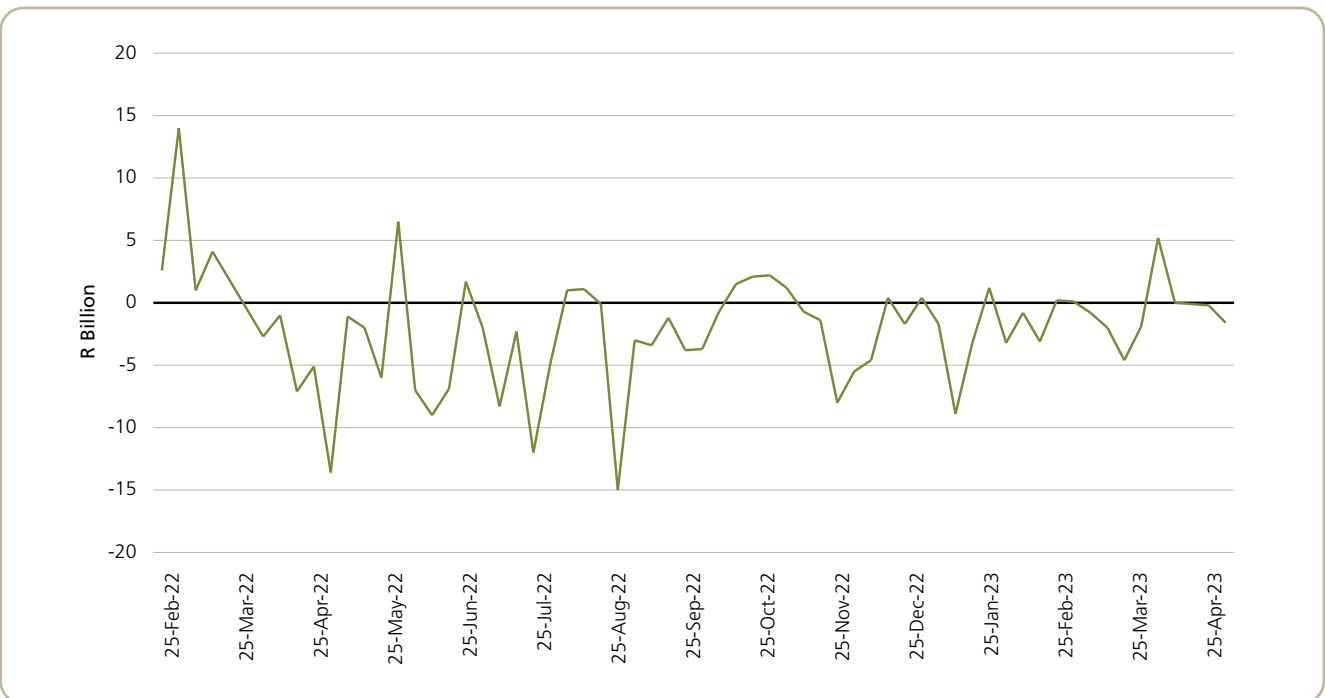
The volatility of the domestic currency that continued for the most part of the financial year reflected sentiments towards the South African market caused by domestic and global developments. The rand depreciated by 17.9% for the year ending 31 March 2023. The SARB cited less appetite for South African assets by foreigners as one of the factors contributing to currency devaluation. The SARB's view was supported by the dwindling net sales of assets on the Johannesburg Stock Exchange, which for the most part of the financial year reflected higher outflows than inflows as power cuts and policy uncertainty, among other factors, kept the domestic economy on the back foot.

### Exchange rate (ZAR/USD)



Source: GEPP Research

### JSE net sales by foreigners (R billion)



Source: Bloomberg, JSE & GEPP Research

As if taking its cue from the 2022 financial year, 2023 began with another major event with economic implications. In February, the Financial Action Task Force (FATF) added South Africa to its list of grey-listed countries. While the economic impact of this may not be distinctly isolated, it adds to the domestic economy's litany of challenges. Being placed on the grey list tarnishes South Africa's image and fosters negative sentiments within the global investment community.

# INVESTMENT MARKETS OVERVIEW

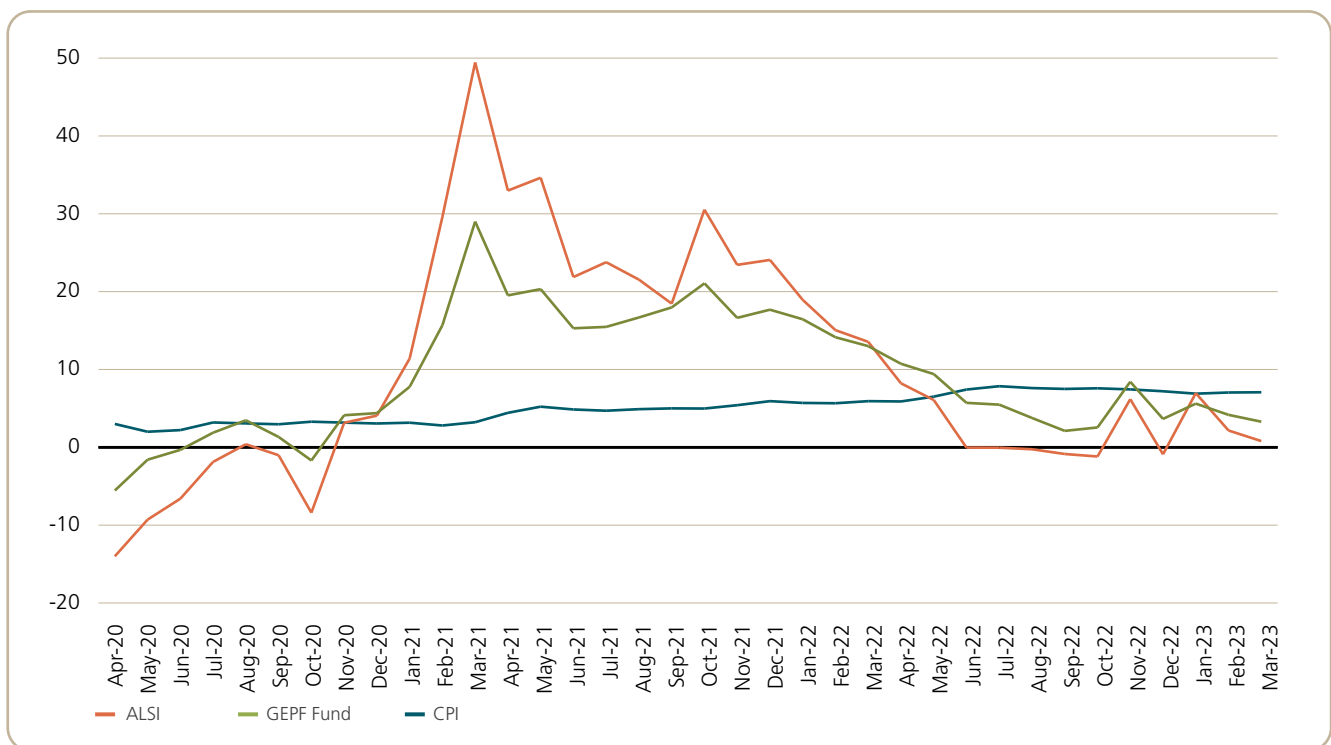
## Event-driven equity market

Over the past year, investment markets were primarily influenced by events and announcements, rather than fundamentals. These included the invasion of Ukraine and the subsequent sanctions imposed on Russia, as well as interest rate announcements by central banks in developed markets. The US Federal Reserve aggressively increased interest rates due to inflationary pressures, which dampened global growth sentiment and corporate earnings. Investors were left anxious about the prospects of economies that had recently recovered from the pandemic, some even fearing a recession.

The South African market was not immune to rising interest rates. The SARB consistently raised rates in alignment with developed markets, aiming to keep inflation within the target range of 3% to 6%.

The graph indicates the impact inflationary pressure had on returns delivered by the JSE all-share index and the GEPF portfolio in the year under review.

### One-year rolling returns vs CPI over three years (%)

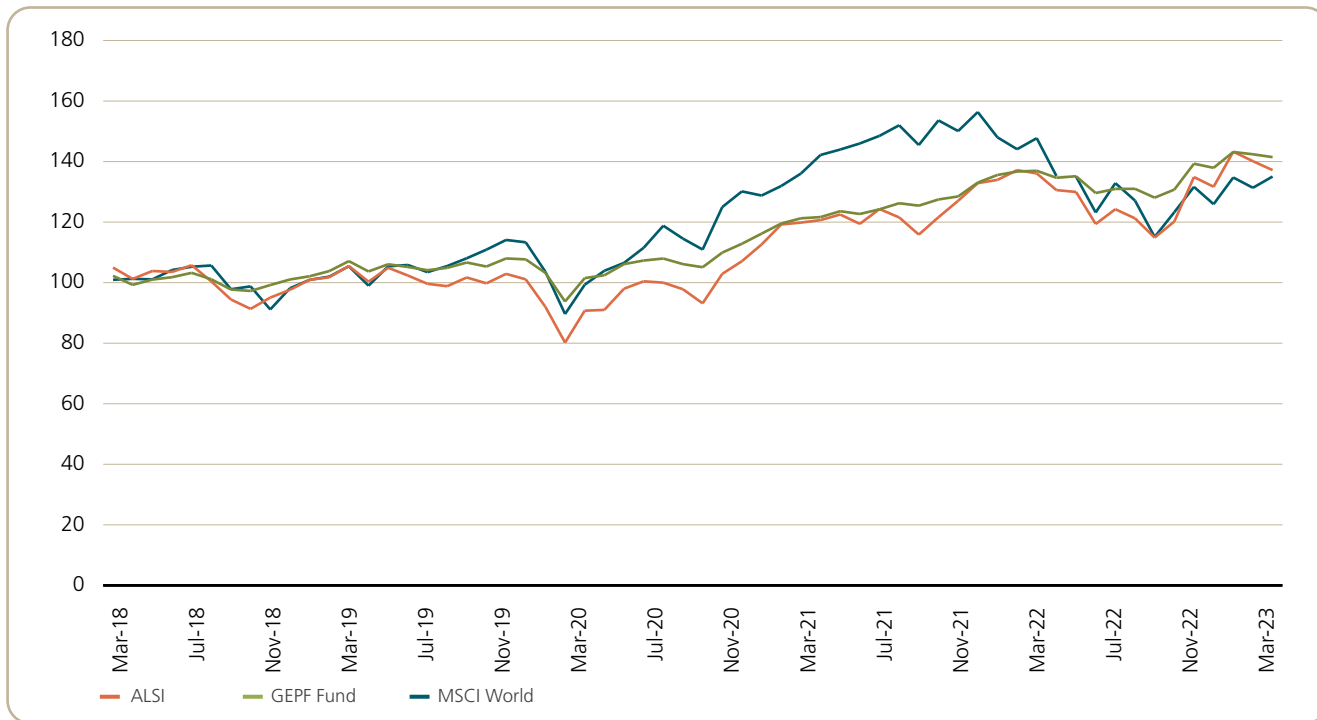


Source: Bloomberg, GEPF Research

The effective diversification of the GEPF portfolio of investments proved advantageous during the bearish market conditions that persisted in 2022. Despite many and varied challenges, the portfolio delivered a total return of 3.29% for the year, outperforming the relatively stagnant local equity market at 0.80% and surpassing global stocks, which experienced a decline of 8.57% over the past 12 months.

Conversely, in bullish market conditions developed markets tend to outperform both the GEPF portfolio and the JSE. This is due to factors such as greater investor confidence, higher liquidity and stronger economic fundamentals.

**Monthly cumulative returns over five years show that the resilient GEPF portfolio consistently delivers steady returns and often outperforms the local equity market**

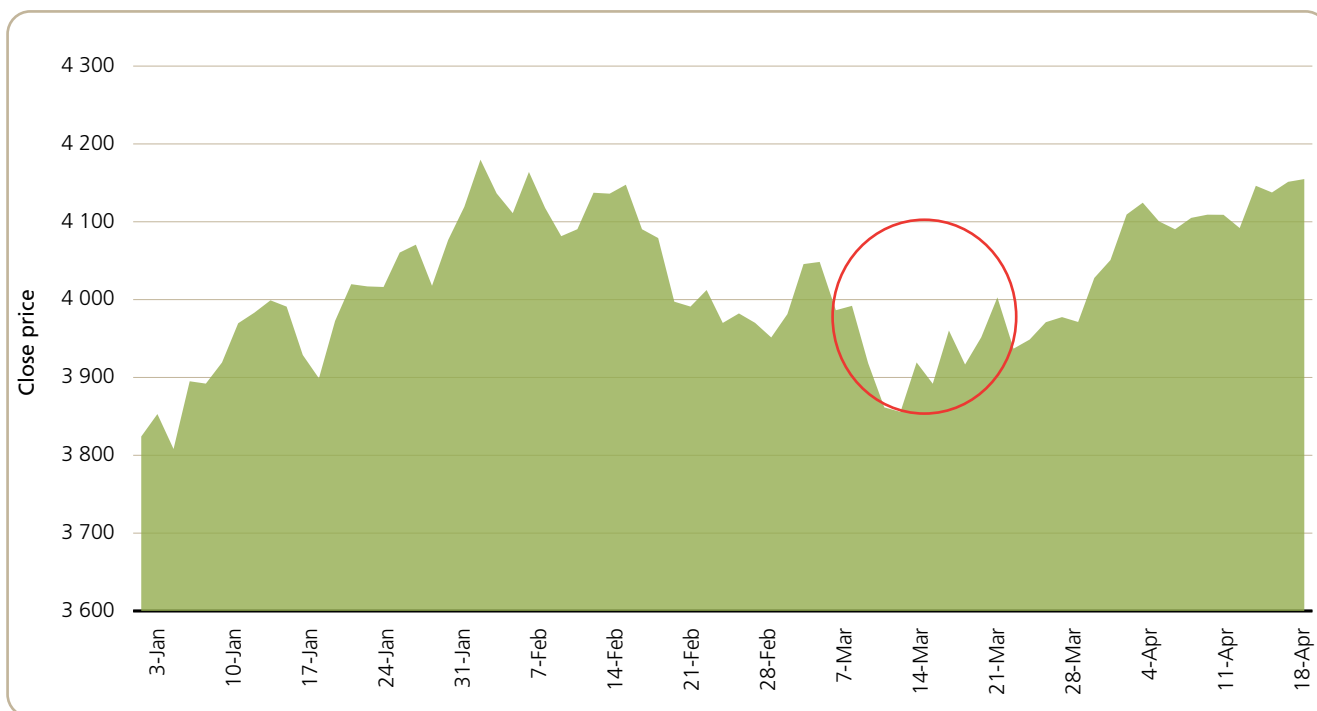


Source: Bloomberg, GEPF Research

**The banking crises**

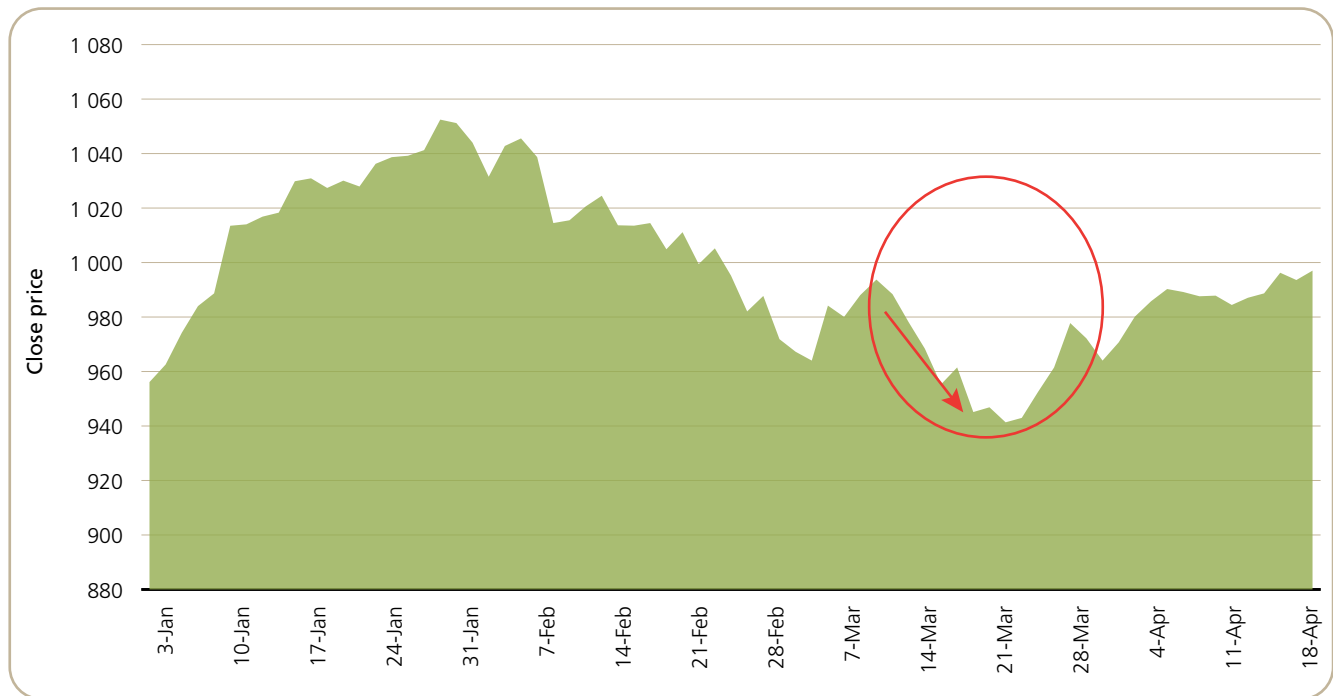
As the financial year drew to a close, the news of the Silicon Valley Bank (SVB) failure reverberated across the globe, sending stock markets into a frenzy. These financial jitters spread to other regional US banks, such as the mid-sized First Republic that saw its share price plunge and a bank run triggered. Meanwhile in Europe, the Credit Suisse debacle was unfolding. Although an idiosyncratic event emanating from compliance issues and scandals, its final demise coincided with the US bank failures. In echoes of the 2008 financial crisis, the bank failures caused panic in the markets that led to a sell-off across the world. The S&P 500 fell 3.4% between 7 and 9 March.

**S&P 500**



Source: Bloomberg, GEPF Research

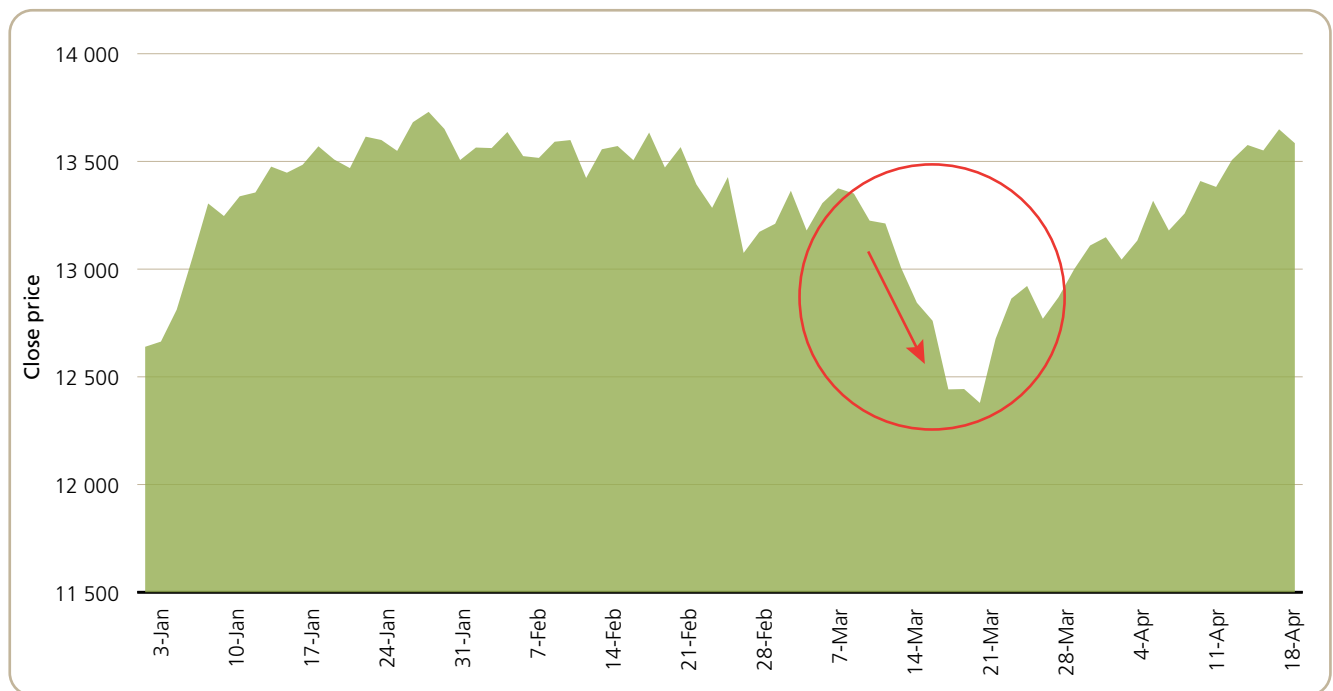
**JSE All Share Index**



Source: Bloomberg, GEPF Research

The South African market also felt the pinch. As in the US, the local sell-off started on 7 March but the JSE only bottomed out on 17 March after falling more than 7%, in line with the emerging markets index. Finance-sector stocks led the sell-off. The JSE financial index lost 9.5% over the period, while the banking index only bottomed out on 20 March, having fallen 11.08% since the start of the sell down.

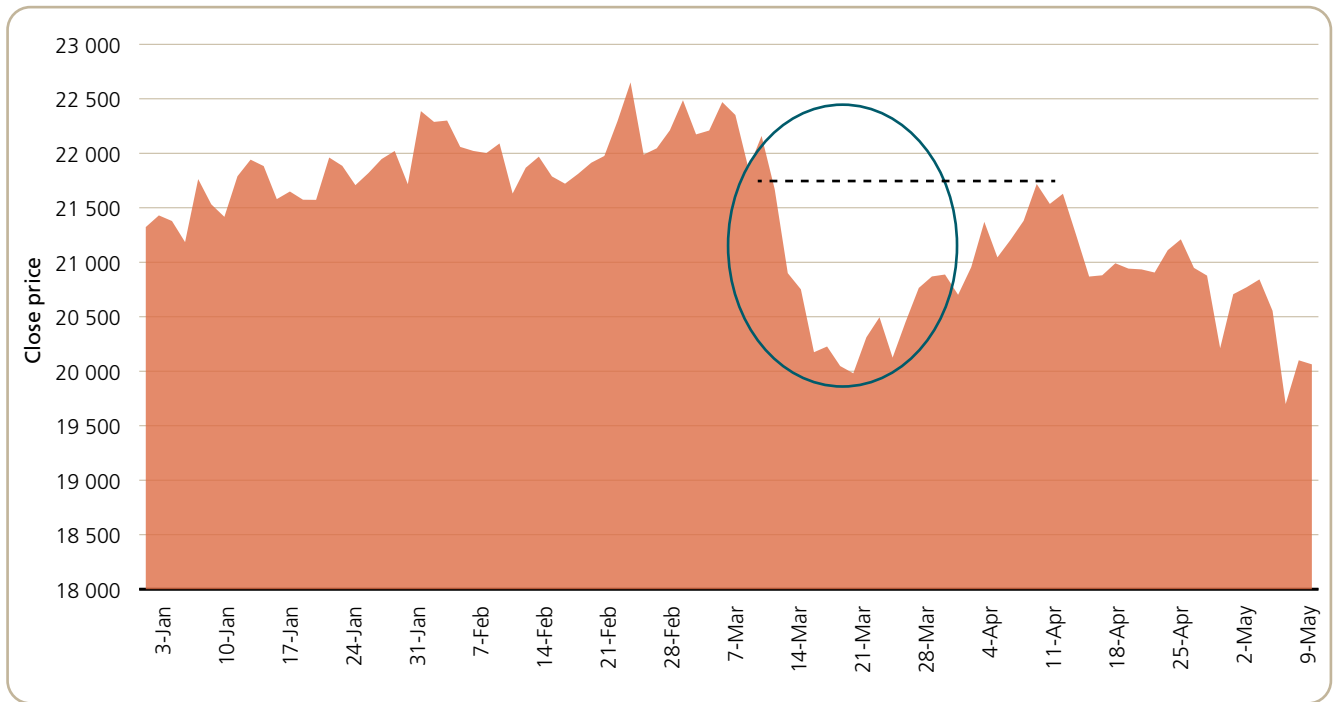
**JSE financials**



Source: Bloomberg, GEPF Research



### JSE SA Bank Index

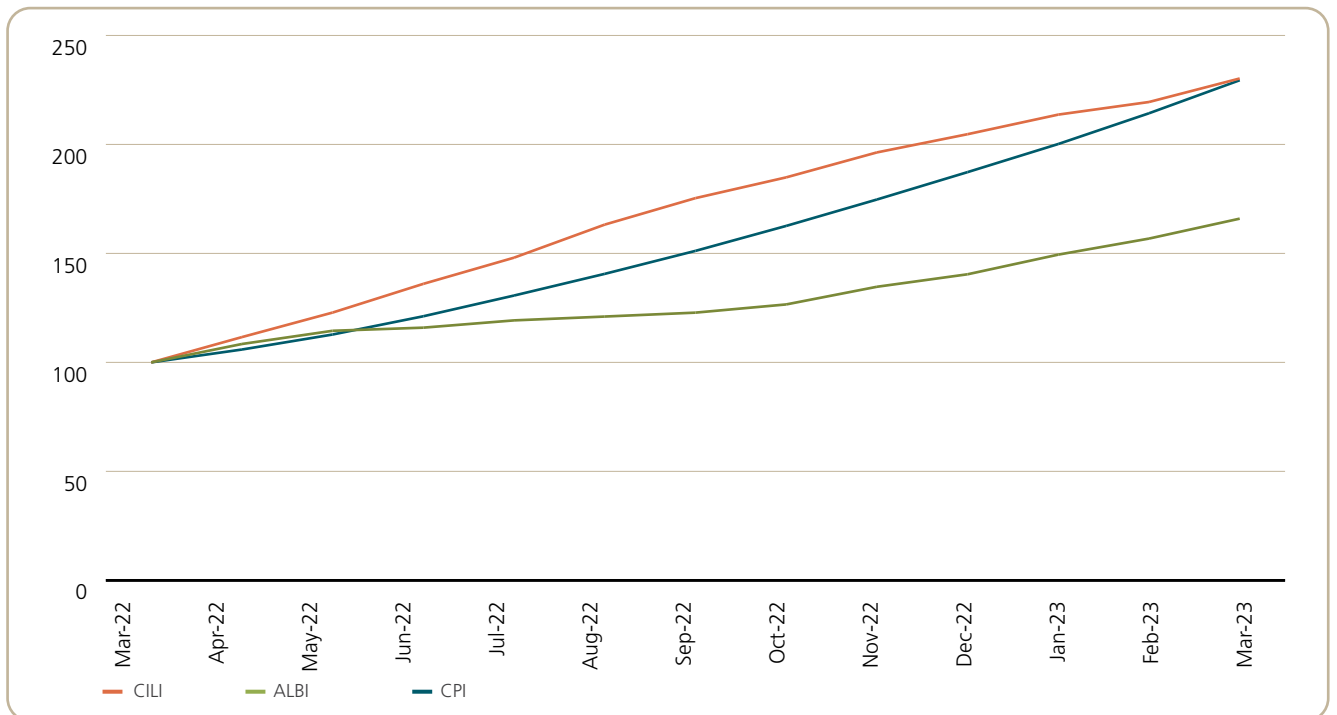


Source: Bloomberg, GEPP Research

### Inflation-linked bonds provide an inflation shield

The financial year started off on a subdued note for local bonds with the JSE all-bond index (ALBI) returning -3.71% in the three months to the end of June 2022. Rising interest rates translated to higher yields and the ALBI returned 5.83% for the financial year. Inflation-linked bonds returned 4.92% over the same period and outperformed both the ALBI and CPI.

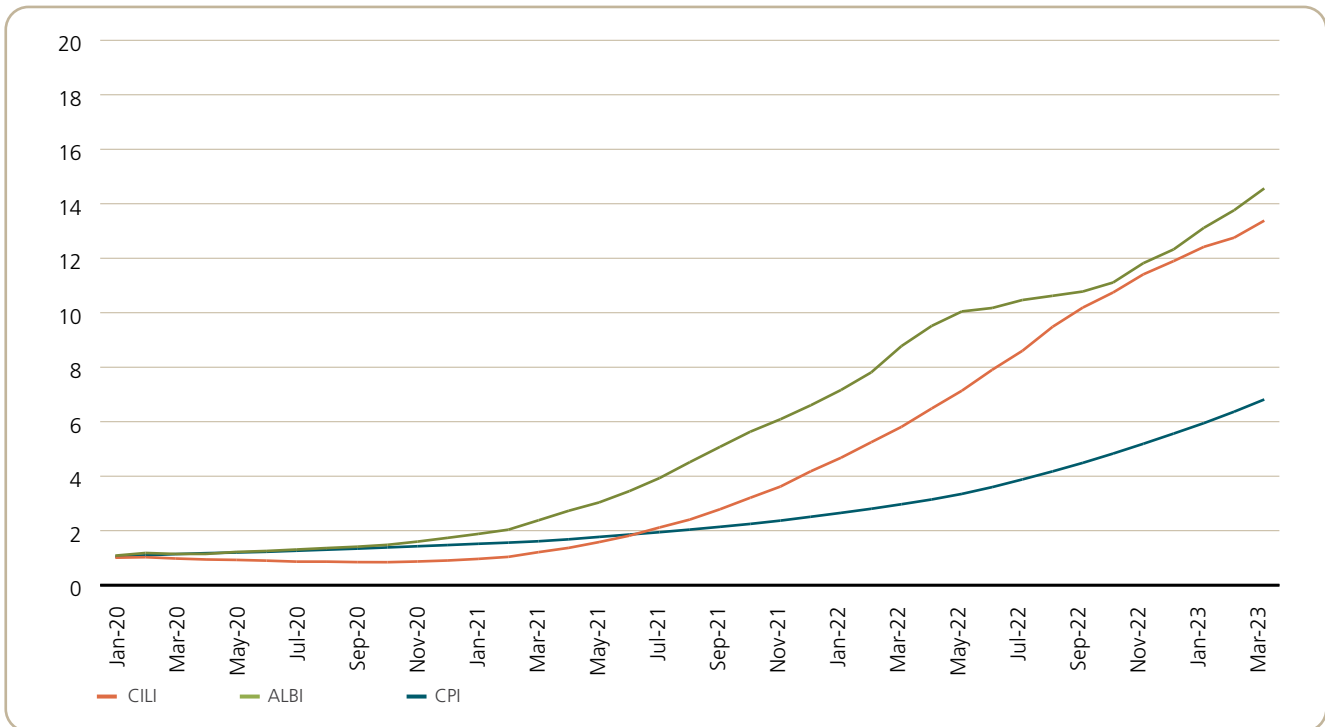
### One-year cumulative returns



Source: Bloomberg, GEPP Research

The ALBI has consistently outperformed both the CIL and CPI over time. This can be attributed to nominal bonds offering higher yields as they do not provide explicit protection against inflation. As inflation remained modest until the end of 2021, the returns from inflation-linked bonds were also modest, given that their principal and coupon payment adjustments are linked to the prevailing inflation rate.

Monthly cumulative returns over three years highlights the importance of staying committed to an investment strategy instead of being swayed by short-term market fluctuations

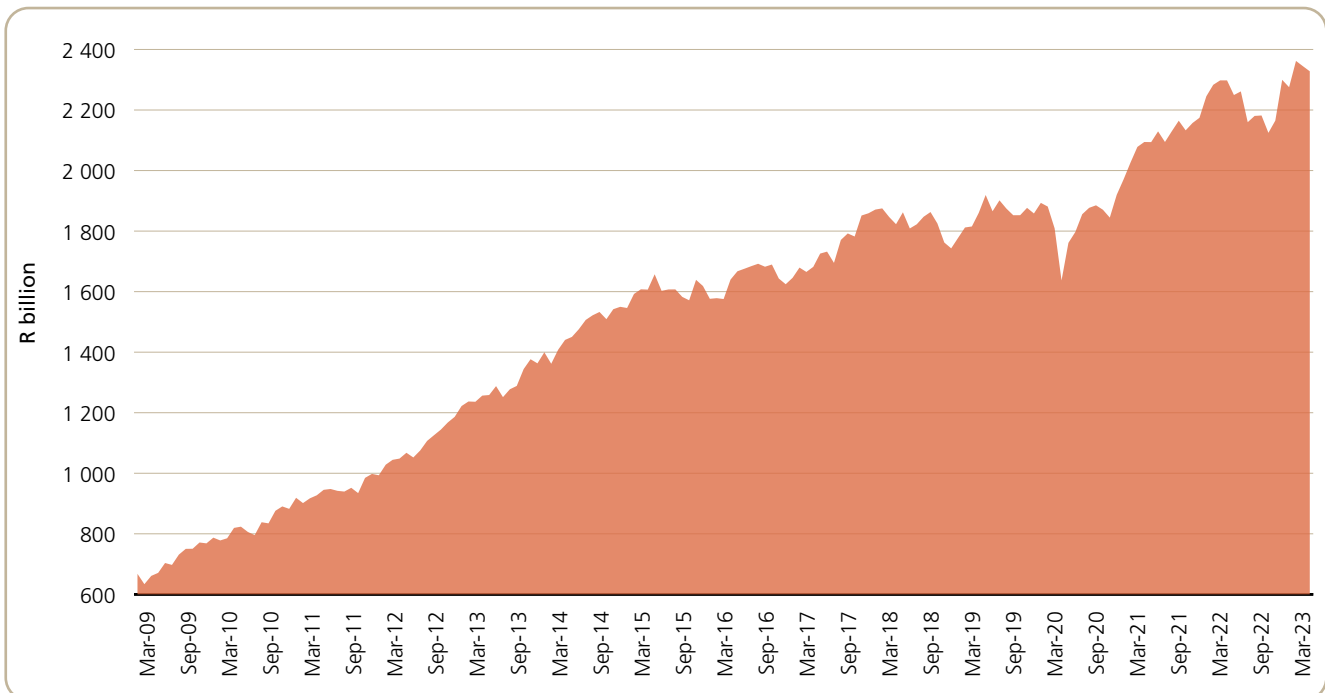


Source: Bloomberg, GEPF Research

## Assets under management

For the year ended 31 March 2023, the GEPF portfolio grew to R2.32 trillion from R2.29 trillion, representing a 1.3% increase in market value. This marginal increase was achieved despite slow economic growth and unfavourable investor sentiment.

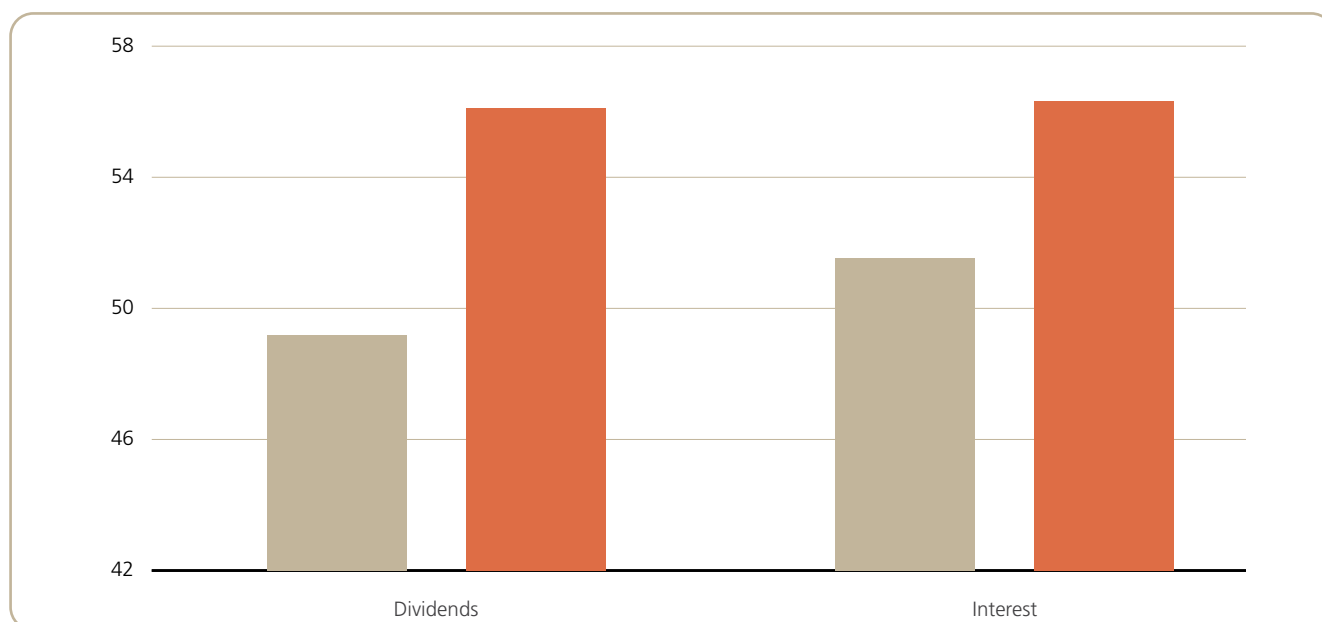
### Market value since 2009



Source: GEPF Research

Dividend income increased from R49 billion in 2022 to R56 billion in the current financial year, followed by a healthy increase in interest income from R52 billion in the previous year to R57 billion on the back of a rising interest rate environment.

### Portfolio income (R billion)



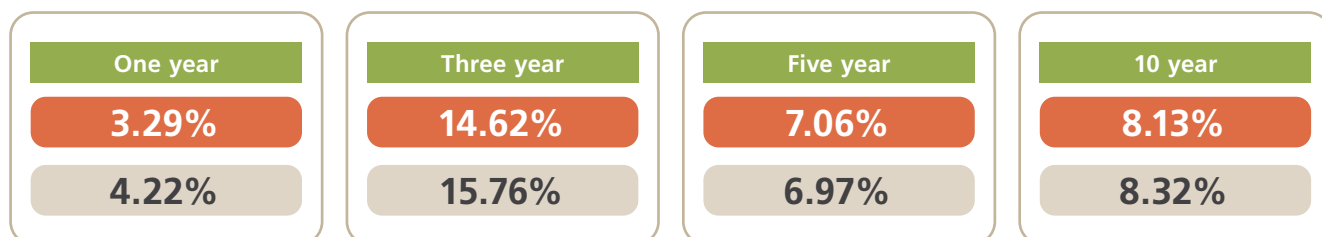
Source: GEPF Research

### Consistent performance over time

The portfolio has consistently delivered strong returns over the medium and long term, thanks to its resilient investment strategy. Its 3.29% return in the past financial year was slightly below the benchmark return of 4.22% and was primarily influenced by the positive performance of bonds and the depreciation of the local currency. The latter contributed to elevated returns from foreign holdings. The breakdown of the annual performance is shown below.

Asset class	Actual AA %	One-year return %	Contribution %
Local inflation bonds	16.46	6.12	1.01
Local bonds	13.41	6.99	0.94
International equity	6.81	13.23	0.90
Rest of Africa equity	3.08	11.31	0.35
International bonds	1.40	16.99	0.24
Local cash	1.32	9.87	0.13
International cash	0.71	0.15	0.00
Local property	3.83	(3.57)	(0.14)
Local equity	51.01	(0.33)	(0.17)

The GEPF's performance over the short to medium term

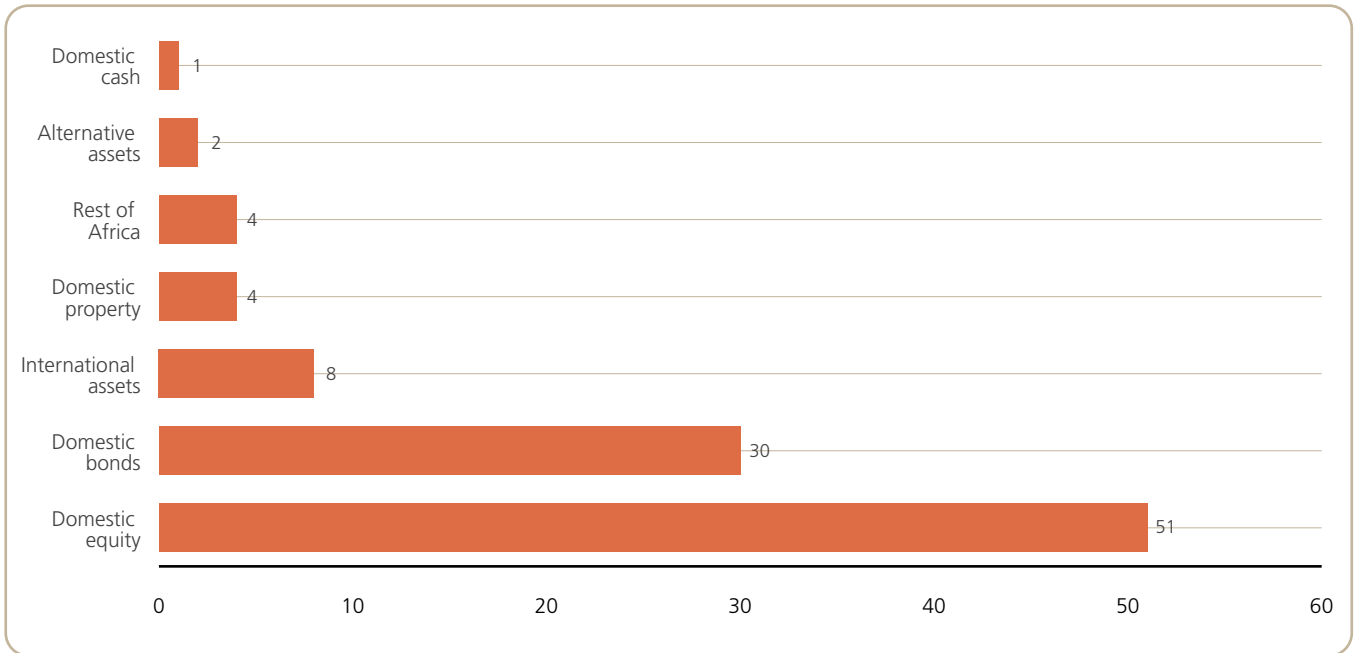


Returns over one year are annualised.

Source: GEPF Research

■ GEPF portfolio  
■ Composite benchmark

## Asset allocation (%)



Source: GEPF Research

In adherence to policy and the Fund's objectives, 86% of the portfolio's investments are allocated to the domestic market. A significant portion is invested in inflation-linked bonds and nominal bonds, which provide the income and thus liquidity required to meet the Fund's short-term liabilities.

Additionally, a substantial portion of the portfolio is invested in domestic equities. This allocation is made to capitalise on the long-term advantages offered by equities, positioning the Fund to benefit from potential growth and returns.

To enhance portfolio diversification, investments are strategically made in various geographical locations to capitalise on the microeconomic factors specific to each region. This approach allows the portfolio to potentially benefit from the unique economic dynamics and opportunities present in different locations.

# INVESTMENT MANAGEMENT FEES

## Fees on listed assets

Management fees levied on the listed portfolio during 2022/23 amounted to R1.55 billion. This is 2.32% higher than the previous year's fee of R1.52 billion due to a 1.2% increase in the Fund's market value from R2.29 trillion to R2.32 trillion. This amount excludes investment performance fees of approximately R400 million. The biggest portion of the fee comes from local equities, which accounts for approximately 50% of the Fund.

## Fees on unlisted assets

Management fees on the unlisted portfolio have increased by more than 200% from the previous financial year in line with the additional commitment of R100 billion into Isibaya Fund III.

	2022/2023	2021/2022
Investment management fees	R	R
PIC unlisted portfolio	253 697 936	23 907 660
Internally managed portfolio	34 365 015	58 640 733

# PORTFOLIO PERFORMANCE

## Internally managed private equity portfolio

The GEPF manages an internal portfolio that is allocated to private equity funds that invest in Africa. The objective of the portfolio is to enhance returns and diversify the Fund's exposure by targeting investments in sectors and companies not represented on stock exchanges. As at 31 March 2023, the Fund had committed US\$725 million to seven Africa-focused private equity funds. The exposure is expected to grow gradually as the capital earmarked for these funds is fully allocated.

As part of the programme, the GEPF invests in a combination of private equity fund of funds and private equity funds with allocations in diversified sectors including energy, financial services and technology, telecommunication, and transport.

## Assets under management in internally managed private equity portfolio

Fund name	Commitment (US\$ mn)	Share of funds in internally managed portfolio (%)
African Development Partners II	30	4.14
African Development Partners III	40	5.52
Capital Alliance Private Equity IV	20	2.76
Pan African Infrastructure Development Fund I	250	34.48
Pan African Infrastructure Development Fund II	350	48.28
South Suez Africa Fund II	25	3.45
Verod Capital Growth Fund II	10	1.38
<b>Total</b>	<b>725</b>	<b>100</b>

Source: GEPF

## Investment report

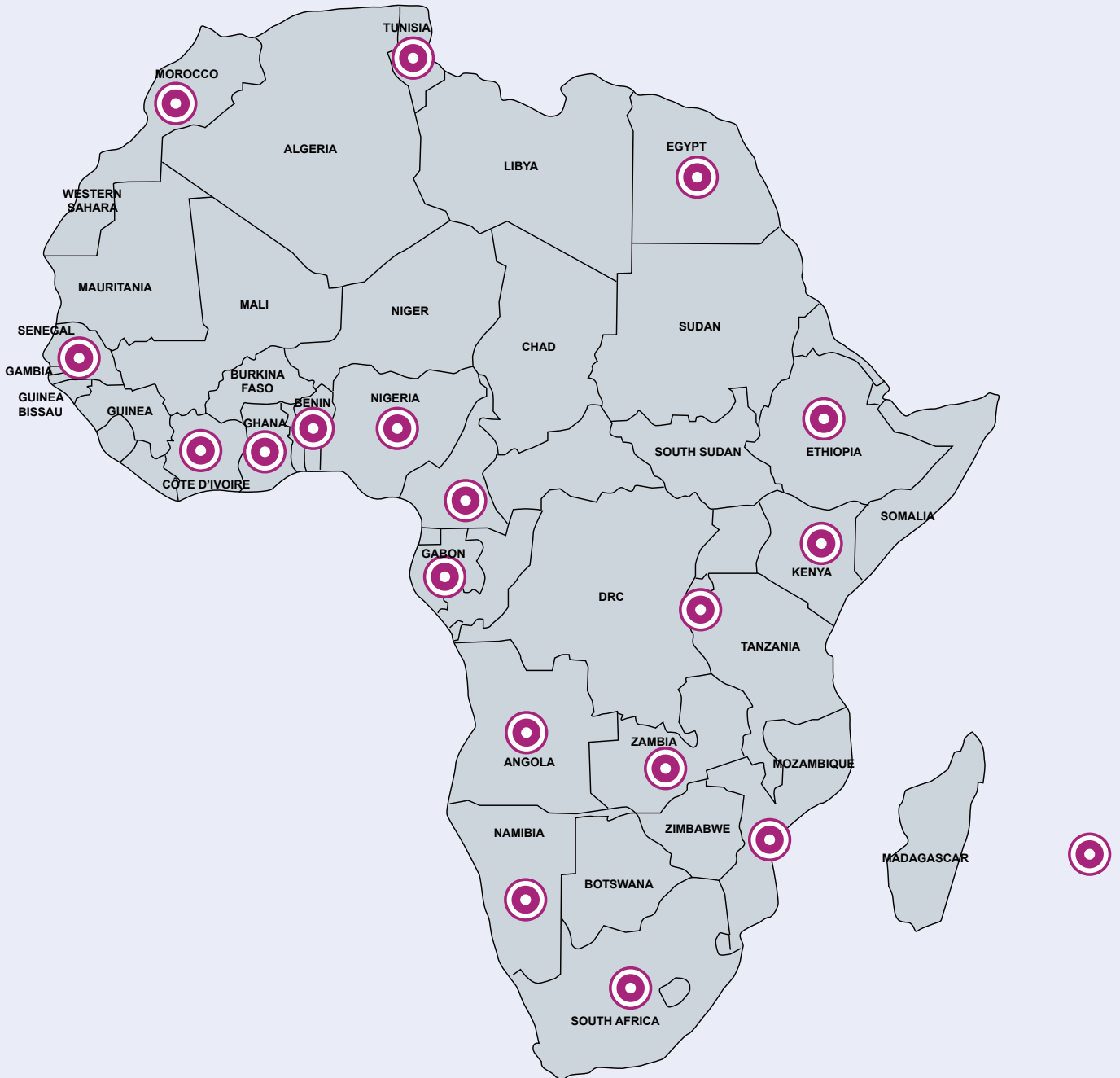
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Given the vintage of the funds in the portfolio, stated in the table below, distributions are occurring more frequently as the funds exit investments.

Private equity firm	Fund name	Year	Allocation (US\$ mn)	Drawn %	Distributions (US\$ mn)	Strategy
African Capital Alliance	CAPE IV	2015	20	98.6	3.79	CAPE IV is a diversified West African private equity fund that makes equity and equity-related investments in high-growth sectors such as business services, energy, fast-moving consumer goods, financial services and telecommunications in West Africa and the Gulf of Guinea.
Development Partners International	ADP II	2015	30	93.7	17.41	ADP II is a diversified private equity fund with the objective to build a diversified pan-African portfolio of private equity investments in established and growing companies, primarily those benefiting from Africa's growing middle class.
Development Partners International	ADP III	2020	40	50.5	2.30	ADP III is a sector-agnostic managed DPI fund. The DPI investment strategy has been consistent across all three funds raised. The fund invests in large, profitable and cash-flow positive African companies that benefit from the growth in Africa's middle class.
Harith General Partners	PAIDF I	2007	250	100	22.15	PAIDF I invests in private equity interests in infrastructure development projects in sectors such as power and energy, telecommunication, transport, and water and sanitation on the African continent.
Harith General Partners	PAIDFII	2016	350	100	–	PAIDF II was set up as a follow-up fund to PAIDF I and also invests in private equity interests in infrastructure development projects on the African continent.
South Suez Capital	SSAF II	2014	25	83.0	5.63	SSAF II is a generalist pan-African fund of funds. It invests through fund managers and supplements this exposure with a pool of co-investments and secondary opportunities.
Verod Capital Partners	VCGF II	2015	10	100	3.30	VCGF II invests in equity or equity-linked securities in Nigerian and Ghanaian growth-stage companies that require growth capital.
<b>Total</b>			<b>725</b>	<b>96.4</b>	<b>54.58</b>	



## GEPF's direct and indirect exposure in Africa



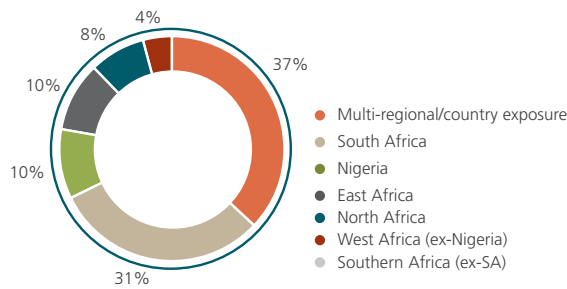
Source: GEPF

Geographically, the internally managed private equity portfolio is truly pan-African with assets across the continent. This extends the Fund's influence on the continent beyond its role in the South African economy. The GEPF aims to expand its rest-of-Africa holdings over time by allocating more funds to private market managers with a proven track record.

# Investment report

## continued

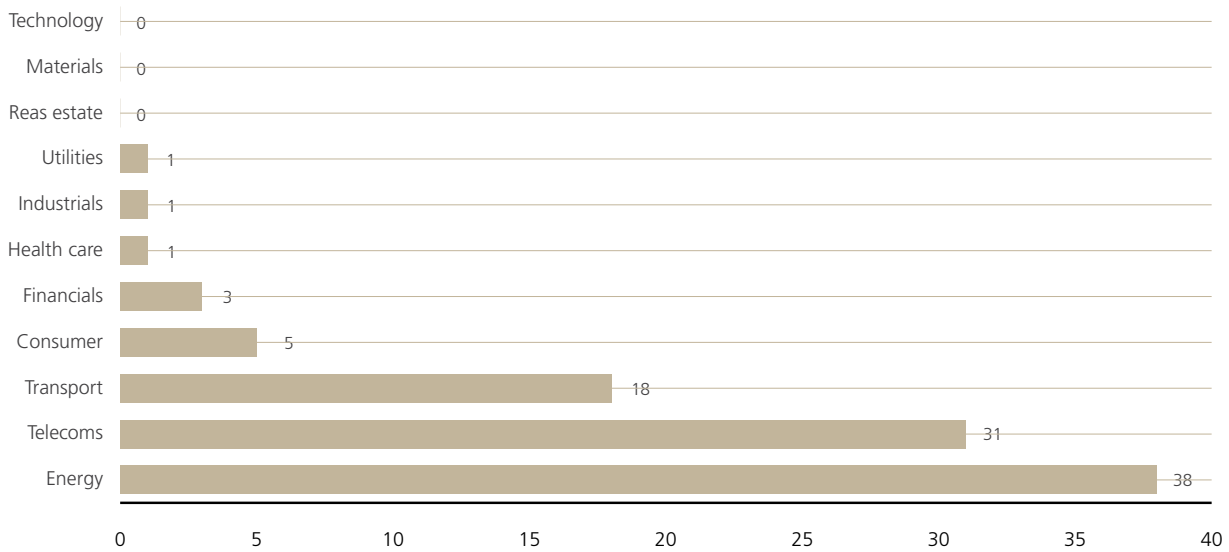
### GEPF's investment allocation across Africa



Source: GEPF Research

In alignment with its mandate as a developmental investor, the GEPF pursues direct investments in a diversity of sectors.

### Allocation (%)



Source: GEPF Research

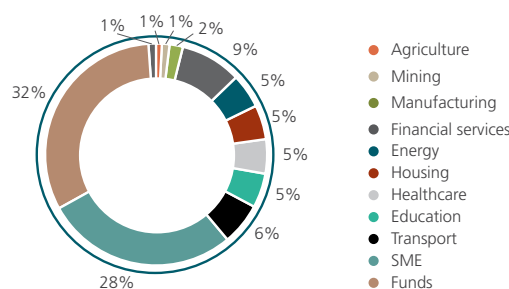
### Isibaya portfolio

The Isibaya portfolio was established in 1999 to house the GEPF's unlisted developmental investments portfolio. Its objective is to deliver on the Fund's developmental impact objective and generate positive financial returns. The GEPF has committed more than R100 billion for investment in the three Isibaya funds.

Isibaya Fund	Commitment amount (R bn)	Year of commitment
Fund I	23	2013
Fund II	70	2016
Fund III	25	2022
<b>Total</b>	<b>118</b>	

The portfolio is managed by the PIC on behalf of the GEPF and includes a mix of developmental and private market (direct and funds) investments in South Africa (64%) and the rest of Africa (32%). Fund III, the latest vintage commitment, is in the investment stage while funds I and II have reached the end of it. To date, the PIC has committed R75 billion and invested R70 billion in various investments across the renewable energy, financial services and housing sectors.

### The Isibaya portfolio is well diversified with investments in a variety of sectors

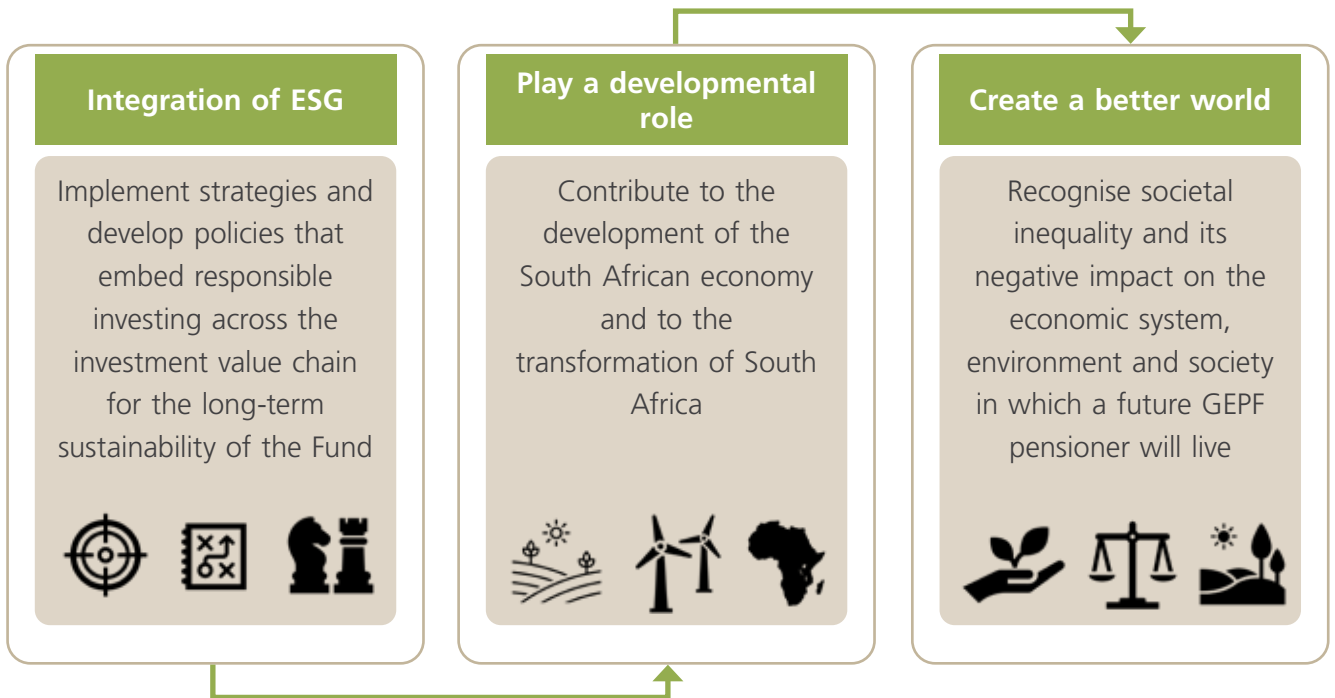


Source: GEPF Research

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

## Driving value

At the core of our investment philosophy is a deep appreciation of the value that environmental, social and governance (ESG) factors add to investment decisions, and their positive contribution to risk management and sustainable, long-term risk-adjusted returns. As a long-term investor, the GEPF understands that the intersection of traditional financial measures and sustainability measures deepen our understanding of the markets, sectors, investee companies and emerging risks that shape our investment landscape. Our commitment to responsible investing is underpinned by the responsible investing policy and informed by the beliefs depicted below.



## Stewards of generational capital

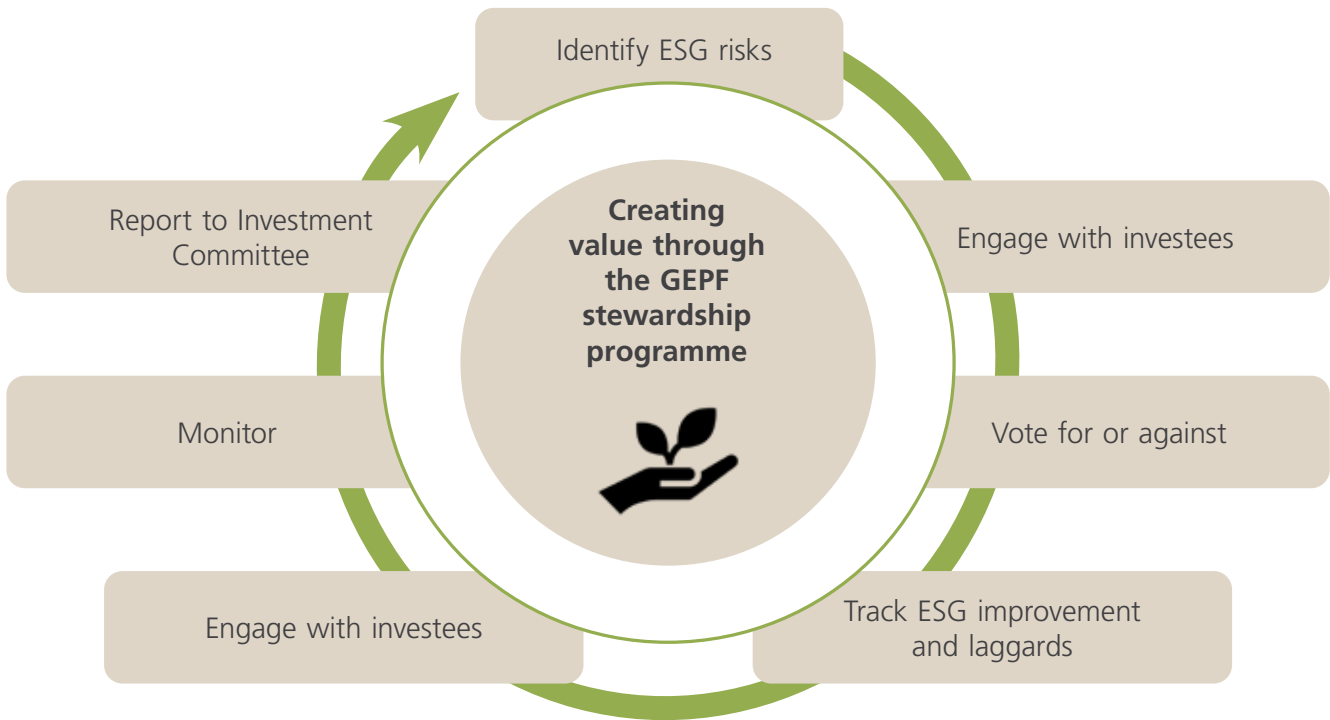
The GEPF's ongoing stewardship activities with investees intend to protect and enhance investment value for our members, pensioners and beneficiaries over the short, medium and long term. This is informed by the belief that asset owners' stewardship practices mitigate risks and increase financial and pension capital, which contribute to a sustainable financial system that ultimately boosts long-term portfolio returns and the intrinsic value of investments.

"Stewardship is the use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend."

– UNPRI, 2021

GEPF sees stewardship as a tool to manage the risks and opportunities presented by ESG factors and to reduce the inherent information asymmetry between investors and investees. Successful engagement and proxy voting can drive change by facilitating meaningful dialogue between investors and investees, improving corporate conduct and generating better long-term financial rewards for investors and more sustainable prospects for the business. Such change also positively impacts the labour force, communities and natural environment affected by a corporation's commercial activities.

We believe that by improving ESG practices we will create tangible and measurable change. Our aim is to have a philosophy and process that improve risk management, reputation, corporate conduct and the long-term ability to compete in a world where consumers increasingly want to interact with ethical businesses.



**ESG issues we consider**

“ESG issues are important to society and in the investment context. The manner in which institutional investors manage ESG issues has important implications for the creation or destruction of value over the long term.”

*GEPF RI Policy*

**ENVIRONMENTAL**

- Climate change
- Biodiversity
- Toxic emissions and waste
- Natural capital depletion
- Ethical sourcing
- Water

**SOCIAL**

- Unemployment
- Transformation
- Occupational health and safety
- Community representation
- Access to finance
- Succession planning
- Data privacy
- Just transition
- Gender pay gap
- Inequality

**GOVERNANCE**

- Remuneration
- Ethical leadership
- Bribery and corruption
- Controversial investments
- Share structures
- Board composition
- Tax strategies

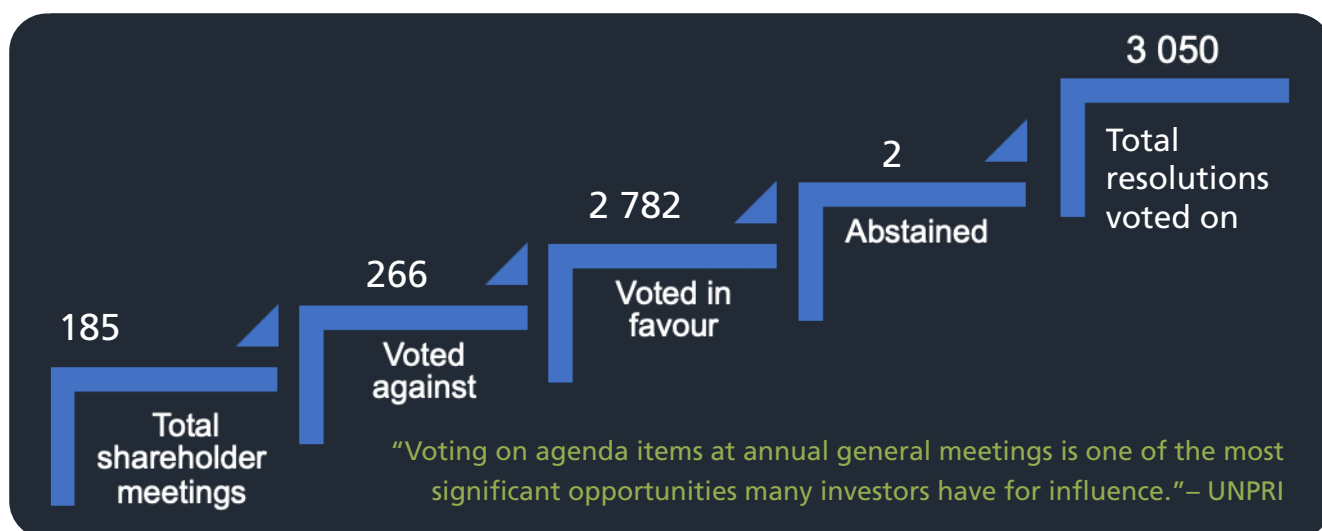


## Stewardship: Being an active owner

### Listed equities – proxy voting

As an active owner, the GEPF exercises its shareholder rights through its responsible investing and proxy voting policy.

During the financial year, the PIC voted on behalf of the GEPF on 3 050 resolutions raised at 185 shareholder meetings. The PIC voted in favour of 91.2%, against 8.8% of these resolutions and abstained in two instances. Against-votes largely related to governance issues such as non-executive remuneration, director tenure, share repurchases and the appointment of audit committee members.



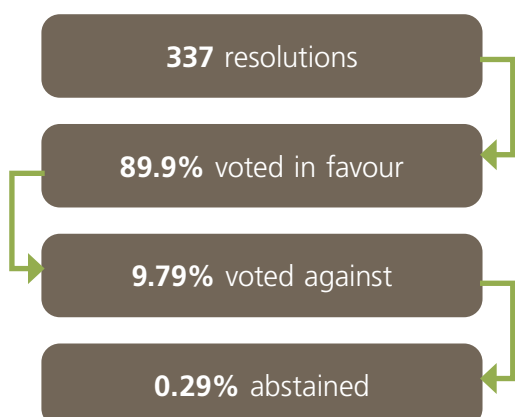
### Listed equities – engagement

Through the PIC, the GEPF engages companies on various issues. During the financial year, 87 engagements took place, mostly related to:

- Remuneration
- Board diversity
- Succession planning
- Climate change
- Transformation
- Community engagement
- Gender diversity

### Unlisted equities – proxy voting

During the financial year, the PIC voted on behalf of the GEPF at 64 unlisted shareholder meetings on 337 shareholder resolutions. Against-votes related to governance issues such as the re-appointment of external auditors and the election of members to audit and risk committees.



### Unlisted – engagement

During the financial year, the PIC engaged 138 unlisted companies on 414 ESG matters on behalf of the GEPF. Topics of engagement included:

- Environmental risk management systems
- Board composition
- Quality of reporting
- Corrective actions
- Ethics
- Resource efficiency

### Collaboration

During the reporting period, the GEPF engaged and collaborated with several organisations in support of the sustainable finance agenda. These engagements also provided guidance on sustainable policy development and the application of responsible investment best practices.

Organisations we engaged with were:

- The Code for Responsible Investing in South Africa (CRISA) working group
- United Nations Principles for Responsible Investment (PRI)
- Batseta
- Ceres Valuing Water Finance Task Force
- Institute of Retirement Funds Africa
- Bertha Centre for Social Innovation & Entrepreneurship, University of Cape Town

## Investing for impact

At the GEPF we appreciate that financial returns and sustainability factors depend on each other to achieve multi-dimensional impact and opportunities for innovation and growth. We are mindful that our operating environment has high levels of structural unemployment and inequality, energy insecurity, low GDP growth, inadequate climate change contingency plans and competitiveness weaknesses. These realities fuel our belief in extracting returns by making South Africa more competitive, reducing social backlogs, and improving the economy's sustainability. We do this through large-scale, long-term investments that deliver social and environmental outcomes for South Africans while adhering to the Fund's responsible investment agenda.

"The objective of developmental investments is to earn returns above benchmark for the Fund while supporting positive, long-term economic, social and environmental outcomes and thereby contributing towards transformation for South Africa." GEPF Investment Policy Statement

**R561 million**

student loans

**22 961**

students beds



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

### INVESTING INTO THE SUSTAINABILITY OF OUR COUNTRY

#### OUR IMPACT

**2 151.85**

Megawatts added to the grid



Ensure access to affordable, reliable, sustainable and modern energy for all

**25.490**

Hectares of land (19 farms)



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

**1 189**

Hospital beds



Ensure healthy lives and promote wellbeing for all at all ages

**121 825**

Units of affordable housing



Safe and affordable housing for South Africans

**141 870**

Jobs created (27 556 youth and 2 017 disability)



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Impact	2023	2022	Year-on-year
Student loans	<b>R561 million</b>	R166.2 million	▲ R394.8 million
Electricity	<b>2 151.85MW</b>	1 080 MW	▲ 1 071.85MW
Farms	<b>19</b>	7	▲ 12
Hospital beds	<b>1 189</b>	1 189	▶ unchanged
Housing	<b>121 825</b>	19 425	▲ 102 400
Jobs	<b>141 870</b>	163 538	▼ 21 668

## Reporting

The Fund reports to its stakeholders in an open and transparent manner, and its responsible investment policy is made public. The Fund monitors the progress of its ESG-related activities by:

- Reporting quarterly on ESG matters related to listed and unlisted investments to the GEPF Board of Trustees.
- Setting ESG criteria and reporting standards for asset managers.

- Reviewing proxy voting and engagement records from asset managers on a quarterly basis.
- Specialist research and monitoring of responsible-investment controversies and ESG ratings.
- Convening Investment Liaison Committee and working group meetings to improve oversight of ESG-related matters.



## MEMBERSHIP AND BENEFITS

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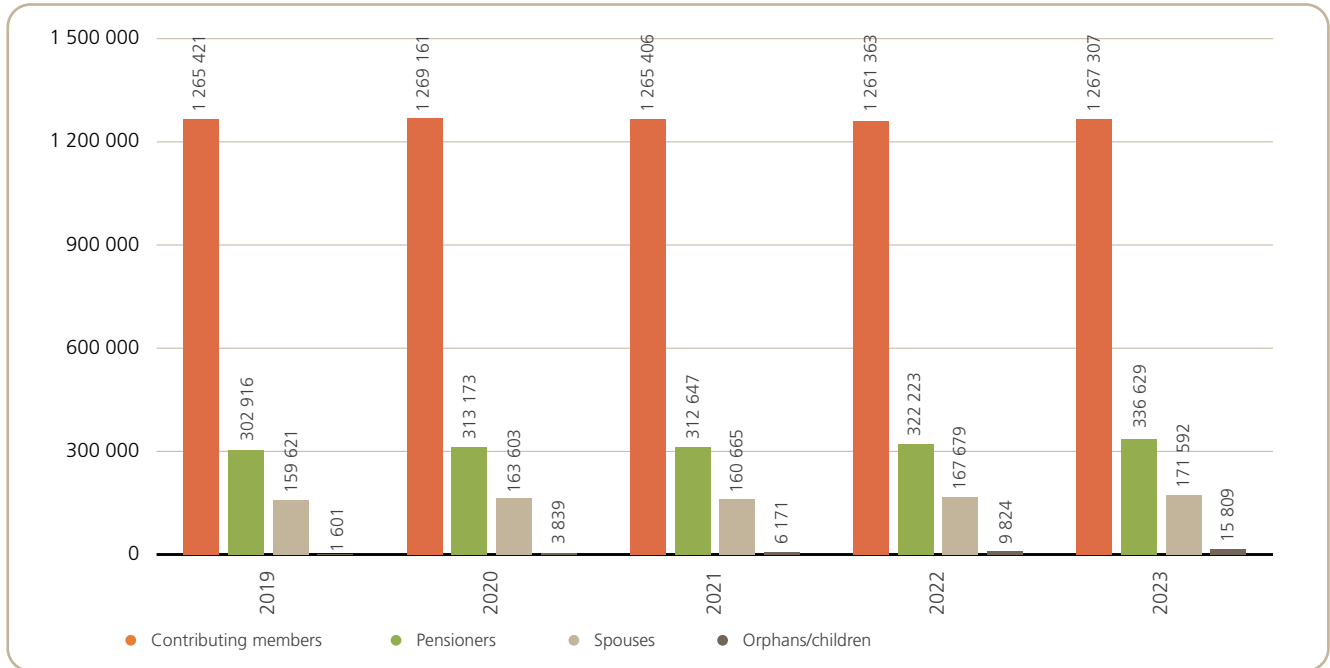


# MEMBERSHIP

The GEPF provided benefits to 1 267 307 active members and 524 030 pensioners and beneficiaries as at 31 March 2023.

Membership increased in this financial year, as did the number of beneficiaries. The latter is due to an increase in the number of retirements, as well as death and funeral claims received and paid.

## Change in GEPF membership and beneficiaries between 2019 and 2023

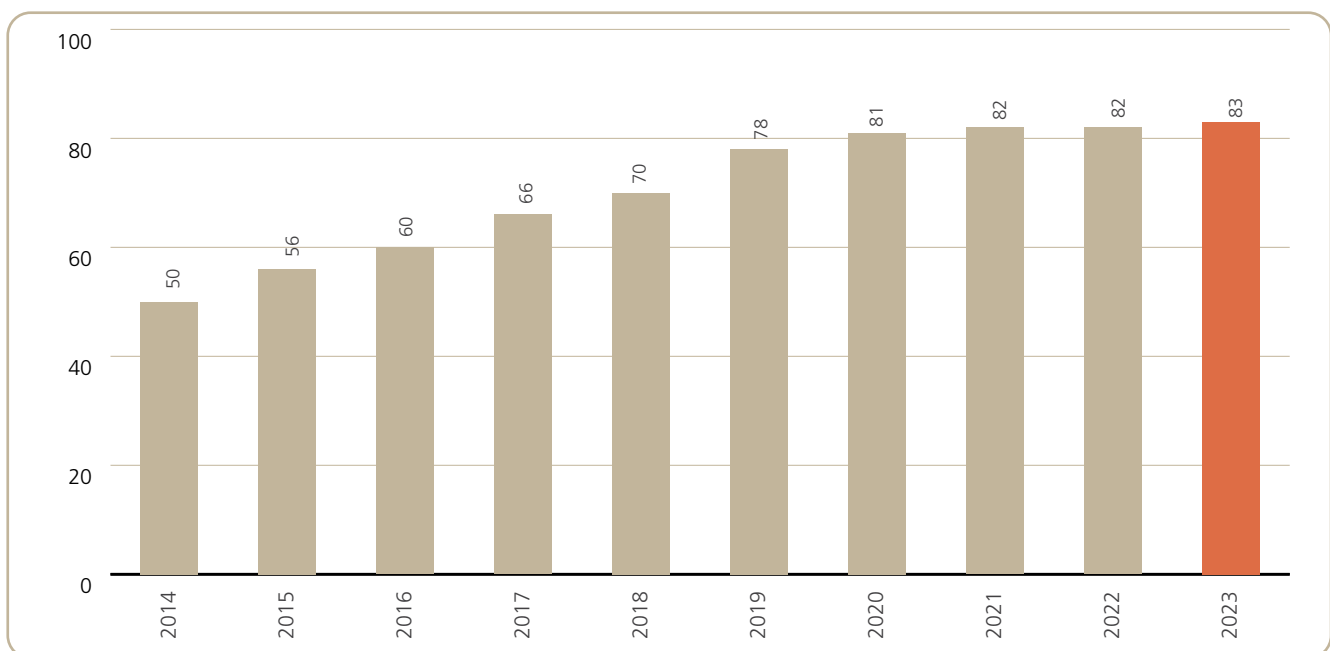


# CONTRIBUTIONS RECEIVED AND BENEFITS PAID

## Contributions received

Contribution income increased by about 1.39% from R81.9 billion in the 2021/22 financial year to R83.1 billion in the 2022/23 financial year. While the Fund experienced a slight increase in membership and a modest rise in pensionable salaries, the overall growth in total contributions was tempered due to exits of older members who typically contributed more, and the onboarding of new entrants at lower salary scales.

## Contributions received (R'billion)



## Benefits paid

Total benefits paid during the year under review increased by 1.41% from R135.5 billion in the financial year 2021/22 to R137.4 billion during the reporting period. The increase is mainly as a result of an increase in retirements, resignations and child pensions, while funeral and death benefit payments decreased.

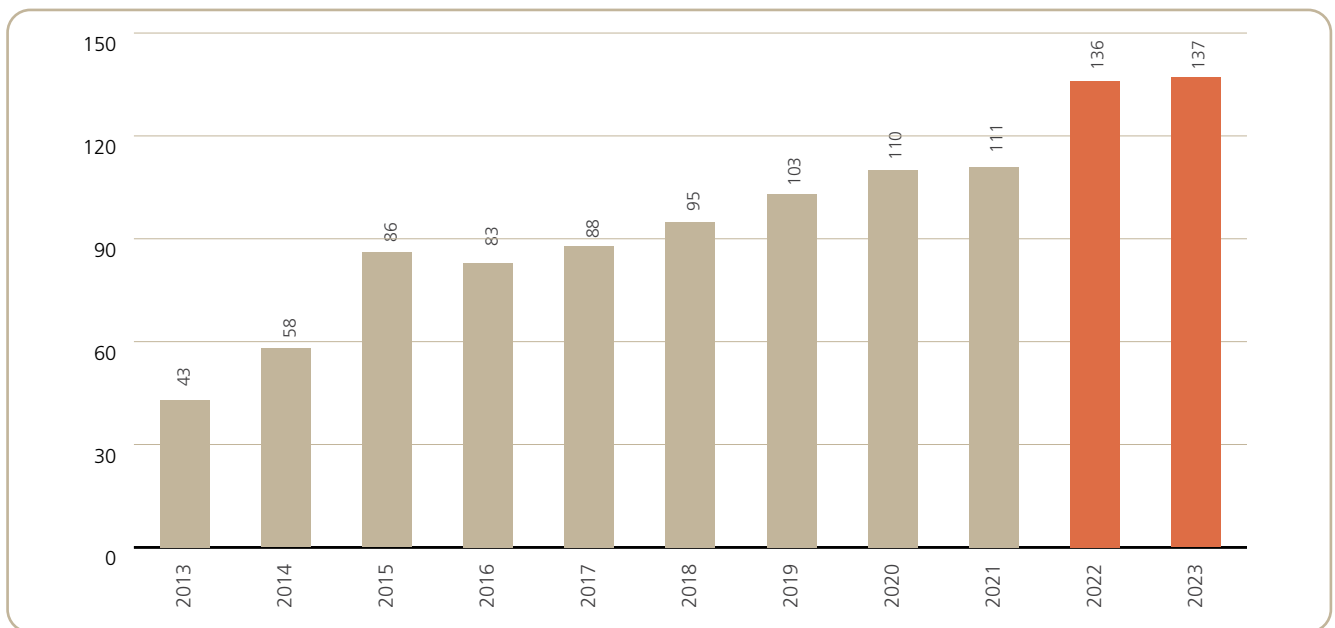
The GEPF is a defined-benefit fund. This means that the benefits defined in the rules of the fund are guaranteed; they do not depend on member and employer contributions.

The GEPF provides:

- Benefits for normal, early and late retirement and ill health retirement.
- Resignation benefits.
- Benefits for members affected by retrenchment or restructuring.
- Funeral benefits.
- Death-in-service benefits.

Detailed information on GEPF benefits can be found on its website at [www.gepf.co.za](http://www.gepf.co.za).

## Benefits paid (R'billion)



## Retirement benefits

The GPAA processed and finalised 37 440 (2022: 33 627) cases of members retiring during the period under review. The total value of gratuities paid was R22.3 billion (2022: R21.4 billion), and annuities R70.4 billion (2022: R62.3 billion).

## Resignation benefits

R32.9 billion (2022: R33.8 billion) was paid in resignation benefits to 27 229 (2022: 20 659) beneficiaries during the year under review.

## Death benefits

The GEPF paid R9.8 billion (2022: R14.8 billion) in death benefits for 8 770 (2022: 11 776) claims during the reporting period.

## Spouse pension

The GEPF pays annuities to the widow/ers of members/pensioners who pass away in service or after retirement with a full potential service period of 10 years or more.

Currently, 171 592 (2022: 167 679) spouses receive annuities from the GEPF. A total of 10 944 (2022: 15 666) new applications were processed, while 4 869 (2022: 6 489) of the current spouse-pension recipients passed away during the financial year. A total of 2 158 (2022: 2 163) spouses were suspended due to outstanding certificates of existence.

## Child pension

The GEPF pays annuities to the orphans of members who became pensioners on or after 1 December 2002. A child's annuity is also payable when a member, who has a full potential pensionable service period of 10 years or more, dies in service or after retirement.

The number of orphans/children receiving a benefit from the GEPF is 15 809 (2022: 9 824). A total of 8 382 (2022: 5 095) new applications were processed, while 1 188 (2022: 684) of the orphan/child beneficiaries reached the termination age.

## Funeral benefits

The GEPF processed and paid a total of 28 453 (2022: 37 798) funeral benefit claims.

Of the 10 875 (2022: 16 069) claims paid in respect of contributing members, 6 119 (2022: 9 570) were claims for members. Claims for members' spouses were 3 630 (2022: 5 500) and 1 126 (2022: 999) claims were paid for members' children.

Of the 17 578 (2022: 21 729) claims paid in respect of pensioners, 13 760 (2022: 17 183) were claims for pensioners and 3 751 (2022: 4 471) were claims for pensioners' spouses. Only 67 (2022: 74) claims paid were related to pensioners' children.

## Membership and benefits

*continued*

A total of R416 million (2022: R550.1 million) in funeral benefits was paid to beneficiaries during the reporting period.

### Pension increases

The GEPF granted a 5.55% pension increase, effective from 1 April 2023, underscoring our commitment to enhancing the financial wellbeing of our pensioners, especially in the face of the rising cost of living.

The GEP Law and Rules allow the Fund to grant increases based on 75% of CPI. Higher increases are at the discretion of the Board and take into consideration the Fund's investment performance. The GEPF aims to grant increases that enable pensioners to keep up with inflation, provided that the Fund can afford to do so.

Unfortunately, the Fund's returns could not support a 100% of CPI pension increase in the current year. The increase that was granted, struck a balance between the wellbeing of pensioners and our obligation to protect the long-term financial sustainability of the Fund. While the increase was lower than what members had hoped for, it reflected the Fund's careful consideration of a range of factors and its commitment to protecting the interests of its members over the long term. Through prudent financial management and strategic investments, we are committed to enhancing our Fund's position in the coming years.

## ADMINISTRATION AGAINST PERFORMANCE

The GPAA manages member services and the payment of benefits. The relationship between the GEPF and the GPAA is governed through a service-level agreement (SLA).

The GPAA's performance for the financial year 2022/23 was below the benchmark stipulated in the SLA, hence the GEPF has been engaging the Agency on strategies to improve its service levels.

### SLA compliance

Category	Average score in FY2023	Indicator
	%	
Member benefits	53	
Member interaction	86	
Member administration	85	
Fund financial management	97	
Good governance and compliance	72	
Overall SLA score	74	

The SLA scores for FY2023 indicate that our commitment to member interaction, administration and financial management has yielded satisfactory results. These achievements underscore our ongoing dedication to serving our members effectively and managing the Fund's finances prudently.

However, we acknowledge that there are areas, notably member benefits and good governance and compliance, that need more attention and improvement. To this end, we have started comprehensive reviews of our processes, are investing in training and technology, and are engaging with stakeholders to gain insights and feedback. We are confident that our upcoming strategies will improve our performance across the board and ensure that our members receive the best service possible.

### Benefits paid within 60 days

According to Section 26 of the GEP Law, a benefit to which a member, pensioner or beneficiary is entitled must be paid within 60 days from the benefit becoming payable. In terms of the Law, benefits become payable on the last day of service of a member or pensioner, or at the death of a pensioner.

Exit type	<60	61–90	91–120	121–150	151–180	181–240	241–365	366–730	730+	Total	%
Retirement	21 932	2 978	2 049	1 593	1 320	978	1 426	1 843	3 321	37 440	50.98
Death	14	121	319	491	1 269	587	2 002	2 805	1 162	8 770	11.94
Resignation	11 511	3 493	2 316	1 477	1 092	964	1 002	805	1 190	23 850	32.48
Transfer	1 684	482	348	232	155	146	130	106	96	3 379	4.60
<b>Total</b>	35 141	7 074	5 032	3 793	3 836	2 675	4 560	5 559	5 769	73 439	100
<b>%</b>	47.85	9.63	6.85	5.16	5.22	3.64	6.21	7.57	7.86	100	

**Table 1: Paid claims – period from exit date to payment date**

During the financial year, the GPAA paid 35 141 of 73 439 claims (47.85%) within 60 days from the date of exit, in compliance with the GEP Law. The low percentage can be attributed to various reasons, including late submissions of claim documents by the employer and claim documents that were rejected due to errors.

Exit type	<60	61-90	91-120	121-150	151-180	181-240	241-365	366-730	730+	Total	%
Retirement	34 864	1 549	517	203	88	85	57	38	39	37 440	50.98
Death	2 324	2 171	1 770	958	568	537	310	102	30	8 770	11.94
Resignation	21 942	1 061	377	148	87	101	73	34	27	23 850	32.48
Transfer	2 973	255	82	31	11	11	8	6	2	3 379	4.60
<b>Total</b>	<b>62 103</b>	<b>5 036</b>	<b>2 746</b>	<b>1 340</b>	<b>754</b>	<b>734</b>	<b>448</b>	<b>180</b>	<b>98</b>	<b>73 439</b>	<b>100</b>
<b>%</b>	<b>84.56</b>	<b>6.86</b>	<b>3.74</b>	<b>1.82</b>	<b>1.03</b>	<b>1.00</b>	<b>0.61</b>	<b>0.25</b>	<b>0.13</b>	<b>100</b>	

**Table 2: Paid claims – period from liability date to payment date**

Table 2 shows that once the claims payment process is under the control of the administrator, payment performance improves significantly. The period is calculated from when correct and complete information is received from the employer (liability date) to the claim payment date. In 2022/23, the administrator paid 84.56% of 73 439 claims within 60 days of receiving correct and complete claim information.

### Initiatives undertaken to improve benefit payments

The GEPF and GPAA are exploring different models and methods to improve the payment of benefits. Over the past financial year, we have launched several initiatives to realise this goal.

Our client liaison officers have increased their collaboration with employer departments to address their queries and offer education on pension-centric topics. We have also embarked on a comprehensive review of our business processes to minimise the number of touchpoints per claim, and are looking at how our regional and branch offices could facilitate the payment of benefits. Notably, we are scrutinising the death-benefits process, drawing insights from private sector benchmarks to ensure no beneficiary is left in a vulnerable position.

We have taken a significant step forward through the early collection of data on retirement cases. Where we have prompted employer departments to start gathering the necessary documentation several months in advance, delays in payments have shown a marked reduction.

### Satellite and regional office performance

#### Enquiries received

Region	Office	Total
Gauteng	Trevenna	<b>65 326</b>
	Johannesburg	<b>45 415</b>
North West	Mafikeng	<b>20 427</b>
	Rustenburg	<b>14 659</b>
Limpopo	Polokwane	<b>32 271</b>
	Thohoyandou	<b>13 929</b>
Northern Cape	Kimberley	<b>15 383</b>
Eastern Cape	Mthatha	<b>23 093</b>
	Port Elizabeth	<b>17 275</b>
	Bisho	<b>16 695</b>
Western Cape	Cape Town	<b>28 163</b>
Free State	Phuthaditjhaba	<b>11 116</b>
	Bloemfontein	<b>24 209</b>
KwaZulu-Natal	Durban	<b>40 302</b>
	Pietermaritzburg	<b>26 359</b>
Mpumalanga	Nelspruit	<b>20 804</b>
<b>Total</b>		<b>415 426</b>

## Membership and benefits

*continued*

### Complaints received

Period	Opening balance	Complaints received	Complaints resolved	Closing balance	Percent resolved (%)
FY2020	32	2 240	(2 250)	22	99
FY2021	22	2 822	(2 844)	0	100
FY2022	0	2 525	2 439	86	97
<b>FY2023</b>	<b>86</b>	<b>2 471</b>	<b>(2 439)</b>	<b>118</b>	<b>95</b>

FY2023 saw an influx of 2 471 new complaints, but we ended the year with a 95% resolution rate. While we celebrate our achievements, the increase in unresolved complaints in recent years signals the need for more robust complaint resolution mechanisms. We are committed to keep improving in this regard.

### Unclaimed benefits

Unclaimed benefits arise when a member's mode of exit and last day of service are known but the benefit is not paid within 24 months of the last day of service. Total unclaimed benefits include normal exit unclaimed benefits, PDP unclaimed benefits and S-cases.

#### Normal exit unclaimed benefits

Unclaimed benefits category	Number of cases	Amount R	% change
Opening balance: 1/4/2022	21 489	805 035 727	
Transfers 2022/23	7 013	652 060 235	
<b>Total before payments</b>	<b>28 502</b>	<b>1 457 095 963</b>	
Payments 2022/23	<b>(8 382)</b>	<b>(624 457 634)</b>	
<b>Subtotal</b>	<b>20 120</b>	<b>832 638 329</b>	<b>3.4%</b>

Unclaimed benefits category	31 March 2023 R	31 March 2023 number of cases	31 March 2022 R	31 March 2022 number of cases
ACB rejection	466 166 682	10 105	391 478 141	9 608
Insufficient payment information	258 713 775	3 547	282 274 869	4 632
Funeral benefit	1 548 399	162	1 544 735	170
Transferred to untraceable	56 178 280	5 488	65 689 451	6 205
Tax-related issues	11 565 604	613	11 580 719	618
Dispute cases	38 465 588	205	52 467 813	256
<b>Subtotal</b>	<b>832 638 329</b>	<b>20 120</b>	<b>805 035 727</b>	<b>21 489</b>

The unclaimed benefits fund witnessed dynamic shifts during the past year. Its opening balance of R805 035 727 grew by 3.4% after accounting for transfers into unclaimed benefits and payments. The fiscal year closed with 20 120 cases, which were 1 369 fewer than at the start of the year. The higher outstanding balance is mainly due to cases from earlier financial years. Our dedication to ensuring beneficiaries receive their due remains unwavering, although we know that long-standing unclaimed benefits are an industry-wide issue that will require a collaborative effort to resolve.

In implementing our unclaimed benefits strategy, we have decentralised and strengthened the tracing function, with tracing agents now based across all provinces. We have also fostered partnerships with provincial departments and actively worked with COGTA structures to enlist the help of

community development workers, municipal councillors and traditional leaders to trace beneficiaries. We have furthermore started to publish provincial lists of unclaimed benefits on the GEPF website, and use phone calls, SMS and emails alongside government department data to verify and contact beneficiaries.

Despite our efforts, the road has not been without its hurdles, ranging from internal family disputes and administrative delays in estate processes to outdated or incorrect contact details on GEPF records. We also realise that beneficiaries in remote areas find it difficult to submit documents, and that wrongly completed forms or, more concerning, fraudulent claims are a challenge. Nevertheless, our commitment to ensuring every beneficiary gets their rightful claim remains steadfast.

## Past discriminatory practices (PDP) unclaimed benefits

PDP benefit cases relate to redressing past discriminatory pension practices for all qualifying members.

	Number of cases	Amount R
Opening balance: 1/4/2022	7 767	510 357 312.70
Transfers 2022/23	4 658	175 678 540.87
<b>Total before payments</b>	<b>12 425</b>	<b>686 035 853.57</b>
Reversal of error cases 2022/23		
Payments 2022/23	(1 689)	(134 438 475.71)
<b>Subtotal</b>	<b>10 736</b>	<b>551 597 377.86</b>

## PDP benefit death and alive status

	Amount	Amount percentage (%)	Case	Cases percentage (%)
Death	548 247 296.42	99.39	10 680	99.48
Alive	3 350 081.44	0.61	56	0.52
<b>Subtotal</b>	<b>551 597 377.86</b>	<b>100.00</b>	<b>10 736</b>	<b>100.00</b>

## Past discriminatory practices (PDP) redress

### PDP status

Description	Number of claimants	% Finalised
<b>Total claimants approved</b>	59 243	100
Contributing members whose service periods have been recognised	11 486	19.39
PDP paid to pensioners receiving an annuity	19 425	32.79
PDP payment made to individuals who received a gratuity	6 702	11.31
Deceased members whose benefits transferred to unclaimed benefits	14 520	24.51
Deceased members with beneficiaries: benefits paid or transferred to unclaimed.	5 721	9.66
Work-in-progress claimants	376	0.63
<b>Total claimants finalised/paid</b>	<b>58 230</b>	<b>98.28</b>
<b>Claims still outstanding</b>	<b>1 013</b>	<b>1.72</b>

In addressing past discriminatory practices (PDPs), the GPAA has instituted a meticulous process to ensure accuracy and transparency. Every application undergoes verification or re-verification, matched against the originally approved PDP list. In instances where additional costing is warranted, claims are referred for actuarial calculation. The process ends in batch processing of payments through our ICT systems, which are executed on a dedicated run.

The PDP claims process is not devoid of challenges, mainly because many claimants struggle to provide the information we need to confirm the validity of their claims. There has been a surge in enquiries from members, pensioners and beneficiaries who either did not apply or unfortunately missed the PDP application deadline as stipulated by the PSCBC. Furthermore, there are eligible claimants who cannot be compensated due to discrepancies or inaccuracies in their banking details.

### S-cases

S-cases are cases where no contributions were received for a continuous period of 120 days, the member's mode of exit is unknown and the employer has not submitted the required Z102 exit document.

	Number of cases	Amount R
Opening balance: 1/4/2022	23 621	622 991 932.00
Transfers 2022/23	1	1 972.22
Total before payments	23 622	622 993 904.22
Reversals 2022/23	(491)	(28 614 509.03)
<b>Subtotal</b>	<b>23 131</b>	<b>594 379 395.19</b>

### Departmental breakdown of S-cases

Employer	Number of cases	Amount R
Education	16 746	364 049 866
Health	4 284	132 174 954
Defence Force	318	13 431 771
South African Police Service (SAPS)	123	5 067 963
Other	1 660	79 654 842
<b>Subtotal</b>	<b>23 131</b>	<b>594 379 395</b>

## Membership and benefits *continued*

### Administration challenges

The satisfactory performance of the Fund during the financial is detracted from by a perception that a significant portion of funds is paid late. In most cases, the administrative challenges and delays arise from incomplete or inaccurate information provided by members or employers.

Retirement is a collaborative journey between the Fund, members and employers. When employers do not submit the correct information timeously, the whole administration process is delayed and members are paid late. Similarly, payments cannot be finalised when the administrator receives claims with errors.

The timely processing and disbursement of member benefits is a commitment we hold in the highest regard. However, our members have to recognise the crucial role they play in this process, especially concerning their tax obligations.

Ensuring that one's tax affairs are in order is not just a legal requirement; it is essential in avoiding delays in benefit payouts due to the rejection of tax directives by SARS. We cannot overemphasize the importance of keeping tax records up to date and ensuring full compliance.

Given that tax matters can be complicated, the GEPF provides members with educational material that guides them on compliance in terms of their pension benefits. Additionally, members are invited to ask tax-related questions and get individual help during our roadshows.

Bank rejections is another significant contributor to delayed benefit payments. Often, members change their banking details without informing the Fund, resulting in banks rejecting payments when accounts are inactive or details are incorrect.

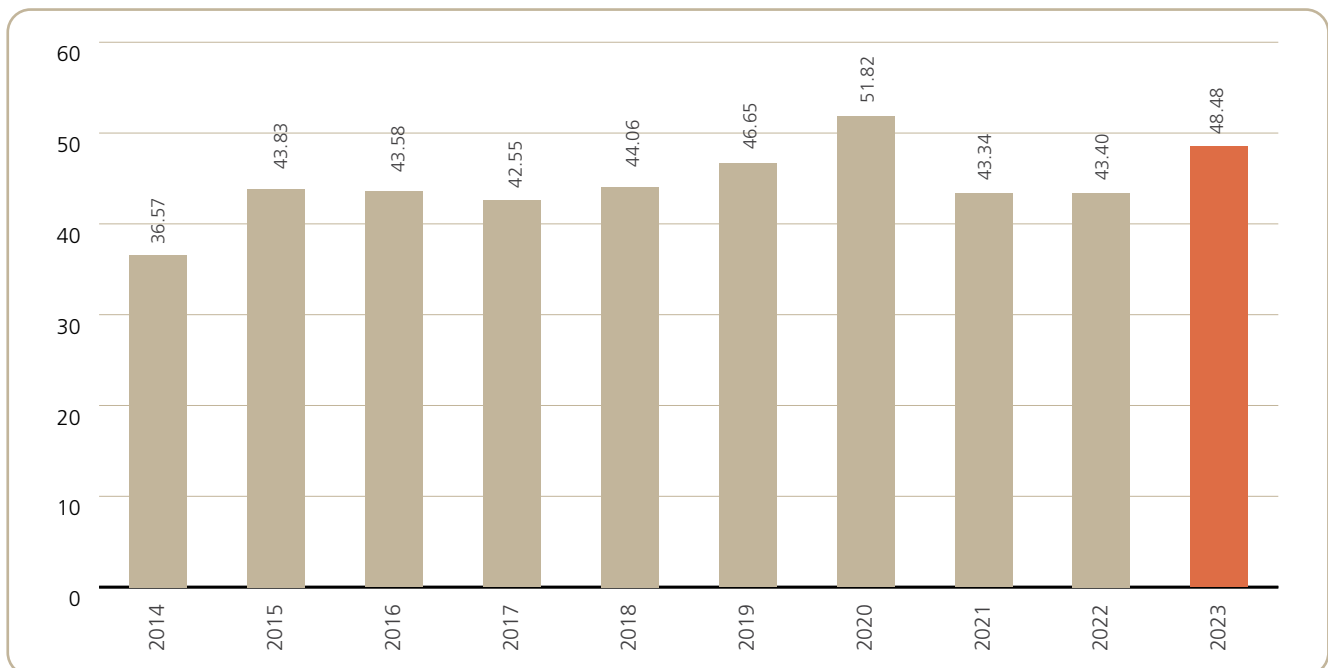
To address this, the Fund consistently reminds members of the importance of maintaining up-to-date records and promptly notifying the Fund of any significant changes.

In 2022, SARS introduced tax modifications that impacted pensioners who have taxable income sources in addition to their GEPF pension. As a result, these pensioners now face a higher tax rate. The GEPF responded to this situation by promptly communicating with the affected pensioners, giving them a choice to either adapt to the revised tax rate or maintain the standard PAYE tax rate. The Fund adheres strictly to the nation's tax regulations and is obligated to deduct the appropriate tax amount. It is, therefore, important that pensioners specify their preference clearly.

### Administration fee

	<b>FY2023 R</b>	<b>FY2022 R</b>
Administration fee	<b>917 144 000</b>	1 042 201 000
Total number of members and beneficiaries	<b>1 761 089</b>	1 791 337
Contributing members	<b>1 261 363</b>	1 267 307
Pensioners	<b>322 223</b>	336 629
Spouse	<b>167 679</b>	171 592
Children and orphans	<b>9 824</b>	15 809
Cost per member p.a. (all members and beneficiaries)	<b>521</b>	582
Cost per member p.m.	<b>43</b>	48

### Cost per member per month



The administration fee covers a suite of essential services to ensure seamless Fund operations. These include maintenance of member records, benefit calculations and disbursements, member communications, and rigorous compliance and reporting measures. Additionally, it facilitates the accurate handling of contributions, claims processing and member queries. Investment administration, general overheads integral to operational efficiency and educational initiatives also fall under the administration fee.



# REPORT BY THE GOVERNMENT EMPLOYEES PENSION OMBUD

## The background

The office of the Government Employees Pension Ombud (GEPO) was created by a resolution of the Government Employees Pension Fund (GEPF), and commenced in 2018 under the stewardship of retired judge Bakone Justice Moloto. Its anticipated launch was interrupted by the Covid-19 pandemic and the lockdowns that followed. On 1 July 2021, GEPO was launched by the then GEPF Board chairperson, Dr Renosi Mokate, and I was appointed its second incumbent. The GEPO meets a long-recognised need to provide the members and pensioners of the GEPF with an alternative dispute resolution forum which is free, fair and requires the minimum legal processes, such that a lay person can complain unassisted by lawyers.

As of the end of June 2021, two years after its launch, GEPO had received over 8 000 complaints, which is substantial for any ombud's office and confirms the need for this body.

## The complaints

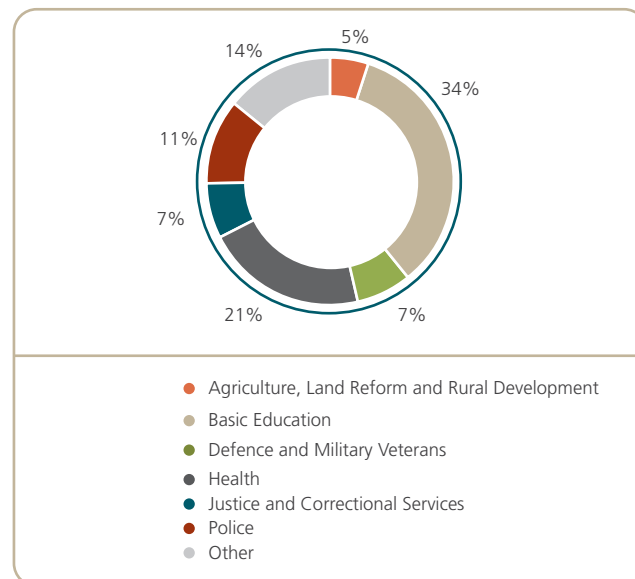
Although the complaints received by ombud offices are generally from individuals, they tend to reflect the underlying unhappiness of a bigger group. This has been GEPO's experience in the last two years, with the majority of complaints relating to two issues of an historical nature. The first relates to the transfer of members records from what was referred to as the TBVC homelands pension funds following the creation of the GEPF. The other relates to the payment of a remedial grant, agreed to in terms of a resolution of the Public Service Co-ordinating Bargaining Council (PSCBC), allocated to current and former government employees prejudiced from contributing maximally to their pensions during the apartheid years due to their race or gender. This grant was labelled the Past Discriminatory Practices (PDP) pension redress benefit.

Both these types of complaints have their origins in the pre-1994 South Africa, but their effects are being felt now when the civil servants employed then are retiring. The resolution of these complaints has required GEPO and the stakeholders to dig into historical employment and pension records going back 30 or more years. In some instances, such records are unrecoverable. These two categories of complaints comprise over 70% of the complaints before the Ombud. The balance of the complaints relates to the interpretation of the rules and the law, especially on how benefits are calculated and distributed.

During the 2022/23 financial year, a total of 2 771 cases were received and 564 complaints were resolved.

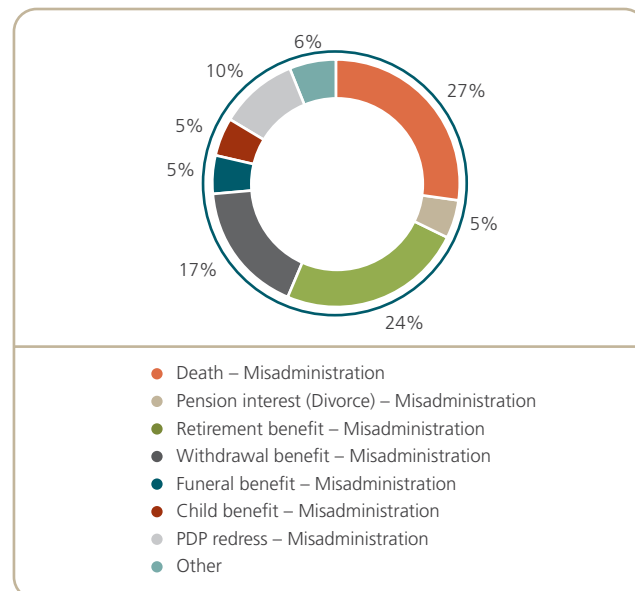
The GEPF as the main public service pension fund, covers government departments at national and provincial levels, as well as some of the state-owned enterprises (SOEs).

## Complaints received according to government department



When complaints are received by GEPO, they are classified according to the benefit type to which they relate.

## Complaints breakdown by benefit type



In the pension space, generally, the largest group of complaints are by pensioners (retirement benefits). However, due to the substantial number of legacy complaints from the apartheid years discussed above, the claimants have since passed on and their claims are now being pursued by their beneficiaries which explains the death benefit category as the highest number of complaints. This is closely followed by complaints of pensioners and, in the third place, by members who terminated before reaching retirement (withdrawal benefits).

### Challenges

The biggest challenge to the resolution of complaints in the past year has been the failure by the administrator and the employers to respond or respond adequately. Although there has been a gradual improvement on this issue over the period, its pace was slow and only accelerated towards the end of the year. This has affected the timelines within which complaints ought to be resolved.

The other hindrance has been the availability of accurate member records going back over 30 years or more from both the employer and the administrator. Few members whose earlier contributions were in dispute, have been able to provide proof of contributions. Sadly, this has left GEPO and the other stakeholders unable to satisfactorily resolve these type of complaints.

### Successes

GEPO has managed, during this period, to engage with the GPAA and agree on benchmarks on the level of responses expected which has started to bear fruits. GEPO noted that not all complaints received are complex and requires a full legal response. Some, such as a protracted struggle to get correct information from the Fund, including benefit statements, tax certificates and such others, are resolvable quicker with the provision of the required information. As a result, GEPO requested that the GPAA provides an official who will sit at GEPO with access to the Fund records and is able to promptly respond to simpler complaints to avoid taking these complaints through the full elongated response procedures. With the assistance of GPAA, this has been a phenomenal success.

While GEPO continues to resolve each complaint received, it is cognisant of the fact such resolution will be short lived unless the root cause is also addressed. Hence, it exerts a reasonable effort to alert the stakeholders to the root causes of complainants and suggest possible solutions. Though GEPO aims to reduce the number of complaints received, it also aspires to provide better services to the members and pensioners of the GEPF. Among the initiatives taken to conscientise the stakeholders, GEPO has been engaging in roadshows with the GEPF and the GPAA, where it meets with employer representatives and members and educates them about the causes of the complaints before it. It also leverages support in getting its message across from institutional stakeholders such as the Public Service Commission (PSC) and the PSCBC. Not least, it shares its findings with the Board of the GEPF quarterly to enable the Board to make informed decisions.

### Conclusion

In the short space of time that GEPO has been around its impact has been felt by the members and pensioners of the GEPF. The fact that issues going back 30 years or more are being resolved, affirms the view that the Ombud's office was long overdue.



## STAKEHOLDER RELATIONS AND COMMUNICATION

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# INTEGRATED MARKETING AND COMMUNICATION

After two years during which the GEPF stakeholder management programme was limited to online platforms only, the 2022/23 financial year saw a return to in-person engagements. We did, however, leverage the platforms created during Covid-19 to augment our stakeholder engagement and education activities.

The Fund's primary communication objective remains the delivery of clear, relevant and accessible information to stakeholders. We continued to:

- Communicate information about the GEPF's rules, regulations and policies in an effective and efficient manner to different groups of members, beneficiaries and stakeholders to enable them to make fully informed decisions.

- Keep members, beneficiaries and stakeholders informed about individual as well as fund-administration issues.
- Consult with stakeholders on changes to policies and procedures that impact the Fund and its members, beneficiaries and stakeholders.
- Market the GEPF as a preferred and beneficial fund for its members.
- Support employer departments to fulfil their responsibilities in the interest of 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 and benchmarking in South Africa and internationally.

## INTERNAL COMMUNICATIONS

We use internal communication platforms, such as the staff newsletter (Insight), screensavers, emails and a staff WhatsApp group, to keep employees informed and encourage engagement. The Insight newsletter is issued quarterly, while group emails and WhatsApp messages are used to distribute urgent messages.

The PEO's quarterly meetings with staff are a mainstay of our internal communication programme. During the period under review, the PEO had four quarterly meetings and one teambuilding session and issued two messages to staff. In these engagements the PEO discussed Board resolutions, issues of mutual interests and topics to boost morale and improve performance.

In addition, internal communication provided information technology guidance and support to employees and introduced MS Teams as a digital communications platform for engagement and continuation of work. The team also shared daily media coverage with Board and Exco members to assist with decision making.

The Communication team furthermore developed an internal communication strategy that prioritises employee engagement.

## EXTERNAL COMMUNICATIONS

### External stakeholder engagements and communication

Maintaining good, mutually beneficial relationships with our stakeholders is a pillar of the GEPF's communication strategy. These relationships are central to the ability of the Fund to deliver on its mandate of ensuring that key stakeholders, members, pensioners and beneficiaries remain well informed about the Fund and the activities that affect them.

#### GEPF key stakeholders

Members, pensioners & beneficiaries

Employer departments

Organised labour

Implementation agencies: PIC & GPAA

Parliament

Media

Pension associations

Investment industry

South African public

### Outreach and education

#### Outreach

Outreach refers to member meetings held throughout the country. At these events, trustees and GPAA officials deliver presentations and answer questions from members. Officials are also on hand for one-on-one sessions with members to resolve specific queries. Organisations such as SARS, FSCA and GEMS take part in the meetings to improve members' financial literacy.

During the period under review, the GEPF organised activations in all nine provinces to bring the Fund's services closer to members, pensioners and beneficiaries, particularly those who are not able to access the GEPF walk-in centres.

In total, the Fund organised and participated in:

- Nine member and pensioner roadshows
- 24 community development workers forums
- 12 government communicators forums

During these engagements, the common issue raised by participants was the time it takes for a claim (exit) to be paid. In response, the GEPF explained that in terms of its law and rules, the turnaround time is 60 days after receipt of the fully completed exit forms and supporting documents. It was further emphasised that those going on retirement should start working on their exit documents at least six months in advance to avoid delays in pay outs.

### Pre-retirement workshops (RMC)

The Fund continued with its pre-retirement workshops for members that are nearing retirement. These workshops are aimed to ensure a smooth retirement process for members between the ages of 55 and 59 and are intended to prepare them for life post-retirement. The workshops clarify the requirements and responsibilities of members and employers when retirement is applied for. During the period under review, nine pre-retirement workshops were held, one each in every province, reaching more than 2 000 members.

### HR and finance forums

The HR and Finance forums are working sessions with departmental practitioners to help clear any bottlenecks that may occur when they assist employees with GEPF benefits. During 2022/23, the GEPF organised and hosted 19 forums across all the provinces.

### Third-party events

As is required in its integrated communication strategy, the GEPF participates in trade union and employer events to educate members about the Fund's role in South Africa and its benefits and processes. Where possible, officials also assist members individually with enquiries.

### Trade unions

During the period under review, the Communication division participated in provincial congresses of PSA, NAPTOSA, PEU and HOSPERSA, national congresses of PSA, NATU, NAPTOSA, SAPU and PEU, as well as the SADTU national general council.

The division further made presentations at PSCBC workshops, the WPSA Pensioners Forum, PSA's Pretoria branch meeting, the HOSPERSA, NAPTOSA, NATU, SADTU, NEHAWU and PSA national chairpersons' forum and the POPCRU national bargaining forum.

In total, the fund participated in 35 trade union events.

A common issue raised by unionists was the perceived bad investments by the PIC on behalf of the GEPF. In response, the GEPF indicated that while investment is not a perfect science, the GEPF has, post the Mpati Commission of Enquiry, strengthened the monitoring and governance of its relationship with the PIC to avoid the maladministration that was uncovered by the Commission. The Fund has implemented and continues to implement the Mpati Commission's recommendations.

### Employers

During the past year, the Fund expanded the GPAA employer programme to include educational sessions with the SA Navy, SAMHS, Polmed, Compensation Fund, Office of the Premier of the Free State, SANDF social workers and chaplains, GEPO, and SAPS remuneration section and commissioners.

Issues that were raised included the five-year balance post-retirement. As financial brokers deliberately distort this part of the GEPF benefits, most public servants wrongly understood the five-year balance to mean that monthly annuities come to an end after 60 months, or five years, on retirement. The GEPF clarified that the first 60 months' annuities are guaranteed, meaning that should the pensioner pass away during this period, the balance of that 60 months, or five years, will be paid to the pensioner's nominated beneficiaries. The GEPF further clarified that retirement benefits or monthly annuities are for life.

### Engagement with the PSCBC, unions, associations, and the employer

To further strengthen relationships with the Public Service Coordinating Bargaining Council and employee unions, the GEPF:

- Engaged with the PSCBC to discuss benefit-related matters.
- Used union and stakeholder association forums, meetings, publications and electronic platforms to communicate information relevant to members and pensioners.
- Participated in and made presentations at nine PSCBC workshops across all provinces on the benefits of retiring with the GEPF.
- Engaged with the ministers of finance and public service and administration on employer issues.
- Established structured quarterly engagements with the departments of National Treasury and Public Service and Administration on employer-related issues.

### Strategic partnership with Asset TV

GEPF's engagement with the wider industry is intentional. Despite being the largest pension fund in Africa, we have no desire to go it alone. Operating in a vacuum is not sustainable, especially in a rapidly changing and increasingly complicated industry, such as ours. Even the largest among us cannot develop and maintain all the necessary expertise required to succeed in today's environment.

If there were any doubts about the power of partnerships, the pandemic removed them. The past few years have allowed us to benchmark activities with others and reminded us that we are not alone in the challenges we face and neither do we have all the answers.

Partnering with Asset TV provides us with an avenue to reach a wider audience in a cost-effective and efficient manner. It is a valuable tool for knowledge sharing and engagements.

Asset TV is a global video research and learning platform that provides leading-edge CE and CPD-accredited content. Through its specialist channels and dedicated conversation forums, Asset TV shares the latest investment information and in-depth thought leadership by tapping into world-class expert opinion.

Currently serving the world's largest investment community, Asset TV actively engages with its extensive audience base, including advisors, pension funds, asset owners, asset managers, consultants, family offices and wealth managers.

The GEPF participated in the following initiatives with Asset TV:

- Impact investing roundtable – April 2022
- Insights interview – May 2022

# Stakeholder relations and communication

*continued*

- Batseta winter conference 2022
- In Conversation event – August 2022
- GEFP thought-leadership conference – September 2022
- Outlook Pensions 2023 masterclass – December 2022
- Presenting the principal officer – January 2023
- Outlook 2023 virtual conference – January 2023

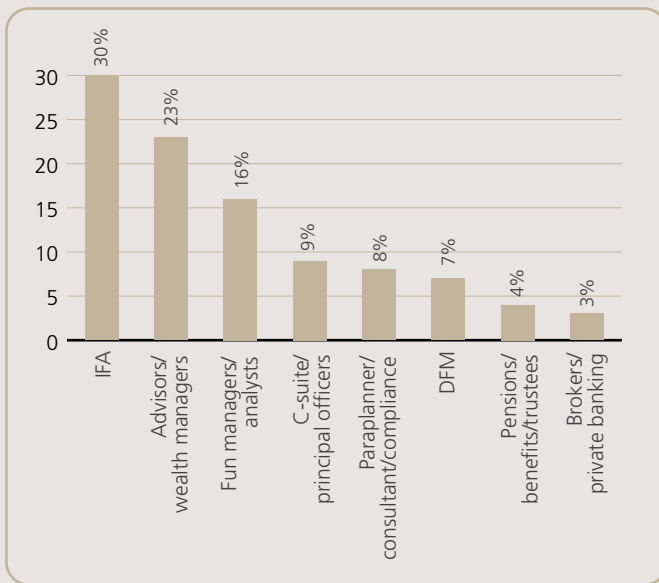
These events delivered just under 19 000 investment audience views, each averaging 15 minutes.

The GEFP received the following awards at the annual Asset TV Awards ceremony:

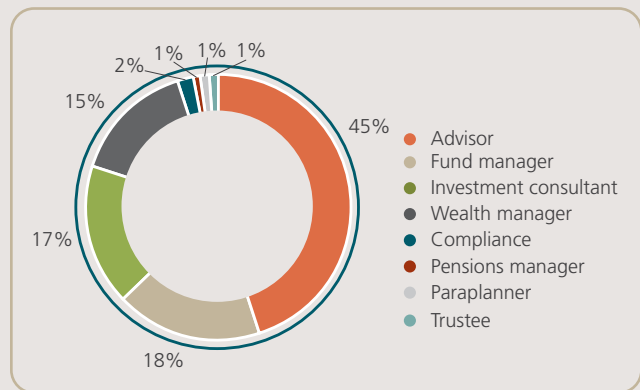
- Most watched institutional roundtable
- Most watched institutional person
- Most watched institutional company

## Asset TV South Africa audience breakdown: 16 500\*

### Companies



### Roles



### Connecting you to distribution houses

- First National Bank
- Absa
- PSG
- Discovery
- Sanlam
- Momentum
- Liberty
- Old Mutual
- AlexForbes
- Standard Bank
- Nedbank
- RMB
- Citadel

### Connecting you to leading IFAs

- Efficient Group Ltd
- Succession Financial Planning Advisory Service
- Hereford Group
- Carrick Wealth
- AlphaWealth
- Chartered Wealth
- Adviceworx
- NFB private Wealth Management
- Futurum Financial Group (Pty) Ltd
- Sonehage Feming
- Surefin Brokers
- Personal Touch Financial Services
- Bwise Financial Solutions (Pty) Limited
- Boshoff Visser Konsult Proprietary Limited
- attooh! Financial Wellness (Pty) Ltd
- Harbour Wealth Limited
- Core Wealth Managers
- Sterling Private Wealth (Pty) Ltd
- Umthombo Wealth (Pty) Ltd
- Autus Private Clients (Pty) Ltd
- Morebo GROUP

### Connecting you to institutional markets

- African Infrastructure Investment Managers
- Bayakha Infrastructure Partners
- Building Industry Bargaining Council (BIBC)
- Cadiant Partners Consultants and Actuaries
- Cape Municipal Pension Fund
- City of Tshwane
- Department of Transport and Public Works
- Development Bank of South Africa
- Eastern Cape Development Corporation (ECDC)
- Eskom Pension and Provident Fund
- Government Employees Pension Fund (GEFP)
- Independent Trustee Services
- Infra Impact Investment Managers
- KZN Growth Fund
- KZN Municipal Pension Fund
- Land and Agricultural Development Bank of South Africa
- Mineworkers Investment Company
- Novare Holdings
- Public Service Pensions Fund
- Rand Water Superannuation Fund
- Retirement Industry Association
- RisCura
- Superfund
- Telkom SA SOC Limited
- Trans-African Infrastructure
- Trustees for the Future Ltd



## Digital education programme

Using lessons learned during Covid-19 and to enhance the GEPF stakeholder relations programme, we continued with our digital education agenda. This involved sharing information electronically with members, pensioners, beneficiaries and key stakeholders via email, SMS, social media, webinars and the GEPF website. We are proud to have delivered user-friendly content that can be accessed on demand.

## Webinars

During the period under review, the GEPF introduced a webinar programme. The six webinars we hosted covered topics most often raised at outreaches, in education programmes and on social media. They were:

- The benefits of retiring with the GEPF
- The five-year balance and how it works/its implications.
- How to provide for your financial dependants
- 2021 actuarial factors
- How tax works on your retirement funds
- How the GEPF manages members' money (GEPF investment strategy)

Our stakeholders seem to find value in the webinars, given each one averaged 1 500 viewers and the recordings continue to be shared.

## Vodcasts

In support of the webinars, we developed videos, or vodcasts, that were posted on all GEPF social media and digital platforms. This new initiative to broaden the reach of the Fund dealt with topics such as:

- How tax works on your retirement fund
- GEPF self-service – Track my claim
- What happens to GEPF pension after five years
- GEPF annual report 2021/22 results
- GEPF financial soundness

The vodcasts proved very popular with our stakeholders, averaging just over 29 000 views per video.

The webinars and vodcasts deliver ongoing value as stakeholders can access them on demand on any of the GEPF's social media platforms. This has revolutionised the way our stakeholders use our educational materials.

## Education collaboration with the media

The GEPF's education campaign benefitted from extensive media collaboration.

- A partnership with SABC Radio involving:
  - A series of 30-minute talk shows broadcast once a week for 13 weeks on 12 SABC radio stations.
  - A 13-week programme of integrating GEPF information into radio dramas on nine radio stations.
- Six 1-hour talk shows on 18 community radio stations across the country.
- The placement of more than 300 adverts in national, regional and community newspapers, and on community radio stations and billboards to create awareness of the GEPF, its benefits and its 2021/22 annual results.

## Communicating with our members, pensioners and beneficiaries

The GEPF has a direct engagement programme via our regional offices, call centres, mobile offices and client liaison officer visits to departments. In this regard we achieved:

- 772 760 member enquiries answered via the call centre
- 415 426 visitors to regional offices
- 183 538 individual retiring member interviews

# REPUTATION MANAGEMENT PROGRAMMES

## GEPF annual thought-leadership conference

To enhance its reputation as a leading pension fund, the GEPF hosts an annual thought-leadership conference. This gathering of pension funds, pension-fund experts, and investment and economic policy decision makers from across Africa and the world, promotes networking and knowledge sharing in the global pension-fund industry.

Since its inception in 2018, the conference has grown significantly as attendees value the stimulating dialogue and thought-provoking discussions on the opportunities and challenges facing the industry. To date, the conference has hosted more than 1 000 delegates from around 20 countries and over 90 speakers who are change agents, reformers, leaders and visionaries in their fields.

The 2022 conference had 317 attendees, representing 19 countries and 99 organisations. This included 25 international speakers and 10 local experts.

During the reporting period, the GEPF also participated in two pension industry conferences as speakers and exhibitors to position the Fund as a reliable brand that stakeholders can trust.

## Media relations

During the reporting period, the stakeholder management and communication division hosted a media briefing to present the 2021/22 annual report and responded to 34 media enquiries relating to GEPF investments, the Fund's business operations and pension administration processes. During the reporting period, the division arranged 14 media interviews to discuss the annual report, ESG issues, actuarial factors, unclaimed benefits and the pension increase.



## Stakeholder relations and communication

### *continued*

Four media statements or alerts were issued to announce pension increases, the appointment of the new GEPF Board, the signing of the new unlisted investment mandate between the GEPF and the PIC and the increased tax deduction on pension payments. The Fund also participated in numerous print, radio and television interviews across commercial and community media platforms.

Media reporting about the Fund had a neutral to positive tone in the reporting period. Social media coverage was a mix of neutral, almost positive, and negative news. We attribute this to people recounting their experiences with the fund administrator.

### **Social media platforms**

The Fund has experienced exponential growth on social media platforms. Social media is central to our efforts to increase awareness about the GEPF brand and makes it possible for our members and beneficiaries to engage directly and instantly with the Fund.

Facebook, Twitter, LinkedIn and YouTube are the pillars of our social media strategy. In response to our posts about GEPF benefits, the performance of the Fund and other topical issues, all our platforms have expanded their followers.

Growth of nearly 30% in the past year has seen our Facebook followers breaching the 35 000 mark. We reach approximately 260 000 people per quarter on this platform.

Twitter growth was 21%. The GEPF has reached 9 300 followers and delivered 75 000 impressions (opportunities for the audience to view a tweet) per quarter.

LinkedIn followers grew from a low base to over 4 000 followers in the period under review – an increase of 230%.

Social media platforms have become a popular channel through which members, pensioners and stakeholders raise their complaints. The complaints received are handled by the social media team and users receive feedback in less than 48 hours on average. More than 830 complaints were handled through social media platforms in the reporting period, an increase of 15% over the previous year. Members, pensioners and beneficiaries mostly complained about the slow payment of benefits relating to death, resignation, child pension and funeral benefit claims. Social media will remain a pillar of communication and engagement with GEPF stakeholders going forward.

### **Brand management**

The GEPF enhanced its integrated marketing and communications strategy by developing a brand strategy to enhance its reputation and brand image.

The brand strategy seeks to build trust by presenting the GEPF as a caring fund that takes its mandate of securing the future of members, pensioners and beneficiaries seriously. This is encapsulated in the payoff line, "Tomorrow shouldn't be a worry, when today is done right", which is used across all brand communications.

We have also implemented a scientifically developed media strategy to ensure that the right messages reach the right target audiences at the right time.

Campaigns during 2022/23 focussed on educating stakeholders about GEPF benefits and highlighted the Fund's annual results, while enhancing the image and reputation of the GEPF brand.

Advertising included three print campaigns in national and regional publications, two radio campaigns in isiZulu, isiXhosa, Sepedi, English and Afrikaans on national and regional stations, three banner-advertising campaigns on selected websites, as well as a television campaign during popular SABC programmes.

The print campaigns reached approximately three million readers each, radio reached around four million listeners per campaign and television viewership was an estimated 16 million over the duration of the campaign.

### **Investment tours**

Investment tours are an important tool for the Fund and its asset managers to build and maintain relationships. These quarterly visits to investee companies are done in collaboration with mainly the PIC and Harith Partners and aim to:

- Showcase investments that the PIC and Harith have done on behalf of the GEPF.
- Expose the GEPF Board and investment team to the rationale behind the asset managers' decisions to invest in these companies, as well as what needs to be done or improved on.
- Highlight the social and economic impact of the investments.
- Better understand the investee companies and how they operate.
- Monitor and assess investee companies' current and future performance.
- Determine the sustainability of investee companies.

During the report period, six investee companies and projects were visited.

### **Alzu – Mpumalanga**

Alzu is an integrated agricultural business, established in 1968 in Kwaggafontein near Middelburg. The company specialises in pig genetics, pork, egg and maize production, various types of animal feed and cattle farming. Alzu's customer base includes successful blue-chip companies.

### **Roggeveld Project – Western Cape**

The Roggeveld Project entails the development, construction and operation of a 140 MW renewable energy wind farm approximately 50 km south-southwest of Sutherland in the Northern Cape and 45 km northwest of Laingsburg in the Western Cape. The project was awarded preferred bidder status in bid window 4 of the Department of Energy's REIPPP in 2015. The PIC, on behalf of the GEPF, holds a 23.25% equity stake of R335 million on a total-project-cost basis.

### **Siyanda Bakgatla Platinum – North West**

Siyanda Bakgatla Platinum is a black mining investment holding company with assets that produce chrome and platinum group metals (PGMs). Its Masa and Atomic mines produce chrome, while the PGMs come from the Siyanda Bakgatla Platinum and Sibanye Rustenburg Platinum mines.

### **Karoshoek concentrated solar plant – Northern Cape**

Karoshoek is a 100 MW concentrated solar plant (CSP) developed by a black-owned independent power producer (IPP) near Upington in the Northern Cape. The R11 billion plant supplies clean, reliable, sustainable and dispatchable energy during the evening peak period and long after the sun sets. The GEPP's significant investment commitment of R1.2 billion is split almost equally between CPI debt and equity for a 20% direct stake in the project company.

### **Oceans Hotel and Mall – KwaZulu-Natal**

In June 2018, the PIC approved an investment in a 206-room Radisson Blu hotel that was to be developed within a mixed-use precinct in Umhlanga, Durban. Known as Oceans Umhlanga, the development will consist of two residential towers, a retail mall and the hotel. The hotel was the first to confirm funding. It has since been completed and was officially opened on 5 June 2022. The PIC invested R1.22 billion in the retail mall in August 2018 and construction is currently underway. The residential units still seek funding.

### **Southern Farms (Pty) Ltd – Northern Cape**

Southern Farms is an independent grower of seedless table grapes and dates for the local market and for retailers in the UK, Germany and China. Located on the banks of the Orange River, it is about 132 km west of Kakamas in the Northern Cape.

Southern Cross Marketing and Management (SCMM) provides marketing services for five large grape producers, including Southern Farms. SCMM gives its customers access to export markets and earns commission on products sold. It earns secondary income from rendering administration services.

The GEPP holds a 25% stake in Southern Farms and 35% in SCMM. In 2013 the PIC invested R188.84 million in Southern Farms. Of this, R100 million was in the form of senior debt and R60 million to acquire direct equity. The balance of R28.84 million was for the employee trust to acquire equity in Southern Farms. The business used the R100 million debt facility to diversify into date production and has since repaid the loan in full.



# 8

## ACTUARIAL VALUATION

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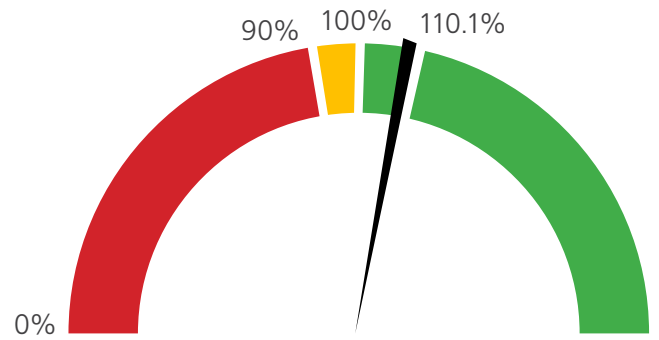
# FUNDING OF LIABILITIES

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 2021 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 liabilities, or the expected cost of earned benefits, on a long-term best-estimate basis.

The funding level of liabilities is the Fund's key financial gauge. The higher the funding level, the better the financial position. The results of the 2021 actuarial valuation show the Fund is 110.1% funded, i.e., there are enough assets to cover the actuarial liabilities in full.

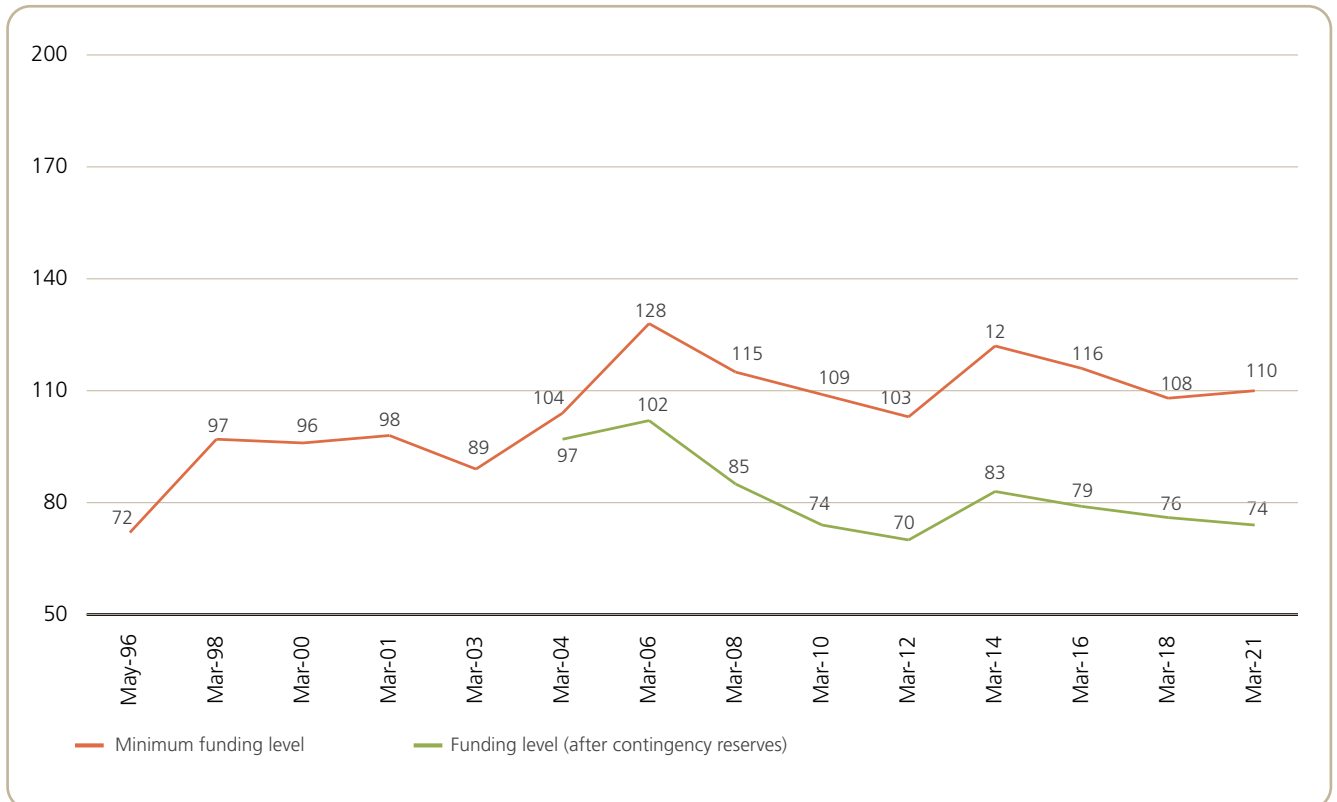
The funding policy requires that the Board of Trustees ensure that the funding level of liabilities is above 90%. This is in line with Rule 7.2 of the Rules of the Fund, which states that the employer contributions should be sufficient to ensure that the Fund is able to always meet its obligations, subject to a funding level of liabilities of at least 90%. At 110.1%, the funding level of liabilities exceeds this requirement.

Funding of liabilities at 31 March 2021



## History of GEPF's funding levels as per the 14 statutory actuarial valuations undertaken since its establishment in May 1996

Fourteen 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 2021.



## Funding of liabilities and reserves

The funding policy also provides for the establishment of contingency reserves which is a buffer to protect the fund against mortality and investment risk, i.e., pensioners living longer than expected, and investment returns being lower than expected, 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 contingency reserves recommended by the valuator. The funding level of liabilities and contingency 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 31 March 2021 actuarial valuation show that 74.3% of the total liabilities and the full recommended contingency reserves could be afforded at the date. In terms of the policies adopted by the trustees, the contingency reserves established as at 31 March 2021 are limited to the amount affordable by the Fund, namely R186 827 million. On this basis 20.9% of the recommended contingencies reserves could be held. As at 31 March 2018, a reserve of R137 428 million (or some 19.1% of the recommended reserves) was affordable. This still means the Fund is in a sound financial position.

## Highlights from the 2021 statutory actuarial valuation report

	Total 2021	Total 2018
Contributing members		
“Other” members	1 044 847	1 048 072
“Service” members	225 597	233 751
<b>Total</b>	<b>1 270 444</b>	<b>1 281 823</b>
Pensioners		
Retired members	315 397	286 831
Spouses	170 236	154 802
<b>Total</b>	<b>485 633</b>	<b>441 633</b>

## Statutory valuation assumptions

As at 31 March 2021

The economic assumptions were updated to consider the market conditions as at 31 March 2021. The demographic assumptions (i.e., when members are expected to resign, die or retire) were based on an investigation into the Fund's experience over the period from 1 April 2012 to 31 March 2019. The full details of the investigation are set out in a report prepared by Alexander Forbes Financial Services and African Origins Actuarial Solutions, which was finalised in August 2019.

Mortality improvements are being observed internationally and South Africa has been expected to follow this trend. The actuaries therefore believe that it is appropriate to include an explicit allowance of future mortality improvements (i.e., pensioners living longer) in the 2021 valuation, as was the case in the previous valuation.

Results of the GEPF actuarial valuation as at 31 March 2021

	31 March 2021 (R million)	31 March 2018 (R million)
<b>Financial position</b>		
Contributing member liability	1 218 049	1 171 397
S-case and exits in progress	27 095	11 673
Pensioner and deferred pensioner liability	595 257	462 022
Data and past discriminatory practices	14 118	17 548
<b>Total best estimate liabilities</b>	<b>1 854 519</b>	<b>1 662 640</b>
<b>Net assets</b>	<b>2 041 346</b>	<b>1 800 068</b>
Excess of assets over liabilities	186 827	137 428
Minimum funding level of liabilities	110.1%	108.3%
Recommended contingency reserves*	892 840	720 893
<b>Total best-estimate liabilities and contingency reserves</b>	<b>2 747 359</b>	<b>2 383 533</b>
Excess of assets over liabilities and reserves	(706 013)	(583 465)
Funding level of liabilities and contingency reserves (%)	74.3	75.5

\* Consists of a solvency reserve of R459 152 million, 100% CPI pension increase reserve of R383 733 million and a mortality improvement reserve of R49 955 million.

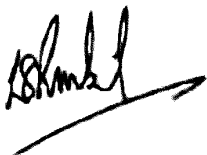
The 2021 actuarial valuation shows that the minimum funding level has improved when compared to the 2018 actuarial valuation.

### **Employer contribution rate for the year from 1 April 2022 to 31 March 2023**

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 assets over the best-estimate liabilities, the recommended employer contribution rate is 17.3% of pensionable salary in respect of “services” members and 13.5% of pensionable salary in respect of “other” members, reflecting the differences in the benefit structure of these two categories.

The shortfall in the recommended contribution rate is estimated to amount to some R2.5 billion per annum over the interim years and is expected to decrease the funding level marginally from the level of 110.1% at 31 March 2021 over the period to the next statutory valuation in a year’s time. Interim assessments indicate that the minimum funding level has improved in the interim from 110.1% as at 31 March 2021 to an estimated 116.6% as at 31 March 2023. Therefore, it is felt that there is no need to increase the employer contributions now as there will be enough assets to cover the actuarial liabilities in full until the next statutory valuation in a year’s time.



**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

31 August 2023



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## ANNUAL FINANCIAL STATEMENTS

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# STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

For the year ended 31 March 2023

## 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;
- The financial records are reliable.

The annual financial statements set out on pages 106 to 141 were prepared in accordance with:

- The basis of accounting applicable to retirement funds in South Africa as indicated in the principal accounting policies contained in the notes to the financial statements;
- The 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 and the report of the independent auditors is presented on pages 95 to 99. 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.

These audited annual financial statements were approved by the Board of Trustees on 30 September 2023 and were signed on its behalf by:



**Dondo Mogajane**  
Chairperson

30 September 2023



**Eddie Kekana**  
Vice Chairperson

30 September 2023

# THE AUDIT, FINANCE AND RISK COMMITTEE REPORT

For the year ended 31 March 2023

The fundamental role of the Audit Finance and Risk Committee (AFR-C) is to assist the Board of Trustees "Board" in fulfilling its oversight responsibilities in areas such as financial reporting, financial planning, internal control systems, statutory and regulatory compliance, risk management and the internal and external audit functions.

The AFR-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 AFR-C has discharged its responsibilities as contained in the charter, which is updated regularly to ensure its relevance. The AFR-C's responsibilities are summarised below.

- Examine and review the quality (adequacy, reliability and accuracy) of the GEPP's annual financial statements and unaudited interim financial statements.
- Review and make recommendations to the Board in respect of any significant assumptions used by management in preparation of financial plans and budgets.
- 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 internal audit charter, methodology and the internal audit three-year rolling plan.
- Oversee the co-ordination of the combined assurance model that seeks to ensure there is no unnecessary duplication of activities between the GPAA and GEPP internal audit.
- Receive the reports of significant findings of the GPAA internal audit and ensure that management of the GPAA implement agreed management actions.
- Ensure that the external audit firms are appointed to conduct the annual external audit for the 2022/23 financial year 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.

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 AFR-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 AFR-C to indicate any material breakdown in the functioning of these controls, procedures and systems during the period under review.

The AFR-C has evaluated the financial statements of the GEPP for the year ended 31 March 2023. 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 GEPP Rules and the regulatory framework, which the Board adopted based on the AFR-C's recommendation.



**Ntsoareng Marotholi**

*Chairperson: Audit, Finance and Risk Committee*

30 September 2023

# RISK MANAGEMENT STATEMENT

For the year ended 31 March 2023

## Introduction

The rapid advancement in technology and constantly evolving global operating environment presents opportunities for many institutions including the GEPF. Through its risk and opportunity environmental scan, the Fund notes inherent benefits and costs associated with trends such as datafication, artificial intelligence, machine learning, climate change, quantum computing, amongst others. In a quest to promote adaptability and resilience, while identifying, assessing, and mitigating the risks inherent to its strategy, the Fund must be cognizant of emerging trends to optimally position itself for the future.

In 2022/23 Risk Management Architecture continued to be a pivotal theme within the GEPF's strategy as reflected by the GEPF board approved strategic objectives for the reporting period. To this end, GEPF optimized its processes through enhanced utilization of its electronic risk management system and related platforms to promote innovation and efficiency. Furthermore, efforts to comprehend opportunities within emerging trends are ongoing.

Ongoing enhancements to the GEPF Risk Management Modalities, remains a key aspect to promote continuous improvement within the organization. The Risk Management Champions Programme which aims to inculcate a culture of sound risk management within the organisation, beyond the Risk Management Unit was bolstered. The risk champions were capacitated both on the electronic system and other domains of risk management pertaining to the GEPF's operating environment. Other stakeholders within the GEPF Risk Management mechanisms and system were trained on strategic pension fund risk management including the board and employees.

The GEPF continued to perform on its integrated risk management modalities, through the consolidated risk management, fraud and forensic management, combined assurance and business continuity management within the risk management unit.

The Board of Trustees and relevant stakeholders are periodically apprised 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.

## 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 14 risks

The diagram below indicates the top risk exposures that have been identified as strategic risks for the GEPF.

No:	Risk name	Key controls
1	Inefficient and ineffective administration	<ul style="list-style-type: none"> <li>• Ongoing review of processes and Standard Operating Processes to align to Capability Model</li> <li>• Service Level Agreement (SLA) with administration</li> <li>• and asset management service providers</li> </ul>
2.	Lack of ICT governance	<ul style="list-style-type: none"> <li>• Monthly steering committee meetings with Government Pensions Administration Agency (GPAA) on Information Communications and Technology (ICT) in line with the OLA.</li> <li>• GEPF ICT governance framework.</li> </ul>
3.	Late payments of benefits	<ul style="list-style-type: none"> <li>• SLA with administration service provider</li> <li>• Policies and procedures in place at the service provider and are aimed at validating claims.</li> </ul>
4.	Accuracy of member data	<ul style="list-style-type: none"> <li>• SLA with the administration service provider</li> <li>• Provisions in the GEP Law and scheme rules</li> <li>• Exco-to-Exco Meetings with service providers</li> </ul>
5.	Ineffective operating model	<ul style="list-style-type: none"> <li>• SLA with the administrator and Mandates to the asset manager</li> <li>• Strategic Engagements</li> </ul>
6.	Business disruption and business continuity	<ul style="list-style-type: none"> <li>• SLA with GPAA</li> <li>• Business Continuity Plan to be developed for GEPF</li> <li>• Business Continuity Plans in place at significant service providers</li> </ul>
7.	Third Party Risk	<ul style="list-style-type: none"> <li>• SLA with GPAA</li> <li>• IMA with PIC</li> <li>• MoU with Guardian's Fund is under discussion and formulation</li> </ul>

No:	Risk name	Key controls
8.	Cybersecurity	<ul style="list-style-type: none"> <li>• Firewalls</li> <li>• Antivirus software</li> <li>• Penetration Tests</li> <li>• Email and Internet filtering</li> </ul>
9.	Investment risk <ul style="list-style-type: none"> <li>• Concentration risk</li> <li>• Investment execution breaches risk appetite</li> <li>• Investment execution inefficient</li> <li>• SAA not aligning to liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Use of the current fee model with reference to: <ul style="list-style-type: none"> <li>– the SAA and</li> <li>– mandate compliance</li> </ul> </li> <li>• Every investment decision above a specific limit requires approval from the governance structures</li> </ul>
10.	Long-term underfunding of the Fund	<ul style="list-style-type: none"> <li>• Sponsor guarantee</li> <li>• Robust management of investments mitigates against contribution mismatch</li> </ul>
11.	Regulatory risk	<ul style="list-style-type: none"> <li>• Compliance policy</li> <li>• Compliance Risk Management Plans</li> <li>• Reporting mechanisms to various governance structures</li> </ul>
12.	Financial losses due to fraud and corruption	<ul style="list-style-type: none"> <li>• SLA and investment mandate with the service provider</li> <li>• Monitoring and reporting of fraud at GPAA and Public Investment Co-operation (PIC)</li> <li>• Fraud risk management is a standing agenda item at</li> <li>• Exco-to-Exco meetings</li> </ul>
13.	Inadequate investments integration of ESG/RI into	<ul style="list-style-type: none"> <li>• Use of Responsible Investment Policy</li> <li>• Monitoring through quarterly ESG reporting</li> <li>• Implementation of guidelines set by GEPF for PIC (e.g. proxy voting, key development indicators, etc)</li> </ul>
14.	Stakeholder Management Risk Ineffective stakeholder relations Inadequate communication to members	<ul style="list-style-type: none"> <li>• Fund’s communication and education strategy</li> <li>• Standard operating procedures with the administrator</li> <li>• SLA with the administration service provider</li> <li>• Manual escalation processes channels in use are call centre, Regional Office and Mobile Office etc.</li> </ul>

## Performance against key targets

The GEPF risk management process has demonstrated its capability to be nimble, responsive, and proportionate. Four and half (4.5) years ago when the GEPF risk management unit was established, the unit was rated at level 1 within the maturity continuum. The meant processes were ad hoc, and not fully established. To date, based on other relevant assurance provider’s outcome, it was concluded that the GEPF risk management efforts have reached a level 3 risk maturity level, i.e., Risk Defined. This is reflective of the significant impact and value-add associated with institutionalizing risk management and optimizing process for enhanced performance, in a well-governed, documented, and verifiable risk context.

## Conclusion

In 2022/23, the Board, through the custodians of the risk management processes, reassessed GEPF’s strategic risks. The assessment amplified the need for inclusion of third-party risk, given the contextual modalities associated with the GEPF and its implementing agents. The Risk Management Unit continues to monitor and report on the GEPF risk exposures, while ensuring an integrated approach to risk management, business continuity management, combined assurance, and fraud management. The aim of this is to promote risk-based decision making, adaptation and agility in response, proactive identification, assessment and monitoring of factors that could adversely affect the Fund’s risk profile.

The GEPF continued to mitigate its material risk exposures, as identified through its assessments. Where significant events presented an adverse impact to the GEPF risk profile, additional mitigations were instituted.

# INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF THE GOVERNMENT EMPLOYEES PENSION FUND

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of the Government Employees Pension Fund (the Fund) set out on pages 106 to 141, which comprise the statement of net assets and funds as at 31 March 2023, the statement of changes in net assets and funds and the cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Fund for the year ended 31 March 2023 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 the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). 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
<p>In accordance with the investment strategy, the Fund holds investments in unlisted instruments. These investments include unlisted equities, loans, properties and derivatives.</p> <p>The Board of Trustees is responsible for the preparation of the financial statements and ultimately responsible for the review of the valuations and assessing the appropriateness of the fair values reported in the financial statements.</p> <p>The Board of Trustees have appointed the Public Investment Corporation (PIC) to manage and administer these investments.</p> <p>The PIC in-turn appoints independent valuation experts to perform valuations on the unlisted investments on an annual basis. As disclosed in notes of the financial statements, 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 multiples. The activities of the PIC are therefore significant to the financial information presented in the financial statements.</p> <p>As disclosed in note 1.3.3 of the financial statements, the discounted cash flow valuation methodology and price earnings multiples are some of the valuation techniques used in the current year. There is still a high degree of uncertainty and judgement in determining future cash flows.</p> <p>Accordingly, the valuation of unlisted investments and the information produced by the PIC on behalf of the Fund for financial reporting purposes, is considered a key audit matter.</p>	<p>The extent of our audit procedures performed on the testing of the unlisted investments was at a significant risk level due to the high degree of judgement involved in the valuation process.</p> <p>Our focus was based on the methodologies and key assumptions made by the Fund's (PIC appointed) external valuers. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of relevant controls around the appointment of the Fund's external valuation experts and the valuation of unlisted investments;</li> <li>• Assessing the competence, capabilities and objectivity of the Fund's valuation experts;</li> <li>• Attending the year-end Valuation Sub-committee's meeting wherein the valuations performed by Fund's valuation specialists were analysed and challenged;</li> <li>• Engaging our internal specialists (Corporate Finance and Financial Services Advisory) and external specialists (Property Valuation Specialists) to assist with: <ul style="list-style-type: none"> <li>– Performing detail testing on a sample of independent valuations performed by the Fund's external valuers. Our audit procedures included assessing the appropriateness of the valuation methodology applied and the reasonability of valuation inputs, and re-performing the valuation; and</li> <li>– Evaluating the disclosures of unlisted investments in the financial statements.</li> </ul> </li> </ul> <p>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.</p>
<p>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.</p> <p>The benefits payable to members are calculated in terms of section 14 of the rules of the Fund and consequently the Fund is required to recognise the liability related to such benefits.</p> <p>The Board of Trustees has involved actuarial specialists to assist in calculating the accrual for benefit payable as at year-end. The accrual for benefits payable is based on actuarial assumptions and modelling involving complex and significant judgements about future events for which small changes can result in a material impact to the resultant valuation. The large volume of member data held on benefit administration systems ('member data') is a key input to the benefits payable valuation process. Additionally, the valuation process is conditional upon the accuracy and completeness of the data.</p> <p>The disclosures around the key assumptions and methodologies applied in valuing the accrual for benefits payable are included in note 1.19.</p> <p>Therefore, the valuation of the accrual for benefits payable is considered a key audit matter.</p>	<p>Our testing of the accrual for benefits payable focused on the data used by management, the modelling involved, and key actuarial assumptions made by the Board of Trustees. Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of relevant controls around the valuation of the accrual for benefits payable;</li> <li>• Assessing the competence, capabilities and objectivity of the Board of Trustees appointed actuarial specialists;</li> <li>• Testing the integrity of the information used in the calculation of the accrual for benefits payable by performing detailed substantive procedures on such information;</li> <li>• Evaluating the appropriateness of the disclosure in the financial statements of the accrual for benefits payable; and</li> <li>• Engaging our internal actuarial specialists to assist us with: <ul style="list-style-type: none"> <li>– Assessing the reasonability of methodologies and assumptions used by the Fund's actuarial specialists.</li> </ul> </li> </ul> <p>We have found the accrual for benefits payable to be within a reasonable range.</p>

## **Emphasis of matter – Financial reporting framework**

We draw attention to Note 1.1 which describes the principal accounting policies in which the applicable financial reporting framework is identified, based on retirement fund industry best practice principles as well as the provisions of the GEP Law and the rules of the Fund. 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 "GEPF Annual Financial Statements for the year ended 31 March 2023", which includes the *Statement of Responsibility of the Board of Trustees*, the *Finance and Audit Committee Report*, the *Risk Management Statement*, the *Report of the Valuator* and the *Report of the Board of Trustees* which we obtained prior to the date of this report, and the "GEPF 2022/2023 Annual Report". The other information does not include the financial statements and our auditors' 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 auditors' 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- 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.

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.

We also provide the Fund's Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 material 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 ten years.

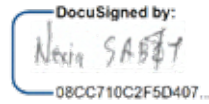


**Deloitte & Touche**  
Registered Auditor

**Per: Justin Dziruni**  
Partner

Johannesburg  
30 September 2023

5 Magwa Crescent  
Waterfall City  
Gauteng  
2090



**Nexia SAB&T**  
Registered Auditor

**Per: Philemon Mawire**  
Director

Centurion  
30 September 2023

119 Witch-Hazel Avenue  
Highveld Technopark  
Centurion  
0169

# REPORT OF THE VALUATOR

For the year ended 31 March 2023

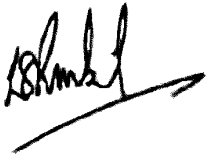
Particulars of financial condition of the Fund based on the actuarial valuation effective 31 March 2021

1. Net assets available for benefits amounted to R2 041 346 million as at 31 March 2021.
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 R2 041 346 million as at 31 March 2021.
3. The actuarial present value of promised retirement and other benefits in respect of contributing members amounted to R1 218 049 million as at 31 March 2021.
4. The actuarial present value of promised retirement and other benefits in respect of S-case members and exits in progress amounted to R27 095 million as at 31 March 2021.
5. The actuarial present value of retirement benefits in respect of pensioners and deferred pensioners amounted to R595 257 million as at 31 March 2021.
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 R892 840 million as at 31 March 2021. The affordable level of these contingency reserves amounted to R186 827 million as at 31 March 2021.

*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 can set up contingency reserves to meet both known and unknown contingencies of R186 827 million. On a conservative basis and if affordable, the Fund would have ideally set up contingency reserves of R892 840 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 R27 095 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 R4 983 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 used to fund discriminatory practices.
  - A reserve of R9 135 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 2019 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.
  - 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 because of the Trustees seeking to exercise greater discretion in granting pension increases equal to 100% of CPI.
9. 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 2021, the Fund could only afford to hold a total of R186 827 million as contingency reserves. On this basis, 20.9% of the desired level of contingency reserves could be held.

10. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of the report.
- Net pre-retirement discount rate: 3.72% per annum (previously 3.44% per annum).
  - Post-retirement net discount rate: 6.42% per annum for actives and current pensioners (previously 5.70% per annum).
  - Post-retirement mortality: Rates based on the experience of GEPF mortality from 1 April 2012 to 31 March 2019. These rates are different from the ones adopted for the 2018 statutory valuation.
  - Salary increases: 10.20% per annum (previously 7.50% per annum). It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 9.20% per annum (previously 6.50% per annum). In addition, an allowance is made for merit salary increments.
  - Proportion married: Assumptions have been made regarding the 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.
11. Any other particulars deemed necessary by the valuator for the purposes of this summary: None.
12. 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 20.9% 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 in the Actuarial Society of South Africa, is my capacity as Valuator to the Fund

31 August 2023

# REPORT OF THE BOARD OF TRUSTEES

For the year ended 31 March 2023

## 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 58 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;
- Children's 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 R418.9 million 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).

	2023 R'000	2022 R'000
<b>Reserve account balance</b>		
Ciskei strikers	206 424	194 765
General assistants	162 818	153 621
Other past discriminatory practices	4 709 106	4 946 923
<b>Total balance at end of year</b>	<b>5 078 348</b>	<b>5 295 309</b>

### 1.5 Rule amendments

The rule amendments relating to the following were approved and implemented during the current year.

The definition of "responsible Minister" at rule 1.19 was amended to read as follows:

- 1.19 "responsible Minister" the Minister: Provided that for the purposes of rules 4.2.2 and 4.2.3, it shall mean the Minister in consultation with the Ministers responsible for public service and Administration, Education, the South African National Defense Force, the South African Police Service and the State Security Agency;
- An overall revision of Section 4 of the GEP Rules. Section 4 deals with governance related matters of the GEP Rules. The revised Section 4 of the Rules can be found on the GEPF website.

## 1.6 Board of Trustees

The Minister of Finance inaugurated the current Board on 04 July 2022 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.

## 2. Investments

### 2.1 Management of investments

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

- ABRDN Investments Ltd
- Aeon Investment Management (Pty) Ltd
- Afena Capital (Pty) Ltd
- All Weather Capital (Pty) Ltd
- Aluwani Capital Partners (Pty) Ltd
- Amundi (UK) 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
- Differential Capital (Pty) Ltd
- Enko Capital Management LLP
- Excelsia Capital (Pty) Ltd
- Gemcorp Capital LLP
- Goldman Sachs Asset Management International
- International Bank for Reconstruction and Development
- Lima Mbeu Investment Managers (Pty) Ltd
- Ninety One Asset Management (Pty) Ltd
- JP Morgan Asset Management (UK) Ltd
- M&G Investment 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
- PIMCO Europe Ltd
- Prowess Investment Managers (Pty) Ltd
- Robeco Institutional Asset Management BV
- 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 are invested in African Development Partners II and III LP (ADP II and ADP III) which are managed by Development Partners International, Pan African Infrastructure Development Fund 1 and 2 (PAIDF 1 and PAIDF 2 ) which are managed by Harith Fund Managers, South Suez Africa 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 Partners and Capital Alliance Private Equity IV (Cape IV) which is managed by African Capital Alliance.

Standard Bank of South Africa Limited performs the custody and investment accounting function on behalf of the Fund.

## 2. Investments (continued)

### 2.2 Assets investments

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 (%)
Cash and money markets	0 – 8	2
Domestic bonds	26 – 36	32
Domestic property	3 – 7	4
Domestic equity	40 – 55	52
Africa (ex SA) equity	0 – 5	2
Foreign bonds	0 – 4	1
Foreign equity	1 – 5	7*
<b>Total</b>	<b>100</b>	<b>100</b>

\* Note: Breach on foreign equity is due to short-term currency movements combined with the implementation of the revised Strategic Asset Allocation.

### 2.3 Other investments not in the name of the GEPF

All investments are registered in the name of the GEPF, except for a directly held property, Palm Grove, which is registered in the name of GEPF's wholly owned investment, CBS Property Portfolio (Pty) Ltd.

## 3. Membership

The GEPF membership as at 31 March 2023 consisted of 1 267 307 (2022: 1 261 363) active members from participating employers, as well as 524 030 (2022: 499 726) pensioners and child pensioners 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 and African Origins Actuarial Solutions as at 31 March 2021 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 2021 in that assets were equal to accrued liabilities and 20.9% of the desired level of solvency and contingency reserves.

## 5. Subsequent events

### 5.1 Commitment: African Infrastructure Investment Fund IV

During the second quarter of 2023, the GEPF committed USD 60 million worth of capital into the African Infrastructure Investment Fund IV (AIIF IV). A pan-African private equity infrastructure fund that seeks to make investments across Sub-Saharan Africa. The General Partner of the Fund is African Infrastructure Investment Managers (AIIM), a pan-African private equity infrastructure fund manager with an operating history of over 20 years. AIIM is also a 100% subsidiary of Old Mutual Alternative Investment Holdings (Pty) Ltd.

AIIF V's desired investment opportunities fall under the following targeted sectors, in which AIIM has developed its expertise and experience:

- Digital infrastructure – data centres, fibre and telecom towers;
- Electrification and energy transition – renewable energy, energy substitution; and
- Mobility and logistics – ports and logistics, roads and airports.



## 5. Subsequent events *(continued)*

### 5.2 Conversion of ownership: ETG Inputs Holdingco Limited

In 2017, the GEPF invested USD 193 million in ETG Inputs Holdingco Limited (EIHL) to acquire a 49% shareholding in the entity. EIHL is a subsidiary in the ETG Group, an organisation that has developed into a global player with a diverse portfolio of expertise across multiple industries, encompassing agricultural inputs, logistics, merchandising and processing, supply chain optimization, digital transformation and energy.

The deal to convert GEPF's 49% ownership of the subsidiary to a shareholder in the group was first put to negotiation by PIC on behalf of GEPF in 2020. Strategic partnership and risk diversification at group-level supported this conversion. The transaction was concluded in April 2023 and resulted in GEPF owning 13.89% in the group.

### 5.3 Solar Capital

The GEPF has a 25% shareholding in Solar Capital De Aar 1 (Solar capital), a 85.26 MW solar PV project located in the Northern Cape. The company started to commercially operate in 2014 after construction of the plant was finalised and Power Purchase Agreements were in place with Eskom.

On 30 June 2023 the GEPF finalised the sale of its 25% equity stake in the entity. The total consideration for the transaction was R350 million.

### 5.4 Distell Group Holding Limited

Distell Group Holding Limited (Distell) is a South African investment holding company that listed on the Johannesburg Stock Exchange (JSE), it produces and distributes spirits, fine wines, ciders and ready to drink beverages throughout Africa and internationally through its investee companies.

On 15 November 2021, Heineken announced that it had entered into an implementation agreement with Distell to acquire a majority shareholding in Distell through a Scheme of arrangement which will amalgamate the Distell, Heineken and NBL entities. As a result, Distell's last trading day on the JSE was on 20 March 2023. The scheme of arrangement was finalised on 26 April 2023.

As at 31 March 2023 GEPF's equity stake has been valued at R12.88 billion.

### 5.5 Attacq Limited

Attacq Limited (Attacq) is a Real Estate Investment Trust (REIT), based in South Africa and listed on the Johannesburg Stock Exchange (JSE) and A2X Markets.

On 5 July 2023, Attacq, Attacq Waterfall Investment Company Proprietary Limited (AWIC) and the GEPF entered into a subscription and sale of shares and claims agreement in terms of which, subject to certain conditions precedent, the GEPF will acquire a 30% shareholding in the AWIC by subscribing for new shares and acquiring existing issued shares from Attacq. Attacq will also dispose of 30% of its existing shareholder loan and Attacq and GEPF will advance a further R1 billion in shareholder loans to AWIC, R700 million from Attacq and R300 million from GEPF (Proposed Transaction). Following the implementation of the transaction all shareholder loans extended to AWIC will be interest-free, have no fixed terms of repayment and will be repaid as and when the AWIC board of directors determines that there is free cash flow available.

The final condition precedent was fulfilled on 18 September 2023, being the approval of Attacq shareholders at a General Meeting. The implementation date of the Proposed Transaction is contractually set for 17 October 2023, when ownership of 30% of AWIC's equity and shareholder loans will pass to the GEPF against payment of the preliminary purchase price, which purchase price will be finally determined with reference to AWIC's 31 October 2023 accounts, with any adjustments required to the purchase price to be made on or about 12 December 2023. This will result in a non-controlling interest reserve at group level. The maximum consideration payable by the GEPF in respect of the sale shares, the subscription shares, the sale claim and the additional loan is R2.7 billion.

# STATEMENT OF NET ASSETS AND FUNDS

As at 31 March 2023

	Notes	2023 R'000	2022 R'000
<b>Assets</b>			
<b>Non-current assets</b>		<b>2 287 346 482</b>	2 248 775 294
Property, plant and equipment	2	4 143	6 303
Investments	3	2 287 342 339	2 248 768 991
<b>Current assets</b>		<b>45 576 691</b>	55 935 501
Funding loan	4	–	6 716
Accounts receivable	5	10 425 473	9 476 751
Transfers receivable	11.2	–	–
Contributions receivable	6.1	912 657	749 123
Cash and cash equivalents	7	34 238 561	45 702 911
<b>Total assets</b>		<b>2 332 923 173</b>	2 304 710 795
<b>Funds and liabilities</b>			
<b>Total funds and reserves</b>		<b>2 266 839 800</b>	2 236 120 467
Accumulated funds		2 261 761 452	2 230 825 158
Reserve accounts	8	5 078 348	5 295 309
<b>Non-current liabilities</b>		<b>2 217 396</b>	2 063 097
Unclaimed benefits	9	2 217 396	2 063 097
<b>Current liabilities</b>		<b>63 865 977</b>	66 527 231
Benefits payable	10	56 532 430	61 191 151
Transfers payable	11.1	1 215	1 172
Accounts payable	12	7 311 884	5 322 500
Provisions	13	20 448	12 408
<b>Total funds and liabilities</b>		<b>2 332 923 173</b>	2 304 710 795

# STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

For the year ended 31 March 2023

	Notes	Accumulated funds R'000	Reserve accounts R'000	Total 2023 R'000	Total 2022 R'000
Net income before transfers and benefits		164 721 006	–	164 721 006	337 468 299
Contributions received and accrued	6.2	83 132 364	–	83 132 364	81 996 093
Purchase of periods of service	14	497 590	–	497 590	665 676
Net investment income	15	82 193 690	–	82 193 690	255 700 651
Other income	16	163 417	–	163 417	243 088
<i>Less:</i>					
Administrative expenses	17	(1 266 055)	–	(1 266 055)	(1 137 209)
Transfers and benefits		(133 582 821)	–	(133 582 821)	(142 130 857)
Benefits	10	(130 857 055)	–	(130 857 055)	(139 234 668)
Transfers to other funds	11.1	(43)	–	(43)	(18 201)
Transfers from other funds	11.2	17 650	–	17 650	2 042
Interest expense	18	(2 743 373)	–	(2 743 373)	(2 880 030)
Net income after transfers and benefits		31 138 185	–	31 138 185	195 337 442
Funds and reserves					
Balance at beginning of the year		2 230 825 158	5 295 309	2 236 120 467	2 041 346 246
Benefits recognised		–	(418 852)	(418 852)	(563 221)
Transfer of net investment return to reserves	8	(201 891)	201 891	–	–
<b>Balance at the end of the year</b>		<b>2 261 761 452</b>	<b>5 078 348</b>	<b>2 266 839 800</b>	<b>2 236 120 467</b>

# CASH FLOW STATEMENT

For the year ended 31 March 2023

	Notes	2023 R'000	2022 R'000
Cash flow from operating activities			
Cash utilised from operations	20	(56 420 295)	(52 732 290)
Contributions and other income received		82 968 830	84 968 040
Benefits paid during the year		(136 252 492)	(134 676 511)
Other expenses paid		(3 136 633)	(3 023 819)
Interest received		56 821 389	52 087 824
Interest paid		(1 879 317)	(1 981 698)
Dividends received		56 503 018	45 647 204
Transfers and bought services (paid)/received		57 456	18 719
Divorce benefits paid		25 953	47 186
Net cash inflow from operating activities		55 108 204	43 086 945
Net cash outflow from investing activities			
Net additions to property, plant and equipment		(1 108)	(31 357 558)
Net additions to investments		(66 571 446)	(31 356 199)
Net (decrease)/increase in cash and cash equivalents		(11 464 350)	11 729 387
Cash and cash equivalents at beginning of the year		45 702 911	33 973 524
Cash and cash equivalents at end of the year	7	34 238 561	45 702 911

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 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), now the Financial Services Conduct Authority (FSCA).

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 Property, plant and 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.

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses.

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.

##### 1.3.1.1.2 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 1. Principal accounting policies (continued)

### 1.3 Investments (continued)

#### 1.3.1 Classification (continued)

##### 1.3.1.2 Financial liabilities

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.

##### 1.3.2 Recognition

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

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

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

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

##### 1.3.3 Measurement

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

##### 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 GEPP, or by applying valuation techniques such as the discounted cash flow model, net asset value, residual method 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 affects the fair value.

When discounted cash flow techniques are used, discounted cash flows are based on management's best estimates, 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## *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 multiples.

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.

### **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. The same independent professional valuers perform interim desktop valuations annually. 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.



# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 1. Principal accounting policies (continued)

### 1.3 Investments (continued)

#### 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 financial 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.

##### 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 1. Principal accounting policies *(continued)*

### 1.3 Investments *(continued)*

#### 1.3.5 Impairments *(continued)*

##### 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 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 1. Principal accounting policies *(continued)*

### 1.11 Dividend, interest, rentals and gains and losses on subsequent measurement *(continued)*

#### 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 GEPF

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

### 1.13 Interest payable to members exited from the GEPF

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

### 1.14 Interest payable to dormant members

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

### 1.15 Foreign exchange gains or losses

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

### 1.16 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 property, plant and equipment are assessed annually. Property, plant and 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.
- Performance bonus provision  
The 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 1. Principal accounting policies *(continued)*

### 1.19 Judgements and estimates *(continued)*

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 the key estimates. These estimates pertain to member profiles, amongst others. The actuarial assumptions applied are in line with those applied for statutory valuation purposes.

- Accruals and contingent liabilities for legal costs

Liabilities may exist for lawsuits by and against the GEPF. The amount 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 percent (1%) of the funding levels in 1998, less amounts already utilised to fund discriminatory practices.

- Investments

The net present value of certain unlisted investments has been calculated using estimated 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.

### 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 1. Principal accounting policies *(continued)*

### 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. Property, plant and equipment

### 2.1 Current year, 2023

	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
Gross carrying amount	4 725	3	4 051	3 082	656	10 250	22 767
At beginning of the year	3 875	3	3 981	2 894	656	10 250	21 659
Additions	850	–	70	188	–	–	1 108
Disposals	–	–	–	–	–	–	–
Accumulated depreciation and impairments	(3 334)	(3)	(3 356)	(2 369)	(656)	(8 906)	(18 624)
At beginning of the year	(2 685)	(3)	(3 061)	(2 097)	(656)	(6 854)	(15 356)
Depreciation	(649)	–	(295)	(272)	–	(2 052)	(3 268)
Accumulated depreciation on disposals	–	–	–	–	–	–	–
Net carrying amount at the end of the year	1 391	–	695	713	–	1 344	4 143

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 2. Property, plant and equipment (continued)

### 2.2 Prior year, 2022

	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
Gross carrying amount	3 875	3	3 981	2 894	656	10 250	21 659
At beginning of the year	3 770	817	4 128	4 135	656	13 452	26 958
Additions	655	–	347	226	–	131	1 359
Disposals	(550)	(814)	(494)	(1 467)	–	(3 333)	(6 658)
Accumulated depreciation and impairments	(2 685)	(3)	(3 061)	(2 097)	(656)	(6 854)	(15 356)
At beginning of the year	(2 651)	(817)	(3 324)	(3 348)	(656)	(8 144)	(18 940)
Depreciation	(535)	–	(231)	(196)	–	(2 043)	(3 005)
Accumulated depreciation on disposals	501	814	494	1 447	–	3 333	6 589
Net carrying amount at the end of the year	1 190	–	920	797	–	3 396	6 303

## 3. Investments

### 3.1 Investment summary

	Notes	Fair value 2023 R'000	Amortised cost 2023 R'000	Total 2023 R'000	Total 2022 R'000
Money market instruments*	3.1.1	–	17 711 167	17 711 167	14 447 315
Direct loans*	3.1.2	–	42 854 553	42 854 553	47 085 845
Bills and bonds**	3.1.3	730 186 525	–	730 186 525	707 166 961
Local		701 735 911	–	701 735 911	682 750 363
Foreign		28 450 614	–	28 450 614	24 416 598
Investment properties**	3.1.4	16 910 137	–	16 910 137	16 867 195
Equities**	3.1.5	1 292 107 390	–	1 292 107 390	1 307 475 453
Listed equities		1 207 626 316	–	1 207 626 316	1 228 990 956
Primary listings		878 869 753	–	878 869 753	934 497 154
Secondary listings		328 756 563	–	328 756 563	294 493 802
Unlisted equities		84 481 074	–	84 481 074	78 484 497
Local equities		55 273 522	–	55 273 522	56 518 190
Foreign equities		29 207 552	–	29 207 552	21 966 307
Preference shares**	3.1.6	120	–	120	120
Collective investment schemes**	3.1.7	187 572 447	–	187 572 447	155 726 102
Local instruments		1 086 274	–	1 086 274	1 034 633
Foreign instruments		186 486 173	–	186 486 173	154 691 469
		<b>2 226 776 619</b>	<b>60 565 720</b>	<b>2 287 342 339</b>	<b>2 248 768 991</b>

\* 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 GEPP to the value of R12.4 billion (2022: R11.7 billion). These investments include ADP II, ADP III, 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 details 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.1 Money market instruments

	Amortised cost 2023 R'000	Amortised cost 2022 R'000
<b>Certificate of deposits</b>	<b>2 417 460</b>	207 702
Development Bank of SA Ltd	2 184 030	207 702
First Rand	185 011	–
Investec Bank Ltd	29 805	–
Standard Bank Group Ltd	10 398	–
ABSA Group Ltd	6 124	–
Nedbank Ltd	2 092	–
<b>Fixed deposits</b>	<b>13 051 234</b>	11 630 440
Standard Bank Group Ltd	3 026 046	2 443 358
FirstRand Ltd	2 913 434	2 334 499
ABSA Group Ltd	2 518 799	2 370 194
Nedbank Ltd	2 307 875	2 239 887
Investec Bank Ltd	2 285 080	2 227 420
Scania Finance SA (Pty) Ltd	–	15 082
<b>Promissory notes</b>	<b>2 242 473</b>	2 609 173
Land and Agricultural Development Bank of SA*	2 242 473	2 609 173
<b>Total money market instruments</b>	<b>17 711 167</b>	14 447 315

\* The promissory notes issued by the Land and Agricultural Bank of SA were in default as at 31 March 2021 and were impaired to R461 million. As at 31 March 2021, the amortised cost before impairment of R3.6 billion was recognised, as these instruments were illiquid and there were uncertainties as to their recoverability. During the March 2022 financial year-end, an amount of R766 million had been repaid. Recoverable amounts in the March 2022 were higher than the prior year given that Landbank had made two additional capital reduction payments (R683.97 million in total) to GEPF since the prior year calculation above (10% in October 2021 and 19.83% in May 2022). In addition, in the March 2022 financial year, based on the latest assessment performed by Landbank, management had confirmed that over the period of LS4 (i.e. five to seven years), Landbank expected to reduce the capital portion of the debt outstanding by R11.5 billion across the various debt categories. Any balance remaining thereafter will then be converted into a single amortising note. The March 2022 valuation scenarios were therefore premised on various assumptions around the recovery of the R11.5 billion and recovery of the amortising note. The resulting recoverable amounts in the March 2022 year on the various scenarios exceeded the R5 billion recoverable amount that the impairment calculations were premised on in March 2021, leading to impairment reversals in the March 2022 year. During the March 2023 financial year-end, Landbank repaid R647.4 million. The balance at 31 March 2023 is R2.2 billion.



# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.2 Direct loans

	Secured by	Amortised cost 2023 R'000	Amortised cost 2022 R'000
SAHL Investments Holding (Pty) Ltd	Shareholder guarantees, cession and pledges of rights in each loan, loan agreement, guarantee trust guarantee, insurance contract, insurance proceeds, and other related security in respect of the portfolio of loans owned by SAHL from time to time	8 387 518	7 437 861
Econet New ARX Ltd	The PIC and external counsel in Mauritius are currently in the process of enforcing the share pledge and registering the same in the name of GEPP	7 168 515	5 278 919
Industrial Development Corporation SOC Limited	Not secured*	5 033 316	5 044 842
V&A Waterfront Holdings (Pty) Ltd	Not secured	2 926 884	2 715 127
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	2 914 301	2 848 203
Kuseni Group 2 (RF) (Pty) Ltd	Cession and pledge of shares, shareholders' guarantee and cession of bank accounts	1 678 790	1 647 289
Honsha Properties (Pty) Ltd	Pledge and cession of shares by HEA Trading 1 Pledge and cession of shares from Honsha Properties Proprietary Limited Security on personal assets (properties) Personal surety (limited guarantee)	1 531 983	1 636 906
Firefly Investments 326 (RF) (Pty) Ltd	Shortfall guarantees from Bayport Financial Services (BFS) and Bayport Management Ltd (BML), cession in securitatum debiti of all positive bank accounts, pledge and cession of shares in BML, BFS and Firefly Investments 326	1 483 229	2 318 667
Tanga Cement Company Ltd	The senior loan is secured by first ranking specific charge and/or notarial bond over all existing and future plant, machinery and assets, continuing covering mortgage bond over land and fixed property and cession and or assignment of all receivables, insurance and material project agreements. Pledge and cession of all mining licenses and/or permits	1 345 798	1 017 856
Karoshhoek Solar One (RF) (Pty) Ltd	Cession and pledge, guarantee	842 067	–
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	–	6 647 328
Other		9 542 152	10 492 847
<b>Total loans</b>		<b>42 854 553</b>	<b>47 085 845</b>

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

\*\* This loan has been settled during the year under review.

The independent valuation of direct loans was performed by professional valuers from BDO, SNG/GT, Ernst & Young, Knight Frank, PricewaterhouseCoopers, RisCura, and Theza Capital. All these professional valuers have experience in valuing financial instruments of a similar nature.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.3 Bills and bonds

	Issuer rating long-term	Fair value 2023 R'000	Fair value 2022 R'000
Bills		–	2 046 563
Republic of SA <sup>1</sup>	zaAAA	–	2 046 563
<b>Commercial paper</b>		<b>362 180</b>	237 581
The Thekwini Fund Ltd	zaAAA	268 379	237 581
Transnet SOC Ltd	zaAA	89 553	–
Emira Property Fund Ltd <sup>2</sup>	zaA	4 248	–
<b>Government bonds</b>		<b>557 233 595</b>	536 280 097
Republic of SA	zaAAA	556 836 132	535 472 112
Republic of Angola	zaBB-	397 463	392 068
Republic of Namibia <sup>1</sup>		–	415 917
<b>Corporate bonds</b>		<b>22 291 582</b>	17 373 322
Standard Bank Group Ltd	zaAA+	6 816 738	4 878 298
FirstRand Ltd	zaAA	6 540 974	5 352 541
ABSA Group Ltd	zaAA	2 291 102	2 335 601
Nedbank Ltd	zaAA	1 911 629	2 571 216
Toyota Financial Services SA (Pty) Ltd <sup>2</sup>	zaAAA	651 341	–
Sasol Financing Ltd <sup>2</sup>	zaAAA	557 023	–
The Thekwini Fund Ltd	zaAAA	504 201	146 243
MTN Group Ltd <sup>3</sup>	zaAA	389 773	–
Investec Group Ltd	zaAA	357 026	303 503
Liberty Group Ltd <sup>3</sup>	zaAAA	301 517	–
African Bank Ltd <sup>1</sup>	zaA-	–	233 364
Santam Ltd <sup>4</sup>	zaAAA	–	200 152
Old Mutual Plc <sup>4</sup>	zaA+	–	163 586
Amber House Fund (RF) Ltd <sup>4</sup>	zaAAA	–	150 109
Other		1 970 258	1 038 709
<b>Parastatal bonds</b>		<b>121 848 554</b>	126 812 800
Eskom Holdings Ltd	zaB	81 973 821	81 024 158
South African National Road Agency Ltd	zaA+	17 979 457	19 845 556
Transnet SOC Ltd	zaAA	16 591 872	17 087 126
Development Bank of SA Ltd	zaAA-	2 332 074	6 260 623
City of Cape Town	zaAA-	723 526	743 938
ACSA	zaAA	549 557	297 295
Industrial Development Corporation SOC Ltd	zaAA-	500 096	499 631
City of Johannesburg	zaA+	384 784	392 841
Rand Water Board	zaAA+	262 662	272 239
Telkom SOC Ltd <sup>3</sup>	zaAA+	213 429	–
Ekurhuleni Metropolitan Municipality <sup>4</sup>	zaB	–	190 038
Other		337 276	199 355

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.3 Bills and bonds (continued)

	Issuer rating long-term	Fair value 2023 R'000	Fair value 2022 R'000
Foreign bonds		<b>28 450 614</b>	24 416 598
Black Rock Advisors (UK)	*	<b>13 229 438</b>	11 246 160
International Bank for Reconstruction and Development	*	<b>6 393 419</b>	5 478 645
JP Morgan Asset Management (UK) Ltd	*	<b>6 008 811</b>	5 171 594
Goldman Sachs Asset Management International	*	<b>2 818 946</b>	2 520 199
<b>Total bills and bonds</b>		<b>730 186 525</b>	707 166 961

The National Rating Scale is applicable, 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-
Vulnerable to non-payment of obligations	CCC+, CCC, CCC-
Highly vulnerable to non-payment of obligations	CC+, CC, CC-
Highly vulnerable to non-payment of obligations	C+, C, C-
Defaulted	D
No rating	NR
Rating withdrawn by Moody's rating agency	WR

All South African ratings are the South African National Rating Scale Long-Term (LT), measured on the Standard & Poor's (S&P) rating scale. Where no S&P rating exists, other rating agency ratings obtained have been mapped onto the S&P scale equivalent.

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

1. These instruments matured during the year under review.
2. These instruments were acquired during the year under review.
3. These instruments did not meet the top ten criteria in the previous year. Refer to note 3.1 for explanatory notes.
4. These instruments do not meet the top ten criteria in the current year. Refer to note 3.1 for explanatory notes.

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 2023 '000	Fair value 2023 R'000	Name of counterparty	Scrip custodian
31 March 2023	R2030	*	<b>1 638 672</b>	<b>1 508 122</b>	Standard Bank	Standard Bank
31 March 2023	R2048	*	<b>1 901 900</b>	<b>1 463 052</b>	Standard Bank	Standard Bank
31 March 2023	R209	*	<b>1 300 039</b>	<b>866 835</b>	Standard Bank	Standard Bank
31 March 2023	R213	*	<b>1 917 025</b>	<b>1 590 288</b>	Standard Bank	Standard Bank
31 March 2023	R214	*	<b>1 454 427</b>	<b>915 881</b>	Standard Bank	Standard Bank
<b>Total</b>			<b>8 212 063</b>	<b>6 344 178</b>		

\* 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.4 Investment properties

	Fair value 2023 R'000	Fair value 2022 R'000
Residential properties	207 250	206 916
Industrial properties	1 422 786	1 526 472
Office properties	7 377 100	7 418 653
Retail properties	6 852 654	6 403 420
Specialised properties	1 086 864	1 036 018
Vacant land	575 870	692 550
Lease income accrual	(612 387)	(416 834)
<b>Total properties*</b>	<b>16 910 137</b>	<b>16 867 195</b>

Name of property	Address	Valuation method	Date of last valuation	Pledged as guarantee	2023 R'000	2022 R'000
Deloitte Building South Africa	Erf 4542 Jukskei view Extension 89 Township	DCF	2023/03/31	No	1 700 000	1 701 000
Centre Square Development	Corner of Dallas Road and Aramist Road, Menlyn Maine, Tshwane	DCF	2023/03/31	No	1 448 000	1 447 000
Vangate Shopping Centre	Vanguard Drive, Athlone, Cape Town	DCF	2023/03/31	No	774 800	755 551
Tshwane Regional Mall	Denneboom Station, Mamelodi, Tshwane	DCF	2023/03/31	No	743 300	742 700
Ocean's Umhlanga Retail	Portion 15 of Erf 379, Umhlanga Rocks, KwaZulu-Natal	Residual method	2023/03/31	No	660 000	390 000
Central City Shopping Centre	Stand 426, Unit E, Central Road, Mabopane, Tshwane	DCF	2023/03/31	No	577 600	585 700
Business Connexion	1037 Lenchen Avenue, Zwartkop, Centurion, Tshwane	DCF	2023/03/31	No	490 200	484 400
Tlhabane Shopping Centre	Proposed Tlhabane Mixed Use Development, Tlhabane Unit 1, Rustenburg, North West	DCF	2023/03/31	No	429 700	429 400
Riverwalk Office Park	41 Matroosberg Street, Ashlea Gardens, Tshwane	DCF	2023/03/31	No	415 700	414 600
Trevenna	70 Meintjies Street, Trevenna, Tshwane	DCF	2023/03/31	No	391 700	411 900

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 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 2023 R'000	Fair value 2022 R'000
Other					9 891 524	9 921 778
Lease income accrual					(612 387)	(416 834)
<b>Total properties</b>					<b>16 910 137</b>	<b>16 867 195</b>

	2023 R'000	2022 R'000
Balance at beginning of the year	17 284 029	15 291 736
Additions – direct acquisition	–	2 443 609
Capital expenditure	1 222 659	1 791 846
Disposals	(368 147)	(107 325)
Fair value adjustment*	(616 017)	(2 135 837)
Closing fair value	17 522 524	17 284 029
Operating lease income accrual	(612 387)	(416 834)
<b>Balance at end of year</b>	<b>16 910 137</b>	<b>16 867 195</b>

An independent valuation of the investment properties was performed as at 31 March 2023. The properties were valued at fair value on the basis of the comparable sales, residual value 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 Manna Holdings, De Leeuw Valuers and Spectrum Valuations 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. However, direct properties with available offer prices as at 31 March 2023 have been valued at the offer prices. The fair value of the direct properties with offer prices is R593 million as at 31 March 2023.

#### 3.1.5 Equities

	Fair value 2023 R'000	Fair value 2022 R'000
Primary listing	878 869 753	934 497 154
Secondary listing	328 756 563	294 493 802
Unlisted equities	84 481 074	78 484 497
<b>Total equities</b>	<b>1 292 107 390</b>	<b>1 307 475 453</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.5 Equities (continued)

	Total issued shares (number)	GEFP's shareholding (number)	GEFP's shareholding (%)	Fair value 2023 R'000	Fair value 2022 R'000
<b>1. Primary listing (listed on the JSE)</b>				<b>878 869 753</b>	934 497 154
Naspers Ltd	435 511 058	41 483 153	10	<b>136 602 364</b>	68 284 923
FirstRand Ltd	5 609 488 001	876 697 148	16	<b>52 934 974</b>	68 137 658
MTN Group Ltd	1 884 269 758	389 071 844	21	<b>49 594 988</b>	78 690 202
Standard Bank Group Ltd	1 678 378 595	244 240 344	15	<b>42 207 174</b>	44 807 232
Vodacom Group Ltd	2 077 841 204	256 662 851	12	<b>31 323 134</b>	41 297 946
Capitec Bank Ltd	116 099 843	18 366 922	16	<b>30 997 671</b>	37 124 994
Gold Fields Ltd	893 527 657	121 212 723	14	<b>28 727 415</b>	–
Sasol Ltd	634 336 265	117 794 732	19	<b>28 270 736</b>	39 469 409
AngloGold Ashanti Ltd	419 327 718	64 152 430	15	<b>27 675 358</b>	–
Impala Platinum Holdings Ltd	853 447 366	165 016 949	19	<b>27 034 727</b>	36 515 734
Sibanye Stillwater Ltd	–	–	–	–	29 869 709
Sanlam Ltd	–	–	–	–	23 906 298
Other				<b>423 501 212</b>	466 393 049
<b>2. Secondary listing</b>				<b>328 756 563</b>	294 493 802
Prosus N.V.	2 003 817 745	42 361 046	2	<b>58 836 951</b>	40 473 008
Anglo American Plc	1 225 277 784	84 876 084	7	<b>49 737 385</b>	65 651 131
Richemont Securities AG	5 220 000 000	136 922 079	3	<b>38 810 563</b>	23 544 867
British American Tobacco Plc	2 235 907 607	56 979 066	3	<b>35 651 232</b>	33 487 716
BHP Group Plc	5 065 820 556	48 479 931	1	<b>27 271 416</b>	31 338 317
Glencore Plc	12 584 001 508	203 259 177	2	<b>20 689 752</b>	18 837 186
Anheuser-Busch InBev SA N.V.	1 737 196 570	14 074 484	1	<b>16 734 702</b>	8 470 631
Mondi Ltd	485 553 780	42 428 816	9	<b>11 928 013</b>	8 262 594
Reinet Investments S.C.A.	195 941 286	31 742 109	16	<b>11 587 774</b>	9 816 105
Investec Plc	653 596 986	94 988 786	15	<b>9 401 990</b>	7 912 748
Other				<b>48 106 785</b>	46 699 499
<b>3. Unlisted equities***</b>				<b>84 481 074</b>	78 484 497
Pareto Ltd	4 551 646 134	4 551 646 134	100	<b>15 718 000</b>	15 301 000
ABSA Group Ltd	**	**	**	<b>13 803 943</b>	13 349 299
Pan African Infrastructure Development Fund*	*	*	*	<b>10 646 593</b>	10 135 554
V&A Waterfront Holdings (Pty) Ltd	1 000 000	500 000	50	<b>6 196 901</b>	6 191 751
ETG Inputs Holdco Ltd	610	299	49	<b>4 731 003</b>	3 807 380
AP Venture Fund <sup>1</sup> *	*	*	50	<b>2 761 791</b>	1 878 634
ADR International Airports SA (Pty) Ltd	166 000	166 000	100	<b>2 055 000</b>	2 290 000
Siyanda Resources (Pty) Ltd	1 508 297	508 296	34	<b>1 968 474</b>	2 586 040
African Finance Corporation <sup>1</sup>	1 290 527 000	52 083 333	4	<b>1 869 287</b>	–
African Bank Ltd	500 000 000	125 000 000	25	<b>1 782 496</b>	1 982 397
Arch Property Fund (Pty) Ltd <sup>2</sup>	25 000 000	5 000 000	20	–	1 627 000
Other				<b>22 947 586</b>	19 335 442

\* Information relating to the total shares issued and the GEFP'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 GEFP shareholding percentage is not applicable.

\*\*\* The independent valuation of unlisted equity instruments was performed by professional valuers from BDO, SNG/IGT, Ernst & Young, Knight Frank, PricewaterhouseCoopers, RisCura, and Theza Capital. All these professional valuers have experience in valuing financial instruments of a similar nature.

1. This instrument was acquired during the year under review.

2. This instrument does not meet the top ten criteria in the current year. Refer to note 3.1 for explanatory notes.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.6 Preference shares

	Total issued shares (number)	GEPF's shareholding (number)	GEPF's shareholding (%)	Fair value 2023 R'000	Fair value 2022 R'000
BK One Ltd	24 492 823	1 200 000	5	120	120
<b>Total preference shares</b>				<b>120</b>	<b>120</b>

#### 3.1.7 Collective investment schemes

	Fair value 2023 R'000	Fair value 2022 R'000
Black Rock Advisors (UK)	116 546 864	103 264 617
Robeco Institutional Asset Management B.V.	38 872 258	34 054 486
Cheyne Capital Management (UK) LLP	6 193 163	5 018 097
Amundi (UK) Ltd <sup>1</sup>	5 491 379	–
Enko Capital Management LLP	5 236 635	4 274 117
Gemcorp Capital LLP	3 887 886	5 604 397
ABRDN Investments Ltd <sup>1</sup>	3 817 474	–
PIMCO Europe Ltd <sup>1</sup>	3 764 529	–
Mazi Africa Capital (Pty) Ltd	1 446 858	1 290 818
Coronation African Frontiers Unit Trust	1 202 293	1 155 252
H4 Collective Investments (RF) (Pty) Ltd <sup>2</sup>	–	836 523
Sanlam PIC Focus Fund <sup>2</sup>	–	198 110
Ninety One SA (Pty) Ltd <sup>2</sup>	–	29 685
Other	1 113 108	–
<b>Total</b>	<b>187 572 447</b>	<b>155 726 102</b>

1. These instruments were acquired during the year under review.

2. These instruments do not meet the top ten criteria in the current year. Refer to note 3.1 for explanatory notes.

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

#### 3.1.8 Risk management credit/counterparty risk

Counterparty	Direct investment in counter-party R'000	Deposit/liquid asset with counter-party R'000	Guarantees	Any other instrument R'000	Total per counter-party R'000	Exposure to counter-party (% of the fair value of assets)
<b>Banks</b>						
ABSA Group Ltd	10 961 793	433 502	No	4 816 025	16 211 320	1
African Export Import Bank	1 044 719	–	No	–	1 044 719	–
African Bank Ltd	1 782 496	–	No	190 743	1 973 239	–
Bank of New York	–	2 128 472	No	–	2 128 472	–
BNP Paribas SA	–	–	No	86 411	86 411	–
Capitec Holdings Ltd	30 997 671	–	No	68 595	31 066 266	1
Citygroup Global Markets	–	279	No	7 887 967	7 888 246	–
Development Bank SA Ltd	–	–	No	4 516 103	4 516 103	–
Ecobank Transnational Inc.	1 474 496	–	No	–	1 474 496	–
FirstRand Ltd	52 934 974	–	No	9 639 419	62 574 393	3
HSBC Holdings Plc	–	21 354	No	–	21 354	–
International Bank for Reconstruction and Development	–	–	No	6 393 419	6 393 419	–
Investec Ltd	14 911 531	394 275	No	8 587 887	23 893 693	1
Land and Agricultural Development Bank	–	–	No	2 389 432	2 389 432	–
Nedbank Ltd	16 295 194	82 173	No	4 221 596	20 598 963	1
Rand Merchant Bank	26 010	–	No	–	26 010	–
South African Reserve Bank	101	143 484	No	–	143 585	–
Standard Bank Group Ltd	42 207 174	31 972 647	No	9 853 183	84 033 004	4
Venda Building Society Ltd	–	–	No	–	–	–



# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.8 Risk management credit/counterparty risk (continued)

Counter-party	Direct investment in counterparty R'000	Deposit/ liquid asset with counter-party R'000	Guarantees	Any other instrument R'000	Total per counter-party R'000	Exposure to counter-party (% of the fair value of assets)
<b>Asset managers</b>						
ABRDN						
Investments Ltd	–	–	No	3 817 474	3 817 474	–
Amundi (UK) Ltd	–	–	No	5 491 379	5 491 379	–
Black Rock Advisors (UK)	–	–	No	129 776 302	129 776 302	6
Cheyne Capital Management (UK) LLP	–	–	No	6 193 163	6 193 163	–
Coronation Asset Management (Pty) Ltd	1 531 066	–	No	1 202 293	2 733 359	–
Enko Capital Management LLP	–	–	No	5 236 635	5 236 635	–
Gemcorp Capital LLP	–	–	No	3 887 886	3 887 886	–
Goldman Sachs Asset Management International	–	–	No	2 818 946	2 818 946	–
H4 Collective Investments (RF) (Pty) Ltd	–	–	No	978 952	978 952	–
Ninety One Group	3 052 991	–	No	26 834	3 079 825	–
JP Morgan Asset Management (UK) Ltd	–	–	No	6 008 811	6 008 811	–
Novare Africa Property Fund	1 265 282	–	No	–	1 265 282	–
PIMCO EuropeLtd	–	–	No	3 764 529	3 764 529	–
Robeco Institutional Asset Management B.V.	–	–	No	38 872 258	38 872 258	2
<b>Insurance companies</b>						
Alexander Forbes Ltd	524 328	–	No	–	524 328	–
Discovery Holdings Ltd	12 166 181	–	No	–	12 166 181	1
Liberty Group Ltd	82 248	–	No	301 517	383 765	–
MMI Holdings Ltd	3 630 442	–	No	92 498	3 722 940	–
Old Mutual Ltd	10 342 283	–	No	158 191	10 500 474	–
Outsurance Group Ltd	5 008 700	–	No	–	5 008 700	–
Sanlam Ltd	18 657 487	–	No	107 322	18 764 809	1
Santam Ltd	1 696 094	–	No	158 347	1 854 441	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 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	136 602 364	6 830 118
Prosus N.V.	58 836 951	2 941 848
FirstRand Ltd	52 934 974	2 646 749
Anglo American Plc	49 737 385	2 486 869
MTN Group Ltd	49 594 988	2 479 749
Standard Bank Group Ltd	42 207 174	2 110 359
Richemont Securities AG	38 810 563	1 940 528
British American Tobacco Plc	35 651 232	1 782 562
Vodacom Group Ltd	31 323 134	1 566 157
Capitec Bank Ltd	30 997 671	1 549 884
<b>Total value of ten largest equity holdings</b>	<b>526 696 436</b>	<b>26 334 823</b>
<b>As a percentage of total investments plus bank balances (%)</b>	<b>23</b>	<b>1</b>

#### 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	98 686 269	4 934 313
RSA 197	53 320 141	2 666 007
RSA 202	47 730 413	2 386 521
RSA 2038	41 974 819	2 098 741
Robeco Equity Fund	38 872 258	1 943 613
RSA 2048	37 529 379	1 876 469
RSA 2050	36 692 154	1 834 608
RSA 2030	35 378 026	1 768 901
RSA 210	35 347 658	1 767 383
RSA 2037	34 708 729	1 735 436
<b>Total value of ten largest other instruments</b>	<b>460 239 846</b>	<b>23 011 992</b>
<b>As a percentage of total investments plus bank balances (%)</b>	<b>20</b>	<b>1</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 3. Investments (continued)

### 3.1 Investment summary (continued)

#### 3.1.11 Foreign currency exposure

	Fair value USD'000	Fair value R'000	Exchange rate movement by 5% R'000
Black Rock Advisors UK Ltd	7 294 041	129 776 302	6 488 815
Robeco Institutional Asset Management B.V.	2 184 804	38 872 258	1 943 613
Pan African Infrastructure Development Fund	598 389	10 646 593	532 330
Dangote Cement Plc	472 072	8 399 156	419 958
Econet New ARX Ltd	402 904	7 168 515	358 426
International Bank for Reconstruction and Development	359 340	6 393 419	319 671
Cheyne Capital Management (UK) LLP	348 085	6 193 163	309 658
JP Morgan Asset Management (UK) Ltd	337 724	6 008 811	300 441
Amundi (UK) Ltd	308 641	5 491 379	274 569
Enko Capital Management LLP	294 324	5 236 635	261 832
ETG Inputs Holdco Ltd	269 846	4 801 134	240 057
Gemcorp Capital LLP	218 518	3 887 886	194 394
ABRDN Investments Ltd	214 560	3 817 474	190 874
PIMCO Europe Ltd	211 584	3 764 529	188 226
MTN Nigeria Communications Ltd	184 509	3 282 802	164 140
Goldman Sachs Asset Management International	158 438	2 818 946	140 947
AP Venture Fund I	155 226	2 761 791	138 090
African Finance Corporation	105 063	1 869 287	93 464
Ecobank Transnational Inc.	82 874	1 474 496	73 725
Mazi Africa Fund	81 320	1 446 858	72 343
Gateway Delta (Pty) Ltd	78 961	1 404 882	70 244
Tanga Cement Company Ltd	75 640	1 345 798	67 290
Novare Africa Property Fund	71 115	1 265 282	63 264
Coronation Africa Frontiers Unit Trust	67 575	1 202 293	60 115
AP Venture Fund II	59 236	1 053 933	52 697
Bayport Management Ltd	59 212	1 053 512	52 676
African Export-Import Bank	58 718	1 044 719	52 236
Vodacom Tanzania Ltd	54 131	963 112	48 156
Aradei Capital	50 085	891 112	44 556
Abraaj Africa Fund III	43 772	778 794	38 940
Convergence Partners Communications Infrastructure Fund	35 604	633 469	31 673
Kuvenco 1 Ltd	35 175	625 841	31 292
Grit Real Estate Group NPV	34 519	614 166	30 708
African Development Partners II LP	31 742	564 758	28 238
Africa Capital Works	25 871	460 295	23 015
Republic of Angola	22 339	397 463	19 873
Drive-In-Trading (Pty) Ltd	22 140	393 909	19 695
African Development Partners III LP	20 960	372 917	18 646
Capital Alliance Private Equity IV Ltd	19 682	350 189	17 509
South Suez African Fund II LP	19 305	343 480	17 174
Kuramo Africa Opportunity II (Mauritius) LLC	16 529	294 086	14 704
West Africa Emerging Fund	12 830	228 267	11 413
Africa Food Security Fund	12 014	213 759	10 688
Verod Capital Growth Fund II LP	8 930	158 879	7 944
Kenya Electricity Generating Company Ltd	8 225	146 334	7 317
Cipla Quality Chemical Industries Ltd	4 959	88 230	4 412
Convergence Partners Digital Infrastructure Fund	3 689	65 641	3 282
Ninety One Africa Unit Trust	1 508	26 834	1 342
<b>Total value of foreign instruments</b>	<b>15 236 728</b>	<b>271 093 388</b>	<b>13 554 672</b>
<b>As a percentage of total investments plus bank balances (%)</b>		<b>12</b>	<b>1</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 4. Funding loan

	2023 R'000	2022 R'000
Sefalana Employee Benefits Organisation (SEBO)*	–	6 716

\* The funding loan has been settled during the year under review.

## 5. Accounts receivable

	2023 R'000	2022 R'000
Interest receivable	131 043	97 881
Dividends receivable	5 741 893	5 866 075
Estates debt	79 749	68 826
Total estates debt	165 328	139 299
Less: provision for doubtful debts	(85 579)	(70 473)
Fraud cases debt	–	–
Total fraud cases debt	68 917	66 101
Less: provision for doubtful debts	(68 917)	(66 101)
Investment debtors	2 655 365	2 755 747
Lease debtor	612 387	416 834
Purchased service	64 272	58 560
Purchased service not recovered at retirement or death	255	321
South African Post Office	162 289	132 923
Sundry debtors	8 828	5 922
National Treasury	4 631	4 151
Prepayments*	921 626	–
Government Pensions Administration Agency	27 099	–
Temporary Employees Pension Fund	65	389
Overpayments	43 070	42 023
Total overpayments	80 742	79 431
Less: provision for doubtful debts	(37 672)	(37 408)
	<b>10 425 473</b>	<b>9 476 751</b>

\* This refers to April Monthly pensions paid in March because the 1st of April was on a Saturday

## 6. Contributions

### 6.1 Contributions receivable

	2023 R'000	2022 R'000
Participating employers	163 467	133 278
Additional employer contributions*	290 707	201 781
Additional NSF employer contributions**	457 496	413 414
Interest on outstanding contributions	987	650
Statement of net assets and funds	<b>912 657</b>	<b>749 123</b>

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 6. Contributions (continued)

### 6.2 Reconciliation of contributions receivable

	Contributions receivables 2022 R'000	Contributions accrued 2023 R'000	Contributions received 2023 R'000	Contributions receivable 2023 R'000
Member contributions	–	29 847 160	(29 847 160)	–
Employer contributions	748 473	53 284 865	(53 121 668)	911 670
Interest on outstanding contributions	650	339	(2)	987
	<b>749 123</b>	<b>83 132 364</b>	<b>(82 968 830)</b>	<b>912 657</b>
Statement of changes in net assets and funds				<b>83 132 364</b>

## 7. Cash and cash equivalents

	2023 R'000	2022 R'000
Cash resources	1 755 927	1 505 159
Short-term investments	32 482 634	44 197 752
	<b>34 238 561</b>	<b>45 702 911</b>

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

## 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 the reserve balance between Ciskei strikers, general assistants and other past discriminatory practices.

	Ciskei strikers' reserve 2023 R'000	General assistants' reserve 2023 R'000	Other past discriminatory practices' reserve 2023 R'000	Total reserve accounts 2023 R'000
Balance at beginning of the year	194 765	153 621	4 946 923	5 295 309
Benefits recognised*	–	–	(418 852)	(418 852)
Transfer from net investment return to reserves	11 659	9 197	181 035	201 891
Balance at end of year	<b>206 424</b>	<b>162 818</b>	<b>4 709 106</b>	<b>5 078 348</b>

\* In October 2018, a resolution was signed by the PSCBC to implement the 1998 agreements in paying members affected by past discriminatory practices and as such an amount of R418.9 million was incurred during the current year.

## 9. Unclaimed benefits

	2023 R'000	2022 R'000
Balance at the beginning of the year	2 063 097	1 802 137
Transferred from benefits	827 740	1 296 799
Benefits paid	(707 776)	(1 172 680)
Interest provision – current year	771 301	736 966
Interest provision – prior year	(736 966)	(600 125)
<b>Balance at the end of the year</b>	<b>2 217 396</b>	<b>2 063 097</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 9. Unclaimed benefits (continued)

### Reconciliation of number of cases

	Cases 2023	Amount 2023 R'000	Cases 2022	Amount 2022 R'000
Payments rejected by banks	10 319	683 446	9 608	536 757
Cases available for internal tracing	4 173	408 991	5 146	414 801
Unclaimed funeral benefits	166	1 934	170	1 545
Tax directives declined	613	23 051	618	23 069
Family disputes cases	205	71 841	256	94 450
Cases available to external tracing	5 497	95 708	6 205	111 719
Past discriminatory practices (PDP)	10 736	932 425	7 767	880 756
<b>Balance at the end of the year</b>	<b>31 709</b>	<b>2 217 396</b>	<b>29 770</b>	<b>2 063 097</b>

## 10. Benefits

	Benefits accrued current year 2023 R'000	Benefits paid during year 2023 R'000	Benefits transferred to unclaimed benefits 2023 R'000	Benefits payable 2023 R'000	Benefits payable 2022 R'000
Net benefit payments	130 857 055	(135 552 049)	(814 367)	42 253 962	47 763 323
Gratuities	20 550 545	(21 326 718)	(243 538)	8 676 890	9 696 601
Withdrawal benefits	28 607 780	(33 156 599)	(155 601)	14 130 471	18 834 891
Monthly pensions	69 578 301	(69 542 844)	(29 328)	5 092 523	5 086 394
Retrenchment benefits	3 058 848	(575 890)	–	2 486 427	3 469
Death benefits	7 651 046	(9 587 271)	(374 462)	11 635 498	13 946 185
Funeral benefits	404 207	(405 928)	(1 974)	120 269	123 964
Children's benefits*	998 347	(948 818)	(9 464)	111 884	71 819
Divorce benefits	7 333	(7 333)	–	–	–
Unclaimed benefits**	648	(648)	–	–	–
Interest to members	2 743 330	(1 879 317)	(13 373)	14 278 468	13 427 828
Benefits payable****	133 600 385	(137 431 366)	(827 740)	56 532 430	61 191 151
<b>Statement of changes in net assets and funds</b>				<b>130 857 055</b>	

\* Children's 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 2023 and benefits accrued during the year includes an amount of R14.9 billion (2022: R13.9 billion) representing exit cases that were not fully processed at year-end.

Benefit payable age analysis is summarised as follows:

	Cases 2023	Amount 2023 R'000	Cases 2022	Amount 2022 R'000
<b>Current</b>				
<2 years	46 997	29 419 085	45 984	35 088 378
<b>Unpaid benefits</b>				
>2 years	101 315	24 272 954	100 957	23 096 353
Contingency provision	–	2 634 274	–	2 855 672
Children's benefits	3 833	110 994	2 767	69 315
Interest on NSF benefits	643	95 123	555	81 433
<b>Total</b>	<b>152 788</b>	<b>56 532 430</b>	<b>150 263</b>	<b>61 191 151</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 11. Transfers

### 11.1 Transfers to other funds

	Effective date	Number of members	Transfers approved 2023 R'000	Return on transfer 2023 R'000	Transfers paid 2023 R'000	Transfers payable 2023 R'000	Transfers payable 2022 R'000
Bulk transfers in terms of Rule 12 of the GEP Law							
Municipal transfers	2022/2023	–	–	43	–	1 215	1 172
		–	–	43	–	1 215	1 172
Transfers approved						–	
Return on transfers						43	
<b>Statement of changes in net assets and funds</b>						<b>43</b>	

### 11.2 Transfers from other funds

	Effective date	Number of members	Transfers approved 2023 R'000	Return on transfer 2023 R'000	Transfers received 2023 R'000	Transfers receivable 2023 R'000	Transfers receivable 2022 R'000
Bulk transfers in terms of Rule 12 of the GEP Law							
Individual transfers	2022/2023	101	13 115	4 535	(17 650)	–	–
		101	13 115	4 535	(17 650)	–	–
Transfers approved						13 115	
Return on transfers						4 535	
<b>Statement of changes in net assets and funds</b>						<b>17 650</b>	

## 12. Accounts payable

	2023 R'000	2022 R'000
Administrative creditors	26 864	23 920
Operating lease accrual	420	107
Child maintenance (court orders)	1 557	1 858
Contributions (employers)	401 438	11 603
Dormant members	473	430
Associated Institutions Pension Fund	1 684	1 730
Government Pensions Administration Agency	79 731	101 662
Investment creditors	5 832 197	4 100 800
National Treasury	138	184
Non-Statutory Forces contribution	1 079	–
Outstanding SA Post Office vouchers	158 382	129 699
Portfolio management fees payable	428 059	484 694
Sundry creditors	379 862	465 813
	<b>7 311 884</b>	<b>5 322 500</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 13. Provisions

	2023 R'000	2022 R'000
Provision for accumulated leave pay	892	1 287
Balance at the beginning of the year	1 287	1 166
Provided	892	1 287
Utilised	(1 287)	(1 166)
Provision for bonuses	19 556	11 121
Balance at the beginning of the year	11 121	10 879
Provided	19 556	11 121
Utilised	(11 121)	(10 879)
<b>Balance at the end of the year</b>	<b>20 448</b>	<b>12 408</b>

## 14. Purchase of periods of service

	2023 R'000	2022 R'000
GEPF members	45 452	25 788
Divorce benefits	33 286	76 667
Past discriminatory members	418 852	563 221
	<b>497 590</b>	<b>665 676</b>

## 15. Net investment income

	2023 R'000	2022 R'000
Income from investments	116 385 788	108 569 151
Dividends	56 378 836	48 982 771
Interest	56 691 134	51 899 638
Other income	936 163	263 866
Reversal of impairment <sup>3</sup>	350 535	5 472 142
Property income	2 029 120	1 950 734
Net profit on sale of investments <sup>1</sup>	22 231 806	42 697 158
Adjustment of fair value	(52 358 320)	111 471 287
Foreign exchange gain	6 364 632	–
Impairment of investments <sup>2</sup>	(6 157 706)	(2 480 414)
Total investment income	<b>86 466 200</b>	<b>260 257 182</b>
Less: expenses incurred in managing investments		
Management fees – externally managed	(2 231 290)	(2 040 018)
Management fees and other expenses – internally managed	(34 465)	(86 793)
Property expenses	(1 186 641)	(1 142 133)
Foreign exchange loss	–	(243 117)
Transaction costs and other expenses	(820 114)	(1 044 470)
Total investment expenses	<b>(4 272 510)</b>	<b>(4 556 531)</b>
Net investment income	<b>82 193 690</b>	<b>255 700 651</b>
Profit on sale of investments <sup>1</sup>	<b>25 183 619</b>	<b>48 020 340</b>
Loss on sale of investments <sup>1</sup>	<b>(2 951 813)</b>	<b>(5 323 182)</b>

1. Net profit on sale of investments

2. 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.

3. In the current year, reversals of impairment were recognised by companies listed in the schedule of reversals of impairment on the page following the next.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 15. Net investment income

### Schedule of impairments (continued)

	2023 R'000	2022 R'000
Firefly Investments 326 (Pty) Ltd	1 235 057	55 134
Lancaster Group	752 236	–
Kuseni Group (Pty) Ltd	377 185	–
Land and Agricultural Development Bank SA	373 516	–
Honsha Property (Pty) Ltd	306 651	238 651
AFGRI Poultry (Pty) Ltd	306 112	21 297
Independent News and Media SA (Pty) Ltd	297 121	204 657
S&S Refinery (Pty) Ltd	291 672	9 203
Allied Mobile communications (Pty) Ltd	192 529	136 236
Musa Group (Pty) Ltd	164 293	92 278
Belelani Capital (Pty) Ltd	157 823	–
Bafepi Agri (Pty) Ltd	155 324	89 358
Smile Telecoms Holdings (Ltd)	148 364	7 723
WH Pharma Couriers (RF) (Pty) Ltd	111 929	86 357
Madibeng Municipality	102 771	–
Drive-in-Trading (Pty) Ltd	97 719	77 902
Interden Management (RF) (Pty) Ltd	89 472	258 043
Project Prop (Pty) Ltd	88 720	–
Econet New ARX Ltd	85 462	–
Zamalwandle Transport Logistics (Pty) Ltd	80 170	55 722
Mazwe Funding SPV (RF) (Pty) Ltd	79 346	20 678
Firefly Investments 230 (RF) (Pty) Ltd	76 502	23 651
Lona Group (Pty) Ltd	72 567	48 584
Sub Saharan Investment Holdings (Pty) Ltd	71 658	39 739
ACWA Power Solafrica Bokpoort CSP Power Plant (Pty) Ltd	68 776	55 627
Firefly Investments 319 (Pty) Ltd	58 963	278 560
Venda Building Society	51 677	17 713
Sunrise Energy (Pty) Ltd	40 528	–
Kgwara Investments (Pty) Ltd	37 500	–
LA Crushers (Pty) Ltd	37 372	15 611
Just Veggies (Pty) Ltd	30 023	20 665
Botshilu Private Hospital (Pty) Ltd	26 373	51 264
Southern Farms (Pty) Ltd	22 534	–
Kiaat Nozala Health Partners (Pty) Ltd	22 479	71 240
Roggeveld Wind Power (Pty) Ltd	22 327	157 623
Tanga Cement Company Ltd	11 761	63 615
Yalu Financial Services (Pty) Ltd	7 468	8 699
CPV Power Plant No.1 (Pty) Ltd	4 717	1 008
Hot Dog Café (Pty) Ltd	1 009	–
Solar Capital De Aar (RF) (Pty) Ltd	–	120 125
Ekuzeni Supplies (Pty) Ltd	–	71 918
Acapulco Trade and Invest 164 (RF) (Pty) Ltd	–	28 323
South African Infrastructure Fund	–	27 025
Sakhumnotho Property Holdings (Pty) Ltd	–	19 070
Friedshelf 1518 (Pty) Ltd	–	7 115
<b>Total</b>	<b>6 157 706</b>	<b>2 480 414</b>

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 15. Net investment income (continued)

<sup>3</sup> In the current year, reversals of impairment were recognised by companies listed in the schedule of reversals of impairment below:

### Schedule of reversals of impairment

	2023 R'000	2022 R'000
Acapulco Trade and Invest 164 (RF) (Pty) Ltd	96 502	–
Interden Management (RF) (Pty) Ltd	89 598	–
Sakhumnotho Property Holdings (Pty) Ltd	52 468	–
Ekuzeni Supplies (Pty) Ltd	51 632	–
Friedshelf 1518 (Pty) Ltd	38 157	11 781
Kurisani Youth Development Trust	16 362	–
Kiaat Hospital (Pty) Ltd	5 567	–
V&A Waterfront Holdings (Pty) Ltd	249	44 532
Land and Agricultural Development Bank SA	–	2 914 507
Belelani Capital (Pty) Ltd	–	1 630 280
Lancaster Group	–	382 567
Kilimanjaro Sakhumnotho Consortium (Pty) Ltd	–	308 844
Kuseni Group (Pty) Ltd	–	138 917
Business Ventures Investments No 1697 (Pty) Ltd	–	19 183
ACWA Power Solafrika Bokpoort CSP Power Plant (Pty) Ltd	–	17 346
Sunrise Energy (Pty) Ltd	–	3 237
Hot Dog Café (Pty) Ltd	–	944
EM Africa Properties (Pty) Ltd	–	4
<b>Total</b>	<b>350 535</b>	<b>5 472 142</b>

## 16. Other income

Arrear contributions	25 707	3 741
Purchase of service	3 962	3 807
Additional employer contributions – early retirement	–	146 499
Additional employer contributions – NSF	44 082	39 835
Interest on bank account	89 371	48 560
Other	295	646
	<b>163 417</b>	<b>243 088</b>

## 17. Administrative expenditure

### 17.1 Total administrative expenditure

Administration expenses	1 022 253	917 144
Actuarial fees	1 394	3 726
Investment accounting fees	–	373
Investment performance analysis	–	426
Audit fees	10 246	11 576
Depreciation	3 268	3 005
Foreign currency loss	3	87
Legal costs	26 917	23 220
Bad debts	1 595	21 680
Profit on sale of property, plant and equipment	–	69
Operating expenses	68 699	67 196
Operating lease payments	7 078	6 148
Operating lease smoothing adjustments	313	107
Personnel expenses	106 102	86 754
Personnel expenditure (refer to note 17.2)	53 462	41 987
Executive officer expenditure (refer to note 17.3)	20 267	14 137
Principal officer expenditure (refer to note 17.4)	9 788	9 131
Trustees' expenditure (refer to note 17.6)	22 585	21 499
Increase/(Decrease) in provision for doubtful debt	18 187	(4 302)
	<b>1 266 055</b>	<b>1 137 209</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 17. Administrative expenditure (continued)

### 17.2 Personnel remuneration and expenses

	2023 R'000	2022 R'000
Remuneration to permanent and contract employees	48 462	38 680
Retirement fund contributions	4 486	2 944
Other benefits (housing, medical, etc.)	514	363
	<b>53 462</b>	<b>41 987</b>

### 17.3 Executive officers' remuneration and expenses

Remuneration and allowances	14 505	10 006
Bonuses – Long term incentive	1 348	1 147
Bonuses – Short term	4 414	2 984
	<b>20 267</b>	<b>14 137</b>

### 17.4 Principal officer's remuneration and expenses

Remuneration and allowances	5 576	5 334
Bonuses – Long term incentive	2 141	1 617
Bonuses – Short term	2 071	2 180
	<b>9 788</b>	<b>9 131</b>

### 17.5 Detailed executive and Principal Executive Officer remuneration

Name	Position	Cost to	Short-	Long	Total	Cost to	Short-	Long	Total
		company	term	term		company	term	term	
		2023	incentives	incentives	2023	2022	incentives	incentives	2022
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Musa Mabesa	Principal Executive Officer	5 576	2 071	2 141	9 788	5 334	2 180	1 617	9 131
Dharmasela Naidoo	Head: Stakeholder Management and Communications	2 153	680	690	3 523	2 065	666	569	3 300
Adri van Niekerk	Company Secretary	2 192	648	658	3 498	2 087	657	578	3 322
Sifiso Sibiyi*	Head: Investment	2 714	842	–	3 556	2 183	675	–	2 858
Brian Karidza*	Head: Actuarial and Benefits Administration	2 622	791	–	3 413	2 100	628	–	2 728
Portia Mngomezulu*	Head: Corporate Services	2 384	737	–	3 121	1 166	358	–	1 524
Bulelwa Kotta*	Head: Finance	2 440	716	–	3 156	405	–	–	405
		<b>20 081</b>	<b>6 485</b>	<b>3 489</b>	<b>30 055</b>	<b>15 340</b>	<b>5 164</b>	<b>2 764</b>	<b>22 967</b>

\* These employees did not qualify to receive long term incentive bonuses. The start dates of these employees are as follows:

Head: Investments	1 June 2021
Head: Actuarial and Benefits Administration	2 June 2021
Head: Corporate Services	1 October 2021
Head: Finance	1 February 2022

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 17. Administrative expenditure (continued)

### 17.6 Board of Trustees' remuneration and expenses

	2023 R'000	2022 R'000
Meeting allowances	18 788	18 054
Expenses	3 797	3 445
	<b>22 585</b>	<b>21 499</b>

### 17.7 Trustee remuneration

Name	Meeting attendance fee R'000	Retainer fee R'000	Subsistence and travel R'000	Total paid R'000
Mr Thabo Mokwena	200	38	0	238
Ms Mantuka Maisela	262	71	17	350
Dr Renosi Mokate	286	71	6	363
Mr Khaya Sodidi	86	16	0	102
Adv. Nonkumbulo Ntsombe	38	16	0	54
Mr Richard Morris	654	140	39	833
Brigadier Johan Griesel	90	16	0	106
Mr Sibonile Cele	110	30	0	140
Mr Johan Coetzer	193	30	0	223
Mr Themba Gamedze	128	30	0	158
Ms Jenny Jeftha	378	65	1	444
Ms Jennita Kandailal	69	30	0	99
Ms Buyiswa Nkunjana	547	91	0	638
Ms Anadele Coetzee	304	63	0	367
Mr Ntsoareng Marotholi	711	126	1	838
Ms Lebo Mokgabudi	656	114	1	771
Mr Zethu Msindo	645	114	1	760
Mr Msinto Rankele	38	16	0	54
Mr Bernie Ntlou	565	47	0	612
Dr Zamo Shabane	286	47	1	334
Mr Modibedi Maledu	280	47	0	327
Major Gen Nicholas Lushaba	269	47	1	317
Mr Eddie Kekana	891	212	27	1 130
Ms Phyllicia Kekana	392	74	0	466
Ms Emily Mmola	355	63	1	419
Mr Sidney Kgara	340	63	0	403
Ms Thandi Khoza	599	107	0	706
Ms Lerato Makwetla	299	47	2	348
Ms Kgomotso Makhupola	772	169	1	942
Mr Greg Rafferty	565	91	0	656
Mr Mugwena Maluleke	321	63	0	384
Mr Musa Nkosi	565	91	1	657
Mr Sibusiso Malinga	285	77	1	363
Mr Success Mataitsane	104	23	0	127
Rear Admiral Gladys Mbulaheni	86	24	0	110
Lieutenant Col Barnard van Niewenhuyzen	304	47	1	352
Mr Dondo Mogajane	972	237	0	1209
Mr Thabo Matsose	547	91	1	639
Mr Sipho Nkambule	500	107	3	610
Mr Christo van Dyk	547	91	0	638
Adv. Makhubalo Ndaba	426	105	0	531
L Gen Lineo Ntshiea	761	137	1	899
Dr Morgan Pillay	90	30	0	120
Ms Suveena Pillay	69	24	0	93
Mr Hale Qangule	558	121	1	680
Mr Solly Malema	286	47	1	334
Major General Malungisa Sitshongaye	90	30	0	120
Mr Vusi Tshabalala	250	47	0	297
Mr David Jantjies	286	47	1	334
Mr Pierré Snyman	733	157	0	890
<b>Total</b>	<b>18 788</b>	<b>3 687</b>	<b>110</b>	<b>22 585</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 18. Interest expense

	2023 R'000	2022 R'000
Interest payable to members	2 743 330	2 879 991
Interest payable to members exited from GEPF	2 574 708	2 724 200
Interest payable to external funds in respect of members exited from GEPF	127 351	102 892
Interest payable to NSF members	41 271	52 899
Interest payable to dormant members	43	39
	<b>2 743 373</b>	<b>2 880 030</b>

## 19. Operating lease

	2023 R'000	2022 R'000
<b>Income</b>		
Future minimum lease payments receivable under non-cancellable operating leases:		
Receivable within one year	1 183 759	1 232 454
Receivable between two and five years	3 071 387	3 214 948
Receivable after five years	2 240 558	2 582 410
	<b>6 495 704</b>	<b>7 029 812</b>
<b>Expenses</b>		
Future minimum lease payments under non-cancellable operating leases:		
Payable within one year	4 395	6 907
Payable between two and five years	930	3 799
	<b>5 325</b>	<b>10 706</b>

## 20. Cash generated from operations

	2023 R'000	2022 R'000
Net income after transfers and benefits	31 138 185	195 337 442
Adjusted for:	<b>(86 752 481)</b>	(251 086 599)
Interest income	<b>(56 854 551)</b>	(52 142 726)
Interest expense/(adjustment)	2 743 373	2 880 030
Divorce benefits	7 333	29 481
Dividends received	<b>(56 378 836)</b>	(48 982 771)
Adjustment to fair values of investments	52 358 320	(111 471 287)
Profit on sale of investments	<b>(22 231 806)</b>	(42 697 158)
Impairment of investments	6 157 706	2 480 414
Reversal of impairment	<b>(350 535)</b>	(5 472 142)
Foreign currency loss/(income)	<b>(6 364 629)</b>	243 204
Depreciation	3 268	3 005
Loss on sale of property	-	69
Lease smoothing	313	107
Bad debt written off	1 595	21 680
Increase/(decrease) in doubtful debt provision	18 187	(4 302)
Movement in provisions	<b>(5 347 022)</b>	4 675 314
Net transfers (in)/out	<b>(515 197)</b>	(649 517)
Adjusted net loss after transfers and benefits	<b>(55 614 296)</b>	(55 749 157)
Change in working capital	<b>(805 999)</b>	3 016 867
Decrease/(increase) in accounts receivable	<b>(1 120 308)</b>	2 915 118
Increase/(decrease) in accounts payable	314 309	101 749
<b>Cash flow generated from operations</b>	<b>(56 420 295)</b>	(52 732 290)

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 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 in.

GEPF's strategic asset allocation percentages for the various asset classes, is 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.

### 21.1 Market risk and interest rate risk

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to 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 is 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. 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 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 the 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 agencies for listed 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 that 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 collateral and other 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 mandate requirements.

### 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.

### 21.4 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 settling limits to strategic asset allocation percentages for foreign asset classes and other risk transfer mechanisms allowed through the derivatives policy.

### 21.5 Solvency risk

Solvency risk is the risk that the invested 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 as 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.



# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 21. Financial management and associated risks (continued)

### 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

Majority of the Funds 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 2023, 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, refer to note 10.

### 23.2 Pending litigation

No contingent liability exists in respect of a legal claim against the GEPF on the date on which the financial statements were approved.

## 24. Capital commitments

### 24.1 Capital commitments – current year

Name of und	Total commitment	Drawn commitment	Undrawn commitment	Total commitment	Drawn commitment	Undrawn commitment	Estimated repayable period
	2023	2023	2023	2023	2023	2023	
	USD'000	USD'000	USD'000	USD'000	R'000	R'000	
ADPI II	30 000	28 303	1 697	533 763	503 570	30 193	One year
ADPI III	40 000	17 843	22 157	711 684	317 464	394 220	Nine years
AIIF 4*	60 000	–	60 000	1 067 526	–	1 067 526	13 years
Cape IV	20 000	19 757	243	355 842	351 519	4 323	One year
South Suez	25 000	20 760	4 240	444 802	369 364	75 438	Five years
<b>Total</b>	<b>175 000</b>	<b>86 663</b>	<b>88 337</b>	<b>3 113 617</b>	<b>1 541 917</b>	<b>1 571 700</b>	

\* New commitment

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2023

## 24. Capital commitments *(continued)*

### 24.2 Capital commitments – previous year

Name of und	Total commitment 2022 USD'000	Drawn commitment 2022 USD'000	Undrawn commitment 2022 USD'000	Total commitment 2022 USD'000	Drawn commitment 2022 R'000	Undrawn commitment 2022 R'000	Estimated repayable period
ADPI II	30 000	27 869	2 131	438 159	407 035	31 124	One year
ADPI III	40 000	11 256	28 744	584 212	164 397	419 815	Nine years
Cape IV	20 000	18 666	1 334	292 106	272 622	19 484	Three years
South Suez	25 000	20 308	4 692	365 132	296 604	68 528	Five years
<b>Total</b>	<b>115 000</b>	<b>78 099</b>	<b>36 901</b>	<b>1 679 609</b>	<b>1 140 658</b>	<b>538 951</b>	



# 10

## GLOSSARY

# GLOSSARY

<b>ALM</b>	Asset Liability Modelling
<b>BA-C</b>	Benefit and Administration Committee
<b>Batseta</b>	Council of Retirement Funds for South Africa
<b>B-BBEE</b>	Broad-based Black Economic Empowerment
<b>CPI</b>	Consumer Price Index
<b>CRISA</b>	Code for Responsible Investing in South Africa
<b>DENOSA</b>	Democratic Nursing Organisation of South Africa
<b>DI</b>	Developmental Investment
<b>DoA</b>	Delegation of Authority
<b>DPI</b>	Development Partners International
<b>EE</b>	Employment Equity
<b>ERP</b>	Enterprise Resource Planning
<b>ESG</b>	Environmental, Social and Governance
<b>EXCO</b>	Executive Committee
<b>AFR – C</b>	Audit, Finance and Risk Committee
<b>FSCA</b>	Financial Sector Conduct Authority
<b>GDP</b>	Gross Domestic Product
<b>GEMS</b>	Government Employees Medical Scheme
<b>GEP Law</b>	Government Employees Pension Law
<b>GEPF</b>	Government Employees Pension Fund
<b>GEPO</b>	Government Employees Pension Ombud
<b>GL-C</b>	Governance and Legal Committee
<b>GPAA</b>	Government Pension Administration Agency
<b>GPTB</b>	Global Pension Transparency Benchmark
<b>GSG</b>	Global Steering Group for Impact Investment
<b>ICT</b>	Information and Communication Technology
<b>IFC</b>	International Finance Corporation
<b>IMF</b>	International Monetary Fund
<b>IMI</b>	Investable Market Index

<b>INV-C</b>	Investment Committee
<b>IoDSA</b>	Institute of Directors in South Africa
<b>IT</b>	Information Technology
<b>JSE</b>	Johannesburg Stock Exchange
<b>LDI</b>	Liability-driven Investment
<b>LTIS</b>	Long-term Incentive Scheme
<b>MSCI</b>	Morgan Stanley Capital International
<b>NEHAWU</b>	National Education, Health and Allied Workers' Union
<b>PEO</b>	Principal Executive Officer
<b>PFMA</b>	Public Finance Management Act, 1 of 1999
<b>PIC</b>	Public Investment Corporation
<b>PMC UI</b>	Portfolio Management Committee Unlisted Investments
<b>POPCRU</b>	Police and Prisons Civil Rights Union
<b>PRI</b>	Principles for Responsible Investment
<b>PSA</b>	Public Servants Association
<b>PSCBC</b>	Public Service Coordinating Bargaining Council
<b>REMCO</b>	Remuneration Committee
<b>RI</b>	Responsible Investment
<b>RMC</b>	Retirement Member Campaign
<b>SAA</b>	Strategic Asset Allocation
<b>SARS</b>	South African Revenue Service
<b>SCM</b>	Supply Chain Management
<b>SLA</b>	Service-level Agreement
<b>SME</b>	Small and Medium Enterprises
<b>SE-SC</b>	Social and Ethics Subcommittee
<b>VAL-SC</b>	Valuations Subcommittee
<b>UNISA</b>	University of South Africa
<b>UNPRI</b>	United Nations Principles for Responsible Investment







[www.gepf.co.za](http://www.gepf.co.za)

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