SOCIAL SECURITY - PENSIONS & CARE OF THE AGED

1989

July  -  DEC
### TYPICAL POSITION AT RETIREMENT

| Final remuneration package | R60 000 pa |
| Final salary               | R40 000 pa |
| Years of service           | 15         |
| Final pension              |            |
| 15 x 2% x R40 000          | R12 000 pa |
| Pension gap                |            |
| R60 000-R12 000            | R48 000 pa |

### "FAVOURABLE" POSITION AT RETIREMENT

| Final remuneration package | R90 000 pa |
| Final salary               | R60 000 pa |
| Years of service           | 25         |
| Final pension              |            |
| 25 x 2% x R60 000          | R30 000 pa |
| Pension gap                |            |
| R90 000-R30 000            | R60 000 pa |

Don't be hit by the retirement poverty gap

BEING a member of a pension fund can lead to the delusion that no further retirement provision is needed. In most cases the opposite is true, with a large gap in earnings before and after retirement.

Job-hopping is an unavoidable fact of life. Most people change jobs several times before they retire. This means that most people are not in their last job before retirement long enough to build up a really substantial pension benefit.

The average length of service of an employee retiring from a pension fund is 15 years. These years determine the pension he will receive from the pension fund.

To make matters worse, when a person retires the pension benefit in most cases is expressed as a percentage of final salary and not the final remuneration package.

The gap between the pre-retirement remuneration package and the pension after retirement can be alarming. This can be seen clearly from the two tables above showing the typical position at retirement and a "favourable" position at retirement.
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Unit trusts, endowments and RAs beat inflation

All belong in the balanced portfolio

Although unit trusts had the best performance one has to consider the very different risk ratings. Unit trusts have a lower risk profile and guarantee more capital than was invested. The guarantee in the above example was R11,006 — although only R10,000 was invested over the period. The proceeds after 10 years are completely tax-free and life cover, disability cover and other rider benefits can be added.

Old Mutual emphasises that portfolio should include a broad range of short and long-term investments ranging across the risk spectrum.
How to plan your finances

WE are often bombarded with advertising hype promising all sorts of things, or else tend to get lost in a maze of financial gobbledegook when we begin considering our finances.

This is a great pity, because it is quite unnecessary. If you are planning a trip abroad, you do not need to be an aeronautical engineer to book your flight, nor a town planner to draw up your itinerary — and you need their technical jargon even less. You do require a basic knowledge of where you want to go and how to get there and the same applies to financial planning.

● Short-term needs: the basic requirements of food, clothing, housing, holidays and the like.
● Medium-term needs: a reserve fund for unpredictable emergencies or savings for something you want to buy over the next few years.
● Long-term needs: providing financial security during retirement or inability to work, and life assurance.

The task of good financial planning is to build a sound bridge between where you are now and where you want to go. The bridge has two main supports: a thorough analysis of your present situation and clearly defined goals. The financial plan provides the body of the bridge to enable you to get from one side to the other in the best and easiest way.

The bridge may not be as wide, long or large as we may like. Very few people are wealthy enough to do everything they would like to do, so choices must be made.

You have to establish priorities.

The next step, preferably together with your financial adviser, is to collect all the relevant information and documents, helping to clarify your goals and isolate problems.

The two main supporting pillars are now in place. We now have to begin constructing the bridge. The implications of your present circumstances, whether business or personal, are analysed to point the way to the best design for you to achieve your objectives.

Planning requires regular reviews — it cannot be a one-time thing. Circumstances change, needs alter, priorities may not remain constant. Reviewing the situation helps monitor progress in attaining your goals and adapts strategies to changing needs.

Where should you put your hard-earned money? The choice can be bewildering: shares, unit trusts, property, participation bonds, building societies, banks, government stock, assurance policies, Krugerrands? Taxable or tax-free investments? For how long? Here the skill and knowledge of your adviser comes into play.

Four elements

You invest money now to provide future income, capital growth, or both, with a view to having the money available when you need it. Four elements should be considered in deciding on the best type of investment for you:

● Risk: the higher the potential income or capital growth, the higher the risk of losing your money. Income and growth requirements must be balanced with security.
● Liquidity: whether the investment can easily and quickly be converted into cash. The period or term of the investment is a major factor in getting access to it fast or without penalties.
● Inflation: the need to maintain or preferably increase the real value of an investment, to protect its purchasing power. For example, R1 000 invested now at 10 percent a year interest will yield R2 594 in 10 years' time.

The problem is that if inflation is around 15 percent over the period, the money you get then will be worth only R941 in today's terms — a real loss of R559 over the 10 years, even without taking any tax into account.

● Tax: the important consideration is not whether an investment is tax free, partially tax free or fully taxable, but the net return after tax. A married couple earning around R50 000 a year would probably do better from a taxable investment at 17 percent than from a tax-free investment at even 10 percent. It is the money that ends up in your pockets at the end of the day that counts.

The most suitable investment portfolio (that fancy name applies just as much to the average person as to the rich) provides a balance between risk and security, growth and immediate income needs. There is no point in planning a luxurious retirement if you do not have enough left over to eat well now.
Plan for Your Retirement

Low-cost options with a high value

PERSONAL FINANCE

300
EARLIER this week I was shown some rough footage of a television documentary on the so-called pensions "time-bomb" which M-Net will be screening on Carte Blanche sometime later this year.

I predict it is going to be one of the hardest-hitting documentaries seen on our small screens for a long time.

The dreadful plight of pensioners and old people in South Africa is well-known, but too often downplayed.

When you see the harsh reality on your television screen, you won't feel at all comfortable and may even be prompted to ask yourself: "Could this be me in twenty or thirty years from now?"

The answer to this is Yes. If you do not start preparing for retirement NOW, you could well end up in the poor-house, dependent on the State and welfare organisations to keep body and soul together.

The pensions debate is multidimensional and very complex. Despite political rhetoric and academic arguments certain things are clear: the State cannot provide every old-age pensioner with an adequate pension. It would simply cost too much and place too much of a burden on an already over-taxed productive sector of the economy.

Many people refer to welfare states in Western Europe and elsewhere in the industrialised nations of the world and ask why this country cannot provide the same benefits. The answer is the same: as a developing Third World country it simply does not have the resources to even contemplate such a move. In fact, any such move will be highly detrimental to economic growth and stability in this country. Not even a Socialist-Marxist government would be in a position to do so.

State's role

Some argue that the State, ideally, should not be providing pension benefits at all; that this should be left to the private sector welfare organisations or provided for by other indirect measures, such as tax rebates.

The government has been doing an egg-dance for years on the idea of some kind of national pension and or provident fund as well as the preservation and transferability of pension benefits, yet the issue is nowhere close to being resolved.

**Government Blames Opposition**

In terms of current legislation, employer contributions (which constitute the major input into an employee's pension fund) are withheld when the person resigns before reaching the mandatory retirement age.

It happens every time a person resigns during his working career, which, for Mr Average is about six or seven times. This practice of pension funds is nothing more than legalised thievery; institutionalised mugging.

Pension funds should be compelled by law to transfer all benefits, including their own contributions plus any capital growth earned, to the fund where the employee is going. This will also prevent departing employees from drawing pension contributions and lashing out on luxury goods they can ill afford.

**Resignations**

Anyone who resigns from a pension fund will, in most cases, have paid back only his own contributions plus a negligible interest rate, between 2 and 4 percent, depending on the generosity of the particular fund. That is, if the particular person's tax is fully paid out, otherwise he might even be in for an even nastier surprise.

That the employer's contribution, which is part of the remuneration package from the outset, can be taken back is outrageous.

This is a major ingredient in the pensions time-bomb ticking away under us all. If Mr Average cannot be given a fair deal by the pension funds, then future generations will face even higher taxes (to pay even higher Government-sourced pensions) and more and more destitute pensioners will be joining the poverty queues.

Apart from changes needed to pensions legislation, people also have to make their own efforts to provide supplementary sources of revenue for their old age. Most people retire on pensions far below what they were earning.

This is called the poverty gap and is more fully discussed in the personal finance section (PAGES 14-16). Take time to read it carefully; it might be you appearing on television sometime in the future.

- Wills and estates will be the subject of my radio programme this Monday at 5am on Radio 702 in The John Berk's Show. Also appearing on the show will be Derek Uys, author of the successful booklet called "Secrets of making your will."
THE Professional Provident Society is the largest and certainly the most visible fund which provides sickness and disability benefits, group life, term cover, a retirement annuity scheme and medical aid for its 41 000 members.

Although it is registered as a pension fund, it is regarded by Inland Revenue as a sickness benefit society.

"Through PPS membership, individual professional people can obtain the same variety of benefits as those employed by large corporations.

"However, investments generate surpluses and these are paid back to the members in a tax-free lump sum when they retire.

"To attract new members, our benefits have to 'match those on the market,' say PPS general manager Etienne Huggett.

"To augment our perma
MEN derive greater benefits from retirement funds than women and this situation can be addressed by changing the rules of individual funds.

Gerhard van Nickerk, general manager of Old Mutual's employee benefit division, says: "Modem pension and provident funds do not discriminate against women, but in the long term men derive greater benefits from them than women."

"More men, on average, work up to retirement age. Retirement funds are geared to provide maximum benefit to members who stay until they quit work."

"Members of most funds who leave their jobs before retirement are usually paid out only when they have paid into the fund plus certain interest."

"It is important for people to realise that the rules of retirement funds are not cast in concrete. The issue of women and retirement benefit funds can be altered if the people involved want it changed. Changes can be made to pension fund rules."

His advice to employees, employers and trade unions who would like to see their retirement funds operate more efficiently is to talk to the underwriters who administer them.
Freedom to choose often overlooked

By Anthea Duigan

To address the needs of a dual society, there is an urgent need for deregulation of pension benefits.

Paul Clipsham, deputy general manager corporate services at Fedlife and former president of the Institute of Life and Pension Advisers, believes that pensions should be tailored to the needs of the individual as opposed to accepting what employers offer.

There are two main alternatives - pension or provident funds. Retirement annuities are a third option.

Mr Clipsham says: "With the emergence of black unions in the past few years and their preference for provident funds, the pension movement has been forced to take cognisance of wishes of members."

"The benefit structures legislated 30 years ago have tended to guide people without making allowances for changing circumstances. Labour laws and other trading issues have been deregulated in recognition of South Africa's dual society, but pension legislation has been left behind."

"Many black people use their pension benefits as unemployment insurance, high-lighting the need for another type of benefit."

Allowing employees a choice would have been impossible 20 or 30 years ago. The administration would have been too great, if not impossible.

However, with the power of record-keeping and computer systems in operation now, administration need not present a major problem.

Universal

Mr Clipsham says: "Universal life policies allow policyholders to choose the percentage of life cover in proportion to investment. A similar system could easily be adapted for retirement benefits."

"If people were allowed more freedom of choice, there would be less antagonism towards pension benefits."

"Compare, for instance, the need of a bachelor with that of a married man with six children. Their needs are totally different. But such differences are not taken into account by pension funds."

"If you allow members to choose their benefits for their lifestyles on an individual rather than on a group basis, they would take an interest. At present, people do not feel they are joining pension or provident funds with any degree of personal choice."

However, it must be added that few employers know or understand much about their pension arrangements. It would be easier to educate them by giving them the freedom to choose their financial destiny.

Mr Clipsham says: "The choice is relatively simple. The death benefit requirement would vary. For the man with three children, five or six times annual salary would be a suitable death benefit or alternatively a widow's pension. The single person might want to opt out of the death benefits until he marries."

"The ideal system would be for a pension or provident fund registered with an agreed contribution rate of, say, 7% from the employee and 16% from the employer with tax relief granted on these contributions provided there was freedom to choose the package of benefits most suitable to the individual."

"These circumstances would encourage employees to participate more and therefore appreciate and understand the need to provide for retirement."

Capable

The debate continues as to which is the better retirement benefit - income or lump sum. Lump sum appeals to the blacks because they argue they do not have the same life expectancy as whites, although the quoted statistics tend to be misleading because they include infant mortality.

In many cases the black pensioner is more capable of handling his pension lump sum than many white people. What is so magical about taking only a third in cash on retirement? It may be more suitable for some to take half and the rest as an income, but they are restrained by legislation.

Paul Clipsham

"Lastly, I would recommend that disability insurance become a mandatory ingredient of employee benefits. Such insurance costs about 1% of payroll, but is excluded from many funds when it should be a top priority."

"In such cases it could be argued that trustees are out of touch. Being disabled with no income must be one of the worst fates."

"..."
under scrutiny

Security for all

A Business Times Survey July 2, 1989

Pensions & Provident Funds

By Anita Dullman
Bankruptcy stares many state-run funds in the face

ONE of the most startling facts to be disclosed by the Mouton Committee is that many First World government pension schemes face bankruptcy.

In West Germany, it is estimated that workers will have to pay 30% of their salaries in addition to income tax to save the government pension fund at the end of the century.

By Anthea Duigan

In the United States the pension fund is expected to run out of money early next century. It would appear that many First World countries with state pension schemes have miscalculated the effect of the ageing of their citizens and will have to restructure the schemes and inject vast sums of money to meet the future retirement needs of their people.

Some Third World countries, such as Kenya, have opted for a national provident fund which is basically a national savings scheme. All workers in Kenya are expected to contribute to the fund and on retirement withdraw their contributions plus any money paid by the employer together with accrued interest.

A Kenyan expatriate, when asked what happens to a worker when his withdrawal al funds run out, shrugged his shoulders and said that he probably died.

"As South Africans we cannot take that stance," says Reg Munro, assistant general manager of employee benefits for the Old Mutual and secretary of the Mouton Committee.

"It seems that neither the First nor the Third World countries have been successful in designing state pension schemes that are going to be capable of meeting the ongoing needs of the elderly so we are studying the whole concept of retirement."

The brief of the Mouton Committee — under Wynand Mouton — is broader than any previous commissions which have been confined to the pension industry, resulting in incomplete and unsatisfactory conclusions.

On the recommendation of the Meiring Committee, the Mouton Committee has a representative committee working towards consensus and trying to take all factors into account.

Analysis

The mandate is to come up with a new retirement dispensation for all South Africans, bearing in mind issues such as poverty, unemployment, existing social assistance systems, taxation, the means test, and possibly major financial crises that employees face before reaching retirement.

The first step being undertaken is the scrutiny of what is currently available. This situation analysis includes a study of the historical development, a statistical analysis of pension industry trends in the past five years and establishing what public opinion of pensions is. Various groups have been approached to assist with these studies.

Mr Munro says: "In our search for solutions, we have identified about 20 countries, not all with similar problems to those of South Africa, collecting details of their state pension and private arrangements."

Varied

"First World nations include the US, the Netherlands, Australia, New Zealand and the UK. Countries, such as Brazil, the Philippines, Zimbabwe and Nigeria, have been included because they could have problems akin to ours and we could learn by their experiences. We are still at the beginning of our investigations. "The problem is too complex for an immediate or a simple solution."

Mr Munro, one of about 20 members, devotes the equivalent of a day a week to the committee's work. The number of members on the committee varies, depending on the need.
You can’t take it with you, but you may need it awhile

IN spite of a publicity drive, most employees are still going on retirement with insufficient money to support them.

Joe Gates, deputy general manager of pensions and group schemes at AA Life, says a major cost to pensioners can be health care which is becoming increasingly expensive.

"A recent study established that the increased cost of medical care is partly due to advancements in medicine which have enabled people to live longer.

"A man with a heart condition invariably died relatively young. Now he undergoes an expensive bypass operation, takes special care of himself and lives longer than would have been the case before. But the cost of keeping him healthy rises correspondingly. The burden of health care becomes heavier for the general population."

"Employers, experiencing this expense, must be wondering how long they can continue providing medical aid to pensioners."

"Employees nearing retirement should investigate whether medical aid will be paid by the employer or not or whether it is his own or a joint expense. Pensions can be severely eroded by medical costs."

"Not all medical schemes allow pensioners to continue membership."

Inflation

Another issue which should be carefully considered by employees who are about to retire is the question of inflation-linked pensions. The decision is tough.

For example, the choice is whether to take a pension of £1,000 a month which remains constant for life or £75 which will increase by 10% annually. In choosing, it is helpful to remember that the £75 will retain its buying power until the pensioner dies.

Mr Gates says most pensioners opt for level pensions, adopting a pessimistic view of their life expectancy. They argue that their quality of life will be better in the short term.

"Another consideration should be whether to take a reduced pension which will be paid until the survivor of the marriage dies."

Mr Gates admits such decisions are hard to make, especially because the pension could be less than half the employee's last salary cheque and even less as an inflation-linked pension with the "last survivor" clause included.

He stresses the need to take a qualitative and quantitative viewpoint of job changes after the age of 60 years. At this age there are 20 to 25 years' service left in which to contribute to a pension fund which, at the average accrual rate of 2% for every year will result in a pension 50% to 50% of final salary.

However young at heart, the 40-year-old employee might feel, changing jobs should be an agonising decision. The employee must be sure the new job will offer the opportunity to improve his income and his pension benefits so that the 40% to 50% of final salary with the new employer will be better than a 50% to 60% with the current boss."
THE debate about the merits of pension and provident funds should not develop into a contest because both have a role to play in retirement provision.

This is the view of consultant Flahara O'Hanrahan of O'Hanrahan Goodman & Associates.

Mr O'Hanrahan says: "Pension funds provide solutions to certain needs and provident funds for others. The role of the consultant and the entire industry is to identify the needs of each group and decide whether they are best met by a pension or provident fund or a combination of the two."

"There are many cases in our society where a provident fund is the answer. A pension fund pays monthly amounts to a pensioner from the date of retirement during his lifetime subject to certain minimum guarantees. Frequently, there are vestry pensions payable to the spouse of the retired member.

"The monthly payments present problems in a community where longevity is rare and where a small income is of little or no use. The problem of longevity is serious because statistics show that among the black community, there are few who survive beyond the age of 60.

"Consequently, if a pension is paid to them even though there may be a guarantee attached to it for a certain period, it is an ineffective solution to their retirement problems. This is especially so when retirement is at 65 years, which in my view is far too old particularly for blacks."

\[ Difficulty \]

"However, with provident funds the benefit can be paid at the discretion of the trustees only in the form of cash or partly or wholly in the form of a pension. At the moment, black workers in commerce and industry prefer a lump sum payment on their retirement to a pension - with reason."

Mr O'Hanrahan says they have difficulty in obtaining payment, particularly in remote areas. The difficulties, valid at present, will be reduced with the greater compartmentalisation by banks and building societies.

\[ Executive \]

Second, having a small pension, merely reduces or eliminates the meagre State old-age pension available to blacks. On the other hand, a lump sum payment has a limited material effect on those receiving a State old-age pension because the means test is different.

Many people consider black people to be improvident, but Mr O'Hanrahan has found them to be the reverse and careful about the disposition of capital. The care with which they manage their meagre assets and calculate interest or returned contributions or investments is exceptional.

"Those at the opposite end of the salary scale provident funds are often the best retirement provision for executives. A pension, although necessary, effectively only increases the amount of tax payable by the executive."

As members of a provident fund, with the cash payment they can apply their knowledge of investments and of the market in a method far superior to the taxed return they can receive on pensions.

With the abolition of the part one asset requirements, it is probable that the taxation differences in the accumulation of pension and provident funds assets will disappear.

\[ Advantage \]

When this happens, the only remaining differences will be the availability of cash under a provident fund as against a pension under a provident fund and the lack of tax relief on contributions under a provident fund as compared with the full tax relief on employees' contributions up to 75% of salary on a pension fund.

The availability of cash is an advantage in the case of a provident fund and the lack of tax relief on the member's contributions can easily be overcome by an adjustment in the overall remuneration package being paid to the employee concerned.

Mr O'Hanrahan says: "There is a decided place for pension funds and provident funds."

\[ Each one must be examined carefully to determine the most suitable for the members or whether in fact a combination of both would be the answer.\]
Early decision pays

There is a growing need for retirement counselling because pension fund trustees tend to overlook this important area. Most life companies run retirement counselling programmes. (360)

James Willis, alternate director of Milsa (formerly Minit) Employee Benefits, says: "Members are leaving the planning of their retirement to the last year or two. Trustees, their insurance brokers and the pension fund management should counsel members 10 years before retirement age."
Returns can vary

People about to retire should consult a pensions bureau or other independent adviser.

All retirement annuity funds and many pension funds allow credit accruing to the member to be used to buy the pension from any registered insurer.

Research shows that most people who have invested in retirement annuity plans will select a pension guaranteed for 10 years and thereafter for life. But it is difficult to find a situation where a 10-year guaranteed pension is the most appropriate choice.

Insurance companies have many types of contracts, but annuity rates are volatile. The difference in returns on annuities can be as much as several hundred rand a month.
An election play, R60 pension bonus!

By Peter Prinsebo
Govt to pay R60 pension bonus

Political Staff

GOVERNMENT has decided to pay a R60 bonus to all social pensioners irrespective of race. The bonus will be paid in October and is to be funded out of the R1 billion Contingency Fund created in the Budget. In all, R128m will be paid out of the fund which, when it was established, critics said would be used for "election sweeteners.""}

Representations

Finance Minister Mr Barend du Plessis said in a statement that since the Budget, the government had received urgent representations, in particular from the three Ministers' Councils, to consider either increasing social pensions or paying a bonus. Mr Du Plessis said 2 143 000 pensioners would receive the bonus.

DP Finance spokesman Mr Harry Schwarz said it was now obvious that pensioners should welcome regular elections because it meant they at least got something from the government.

He welcomed the fact that the bonus was to be paid to all pensioners irrespective of race, but said that R60 in today's inflationary climate, while welcome, was an extremely meagre amount...
Pensioners to get a bonus

THE government has decided to pay a R60 bonus to all social pensioners, irrespective of race.

The bonus, to be paid in October, will come out of the R128m Contingency Fund created in the Budget.

In all, R158m will be paid out of the fund, which critics said would be used for "election sweeteners" when it was established.

Finance Minister Barend du Plessis said in a statement that since the Budget, in which government had been unable to adjust pensions, it had received urgent representations, in particular from the three Ministers' Councils, to consider either increasing social pensions or paying a bonus.

After careful consideration, government had decided it could pay a one-off R60 bonus to all social pensioners, including those in the TVBC states.

Du Plessis said 2.143,000 pensioners would receive the bonus, adding that government was aware that critics could interpret paying a bonus to pensioners prior to a general election as an attempt to buy pensioners' votes.

Those who wanted to level this accusat-

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Pension bonus

tion had to realise the move was a response to representations from the Ministers' Councils and from many other well-meaning people and organisations, Du Plessis said.

It would have been nothing more than a sinister political decision if government had decided not to pay the bonus at a time when it had the ability to do so.

DP finance spokesman Harry Schwarz said it was now obvious that pensioners had to welcome regular elections because they meant getting something from government.

He welcomed the fact that the bonus was to be paid to all pensioners irrespective of race, but said R60 in today's inflationary climate was an extremely meagre amount.

"If they wanted to assist pensioners, they should have done something more meaningful."
GOVERNMENT NOTICES

ADMINISTRATION: HOUSE OF DELEGATES
DEPARTMENT OF HEALTH SERVICES AND WELFARE

No. R. 1457 7 July 1989

SOCIAL PENSIONS ACT, 1973
(ACT No. 37 OF1973)

AMENDMENT OF REGULATIONS

The Minister of Health Services and Welfare of the Ministers’ Council of the House of Delegates has, under section 17 of the Social Pensions Act, 1973 (Act No. 37 of 1973), and in consultation with the Minister of Finance, made the regulations contained in the Schedule.

SCHEDULE

Definition


Replacement of regulation 1 of the Regulations

2. The following regulation is hereby substituted for regulation 1 of the Regulations:

DEFINITION

“1. In these regulations any word to which a meaning has been assigned in the Act shall bear that meaning and, unless the context otherwise indicates —

439—A

GOEWERMENSKENNISGEWINGS

ADMINISTRASIE: RAAD VAN AFGEVAARDIGDES
DEPARTEMENT VAN GESONDHEIDS-DIENSTE EN WELSYN

No. R. 1457 7 Julie 1989

WET OP MAATSKAPIELE PENSOENE, 1973
(WET No. 37 VAN 1973)

WYSIGING VAN REGULASIES

Die Minister van Gesondheidsdienste en Welsyn van die Ministersraad van die Raad van Afgestaarigdes het kragtens artikel 17 van die Wet op Maatskaplike Pensioene, 1973 (Wet No. 37 van 1973), en in ooreenstemming met die Minister van Finansies die regulasies vervat in die Bylae uitgevaardig.

BYLAE

Woordomskrywing


Vervanging van regulasie 1 van die Regulasies

2. Regulasie 1 van die Regulasies word hierby deur die volgende regulasie vervang:

WOORDOMSKRYWING

“1. In hierdie regulasies het ’n woord waaraan in die Wet ’n betekenis geheg is, daardie betekenis en, tensy uit die samehang anders blyk, beteken —

11992—1
Govt bonus an insult, say pensioners

By MALCOLM FRIED

THE R60 one-off bonus pensioners will get from the government in October is the only extra money they will receive this year — no overall pension increases were planned, government officials said yesterday.

Pensioners’ representatives yesterday branded the bonus “an insult” and “nothing near to what we need”. It was announced on Wednesday by the Minister of Finance, Mr Barend du Plessis.

Democratic Party MP Mr Ken Andrew called the official treatment of pensioners “disgraceful” and the R60 a vote-catching bribe.

A general pensions increase “is not planned at all — it’s not in the budget”, said the director of the Department of National Health and Population Development, Dr Coen Slabbert.

The regional chairman of the Association of Retired Persons and Pensioners (ARP & P), Mrs Kay Altman, said: “With this ridiculous gesture, the government is slapping every pensioner in the face.”

White social pensioners receive R251 a month, coloured and Asian pensioners R200 and blacks R150.

“This is little enough,” said Mrs Altman. “Surely a decent, monthly increase is very long overdue?”

Pensioners were granted an increase last year and a one-off grant in 1987.

A former chairman of the ARP & P and pensioners’ rights campaigner, Mrs Myra Reuning, said such grants “should happen more often”.

Mr Andrew said that anyone who believed that such a bonus was a substitute for a proper pension “is sadly out of touch with reality”.
A brazen ploy ... but good news for the old

THE government is in a pre-election panic, putting aces into pensioners' pockets in the hope that it will pay off at the polls.

This was the opinion of economists and opposition politicians reacting to this week's announcement that social pensioners would receive a one-off, R60 bonus in October.

About 1,4-million black pensioners and about 765,000 white pensioners in South Africa and the "independent" states of Transkei, Bophuthatswana, Ciskei and Venda, will benefit.

The R12-million bill will be paid out of a R1-billion contingency fund which, when it was set up earlier this year, prompted criticism that it would be used for "election sweeteners".

While welcoming any relief for pensioners -- black pensioners get R150 a month, "coloured" and Indian R200 -- critics derided the move and said they expected more vote-catching ploys to come.

The "good news" was the amount was being applied in a non-discriminatory way, said Harry Schwarz, Democratic Party spokesman on finance.

"This shows slight progress in government thinking -- the government has accepted the principle that everyone should be treated equally, at least as far as the bonus is concerned.

"The bad news is that the amount is insufficient and does nothing to address the real problem -- the need for equal, improved pensions for all."

Schwarz had warned at the time the R1-billion contingency fund would be used for election sweeteners and was now happening.

He recalled how, before the October municipal elections last year, public servants were told by how much their salaries would be increasing -- "but it was only after the election we were told the price of petrol was being raised to finance those increases."

He doubted the bonus would have any effect on the polls.

"There is unprecedented anger about the economy and its mismanagement," he said. "This pay-out is not going to change that."

Sanlam's chief economist, Johan To PAGE 2

Brazen ploy, but the old can rejoice

From PAGE 1

Louw, said that just two months into the new financial year, government spending was already 20.6 percent up on what it had been during the same period last year.

Although it was still too early to say what would happen, economists were worried about the situation.

"All the indications are that the government is going to overspend again," Louw said.

He criticised the decision to dip into the contingency fund to finance the pension bonuses: "We understood the fund would be used for unexpected outlays. It is rather worrying that they are already spending it."

South Africa, needed a R4-billion surplus in its current account to finance loan repayments and strengthen its foreign exchange reserves, Louw said.

"To find it, we should be decreasing the rate of spending in the economy as a whole," Louw said.

The government was trying to abide by a tight monetary policy -- curbing private sector spending through keeping interest rates high and raising general sales tax.

But to have any real effect it should be backed up by a restrictive fiscal policy, which meant ministers keeping within budgeted limits.

"The government wants the man in the street to cut back but it is overspending itself," Louw said.

"The more money pumped into the economy through an expansionary fiscal policy, the more upward pressure there was on prices and the greater the likelihood of South Africa's current inflation rate (almost 15 percent) spiralling.

"The country can't afford it," he said.

"There is already talk of an expected salary increase for civil servants," Louw said. "The government is clearly worried about losing votes. And we are worried that it will give in and make concessions to the man in the street, to make him feel financially a little better off."

Conservative Party spokesman on pensions, Dr Willie Snyman, said the bonus was a clear election ploy to buy pensioners' votes.
By Robyn Chalmers

ALL employees leaving their jobs before retirement may soon receive pension payments which include part of the company's contributions.

A rethink is taking place in the pensions industry about benefits paid for employees who are retrenched or resign.

Sheppley & Fitchard deputy managing partner Peter Milburn-Pyle says that one of the main reasons for the rethink is the trend to employees opting for provident funds "because they believe they receive better benefits when they leave a company."

The debate on whether or not employees are entitled to some of the company's contribution has raged for years. Delegates at the Pensions Institute conference this year agreed unanimously that there was an urgent need for a new system.

Fostered

Delegates argued that there were too many inefficiencies in the present set-up, and proposed as one solution that employer contributions be seen as part of an employee's remuneration package.

A move in this direction could bring SA in line with Europe where employees have for some time been entitled to the employer's contributions when they resign.

Dissatisfaction with the present system was the reason for the appointment of a committee chaired by Wyn and Mouton to investigate a new dispensation for retirement provision for all South Africans.

In addition to addressing the problem of voluntary preservation and transfer of pensions, surpluses in funds and increasing of pensions. Professor Mouton is considering the employer's claim to company contributions.

Mr Milburn-Pyle says the view that pension funds might be a rip-off has been fostered because new employees are compelled to join the fund. The benefit they receive on resignation generally has a return of only 3% or 4%. Pension increases after retirement are either non-existent or low.

Rio Tinto Management Services company secretary Keith Lendrum argues that the only group of employees who could classify a pension fund as a rip-off are job hoppers.

"The return on a member's contribution who dies in service is exceptionally good and the return for a member who gives good service and stays until retirement is good."

"It is for those who use the fund as a savings scheme will get a return which compares favourably with any other comparable saving scheme."

Mr Milburn-Pyle says other developments include a tentative step by the Mouton Commission to compel group retirement funds to give members the option of retaining paid-up benefits in the fund.
R170 000 cottages

A RETIREMENT village of 40 country cottages and a club house is to be built along a stream near Hout Bay for R5.5 million by Cape Town-based Board of Executors.

It will be developed on the old Spinney Dairy on behalf of the Hout Bay and Llandudno Association – a welfare body. 

Prices range from R104 000 for a one-bedroom to R157 000 for a two-bedroom cottage, each having its own garage. Monthly levies will range from R204 to R482.
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Dissatisfaction with the present system was the reason for the appointment of a committee chaired by Wyn and Mouton to investigate a new dispensation for retirement provision for all South Africans.

In addition to addressing voluntary preservation and saving schemes, the committee recommended that new members be given the option of retaining paid-up benefits in the fund.
By JOSHUA RABOROKO

TAXI operators all over the country have volunteered to transport pensioners and disabled people free of charge to pension payout points.

They will also ferry them to do shopping in town free of charge.

This undertaking was given by three major taxi associations, the Black Union of South African Taxi Associations, the South African Long Distance Travel Association and the Southern Africa Black Taxi Association.

Busato's chairman Mr. Andrew Makwakwa said the scheme had already been introduced at Mamelodi in Pretoria.

**Sympathy**

He said that the association would introduce the scheme throughout the country. The decision was taken by the national executive in sympathy with "our old and disabled folks," he said.

The spokesman for Saba, Mr. Jabu Mabuza, said their executive committee had asked all the provinces to consider

Free rides for old folks and disabled

the matter very seriously and to plan actions.

"We are doing this particularly to show our sympathy with elderly people," he said.

He added: "We appeal to our members throughout the country to show respect for them."

Salduta's president Mr. Peter Rabali said the move was a novel idea and should be welcomed.

He said the national executive would look into the matter at its meeting this week.

Meanwhile in Tembisa on the East Rand the local taxi association transports pensioners and the disabled free of charge on a daily basis.
Nightmare months for Reef’s old and the ill

By Lorna Schmidt

The winter months are a nightmare for people who cannot afford to buy blankets, particularly if they are living in hovels of iron and sacks, old rusting cars and even cardboard boxes.

This is how hundreds of pensioners in Alexandra are living.

These people are all too old to work or too ill to care for themselves.

Fortunately a few have managed to get the help of the Ithokomeleng Association for the aged and disabled of Alex. This association cares and tries to find help for these people.

They organise medical check-ups for them, provide food, and are in the process of building an old-age home in Alex with the help of the Sandton Rotarians.

“We regard the aged as an asset in the home. They cannot help themselves so we try to help them,” said Mrs Marjorie Manganye, an Ithokomeleng organiser.

“People come and tell us of pensioners living in shanties who have no pension books and therefore cannot get any money. We try to help them, but we simply do not have the space to put them all up.”

This is one of the organisations which have approached Operation Snowball for help during the freezing winter months.

“Our people just don’t have the money to buy blankets or warm clothing,” said Mrs Manganye. “They have no source of warmth and will just freeze during winter.”

The association needed at least 400 blankets, but Operation Snowball only managed to give them 50 as the fund is desperately short of money.

You can help by sending a donation to Operation Snowball.

The address of the fund is Operation Snowball, P.O. Box 3013, Johannesburg 2000.
R60 will not alleviate pensioners' financial crisis

"They give with one hand, but take even more with the other," says Mrs CJ Hogan (61) of Brixton following the Government's recently announced R60 pension bonus, due in October.

Her rent goes up by R7 at the end of August but the bonus, worked out in monthly terms, comes to only R5.

People active in caring for the aged have strongly criticised the Government's handout, saying the true solution to the plight of pensioners lies in effective long-term policies and not in a once-off bonus.

Pensioners interviewed by The Star agreed that, with the present rate of inflation, R60 would not alleviate their financial crisis.

The R251 which white pensioners received should be at least R300 according to the Consumer Price Index (CPI), said Mr Laurie Starfield of the Johannesburg Association for the Aged (Jaffa).

Mr Brian Goodall, DP candidate for Edenwale and former spokesman on pensions, said "old age pensioners cannot be bought off... on the Government decisions concerning the Government's six commissions of inquiry.

The pensioners face rising living costs and do not act on any requests for them, he said.

Pensioner Mrs El of Brixton said "there is no adequate increase in theirSSF pension..."

On the average, with rates and electricity, the average pension is R120, given a R180 food and phone bill, small luxuries.

Mrs Roy, lucky ones to help!

A couple wished to go for fear of house, said R150 a month also in.

They live on phone bills, commute...

Essential

Mr Starfield says they need a telephone and rent control of these services for their well-being.

He made them to protect them.

- The rent
- Controlled
- The pension
- A changing pension
- Rising and falling
- Pensioners
- The public awareness of

Another scheduling (R45 000) or for dwellings at R15 000 a month.

What today, any Hogan.
The Star Monday July 10 1989 / 11

Building a new road to economic recovery

London — A document which attacks Africa's pervasive lack of democracy and argues for more democratic political structures to facilitate development seems an unlikely product of the continent's United Nations-funded economic think-tank.

It is also surprising, given the source, to read a critical commentary on the fact that developing Africa spent less on education than on the military in the mid-80s. Or that annual public expenditures on health have accounted for less than a third of military outlays.

Yet these are among the sentiments underpinning a new economic recovery programme for Africa, launched in London. It challenges the policies of the International Monetary Fund (IMF) and the World Bank.

The architect of the document — "African Alternative Framework to Structural Adjustment Programmes" — endorses at a recent meeting of African finance ministers — is Professor Adebayo Adejeji, executive secretary of the UN Economic Commission for Africa (ECA), based in Addis Ababa.

African had been candid about the nature of its problems, said Mr Adedjeji at his press conference. And he was equally candid about what the ECA sees as a failure on the part of the world's leading lending and development institutions.

Painting a bleak picture of a continent in continuing decline, he went on: "It has now become apparent that the orthodox structural adjustment programmes that Africa has been pursuing have failed to overcome the economic crisis and in many cases have made recovery even more difficult."

The charge is the latest development in a long-running dispute in which the Economic Commission, other UN agencies such as Unicef, non-governmental agencies such as Oxfam and most African governments, are at odds with the IMF and the World Bank over how to respond to Africa's economic crisis.

A UN Economic Commission for Africa document, released last week, attacks some of the key tenets of IMF and World Bank policies in Africa. They are inappropriate, or applied without sufficient consultation and flexibility, it says. MICHAEL HOLMAN reports.

Since the fund and the bank control most available aid and development resources, the alternative programme stands little chance of getting off the ground in the short term.

But it provides an important indicator of the anger and frustration of many African governments, which maintain that although they have been implementing IMF and World Bank-inspired policy reforms, hardship is increasing, stability is being undermined and capacity to service growing external debt is declining.

Among the measures the document advocates are multiple exchange rates, limits on debt service payment so as to allow more resources for development, selective subsidies and price controls, and cuts in defence spending and in non-productive public sector activities. It also recommends limited use of deficit financing for productive and infrastructural investments, and to defray export subsidies and what it calls greater mass participation in decision-making and implementation of programmes.

Above all, the document stresses the need for more consultation between governments and lending institutions — based on greater recognition that the continent's widely diverging economies are not susceptible to a single solution — and more effort to alleviate the impact of adjustment on Africa's poor.

In the coming months formal and informal consultations among the protagonists will be continuing in the search for the consensus that Mr Adedjeji says Africa seeks.

The real issue is not whether to adjust or not, but what kind of adjustment is needed, he concludes. — Financial Times.
The long wait for pension pitance

EXHAUSTED and weak, with her husband struggling under her armpits, 37-year-old Ms Agnes Mmono hob nobbed on one leg as she approached the pay-point in Zweltembha, being that this time around her problems will be over.

The 34 discount grant that Mmono, an unmarried mother of four, received from the government in the last leg of her toddler in a freak train accident in May, 1979, was unexpectedly withdrawn October.

No reason was given for the abrupt withdrawal.

Eleven years ago, Mmono earned a living as a “school dress” 세 번사의 재난을 피해 hyperactive P35 per month. She left a job as a teacher and said she had completed and to take a building society in Worcester’s High Street.

She went to the building society with a child and account was opened in her name.

The following month she returned to the building society and asked for her money. She was told that no money had been paid into her account.

When Mmono approached the official at the pay-point, whom pensioners described as a “nasty lady”, he chased her away and she had to go and find with university.

 Widow of Mrs Stella Mondlcki, 59, who lost her life in her late 60s in 1980 and is not survived by her father in her right, she said she had not received her cheque for 11 years.

Her problems began when they opened an account for her with the building society. But when she went to the building society she discovered that her money had been paid into the account.

Mondlcki had two school-going children in a house bought with the money. But her problems multiplied after her recent.

Fingerprints

Blind Mrs Ida Mosata, whose husband is also unemployed, said she had always had to borrow transport money from neighbours when she had to go to a local hospital.

She had not received the govenment disability grant she applied for this year.

Once her fingerprints were taken and forms completed on her behalf, she was told to wait a few months before she would receive her pension.

"But when I called back to the commissioner's office to get the money, she told me to go away and not come back, because my husband was not around now he could still support us," said Mosata.

Twenty-seven-year-old Mrs Cynthia Murray developed meningitis and died. The handicapped forced her to leave school in standard five.

In 1985 doctors at Tsholotsho Hospital declared her unfit for work and advised her to apply for a disability grant.

The first quarterly grant of R185 arrived three months later. It was

POOR and hungry children, some wearing odd shoes, project a sad picture as they walk barefooted through the dusty streets of Zweltembha township, deep in the heart of the Boland where the mountains stand as one of life’s wonders.

Not far away, in the commander of Worcester, the young white counterparts seem to turn the local tarred roads into a mini-K along as the slow slide down on roller-skates.

Laughing and carefree, they appear content with life. Unlike the children of Zweltembha, the older side of the colour line, life is a bed of roses. But there is a fundamental difference between the two sets of youth. The poverty-stricken children of Zweltembha are highly politicised.

"You have no idea how militant they have become," observed a local primary school teacher, who has seen how their parents are suffering because of apartheid, "and that the white child is more privileged."

Big Seven

As the children play, an official of the Commissioner of the Department of Social Welfare, the township’s democratically-elected assembly type, the children immediately shout, in unison: "Up the Big Seven!"

Zweltembha, which means “place of hope”, is in reality a place of despair and hopelessness. It does not provide happy reading at all.

The township was founded in 1954 when the government used the Group Areas Act to remove hundreds of children from the outskirts of Capstadt, where they had lived with "coloureds" for many years.

The families were resettled in Zweltembha and promised a better life. According to Committee of Seven members, who were members of the community and were elected to represent the residents to accept the council.

"We earned us that if we continued to show the council the government would bring in the neighbouring school children to run the township," recalled the late.

This caused a split in the community, with some residents continuing to reject the council and others prepared to support it.

The controversial Zweltembha Community Council operated as a registered trust up until 1984 when it was disbanded because of little support from the community.

The following year unrest broke out in the township and several people were killed and others injured.

Widespread unrest

In March 1984 the ZCC set up the black community as a result of the motion to run the township.

This council was also rejected by residents who retaliated by establishing their own organisation, which they called the Committee of Seven or the "Big Seven".

The committee comprised chairperson Abel Dlalkhali and executive members Shepard Mtabola, Lizo Kapa, Nyaniso "Chula" Gqiyiso, Chris Tyawana, Mphakazana Kobo and Masibulele.

Development was given top priority on the agenda of the new committee.

"But both the Cape Provincial Administration and the Town Council of Worcester refused to negotiate with us. Instead, we were called instigators and our members were harassed," said Kapa.

In June 1986 the residents refused to attend a meeting at which police and army personnel were present.

Demanded release

Another meeting was called by the CPA but residents again refused to go and demanded the release of four detained members.

Some were detailed for more than a year. The last member was released in March 1988.

Big Seven members were again detailed under the state of emergency before the municipal elections in October last year. The elections were a disaster for Zweltembha as residents refused to participate and no candidate was ever elected.

In November and December, the CPA called mass meetings at the Civic Hall and appealed to residents to vote for the local authorities. The few who did attend asked for the release of the detained Big Seven members.

Public meeting

The members were released on December 9 and a public meeting by residents was called three days later.

The meeting also resolved not to vote for or recognises any other candidate besides the Big Seven.

But the CPA asked the committee to form wards and to function at a local authority before any discussions could take place between itself and the CPA.

THE OLD-AGE HOME

KING KORN, the old-age home in Zweltembha, has a unique feature setting it apart from other old-age homes.

There is no official nursing staff to carry out medical and airmen and the "matron" is one of the elderly residents.

Established by the Banetu Administration Board as a temporary arrangement in 1963, King Korn is housed in the dilapidated quarters of a former men’s hostel.

The Board promised to build a proper home for the aged as soon as and calling the ambulance when needed became available. But 26 years have passed and it seems as if the hostel has become a permanent home for Zweltembha’s old folks.

Today, King Korn is home to nearly 20 elderly and disabled residents.

There are three rooms to each "bungalow" which is shared by six people. They sleep two to a bedroom and share the kitchen. There is no heating for relaxation and there are no doors separating the rooms.

The only visible objects in the kitchens are the black stoves, surrounded by the Roman Catholic Church some years ago. The Church also paid for the ceiling and painted
**Misery after pension payout mix-up**

The government's announcement of a R600 one-off bonus for the country's 20 million senior citizens has brought a ray of hope to many. But for the majority of pensioners and the physically handicapped in Zweltembaba, outside Worcester, the payout will be a case of "seeing is believing".

Many have not received their pensions and grants for the past few months — a situation which has brought hardship and suffering.

Others are still waiting after applying several years ago, while some had their pensions and grants withdrawn suddenly last year.

The residents' misery has brought to the attention of the local Black Sash office, which is taking up the matter with the authorities.

"The Black Sash plans to ask the Minister of Pensions and Welfare to investigate the matter urgently," said Black Sash's Boland field worker, Mr Annamaria Hendricks.

"It's already had that these elderly and handicapped people receive so little compared to other race groups. But the worst is that they are being subjected to these long, unnecessary waits which are being attributed to computer and administration problems.

"These people are old and poor and this isn't fair. If they don't receive their pensions or grants, it means no food. This situation has to be addressed urgently," said Hendricks.

A spokesperson for the Perm Building Society in Worcester, Mrs E Mare, said the problem arose because the pensioners had not furnished the department in question with their savings account numbers.

The Cape Provincial Administration Pension Division's Assistant Director, Mr I du Preez, promised that his department would look into the matter.

"Generally, this kind of problem is caused by incorrect account numbers given to us by the pensioners themselves."

When pension cheques reach us, we find that the pensioners cannot deposit the money in the bank. As a result, we are forced to re-direct the money and send it back to Pretoria," he said.

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**The harsh environment of the Worcester township, Zweltembaba, contrasts dramatically with the Boland's scenic splendours and gives an ironic twist to the meaning of its name: 'Place of hope'.**

Zweltembaba's militant history and its record of neglect by the authorities make it unique among Western Cape townships.

For the elderly and handicapped in the township, life is particularly severe with many families facing starvation due to bureaucratic bungling. DOCTORSON TSHABALALA reports:

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**FOR Tekana Williams, an activist who developed diabetes and a heart problem while in detention, life outside prison is no different even though he is not restricted.**

Since his release from Paarl's Victor Verster Prison in June 1986, the outspoken 54-year-old Western Cape Civic Association member says he is constantly being harassed.

And he has every reason to believe that the disability grant he applied for in 1985 has been stalled because of his political involvement.

Poverty and hardship are narrowing his horizons just as much as if he was in detention.

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**GIVING UP HOPE. Worcester pensioners outside their payout point**

**Life tough outside for ex-detainee**

In 1971 Williams accidentally severed a muscle in one of his legs while working for a manufacturing company in his hometown of Worcester.

He subsequently had difficulty walking properly and could not find work to support his family of eight children and three grandchildren.

In 1985 he was detained under the state of emergency.

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**"ME THE STATE FORGOT"**

The rooms. The Church was also going to provide tiles for the floors when the Town Council intervened, saying it would take responsibility.

For many years a voluntary nurse from the Church looked after the old people. But she left last year to assist in a white old-age home in Worcester.

Now King Korn's voluntary "nun" is 69-year-old resident Mrs Johannes Jacobs. Jacobs has assumed responsibility for looking after her fellow residents. Her duties, for which she is not paid, include nursing the sick and calling an ambulance when residents require urgent medical assistance.

"Sometimes I have to wake up in the middle of the night because someone is sick. I have to attend to the patient all by myself," she said.

"If I find that the resident's condition is deteriorating, I rush next door and ask one of my young wards to run to the nearest phone and call an ambulance. "I do the work of a nurse but I am not being compensated for it. Anyway, the authorities don't care what's going on here. In fact, they have even forgotten this place exists."

Besides taking care of the home, Jacobs has also been appointed guardian of six orphans by social welfare officials. She is outset because she is being offered a monthly grant of R200 to support the children.

"They expect me to maintain six orphans with that sum of money, which is impossible," she said.

"I have to buy food and clothes and also pay for their school meals out of that money. This is not the kind of life I would like these poor kids to experience."

"I have accepted them as my own children and I would not like them to suffer. Life for me is like hitchhiking outside the road, not sure when I will be picked up."

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**BLIND IN ONE EYE. Mrs Stella Mondileki**

He told me he had the last word and that the doctors who'd said he could receive a grant, could do nothing to change his mind," said Williams.

Now his wife Mabel, a packer at a chicken farm, carries the responsibility for supporting the family and pays for the school and college fees of their children.

"They earn too little money and will not be able to carry the family forever. The rent is too high and we are already two months in arrears. I don't know how we are going to survive another two months," he said.

On June 11, Williams stood up to speak before a meeting of residents and officials of the Cape Provincial Administration and a committee of the Worcester Town Council.

Williams was summoned to his office and questioned him about the things he had said at the meeting.

"He called me a communist because I said the people of Zweltembaba had the democratic right to choose who they wanted as their leaders," said Williams.

CPSA spokesman Mr I du Preez said the CPSA was not aware of specific cases such as that of Williams.

He suggested, however, that Williams and others in a similar position contact him directly with the necessary identity documents and pension and savings account numbers.
Pics by YUNUS MOHAMED

STOP this recklessness!
This was the appeal from Guguletu residents this week, following the recent death of two Malungu Park toddlers in a traffic accident.
The toddlers are the latest victims in a series of accidents attributed to the chaotic traffic situation in Cape Town's African townships.
Two-year-old Zolani and three-year-old Lazola Makazo were knocked down while walking with their mother on a pavement in Guguletu.
For many years, local authorities have ignored or refused to take responsibility for the township's traffic problems.
Motorists openly flout traffic regulations such as jumping stop streets, driving without regard at night, and stopping and parking along main roads illegally.

No patrols
Most roads are without properly demarcated stop streets and there are no pedestrian crossings. Between them, the four townships boast only one set of traffic lights.
Without traffic patrols and no enforcement of traffic regulations, a state of lawlessness exists on roads in the townships.
Residents point to taxi drivers as the main culprits. Several accidents have been caused by them doing the middle of the road for passengers to disembark.
NYI, the street where the two boys were knocked down, is Guguletu's longest and busiest street, which virtually distorts the township.
Yet there is not a single pedestrian crossing to assist residents to "navigate" its dangerous length.
Motorists don't think twice about mounting the pavements in bypass traffic jams and potholes, irrespectively of whether there are pedestrians or not.
The poor street lighting further endangers the lives of pedestrians and motorists.
A heartbroken Mrs Nsane Makazo, 29, described how her children were killed by a truck that hurtled down NYI and allegedly mounted the pavement.

"We were accompanying a friend to the nearest bus-stop when this truck appeared from NYI. It came straight at us and knocked the four of us down," said Makazo.
"When I regained consciousness, I saw the children lying next to me. Lazola was bleeding seriously and was in a critical condition."
"Then a man appeared and took the children to Red Cross Hospital. My friend and I were taken to Groote Schuur Hospital."
Lazola, who was attending preschool at Menenborg, and Zolani were the only children of the Makazo family.

Cape Town Traffic Manager, Mr Wouter Smid, referred SOUTH to the Ikapa Town Council for comments on inadequate road services.
He said the townships lay outside the jurisdiction of his department.
By the time of going to press, Ikapa Town Council officials and the CPA had not responded to requests for comment.

Residents call for proper services
TOWNSHIP residents are united in their call for proper traffic services to be installed in Cape Town’s four African townships.
Miss Vuyelwa James, 31, said traffic lights and speed bumps should be introduced to limit the number of accidents.
Miss Siphezile Shado, 27, and Mr Tomi Mafekwa, 29, both agreed that pedestrian crossings and traffic lights should be installed, particularly in NYI.

"We should have all the services that are present in Cape Town itself. Only with regular patrolling will motorists account that they have to drive safely," said Mafekwa.
Student Wally Duma, 24, said traffic lights were essential.

Reckless
"And they must not be placed only near the police station," he added.
Miss Thandeka Meyo, 43, of Langa, said a meeting between motorists and residents should be convened to discuss the problem.
Mr David Mhlakumzi, 33, said reckless driving in the townships was the underlying problem.
"Motorists must be made to understand that we have children and the streets are too narrow for them to drive carelessly," he said.

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Sacos wishes comrade Nelson Mandela a happy 71st birthday and calls for his release

Human Rights Commission
"Everyone has the right to take part in the government of his country, directly or through freely chosen representatives."
Article 21 of the Universal Declaration of Human Rights.

We greet Nelson Mandela on the occasion of his 71st Birthday (his 27th birthday in prison).
The Human Rights Commission demands that all the true and representative leaders of our country be released unconditionally and without restriction.
Dealing with fear of failure

A large section of the white electorate, conditioned by fears created by the government, is finding it extremely difficult to accept the inevitability of majority rule. And as the international and sub-continental scenario changes, the overall effect on South Africa will be immense.

A recent report entitled "The Role of Whites in a Changing Society," presented at a recent Lusaka conference, Five Freedoms Forum chairperson Mike Olivier, lets, argues that the development and growth of a formal anti-apartheid alliance is essential if the efforts of whites are to be mobilised in the process of transformation. The following is an edited extract from the paper:

The combination of negative growth rates in real terms, increased government spending on non-socio-economic areas, defence and apartheid machinery, as well as privatisation and changes in the business environment, have all contributed to a situation where the government can expect to face further reduction in its growth potential.

Henchman

Another very important force affecting white attitudes is the changing socio-economic scenario. At its most basic level, the emerging bi-lateralism between the Soviet Union and the Arab world, regarded to Southern Africa has denied South Africa the ability to exploit the traditional raison d'etre of the Red under the Bed and the Scissors. Now, suddenly, Pta must be shared.

Attracting air cities under severe pressure: Even wealthy Bar in Slums and propping up the tourism sector and to reduce unemployment, the public must be seen to be "market-wise to attacks.

The response of the white community to pressure from the black community is diverse. Sections of the white-owned community are gathered into action where the government is not.

For example, during the 1986-1987 tax season, an important section of the business community started taking evasive action to avoid paying taxes. Some even went to visit the ANC; others became hard-core supporters, helping the government to change.

The economy is perhaps the second most important factor affecting white attitudes. Wages, too, is the key: it affects all the members of the black community, and it is on the economy that people are focusing their attention.

And there have been whispers that some of Botha's staunchest whites have been whispering to the ANC in certain situations.

At the macro level, it seems more than likely that the country will come about as a result of the changed international scenario.

The new government is far more willing to discuss the release of Mandela and the elimination of Botha and his government. It is not a foregone conclusion, but it is something that may have an overall impact on South Africa and that may not be.

Mandela

Over the past six months, both sections of this equation have run into serious problems. The ANC's financials are simply not available to do the kind of work that will win any lasting support.

On the other hand, the government has tried to do its bit to have the sanctions release detainees and relax the prison conditions. It is likely, therefore, that even the moderate opposition parties will support the attempts to upgrade "olipas" like Alexander and Stydion.

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Police appeal to senior citizens

VEREENIGING — Vanderbijlpark police have appealed to all senior citizens on smallholdings in the area to have their names and addresses recorded in a police register.

This comes after the recent spate of rapes and attacks on elderly residents in the area.

According to a Vanderbijlpark police spokesman members of the SAP reservist force and local neighbourhood watch are updating the register to keep in close contact with the elderly.

Regular telephone calls or visits to these residents are envisaged to ensure that all is well at their homes.

Any senior citizens in the Vanderbijlpark area who have not yet had their particulars recorded in the register are asked to contact the Vanderbijlpark police station at (016) 33-9799.
Active investment

The four institutions taking over R250m each of the Government Service Pension Fund will be largely confined to investing in fixed interest instruments. So they won’t be able to achieve the same results as normal pension funds which invest in equities and property. But, with active investment management in the right stocks, they are confident they will be able to generate a better rate of return than that achieved by the Public Investment Commissioners (PIC) which has invested the fund since 1911.

Standard Merchant Bank, Old Mutual, Southern Life and Corbank have been formally advised of the parameters within which they will be allowed to operate under the PIC Act. Restrictions will be much the same as those governing the PIC except for the opportunity to deal in futures and options, which investment managers say will play a minor role in the portfolios.

However, they will have the advantage of flexibility. The PIC is not able to move easily in and out of the market; it has collected some unmarketable stock over the years which trades infrequently, such as many municipal stock issues.

"Moreover, private investors have the benefit of specialist investment teams," says Southern Life deputy investment GM Carrol de Ridder.

The Government Service Pension Fund regards this as an experiment to see whether the private sector can achieve better results from its investments. And the private sector hopes, if it succeeds, further chunks of the Government Service Pension Fund will be handed over...
Clinic, cheque result from one-man mission of hope

The (big) bucks stop here
New deal for the old timers

STRICHER VILLAGE

By Joe Rybza

SUNDAY TIMES, BUSINESS TIMES, JULY 16, 1999
Old age home talks
Soweto 18/7/89
THE Soweto Club of the Aged organisation will hold its annual general meeting on August 31.
The Reverend Bangiswe Mbabane, chairman of the group, said this would be the first AGM since the organisation's project, the Soweto Home for the Aged, was built about a year ago.
Mbabane has invited welfare organisations dealing with the aged to attend the meeting.
BLACK AGED: 
PROF WARNS

A WARNING has been sounded that communities throughout South Africa face a crisis if better services for elderly blacks and a programme for better care and institutionalisation of the black aged is not provided within the foreseeable future.

Professor Dirk Weich, of the Department of Internal Medicine at the University of the Orange Free State, recently received the Oppenheimer Memorial bursary to do research on the most likely method of programme to control the need for expensive institutional care for the aged. This was with special reference to all medical problems experienced by elderly blacks.

Weich told "Liaison" that the programme should counter the strain that large numbers of black senior citizens will put on hospitals and homes for the aged.

At present only 100 of the 1200 senior citizens in the Orange Free State who need care in a home for the aged can be accommodated.

If present circumstances prevailed two percent of the aged in the year 2000 would need long-term care.

Weich said the statistics stressed that black senior citizens should receive utmost consideration and planning to avoid a disaster in the economic, social and health spheres.

Projections by the medical team of the UOF's Department of Internal Medicine, show that 10 percent of the total population of the Orange Free State will need hospital care for serious illness.

The majority of these patients will later be liable for discharge from hospital but unable to care for themselves.

Weich believes the interdisciplinary approach developed in England to care for the elderly can be adapted for South African services to the black aged. His research will focus on possible implementation of this system in the Bloemfontein area.
Goodyear to pay out pensions

GOODYEAR has offered to meet union demands for the liquidation of its pension fund and payment of the proceeds to employees, in an effort to resolve the 18-day-old dispute involving more than 1,000 Numsa members.

However, the company has continued to stand firm against union demands for "separation pay" for workers, and Numsa said the dispute would not be resolved without movement on this issue.

The dispute was sparked by the announcement in May of the sale of US-based Goodyear's interests to Consol. The sale went through on July 1.

Consol group MD Piet Nelthling said yesterday he was keeping a close watch on the dispute, and several meetings had been held with Goodyear management.

Numsa is to inform Goodyear today on whether it accepts the mechanics of the proposed liquidation of the pension fund.

"We are hoping this offer will be acceptable to our members," spokesman Gavin Harnford said.

The company has suggested the immediate payout to employees of double their contributions plus 3% interest. Remaining reserves would be paid out within six months.

Neither party would estimate how much money the fund, which has operated since 1965, had available.

Harnford said the company had also made its guarantees on wages, job security and social responsibility expenditure more comprehensive. However, Goodyear said the guarantees, first given at the time of the announcement of sale, had merely been reworded to meet Numsa's approval.

The company has refused to contemplate any severance payment on the grounds that the employment relationship has not been disturbed by the sale. Numsa argues the payment should be seen as a form of compensation for the years of service workers have given to the now departed parent company.
Chance for retired to earn cash

Staff Reporter

An enterprising retired professional is offering other retired professionals assistance with finding a means to supplement their incomes.

'I have set up an organisation which has as its major purpose the creation of a vehicle by means of which the talents of retired people can be available to society and, in particular, to industry,' said Mr M Milner of Weltevrede Park.

'The aim is to offer activity to retired professional people who are also seeking a way to supplement their income. I will collect curricula vitae (CVs) from them, and I will look for consulting work for them.'

Mr Milner said many active and mentally alert professional men are forced to retire because of their age.

'They then find reluctance on the part of employers to engage them — except under disadvantageous conditions.

Any retired professional who would like to be part of Mr Milner's project can contact him on (011) 6. 9967.
Tax anomaly causes fears of backlash

A serious tax anomaly between pension and provident funds has arisen as a result of the abolition of prescribed assets and the amended tax treatment of life assurance companies.

The result is of great concern in the pension industry. The different tax rates of the two types of funds were offset by the varying prescribed assets requirements. But because of the abolition, the imbalance could cause industrial unrest.

Provident funds in an assurance company could pay as much as 60% tax on investment income.

Bill Haslam, managing director of Timelife Insurance, says: "The officials at Inland Revenue understand the argument, acknowledging the anomaly. But they are worried they cannot change it until they understand why the anomaly was there in the first place. Since it is an anomaly, it cannot be answered, which leaves the industry in an impasse.

Vital"

"It is vital for Inland Revenue to move fast because most provident fund business concerns the black trade union movement. Most unions have decided that members' interests are best served by a provident fund which permits the payment of a cash sum at retirement. The pension fund benefit is payable in the form of an income.

"If the provident fund is invested with an assurance company - most funds are - they are required to pay tax on investment income. It is not difficult to see that they might interpret that as being selective taxation on their members and it could result in industrial unrest.

"The alternative is for the trade unions to withdraw their funds from the assurance companies and run their own provident funds so as not to be taxed.

"They would then be faced with the investment problems and the volatility of the equity market and a possible repeat of the October 1987 crash. They prefer the security of guarantee-type funds which are only available through assurance companies."

Dilemma"

"Guarantee funds are similar to a building society account where money is invested and interest or a bonus is added annually. Guarantee fund annual bonuses average 16%."

"It is understandable, therefore, that there is a dilemma for the black trade unions. If they wish to eliminate tax, they have to take their money from the assurance company - but suffer the swings and roundabouts of market movements.

"This is a situation which could provoke union leaders to adopt the tough stand which we hope will not affect industrial unrest. But if 1981 is anything to go by, this is a sensitive issue to be handled speedily and with care.

"I fervently hope that Inland Revenue will move quickly to solve this taxation anomaly," says Mr Haslam, previously pensions director of Southern Life. 
SATS has a 'R6bn headache

Johannesburg: The deficit in the South African Transport Services pension funds, estimated at R4 billion, is a huge stumbling block in the way of privatizing the corporation, experts say.

The R5 billion figure is the estimate of former Sanlam chairman, Mr. Andre Wagenstein. Industry estimates vary, but most put the actuarial shortfall, or assets to liabilities in the SATS funds as high as R5 billion.

SATS has yet to disclose the official figure, a spokesman said. Minister of Transport, Mr. Eliphas, would make the information available to the public.

The last actuarial valuation of the SATS funds was disclosed on March 31, 1979, when there was a total deficit of R3.5 billion.
Shortfall in funds could top R5bn

Sats pension deficit ‘bar to privatisation’

THE deficit in the Sats pension funds, estimated at Röbn, is a huge stumbling block in the way of privatising the corporation, experts say.

Former Sanlan chairman Andreas Wassenaar puts the figure at Röbn. Industry estimates vary, but most put the actuarial shortfall of assets to liabilities in the Sats funds as high as Röbn.

Sats has yet to disclose the official figure and a spokesman said Transport Minister Ell Louw would make the information available, "at his convenience".

Merchant bankers concentrating on privatisation have isolated the pension fund deficits as a massive problem. They say the shortfalls would reduce the value of the assets up for sale to the private sector.

Privatisation unit spokesman Pieter van Huysesteen said yesterday the pension fund deficits were an important issue.

"The shortfalls represent a liability to the purchaser and a way will have to be found around the problem."

It was too soon to say what could be done, but he noted it made commercial sense to present a clear solution before the privatisation process got under way.

"In Britain, a similar problem was encountered and the government made sure the funds were adequately covered before privatisation," said Van Huysesteen.

The last actuarial valuation of the Sats funds was disclosed on March 31, 1979, when there was a total deficit of Röbn. Wassenaar believes this could now "conceivably" be as much as Röbn — an estimate based on interest on the deficit at 12% per annum since 1979.

However, Sats sources said the corporation was gearing up its pension funds to reduce the deficits — and an important stop was that the fund itself should be privatised.

This would reduce the deficit through greater returns on investments handled by private sector fund managers, who do not face the investment constraints the public sector does.

The corporation is deciding on private fund managers to invest on its behalf. It is believed major institutions are likely to take precedence over smaller fund managers who have also tendered.

Constraints on investments by public sector pension funds are one reason for the deficits. The Sats funds are heavily invested in government stock and semi-guics and have not been allowed to invest in equities.

However, the Sats funds will soon be able to put most of their cashflow into higher-yielding JSE shares. The investment will be possible in terms of new investment guidelines for pension funds after the abolition of prescribed asset requirements earlier this year.

Pension industry sources say the corporation has a cashflow of about Röbn a month to invest. The assets of the Sats funds were about Röbn at the end of the 1987/88 financial year and have since grown by at least a few hundred million rand.

"A fund that is over-invested in gilties, such as Sats, will be able to invest heavily in equities, in terms of the new investment criteria."

Sources indicated other steps had been taken to reduce the deficits, such as increasing members' contributions.

The Sats pension funds are also putting in place new administrative systems based on private sector methods.
Banks vie for older investors

MAJOR banks in the country are zooming in on senior citizens investors with special financial packages offering higher-than-normal interest rates and a convenient one-stop banking facility.

With South Africans saving less of their disposable income each year senior citizen investors are becoming a lucrative market for the banks.

The Reserve Bank’s Quarterly Bulletin reports that last year’s very low personal savings ratio — 1.7 percent of disposable income — continued during the first three months of 1989. In 1987 individuals saved 4.6 percent of disposable income.

The over-60s investors have bigger amounts of money and can afford to invest for longer periods. Almost all the banks with senior citizens portfolios are looking at minimum investments of R10 000 and offer additional interest on fixed deposits of 12 months or longer.

A spokesman for First National Bank said the senior citizens portfolio is becoming competitive as the banks vie for the “stable and loyal investor”.

Says Bill Mansfield, Divisional General Manager, Personal Banking Services Division: “Consolidator is an attempt to better serve their needs. It is designed to make life easier by consolidating everything they need from a bank into a single package that is easy to understand and easy to operate.”

Standard Bank’s Consolidator offers free banking, a range of investment products, a preferential interest rate on fixed deposits, a unique hospital cash plan, discounts on comprehensive insurance and attractive travel and leisure offers.

Free banking is provided to customers who invest R10 000 in current, call, notice or fixed-deposit accounts. Should the investment fall below R10 000, preferential rates will apply.

Consolidator customers have automatic and exclusive access to a specially adapted Hospital Cash Plan, which is unique in that there is no age limit. The plan provides daily cash payments for hospitalisation as a result of accident or illness. There is a choice of three levels of cover.

Trust Bank offers senior citizens a bonus of 5 percent on interest on fixed deposits which means that when a deposit is made at a rate of say 17 percent the effective interest rate is 17.85 percent.

Supertrust pays 10 percent additional interest on interest received on an annual basis for people between 55 and 64 years of age and 20 percent for people over 64. This means that when interest of R100 is receivable for a year R20 extra is added to the account for the over 64.

First National Bank’s Seniors Portfolio offers two commission-free personal cheques per month, two free stop orders, commission-free Visa traveller’s cheques, a free safe-custody envelope and FirstCard for successful applicants with an annual card fee waived for the first year.

There is an additional 0.5 percent interest on published rates for fixed deposits for 12 months and longer. Script dealings and overdraft facilities are available to senior citizens at competitive rates.

Senior citizens also receive a free insurance advisory service, free financial consultancy service whose functions include investment portfolio management, establishment of trusts, participation mortgage bonds and estate planning.

Nedbank offers only 0.5 percent additional interest on fixed deposits for the senior citizens. However, the bank will offer a package suitable to the client’s needs. A spokesman said the bank was working on a special package for senior citizens.

Volkskas Bank offers special interest rates for persons over 60 on fixed deposits and a 7 percent bonus on interest for deposits in Bonus Save 5000 which is a special savings account for investments of R5 000 and more.
First hints of pension action

By Robin Chalmers
State pension funds sound, says govt

By BARRY STREEK
Political Staff

The state pension schemes were not in any trouble and they were actuarially in a sound position, National Health Minister Dr Wil- lie van Niekerk said at the weekend.

The funds were receiving more in contributions than they were paying out in pensions, and pensioners should not worry as "they will be paid out".

Dr Van Niekerk said this in reply to a statement by the National Party candidate in Claremont, Ms Annette Reinecke, at the party's Cape congress in Somerset West.

Ms Reinecke said the funds were actuarially bankrupt and called for the appointment of a commission, possibly headed by Dr Andreas Wassen-aar, to look into the issue.

Dr Wassenaar said in his recently published book, "Squandered Assets", that hidden national debt, built up in deficits through public pension funds and the underwriting of loans to homeland governments, had reached R55 million and the cost of the recently introduced pension schemes for town councillors was likely to be R55 million a year.

Dr Van Niekerk said the government had already done what Ms Reinecke had suggested and a private actuary had looked into the pension funds.

This actuary had shown that the pension funds were "not at all in any trouble".

DP lashes at criticism by "closet Nats" — Page 7
CPA gives answers on non-payment of grants

THE Cape Provincial Administration yesterday responded to the non-payment of grants and pensions to Worcester's black old-age and disability pensioners, some of whom have been without income for months.

The Cape Times provided the CPA — which handles the payments — with a list compiled by the Black Sash of case studies in Zwelitshaba where pensions and disability and maintenance grants were stopped.

Ms Vuyiswa Aques Mnono received a disability grant of R194 four times a year since 1978 after losing a leg in a train accident. The grant was stopped in September last year.

A CPA spokesman said Ms Mnono was found to be medically fit by the Pension Medical Officer and payment was accordingly stopped. She is free to reapply for a disability grant, he said.

The Black Sash said a maintenance grant to Mrs Ndlunyeuana Mina Dopolo was stopped for no reason.

Her child was in Std 6 and the school had supplied a letter to confirm this. The letter had been submitted to Worcester Magistrate's Court but nothing had been done about it.

The CPA spokesman said that according to its records Mrs Dopolo received a pension but that no application for a maintenance grant had been received. She was advised to submit an application for consideration.
Retirement benefit packages are increasingly being negotiated with employers and unions. The private sector needs freedom to nego-

that can benefit all

6/7/61 309

Old Mutual's employee benefits division says GERRHARD VAN WIJKERK of

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ONE are the key to annual
Retirement benefits packages are increasingly being negotiated that can benefit all employees. Implement innovative deals that immediately benefit employees and unions. The private sector needs freedom to negotiate such arrangements.

Old Mutual’s Employee Benefits Division
Homes boost

From DICK USHER, Business Staff

JOHANNESBURG. — A bold new plan which will link pension schemes to the financing of house-ownership — a step which could go a long way towards easing the country’s housing crisis — has been unveiled.

The plan, which views home-ownership as part of the total retirement package and would help first-time house buyers meet their bond commitments, was disclosed here by the country’s biggest insurance group.
CPOA Architect Mr K. B. Sen said other shops and library rooms R800 000. It features a hall. Several workshops and computer rooms have been opened by the Comfort and Pamper Centre. The centre is also of the first of its kind in the County.

In his opening speech the Chairperson of the Centre said that the centre would improve the quality of life in the county. He said that the centre was funded by the CPOA to the tune of $300 000. He also thanked the youth for their support. The building of the centre will be of 3000 square feet. CPOA Chairman Mr B. S. Fernan said that the building redressal and rehabilitation blocks. He said that the role of the Elders in the community was crucial. The CPOA, Mr K. B. Sen, said that he would ensure that the centre was used exclusively for Rockford and Rockford Centre. The centre is one of the first of its kind in the city. In addition to the centre, the city has other centres for the elderly. The city has a population of 300 000. The city is one of the first of its kind in the country.
Iscor's pension fund is 'flourishing'

Pretoria — The Iscor pension fund is flourishing and a pension adjustment of at least 10% will be possible from the beginning of next year, said a fund spokesman.

Pensions were adjusted 10% upwards from January this year.

The actuaries found the fund, which has 26,611 contributors, had assets of R2bn at the end of December, with a market value of about R2.5bn.

Last year new investments totaling R236m were made and R156m was paid to pensioners.

Fund GM H. Scheepers welcomed the drastic alteration of the prescribed investment provision of pension funds.

At the end of 1985 the fund had R229.7m in approved investments with a R180.6m market value.
Housing crisis: plan to tap pension funds

Finance Staff

A new plan linking pension schemes to the financing of home-ownership is expected to help ease South Africa's housing crisis.

The plan, which sees owning a home as part of the total retirement package and to help first-time buyers meet their bond commitments, was disclosed at a conference in Johannesburg yesterday.

Insurance companies have been under pressure from the Government for years to channel into housing some of the billions of rand they invest each year on behalf of policy holders.

The scheme, proposed by Old Mutual, would mean that the joint pension contributions by employers and employees, plus any State or private subsidies, would be channelled into the purchase of houses — especially for those who would not otherwise be able to afford the deposit.

The retirement fund contributions would accumulate until there was sufficient for the deposit.

Monthly contributions would then be used as bond instalments, enabling higher repayments.

The combined bond payments would reduce the repayment period, and once the home was fully paid for, would revert to providing funds for retirement.

Old Mutual executives said they believed it was a viable model.

Old Mutual assistant general-manager Mr Henk Beets said the idea solved two problems in the provision of housing for lower-income groups: the shortage of capital available for low-cost housing, and the lack of systems to make houses more affordable for those buyers.

Private involvement

The concept was based on the understanding that it was crucial for the private sector to become involved if South Africa's housing crisis was to be solved.

While pension funds could invest in low-cost housing, the money to pay for them had to come from somewhere, which meant either reduced benefits or increased contributions from members.

"Investment in housing schemes also had certain risks for pension funds: control of the investment; guarantees of the credit; and avoidance of management involvement."

Most of the population earned less than R1 000 a month and could not afford to buy homes costing more than about R18 000.

The low income level had made it difficult to save enough for a deposit on a house, and the preferences of building societies and developers were for houses in the R47 000-upwards range — well out of the reach of most wage earners.

"Buying a home must also be seen as part of preparation for retirement," said Mr Beets.
Retirement funds hold key

Bold plan to make housing affordable

Staff Reporter

South Africa's housing crisis could be eased if the Government accepts an insurance company's bold plan to make housing affordable by linking deposits and bond repayments to retirement benefits.

The plan unveiled at a two-day conference in Johannesburg on pension and provident funds proposes that all available resources be focused on meeting employee needs, particularly housing needs.

Old Mutual's assistant general manager, Mr Henk Beets, said yesterday the proposed scheme would accelerate home ownership.

Retirement

It would also increase the "portability" of retirement benefits, he said.

On trade union agendas, housing was possibly second after retirement benefits, he said.

Mr Beets said in an interview that Old Mutual was involved in negotiations with two large employer organisations and a trade union which had shown interest in the plan.

"We have two specific schemes that we are working on at the moment and we hope to use them as a role model. We hope to take the two schemes to the civil service authorities for approval." The scheme would then be expanded.

The plan calls for retirement accumulations to be made available as deposits.

It would take an employee earning R600 five years to accumulate enough to afford a deposit for a house costing between R20,000 and R30,000.

The plan would also involve the diversion of ongoing retirement contributions towards bond repayments.

"When Government and employer subsidies are put together with the employee's own contributions to the fund, the bond repayment period could be cut to 15 years instead of 25 years on a R30,000 bond."

The proposed plan would make access to housing finance easier and more affordable for the majority of the population who are currently not catered for, Mr Beets said.

Options

Other options could be for employees to leave employer's contributions in the fund to be used for other benefits like death and disability cover. The retirement fund could also provide additional death cover on a bond.

After paying the deposit, the employees could resume fund contributions to accumulate retirement benefits.

However, the major problem appears to be the building societies, which largely have fixed financing administration costs.
Unions give new direction to pension funds
OM pension funds outstrip inflation

Financial Staff
PENSION funds in the Old Mutual stable have outstripped inflation by achieving investment performances of 36.4% in the Multifund and 29.7% in the Omnifund for the 12 months ended June 30, 1989.

"Old Mutual's investment strategy of having a high exposure to growth assets in an inflationary environment has certainly paid off," said employee benefits GM Gerhard van Nickerk.

The equity investment in the Multifund portfolio achieved a return of almost 66% in both the industrial and mining sectors, far outperforming the respective indices.

Van Nickerk said this clearly illustrates why Old Mutual has welcomed the abolition of prescribed assets.

The returns achieved by Old Mutual's Multifund compared to inflation over the past four years.

"The more flexibility responsible investment managers enjoy, the more secure the financial future of fund members will be. It will therefore be a pity if the impact of the abolition is diminished by complex inhibiting guidelines," he added.
Old Mutual prepares for post-apartheid SA

By David Carle and Robyn Chalmers

OLD Mutual this week fielded thorny questions facing the life-assurance and pensions industry.

At a conference attended by representatives of most newspapers, magazines and SABC television, Old Mutual managers engaged in public soul-searching, confronting such questions as:

- How will it handle the issue of repatriation of Namibians?
- How will it handle the issue of repatriation of Namibians?
- How will it handle the issue of repatriation of Namibians?

- Are the life companies too powerful and would not privatization make them even more powerful?

Apartheid

Although Mutual raised these questions, which it believes are too sensitive to be public, the replies from pension chief Gerhard van Niekerk and others were neither predictable nor defensive.

Like Anglo American, but unlike the other major companies, which keep their head well down on socio-political questions, Old Mutual has been applying its mind to the implications of the rise of black trade unions and the question of a post-apartheid SA.

As a mutual, it is conscious that it belongs to its policyholders' right 'economy' and that economic trends are affecting its business.

Old Mutual has been losing money for two years. Trade unions are aware of this and are becoming more demanding in pensions and provident funds issues, and Old Mutual is taking steps to spread its appeal to all population groups.

The group realizes that it is through pensions and provident funds that blacks will first start to gather economic power.

Fatalistic

On taking sides in the liberation struggle, Mr Van Niekerk has a wonderful reply: "We can help only in the struggle for liberation from economic waist.

"We are nationalistic in Namibia and anywhere else, so he it - but if they take such a step, governments will be riding rough shod over the decisions and actions of policyholders, who voluntarily bought policies from us."

Mr Van Niekerk acknowledges that institutional investors, with their billions, will inevitably be the major shareholders to privatization share issues and that their power will increase.

But he contends that because institutional money represents members of pension funds and policyholders, the small man will get his slice.

Expense

On the question of whether it is a rip-off that the departing employee receives only his or her contributions plus 4%, Mr Van Niekerk says that under existing practice, the stayers and the new owners benefit at the expense of the leavers.

But the contribution paid by the employer does not belong to the employee personally. The employer pays it so that the fund can meet the cost of benefits, which are guaranteed.

Mr Van Niekerk believes employers have erred in stating that they must employ employees' contributions. They should pay in a portion of the salary bill, so that nobody gets the idea that the employee's contribution is his or her, and that if the rules are to be changed to permit the employee's share to be paid to the departing employee, not only will contribution rates go up, but workers will have to shoulder the risk of benefits not being met.

Factors

If the employer's contribution becomes the property of the employee, it will become deferred pay and therefore taxable.

Mr Van Niekerk says withdrawal benefits have improved, particularly for those with long service. After 15 years' service, most funds pay twice their own contributions plus interest.

He says that unionization was one of the reasons for the entire pensions industry to take a long, hard look at itself.

Allegations from employers about paternalism are essentially a money purchase scheme where the risk is passed on to the employee, who in the event of death, will lose out, but if he booms he will benefit substantially. "Where the employee carries the risk, he should be allowed to participate in the investment decision-making process. While the day-to-day investment decisions should be left to an expert, he should be able to choose the investments, for example, and the investment strategy involved."

Awareness

Mr Van Niekerk believes there will be a far greater awareness of the economy and business if employers and employees are allowed to become involved in financial decisions. He ordeals a move in this direction.

Group marketing manager Brian Brosen says there is strong support for this idea among many trade unions, which are, in turn, trying to get the idea of union-based funds.

Last year the Chemical Workers' Industrial Union (CWIU) launched its Industrial Fund, which negotiates with employers to make it attractive to join it. Ms Le Roux believes their concept of the CWIU fund is mainly of a 'year of stability', but that it, in general, the unions involved do not have the financial experience.

"Competition among unions is such that they must make sure their members benefit. Industry-wide union-based funds have not yet been launched. It's too early for mutuals to enter the market."

GERHARD VAN NIEKERK

Vergadering van 06 09 1-1984

DER the burden of rising costs of medical aid, doctors, pharmaceutical companies and hospitals are blaming one another while reaping fat profits. What is Old Mutual's explanation and what is being done?

Mr Brosen explains that the benefit structure of medical aid schemes, is too rigid, the contribution structure encourages cross-subsidies and employee participation is often compulsory.

In reaction to rapidly rising subscription rates coupled with greatly increased claims by members, he says there is much pressure on the Government to change the regulations governing schemes.

He foresees that in order to right the wrongs of schemes it is essential that insurance companies become involved in the medical arena, that health maintenance organizations be formed, benefit options become more flexible and active incentives to reduce claims be introduced.

Old Mutual took a look at social old-age pensions, contrasting the dilemma of the State with that of the individual and the employer. Debatting the old question of whether a state pension should be viewed as relief for the destitute or a livable income, Mr Van Niekerk says that in theory it should be relief — but in practice it becomes the means for survival for many people.

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Better deal for job-leavers

A new concept in the provision of employee benefits has been introduced by Volkskas Pension Services and Prisma Actuarial Consultants.

The two companies have put together a flexible package for existing as well as new funds. The Wide-awake Benefit Plan is an attempt to combat deficiencies in the retirement provision system, such as inadequate resignation benefits.

A member subscribing to the plan would belong to two funds. The first, offering benefits only for retirement and resignation, operates on a money-purchase basis. The second, which is contributed to by the employee, is a provident or pension fund, offering better benefits on resignation.

This fund, which may be either a provident or pension fund, offers better benefits on resignation.

The fund is structured in such a way that members younger than 45 will contribute less than the market norm. They are then provided with cash to pay for pressing needs, such as housing.

All employees automatically belong to a separate pension fund. They are not, however, required to contribute to it.

It offers:

- Death benefits in the event of death before retirement.
- Disability benefits.
- A pension calculated according to the number of years employed at salary.
- A cash refund for members transferring their contributions from the money-purchase to the provident fund.
Pull-out of union threatens workers’ pensions

Own Correspondent

Johannesburg. — The withdrawal of the SA Printing and Allied Industries’ Federation from the National Industrial Council later this year will dissolve the council and force the liquidation of its R750 million employees’ retirement fund.

The federation, along with the industry’s other major employer body, the Newspaper Press Union, and the SA Typographical Union (Satu), which represents workers, are planning an all-tapes because for their members’ substantial retirement savings.

A council spokesman said he was receiving calls daily from members who were concerned about their investments in the fund.

The federation’s executive director, Mr Chris Sykes, said he was receiving pension consultants on August 7 and was confident a solution would be found soon.

Satu’s general secretary, Mr Martin Dayzel, said the union was busy considering the matter and would report back to members on August 12.

“People will neither lose their stake in the fund nor be paid out now,” said Mr Sykes.

“However, about 60% of our members do not have alternative benefit schemes and we have to decide whether to set up a new fund for the benefit of members.”

The pension fund is managed by Old Mutual, Sanlam and UAL. Old Mutual assistant general manager — employee benefits Mr Henk Beets said the council had two alternatives once the fund was liquidated.

Either its employer members could set up their own schemes for employers or the federation could decide to opt for a union-managed fund.

Jani has the AWB boss taped

Staff Reporters

Celebrity columnist Ms Jani Allan is in London to escape the consequences of transcripts of telephone messages allegedly left for her by AWB leader Mr Eugene Terre’Blanche.

The messages pleading for contact — published in the Sunday Times on Saturday in the London Daily Mail as saying she was in the City to avoid the possible consequences of the tapes.

“I have been under the most incredible stress the past few months. I only hope I haven’t left trouble behind only to walk into even more.”

Mr Allan said in the Sunday Times that she had released the tapes because Mr Terre’Blanche had said she had solicited them that he had instructed his receptionist not to put through her calls.

Further claims by Mr Terre’Blanche that Ms Allan had begged him to keep their relationship alive were made in an interview published in the newspaper Rapport yesterday.

The AWB leader’s wife, Mrs Martie Terre’Blanche, was quoted as saying Ms Allan to stay away from her husband.

But contrary to such statements, said Ms Allan in her interview, “It was he who kept calling me at all hours of the day”.

The calls had started soon after the December Paardekraal Monument incident — which resulted in Mr Terre’Blanche being charged with and later acquitted of wilful damage to public property — and had continued until the middle of June.

Extracts from the tapes include: “You were a muchacho. Please call me back. You wanna kill me? Call me back. Please in God’s name, call me back,” and “I’m still at my office waiting for you to call me back. Oh God, I’m dying (deep sigh).”

Another message goes: “I wanted you to call, Jani Allan. Won’t you please phone me now? PLEASE phone me. I’m at home. Bye.”

In one call, Mr Terre’Blanche threatened to visit the columnist. “Jani, it’s me ... please, please, speak to me. If you don’t pick up this phone, I’ll have to come to you right now.”

Two weeks ago, Ms Allan disclosed in an article that Mr Terre’Blanche had fallen asleep in the passage outside her apartment after she had ignored his pleas to be admitted at midnight on June 29.

The reports suggested Mr Terre’Blanche might not have been sober.

“He visited the apartment complex several times,” she said.

Mr Terre’Blanche, in an interview published in the Citizen newspaper last week, denied he had slept on Ms Allan’s doorstep and was quoted as saying: “Ms Allan has never refused to open her door to me.”
Looking for a home

The coming liquidation of the R750m National Industrial Council (NIC) fund, following the withdrawal of the SA Printing and Allied Industries Federation (Sapaif), raises the issue of pension transferability. The benefit of belonging to an industry fund lies in preserving benefits. However, various options will be considered once the fund is liquidated.

These are:
- Transfer of the current fund to a new industry fund;
- Transfer of members’ interests to their own company’s pension or provident fund, where these exist; and
- Transfer of members’ accumulated interests to an insured arrangement such as a retirement annuity (RA) policy.

The alternatives are to be discussed between Sapaif and the SA Typographical Union (Satu) at a meeting on August 7. The union would apparently like the fund to be run on an industry level while the larger companies in Sapaif prefer company funds. Smaller companies without their own pension funds prefer an industry fund. Satu said it will issue a statement — but couldn’t comment before then. The deadline for setting up the new fund is the end of the year.

Old Mutual, Sanlam and Alexander Forbes have been commissioned by Sapaif and Satu to investigate alternative benefit arrangements.

The new structure will have to be negotiated. “Fund trustees could comprise employers, employees or a combination of both parties,” says Old Mutual Assistant GM Henk Beets. “The level of employer and employee future contributions to these new funds would need to be defined.” But existing pensioners won’t suffer. “Their money could either be put into another fund or RAs could be bought for them,” he adds.

The pension fund is now invested by Old Mutual, Sanlam and UAL. Old Mutual also acts as actuary and manager.
More pension fund money should flow to the JSE

The JSE will continue to benefit from the abolition of prescribed investments in months to come, says merchant bank Investec in the first edition of a new publication, Focus on the Economy.

Investec economists argue that within SA’s inflationary environment, real assets such as equities and property provide the only means of maintaining value.

This is particularly relevant to most pension funds where liabilities are often linked to salary and therefore to salary inflation.

“Increased investment in equities and property is therefore the most likely scenario,” says Investec, adding that in the UK and the US real assets represent 70 percent of total investments by pension funds and life assurers.

In SA, statistics suggest the proportion of real assets varies from 40 to 70 percent of assets at market value, with an average of 60 percent.

“There is, therefore, some scope for moving free cash towards real assets and, in addition, the less than 40 percent of cash flow committed to real assets over the past 15 years should also increase significantly.”

The economists argue that at current market values, a shift of five percent from the fixed-interest market to the stock market would represent R6 billion to R7 billion earmarked for equity investments.

In the short term, the higher demand should provide some support for equities. But the longer-term effect depends on the extent to which these additional funds are absorbed by privatisation, rights issues and possible new issues.

Until a new equilibrium is reached, Investec expects the property market to continue its upward trend.

The property market is also likely to be earmarked for additional funds, although the new regulations limit the property content to 30 percent, compared with the previous content of less than 15 percent of assets.

“Where the effect may be more significant is in the property trust sector of the equity market, as they will be treated as property rather than equity.”

“Many of the smaller pension funds, unable to participate in direct property investment, may, therefore, move into this currently under-valued sector and we expect this sector to be more highly rated in future,” Investec says.

On a more general note, the economists say future pension fund managers will have to follow more active investment policies than their predecessors.

“In the past, fund managers were reluctant to realise book profits on equities or book losses on gilts, as such action would have increased the required prescribed content of their portfolios.

“This pressure having been removed, the pressure on previously passive managers should now increase,” Investec says.
Inflation: Aid for elderly

By TOM HOOD
Business Editor

INFLATION running at the current rate of 15 percent halves the value of money every five years with serious implications for senior citizens, says Mrs Shereen Walbeck, who is co-ordinating an Old Mutual programme to help the elderly fight inflation.

A rand in 1979 bought two litres of milk, three loaves of bread and a packet of cigarettes, she has calculated.

Today a rand buys a quarter litre of milk, a quarter loaf of bread and two cigarettes.

The company today launched a R1-million information programme to help senior citizens.
Retirement villages

Life rights or wrongs

Retirement homes are reportedly the third-biggest market after fast foods and second-hand cars in the US.

In SA, the emotive issue of housing the elderly may never reach those proportions, but it’s certainly gaining in importance. Analysis of the different schemes through which pensioners may acquire their retirement homes is now becoming imperative.

The simplest option is for the elderly to buy a unit in a retirement village on a sectional title or shareblock basis. But, latterly, high costs have forced many to consider purchasing life rights.

The basis of life rights schemes is that the purchaser buys, either with a lump sum or a bond, the lifetime right to occupy a unit in a retirement village. The main advantage is that the buyer lives rent-free, except for levies, for the rest of his or her life at a lower cost than freehold purchase permits.

The downside is that the unit remains the property of the village operator. In the event of death, the occupier’s estate receives only the initial lump sum down-payment — with no accumulated interest or consideration for appreciation in the unit’s value.

Some developers, such as Darrenwood Leisure Village (DLV), chose not to take the life rights route. DLV MD Larry McFarlane says it was because there seemed little advantage to the buyer.

But life rights exponents, such as Sanlam Properties MD Hendrik Bester, stress the schemes are not intended as an investment, but as an assurance of accommodation for life with no hidden charges (Sanlam guarantees the level of future levies).

Bester says Sanlam intends selling units on life rights, but it has devised a variation in which the tax implications have been taken into consideration. “We have consulted two leading tax specialists and we are at present clearing it with, among others, the Receiver. We don’t expect a problem.”

Nevertheless, it is becoming increasingly evident that there can be tax pitfalls both for unwary developers and buyers of units under life rights schemes (Economy July 21).
Higher pensions force borrowing

By AUDREY D'ANGELO
Financial Editor

The increasing amount of "forced" saving through larger payments to pension and provident funds as salaries rise has caused consumers to borrow to keep up their standard of living, according to a recent report by a leading economist. Senbank chief economist Johann Piasecki suggests that the rising cost of living is one reason why this trend is becoming more common.

In a recent study, Piasecki found that the average household spends 30% of its income on housing, with the majority of this cost going towards mortgage payments. This leaves little room for discretionary spending, forcing families to either reduce their expenses or turn to borrowing to make ends meet.

The report also highlights that the financial system is playing a major role in this trend. With interest rates remaining low, it is becoming increasingly attractive for investors to seek out higher returns by investing in assets such as real estate and equities. This has led to a rise in the value of these assets, further compounding the problem.

Piasecki argues that this situation is unsustainable and calls for urgent action to address the root causes of the problem. He suggests that government policies should focus on promoting saving and investment in a way that is more inclusive and sustainable for all households.
By Anthony Jones

SOUTH AFRICA LONG-SERVING MP, Mrs. Hetty Suzman, is to receive a golden handshake, when she retires as a member of the House of Commons, on the eve of May 11. Mrs. Suzman, who was aged 36 when she entered Parliament, 23 years ago, could resign at any time. She said she was returning to South Africa to take up a new post in Parliament. Mrs. Suzman, who has held the portfolio of Women, Children, and Persons with Disabilities, has been a member of the National Assembly since 1973. She said she was leaving Parliament because she had been asked to take up a new post in the Cabinet of the South African government. Mrs. Suzman, who has been a member of the National Assembly for 23 years, said she was deeply moved by the support she had received from colleagues and friends. She said she was looking forward to spending more time with her family and friends in South Africa. Mrs. Suzman, who is married to former South African President Nelson Mandela, said she was leaving Parliament with a sense of pride and accomplishment. She said she had worked hard for the betterment of South Africa and had been a strong advocate for the rights of women and children. Mrs. Suzman, who has been a member of Parliament for 23 years, said she was proud of the work she had done in Parliament and of the support she had received from colleagues and friends. She said she was looking forward to spending more time with her family and friends in South Africa. Mrs. Suzman, who is married to former South African President Nelson Mandela, said she was leaving Parliament with a sense of pride and accomplishment. She said she had worked hard for the betterment of South Africa and had been a strong advocate for the rights of women and children.
R361 000
tax-free
farewell
for Heunis

Own Correspondent

JOHANNESBURG. — A tax-free golden handshake of R361,000 to the former Minister of Constitutional Development, Mr Chris Heunis, is the start of a R1.7-million pay-out to retiring cabinet ministers.

Taxpayers will fork out more than R5 million to pay for gratuities to the ministers and MPs who are not standing for re-election on September 6. The amount could be a lot higher if a number of veteran MPs lose their seats. Apart from their golden handshakes, they will also receive generous pensions.

Details of the pay-outs and pensions to be received by cabinet ministers are:

- Mr Heunis will receive a golden handshake of R361,767 and a yearly pension of R120,579.
- The Minister of Agriculture, Mr Greyling Wentzel, will get a pay-out of R332,943 and the maximum pension of R129,579.
- The Minister of Economic Affairs, Mr Danie Steyn, will receive a gratuity of R271,427 and a yearly pension of R110,518.
- Mr Pietie Badenhorst, the Minister of Health and Welfare, will receive a pay-out of about R268,900 and a pension of about R165,000 a year.
- The Minister of Home Affairs, Mr Stoffel Botha, is set to receive a R296,385 pay-out and a pension of R119,408 a year.
- The Indian Minister of the Budget, Mr Ismael Kathrada, will receive a gratuity of R165,404 and a pension of R72,982 a year.

Mr Stoffel Botha, who was the only minister available for comment on the pay-outs at the time of going to press, said he did not wish to comment.

Mr Brian Goodall, the DP candidate for Edenvale, who is just one day short of the seven years and six months' service needed to qualify for an MP's pension, said the whole system of MPs' and cabinet ministers' pensions and pay-outs was unsound.

"It is not a pension fund at all," he said. "There is no proper scientific funding or calculation of the liabilities of the fund."

(Report by M Robertson, Yv Clairenpol, Johannesburg)
THREE new no-frills hotels costing about R45-million are being planned for Cape Town by City Lodge Holdings, managing director Mr Hans Enderle disclosed this week.

Finance will come from the giant Mines Pension Fund, a 65-percent shareholder, which already owns the BP Centre and other buildings in the city centre.

The company has built seven hotels with more than 1,000 rooms in four years at a cost of R65-million and aims to build another five costing about R70-million.

“Our concept of cost savings in construction and selected services means guests get four-star accommodation at two-star tariffs, from 25 percent to 50 percent below rates at hotels with all amenities,” said Mr Enderle.

“We decided to incorporate some of the fundamentals of Swiss hotels, chalet-style comfort and atmosphere and high standards of cleanliness. Room standards are higher than the Hotel Board’s minimum requirement for four-star hotels.”

The Western Cape's first City Lodge next to Mowbray golf course opened in March and even in the middle of winter occupancies were running at 60 percent, far above the industry average, he said.

This hotel with 130 rooms cost R9-million and met a need for accommodation for holidaymakers and tourists as well as business people visiting Cape Town.

The future Cape Town City Lodges would all be larger than 160 rooms.

“But we would rather build three hotels in different areas than build one of 350 rooms.”

He visualised one linked to the Albert Basin development and one close to the central business district, if a suitable site could be found. For the third he favoured a green belt suburb and a low rise, three-storey building.

For the past 10 months room occupancy at Cape Town's first City Lodge had been on average just over 50 percent, compared with an industry average of just over 57 percent. After only five months, it was enjoying occupancy of 60 percent in the middle of the winter.

Swiss-born Mr Enderle, former chairman and chief executive of Holiday Inns, spent the past 20 years marketing the concept of hotels the average family could afford.

**Started Holiday Inns**

With the late David Lewis, he started the Holiday Inn chain in South Africa and expanded it until it was taken over. It now forms part of Southern Sun, the country's biggest group.

“We thought we knew a thing or two about hotels and what South Africans wanted, but we spent two years on research before we started developing City Lodges. After studying our proposals, the Mines Pension Fund committed R45-million.”

This segment of the market, high standards of accommodation with limited services, was the biggest growing sector in the United States hotel industry. A similar group was opening one hotel a week in the US.

"Twenty years ago there was not one of these hotels in the US; today they have 300,000 rooms,” Mr Enderle said.
GOVERNMENT NOTICES

DEPARTMENT OF FINANCE

AMENDMENT OF REGULATIONS MADE UNDER THE PENSION FUNDS ACT, 1956 (ACT No. 24 OF 1956)

The Minister of Finance has under section 36 of the Pension Funds Act, 1956 (Act No. 24 of 1956), made the regulations in the Schedule.

SCHEDULE

Definition


2. The following regulation is hereby added to the Regulations:

“Limits relating to investments of a registered fund

28. (1) Subject to the provisions of subregulations (2), (3) and (4) and the Annexure to this regulation, a fund shall only invest in an asset defined in an item in column 1 of the said Annexure to the extent to which the market value of such investment in any such asset, expressed as a percentage of the total market value of the total assets of the fund, does not exceed the percentage mentioned in respect of such asset in column 2 of the said Annexure: Provided that—

(a) the total market value of investments in assets referred to in items 6 and 7 in column 1 of the said Annexure, expressed as a percentage, shall not exceed 85 %; and

(b) the total market value of investments in assets referred to in items 6 to 9, inclusive, in column 1 of the said Annexure [but including assets referred to in paragraphs (a), (c) and (d) of item 9], expressed as a percentage, shall not exceed 90 %.

GOEWERMENSKENNISGEWINGS

DEPARTEMENT VAN FINANSIES

WYSIGING VAN REGULASIES UITGevaARDIG KRAGTENs DIe WET OP PENSIOENFONDS, 1956 (WET No. 24 VAN 1956)

Die Minister van Finansies het kragtens artikel 36 van die Wet op Pensioenfondse, 1956 (Wet No. 24 van 1956), die regulasies in die Bylae uitgevaardig.

BYLAE

Woordomsksrywing


2. Die volgende regulasie word hierby deur die Regulasies gevoeg:

“Perke met betrekking tot beleggings van ’n geregistreerde fonds

28. (1) Behoudens die bepalings van subregulasies (2), (3) en (4) en die Aanhangsel by hierdie regulasie, mag ’n fonds slegs in ’n bate omskryf in ’n item in kolom 1 van genoemde Aanhangsel belê in die mate waarin die markwaarde van so ’n belegging in ’n bedoelde bate, uitgedruk as ’n persentasie van die totale markwaarde van die totale bates van die fonds, nie die persentasie vermeld ten opsigte van so ’n bate in kolom 2 van genoemde Aanhangsel oorskryf nie: Met dien verstaande dat—

(a) die totale markwaarde van beleggings in bates bedoel in items 6 en 7 in kolom 1 van genoemde Aanhangsel, uitgedruk as ’n persentasie, nie 85 %; en

(b) die totale markwaarde van beleggings in bates bedoel in items 6 tot en met 9 in kolom 1 van genoemde Aanhangsel [maar ingesluit bates bedoel in paragrafe (a), (c) en (d) van item 9], uitgedruk as ’n persentasie, nie 90 %.}
SOUTH AFRICAN TRANSPORT SERVICES

PENSION REGULATIONS.—THE RAILWAYS AND HARBOURS PENSIONS ACT, 1971 (ACT No. 35 OF 1971)—AMENDMENTS

By virtue of the power vested in me by section 4 (3) and (3A) of the Railways and Harbours Pensions Act, 1971 (Act No. 35 of 1971), I, Elie van der Merwe Louw, Minister of Transport Affairs of the Republic of South Africa, hereby approve, after consultation with the South African Transport Services Board, of the Pension Regulations published in Government Notice No. R. 1102 of 10 June 1988 being amended as set out in the Annexure hereto with retrospective effect from 1 April 1989.

ANNEXURE

1. The following regulation shall be inserted after regulation 3:

"3A. INVESTMENT COMMITTEE

(1) The moneys of the Fund and the New Fund not immediately required for current expenses shall be invested by an Investment Committee.

(2) The Investment Committee shall consist of—

(a) the Chairman of the Joint Committee;
(b) a member of the personnel of the Administration involved in the administration of the Funds nominated by the Chairman of the Joint Committee; and
(c) two members of the Funds nominated by the Joint Committee.

(3) The two members of the Investment Committee who are nominated by the Joint Committee shall have financial and investment experience as well as practical experience regarding the making and handling of investments.

(4) The Chairman of the Joint Committee may, in his discretion, terminate the appointment of the member referred to in paragraph (2) (b).

(5) The Joint Committee may, in its discretion, terminate the appointment of a member referred to in paragraph (2) (c)."

2. The following paragraphs shall be inserted after regulation 8 (3):

"(4) The Investment Committee shall meet when and as often as the Chairman may determine.

(5) The Investment Committee shall, subject to paragraph (6), determine the procedure to be followed in the performance of its functions and the exercise of its powers, including—

(a) the procedure to be followed at meetings; and
(b) the manner in which decisions are to be made.

(6) The Investment Committee shall—

(a) keep complete accounts and records of all actions taken in the performance of its functions and the exercise of its powers and shall make proper provision for the safe-keeping of all securities; and

SUID-AFRIKAANSE VERVOERDIENSTE

PENSIOENREGULASIES.—DIÉ SPOORWEG-EN HAWEPENSIOENWET, 1971 (WET No. 35 VAN 1971)—WYSIGINGS

Ingevolge die bevoegdheid aan my verleen deur artikel 4 (3) en (3A) van die Spoorweg- en Hawepensioenwet, 1971 (Wet No. 35 van 1971), verleen ek, Elie van der Merwe Louw, Minister van Vervoerweë van die Republiek van Suid-Afrika, na raadpleging met die Raad van Suid-Afrikaanse Vervoerdienste, goedkeuring daaraan dat die Pensioenregulasies gepubliseer in Goewermentskennisgewing No. R. 1102 van 10 Junie 1988 terugwerkend vanaf 1 April 1989 gewysig word sou in die Bylae hierby uiteengesit word.

BYLAE

1. Die volgende regulasie word na regulasie 3 ingevoeg:

"3A. BEVELDIGGINGSKOMITEE

(1) Die geldte van die Fonds en die Nuwe Fonds wat nie onmiddellik vir lopende uitgawes benodig word nie, word deur 'n Beleggingskomitee beheer.

(2) Die Beleggingskomitee bestaan uit—

(a) die Vorsitter van die Gesamentlike Komitee;
(b) 'n lid van die personeel van die Administrasie wat by die administrasie van die Fonde betrokke is en wat deur die Voor- sitter van die Gesamentlike Komitee benoem word; en
(c) twee lede van die Fonde wat deur die Gesamentlike Komitee benoem word.

(3) Die twee lede van die Beleggingskomitee wat deur die Gesamentlike Komitee benoem word, moet oor finansiële- en beleggingskundigheid, asook oor praktiese ervaring in verband met die maak en hantering van beleggings, beskik.

(4) Die Vorsitter van die Gesamentlike Komitee kan die aanstelling van die lid genoem in paragraaf (2) (b) na goeddunk beëindig.

(5) Die Gesamentlike Komitee kan die aanstelling van 'n lid genoem in paragraaf (2) (c) na goeddunk beëindig.

2. Die volgende paragraaf word na regulasie 8 (3) ingevoeg:

"(4) Die Beleggingskomitee vergader wanneer en so dikwels as wat die Vorsitter besluit.

(5) Die Beleggingskomitee bepaal onderhewig aan paragraaf 6 (6) die werkswyse wat gevolg word by die uitvoering van sy funksies en bevoegdhede, insluitende—

(a) die procedure wat gevolg word tydens vergaderings; en
(b) die wyse waarop besluite geneem word.

(6) Die Beleggingskomitee—

(a) hou volledige rekeninge en rekords van alle handelinge in verband met die uit- oefening van sy funksies en bevoeghede en maak behoorlike voorsiening vir die bewaring van alle sekuriteite; en
GOVERNMENT NOTICES

ADMINISTRATION: HOUSE OF DELEGATES

DEPARTMENT OF HEALTH SERVICES AND WELFARE

No. R. 1856 1 September 1989

SOCIAL PENSIONS ACT, 1973
(Act No. 37 of 1973)

CORRECTION NOTICE

The following correction to Government Notice No. R. 1457 in Gazette No. 11992 of 7 July 1989 is hereby published for general information:

In the English version of the Schedule to the above-mentioned notice, substitute the following for regulation 3:

"3. The following regulation is hereby substituted for regulation 10 of the Regulations:

To person shall be eligible for a pension if his assets exceed the amount of R28 000 with effect from 1 October 1986 or if his income per annum, in the case of a single applicant, is in excess of R1 164 with effect from 1 October 1985, R1 380 with effect from 1 October 1986, R1 704 with effect from 1 October 1987 or R2 100 with effect from 1 January 1989 or, in the case of a married applicant, in excess of R2 328 with effect from 1 October 1985, R2 760 with effect from 1 October 1986, R3 408 with effect from 1 October 1987 or R4 200 with effect from 1 January 1989.".".

531—A

GOEWERMENTSKENNISGEWINGS

ADMINISTRASIE: RAAD VAN AFGEVAARDIGDES

DEPARTEMENT VAN GESONDHEIDSDIENSTE EN WELSYN

No. R. 1856 1 September 1989

WET OP MAATSKAPIEKE PENSIENE, 1973
(Wet No. 37 van 1973)

VERBETERINGSKENNISGEWING

Die volgende verbetering aan Goewermentskennisgewing No. R. 1457 in Staatskoerant No. 11992 van 7 Julie 1989 word hierby vir algemene inligting gepubliseer:

In die Engelse teks van die Bylae van bogemelde kennisgewing, vervang reguus 3 deur die volgende:

"3. The following regulation is hereby substituted for regulation 10 of the Regulations:

'To person shall be eligible for a pension if his assets exceed the amount of R28 000 with effect from 1 October 1986 or if his income per annum, in the case of a single applicant, is in excess of R1 164 with effect from 1 October 1985, R1 380 with effect from 1 October 1986, R1 704 with effect from 1 October 1987 or R2 100 with effect from 1 January 1989 or, in the case of a married applicant, in excess of R2 328 with effect from 1 October 1985, R2 760 with effect from 1 October 1986, R3 408 with effect from 1 October 1987 or R4 200 with effect from 1 January 1989.'.".

12072—1
Milking the taxpayer

Members of the Government Service Pension Fund are heavily sponsored by their employer — and, ultimately, the taxpayer. While employee contributions are similar to those in the private sector, 8% of remuneration, employer contributions are 21.9%. This compares to employer contributions in private sector funds of only about 12%.

With such unrealistic employer contributions, says Dr Andreas Wassenaar, author of En Route to Fairyland, there is every reason for the fund to be fully funded by the year 2018, 29 years from now, as stated by Minister of Health & Population Development Willie van Niekerk at a public meeting this week.

Investment of R1bn assets by the private sector, and a possibility of more going their way, is further assurance that the fund should start locking healthier.

"But if members' pensions continue to be calculated on salary at the last working day, the taxpayer will continue to be milked," Wassenaar says. Private sector pensions are usually calculated on average salary over the last three years of service.
Advice for pensioners

OLD Mutual has earmarked R1-million for a senior citizen education and communication programme to help pensioners fight the rising cost of living and ensure that their investments are correctly structured.

Bobbie Jooste, Old Mutual general manager, individual life, says seminars are being held to help more than 250,000 senior citizens who are policyholders. The project is likely to be extended to all senior citizens next year.

"Not only are pensioners faced with the difficulties of retiring in a volatile economy where interest rates have moved rapidly between 12% and 25%, but a double-digit inflation rate is hammering disposable income," Mr Jooste says.
CAPE TOWN — Major life assurance companies have objected to comparisons between their loans to policyholders and Norwich Life’s Protax plan, saying this could result in blanket action similar to that imposed on pure endowments in 1985.

Norwich’s policy — which received critical attention from the industry and tax authorities — provides a tax-free funding vehicle for provisionable taxpayers and a haven into which funds can be invested and withdrawn tax-free.

To maintain the tax-free status of an endowment policy from which money is withdrawn within the first 10 years of existence, the withdrawal has to be interpreted as a loan, for which tax legislation makes provision.

While legal advisors interpret the nil interest rate loan system formulated by Norwich for Protax policyholders as a partial surrender, some actuaries say the line dividing it from normal policy loans is very fine.

Norwich legal advisor Theo Hennis says the line is so thin that if blurred

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LESLEY LAMBERT

Revenue rules that Norwich’s loan system renders the Protax policies non-standard and thus taxable then the same treatment should be meted out to all other policy loans.

Conventional policy loans attract interest normally equal to the bonus rate earned by the insurer’s investment portfolio.

Replaced

But because the interest charged by the insurer is regarded as investment income and is therefore taxable, policyholders who do not borrow against their policies are effectively subsidising those who do.

Norwich has formulated a nil interest rate loan system on the basis that it prevents cross-subsidisation and is more equitable for policyholders.

It sells interest-bearing or growth units equal to the loan the policyholder needs for a provisional tax payment. These units are then replaced in the fund by non-growth units.

No interest is charged on the loan and it can be repaid by the repurchase of growth units at the ruling price.

Some actuaries say the effect is similar to that of a partial surrender as far as the bonus is concerned because it is paid on a net rather than a gross amount.

Norwich says that because the unit exchanges do not amputate the fund in any way, they are loans, not surrenders.

The actuaries say the system goes against the spirit of the legislation, which allows loans as an emergency benefit, not as the sole purpose of what is essentially a life insurance policy.

And, if it was more widely adopted, they say, there was the possibility that the tax authorities could apply the sledgehammer to all policy loans in the same way they altered the pure endowment market overnight in 1985.

Many in the industry believe an immediate solution to the problem would be not to be clamped down on policy loans but to require that all life offices marketing the schemes advise the Receiver of Revenue of policyholders and their transactions.
Whose golden harvest?

The elderly must feel their well being and financial security are not at risk

Nobody anticipated that so many people would live as long as they are doing — not least the planners, faced with the fact that pensioners are the fastest growing segment of SA's white population.

Whites in SA, like their US counterparts, are living longer. This is dramatically increasing the size of the ageing and elderly community as a proportion of the overall white population, according to the Human Sciences Research Council (HSRC)'s Dr Monica Ferreira, who heads the centre for research on ageing.

Her statement adds credibility to predictions that the provision of retirement villages will — as in the US — become the third biggest industry behind fast foods and second-hand cars. Population growth predictions indicate that those who finance and build them are as yet only scratching the surface. In 1980, there were about 1.5m people aged over 65 in SA; by 2015 this is expected to rise to 3m. A 173% growth in 35 years.

Ferreira says that at present 8.7% of whites (438 000 people) are pensioners. By 2010, the over 65s are expected to comprise 12.1% (667 000 people) and, by 2030, they will reach the one million milestone making up 17.2% of all whites (see graph). When this happens SA's total pensioner population will probably total 6m.

Though most of these people won't be wealthy enough to buy into retirement villages, a great many will — so it's not surprising that every Tom, Dick and Hendrik seems to have jumped on the retirement village development bandwagon. Ostensibly, they're offering peace, security and tranquillity to those heading for their twilight years. In fact, they're going for the market gap — and why not?

But for the consumers — the pensioners — there has to be a quid pro quo. This is why some alarm bells have been ringing. For some time there have been allegations of blatant exploitation of the elderly, preying on their fears and desire for security. These were initially triggered because some developers were found to be accepting deposits for schemes still on the drawing boards. And no sooner was that loophole closed, through the Retired Persons Act which came into force in July, than questions started cropping up about certain life rights schemes on the market.

The basis of these schemes is that a purchaser buys, either with a lump sum or a bond, the lifetime right to occupy a unit in a retirement village. The main advantage is rent-free accommodation — except for escalating levies — for life at a cost lower than sectional title.

The downside is that the unit remains the property of the village operator. After the death of the occupier his estate receives only the initial lump-sum payment — no accumulated interest on the sum or consideration for possible appreciation in the value of the unit.
There are those, such as the developers of Darrenwood Leisure Village in Johannesburg, who never took the life rights route. Darrenwood MD Larry McFarlane says there seemed to be little advantage to the buyer. No doubt when the life rights problem is sorted out other difficulties, real or imagined, will be exposed.

If nothing is done to clarify the issue soon, there is danger that retirement villages may find themselves experiencing the same sort of credibility crisis as that currently afflicting the timeshare industry. In fact, there are a number of similarities between retirement villages and timeshare schemes.

One explicit lesson which must be learnt, and learnt quickly, from timeshare is that there is a need for a proactive rather than reactive stance to problems. It is essential that retirement village developers and operators actively identify problems and address them before they become an issue.

Furthermore, with the rapid growth in the senior citizen population, the problems which go unresolved will become more, not less, difficult to solve. And, of course, it will be the pensioners, not the developers, who get hurt if the wheels come off.

Some argue that it is patronising to suggest that wealthy pensioners need greater safeguards than the rest of the population. After all, they have the nous to earn the money and should be perfectly capable of spending it wisely. But the fact is that, unlike people of working age whose incomes rise with experience and service, pensioners' earnings (of which pensions are a major component) don't generally keep pace with inflation. Indeed, inflationary expectations are what often spur them on to risky investments.

Although the rise in the rate of pensioners' official inflation generally fluctuates around 1% below the general consumer price index, it tends to increase at a rate far higher than pensions, even private ones. As Old Mutual's GM (employee benefits) Gerhard van Niekerk points out: "Obviously private pensions cover a wide spectrum. There are even a few fixed-rate schemes which have no increase clauses. Fortunately, they're now few and far between. In general terms pension fund trustees, on an ad hoc basis, try to compensate as much as possible for inflation. But even then they will seldom manage to increase at a rate higher than 65% to 75% of the inflation rate."

"That may sound reasonable but by the time a pensioner is 10 years into retirement the differential has a big impact."

Because of this, he says, part-time jobs are becoming a necessity for many of the country's elderly.

The lesson is that pensioners buying into a retirement village—either on a sectional title basis or through a life rights scheme—must seek to make doubly sure that the establishment is well run and that increases in levies will be kept down as far as possible. But how?

Sanlam, recognising that this is a major problem, says it fixes levies at the time a unit is sold through life rights—and they remain the same until that unit is vacated. The upshot is that Sanlam carries the costs of any increases, not the occupant of the unit.

The SA National Council for the Aged warns would-be buyers to scrutinise levies very carefully. It stresses: "Ensure that the facilities and services are adequate to keep you self-supporting and independent to the end of your lifetime. Also ensure that levies are realistic for covering the advertised services. Levies, for example, lower than R100 a month may be taken as completely unrealistic and subject to substantial increases in the future . . . ."

According to Ferreira, for example, the fastest growing group among senior citizens is the 80-year-plus segment. Numbers in this division are expected to increase elevenfold compared with a fivefold increase projected for the 65-75 age group in the years ahead.

This, says Ferreira, means retirement villages will have to take greater account of the needs of the over-80s and "that involves assuming, when people buy in, that they will be given continuous care for the rest of their lives. In terms of housing for the elderly we are already looking at three distinct phases. The first is houses for those aged between 65 and 75, normally a shelter type of accommodation. Dwellings for 75 to 85-year-olds would need nursing care, running to frail care for those over 80."

Another point divulged by Ferreira is that there should be "a slight improvement" in the male/female ratio among pensioners. "At the moment it's broadly two women to one man. But more men are beginning to live longer." That, she contends, also has implications for the marketing of retirement villages because the tendency is that when a spouse dies, the widow will frequently seek another type of accommodation more suitable for her needs. Planning should begin to take note of these differing preferences.

The National Council for the Aged also has advice for would-be retirement village developers. It stresses the importance of comprehensive planning and urges extensive market research and consultation with welfare organisations to determine needs and possible developments.

Director Sid Eckley warns that initial waiting lists can be deceptive and should not be relied on as a true reflection of actual need.

Furthermore, he emphasises the importance of establishing what will be demanded of a retirement village. This includes the provision of living units structured to house the frail aged, frail care centres; security, communal, social and dining areas; religious needs; transport services; and the provision of adequate administration and maintenance facilities.

The years of retirement are often described in advertisements as golden and still productive. So they can— but the elderly, to have a sense of worth and dignity, need to know that they have not been brushed aside or feel, rightly or wrongly, that they are being ripped off. The traditional agonising over "old-age homes" arose out of such perceptions and the guilt of children. That no longer has to be the case—and the fact that the elderly place their own savings into such schemes ought to give them a realistic sense of participation.

But the fine print needs to be scrutinised very closely indeed. So, too, the effects of inflation.
Huge aged-care costs foreseen

By Toai Younghusband
Medical Reporter

The cost of caring for South Africa's aged will have risen from R3 billion in 1980 to R15 billion by the year 2020, a 500 percent increase to be borne by the taxpayer, delegates at a health conference in Johannesburg heard yesterday.

Dr Raphael Schapera of Cape Town said the improved survival rate, particularly of the black population, would lead to this increase.

The black aged, for example, would increase its old age home occupancy from 0.3 percent to nearly 5 percent.

Dr Schapera said many warnings of this economic challenge had already been made in countries with earlier similar longevity changes and it had been pointed out that the time had already passed for society to plan for its aged community.
SA facing a flood of the aged and frail

By Louise Burgers

By the year 2020 the number of South Africans of all races over the age of 75 will have risen by 112 percent, and more than 4 million will need frail care in old age homes. The need for facilities for the elderly will reach crisis proportions if the problem is not addressed now, the executive director of the Rand Aid Association, Mr Leon Ghavalas, warns.

Rand Aid, one of the oldest and most successful welfare organisations, is trying to tackle the problem now. Rand Aid cares for more than 1,000 elderly people on the Reef at three "villages", and operates an alcohol rehabilitation centre for men.

Formed in 1903 after the amalgamation of the Present Help League and the Refugee Committee, Rand Aid's first task under the chairmanship of Lord Milner was to create a retreat for old men and a temporary home for the unemployed and disabled, many of whom were veterans of the South African War.

Food parcels were distributed during the Depression and employment found for veterans of World War I.

After World War II the organisation decided to concentrate on caring for the elderly and rehabilitating alcoholics. Some war veterans treated 45 years ago are still with Rand Aid at Reid House, the home for "Korsakoff" - incurable alcoholics - at the Wedge Park complex in Edenvale.

Today, Rand Aid runs Tarantel Village for the elderly in Edenvale and Bramley Village for the elderly in Johannesburg.

Units for single pensioners and couples are situated in tranquil surroundings with well-kept gardens.

Pensioners who earn R250 a month pay R50 rent, which includes free medical care, transport to town, social activities, water and electricity.

Within the housing complexes for the elderly, there are geriatric homes for the frail who need 24-hour care.

A new R50 million village for the elderly, called Elphin (every living person has intrinsic needs) Lodge is under construction.

"We are in a very fortunate position. From being several thousand rands in the red in 1978, through good management we have managed to build up an investment portfolio of R30 million," Mr Ghavalas told The Star.

"We need constant funds for the day-to-day costs of maintaining the village.

"Eighty percent of our total costs are food and labour. The Government has tended to believe that welfare organisations have to move towards private funding.

"In principle this is a good thing, but there has to be an incentive to invest in a welfare organisation.

"We need ongoing funding to pay the day-to-day operational costs, which are R2.5 million a year and escalating annually."

He believes that to survive, a welfare organisation must be run as a business: "In today's society, welfare organisations cannot expect hand-outs."
HEALTH care for 70 000 people in institutions for the aged cost the taxpayer R3bn a year, Dr Raphael Schaper said at the Controlling Costs in Health Care conference held in Johannesburg over the past two days.

He said the bill for caring for the aged in hospitals and homes could be more than R3bn a year by the year 2000, if the present style of aged care continued. Staggering cost increases would overtake population growth estimates as well as forecasts of GNP increases, Schaper said.

However, taxpayers could be saved R600m next year if costs were to be contained at institutions for the aged. Enormous savings could be made by improved management of aged care, reduced capital costs and regulated access to institutions.

Privatisation was not a long-term solution in a population such as SA's where many of the aged lived in subecononomic conditions, he said.

Among recommendations for containing costs Schaper listed a national health insurance scheme or pension fund for the self-employed and rural blacks and increasingly flexible statutory aged care funding.
Hardships for elderly folks

Pensions pay delay

By SONTI MASERO

The meeting (right) and Miss Diane Twala (left) when she came to collect

the real pay cheque.

The three-year delay in paying pensioners' benefits has caused hardships to scores of pensioners. Many are receiving

their benefits late, which leaves them with no money to buy food and other necessities.

"The delay is causing a lot of distress among the pensioners," said Miss Twala.

She said some pensioners had to go without food for days, while others had to sell their belongings to make ends meet.

"The government should do more to ensure that pensioners receive their benefits on time," she said.

"The delay is also causing stress among the pensioners," said another pensioner.

"I have been waiting for my pension for three months now," he said.

"I have to go without food for days, and my children are suffering.

"I urge the government to do more to ensure that pensioners receive their benefits on time," he said.

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"I urge the government to do more to ensure that pensioners receive their benefits on time," he said.
Pension fund
race bar to be
fought in court

Drew Forrest

The long-running dispute over the admis-
sion of black workers to the all-
white Mine Employees' Pension Fund
(MEPF) returned to the Industrial
Court this week after an abortive at-
tempt to settle the issue out of court.

The dispute, which started in 1965,
centres on mine employers' demands
that the R3 billion fund be opened to
the increasing number of black skilled
workers on the mines.

The Council of Mining Unions (CMU),
representing white workers in the in-
dustry, is resisting the demand.

The case reached the Industrial
Court in May this year. It is due to be
heard again this week.

Sources indicate that an attempt was
made last week to settle the matter
informally.

When this failed, they said, the SA
Boilermakers' Society, which has black
members, withdrew its support for the
CMU over the issue.
CAPE TOWN — Liberty Life Joint MD Dorian Wharton-Hood has disputed suggestions that members of provident funds underwritten by mutual companies will benefit more from the abolition of tax on their investments than those whose funds are underwritten by equity-based companies.

Wharton-Hood was responding to a report earlier this week that members of funds underwritten by mutual life offices like Sanlam and Old Mutual were likely to benefit more because equity-based companies would have to consider both shareholders and policyholders when it came to passing on the benefit.

He said past performance surveys had shown that mutual companies did not necessarily have an advantage over their public counterparts. This was largely because they had to use policyholders' funds to finance administrative costs, whereas companies like Liberty Life also had equity capital to rely on.

Alexander Forbes's survey on guaranteed funds' annual bonus declarations shows that Old Mutual fund members earned 17.75% on untaxed investments for the year to June 1988 and 22.75% the previous year. Liberty Life members earned 12% for both years.
Down to brass tacks

The Harmful Business Practices Committee has been drawn into the fray concerning the sale of retirement homes under the controversial life rights system.

Committee chairman Professor Louise Tager has warned retirement village developers, particularly those who specialise in life rights, to ensure that they provide the service they claim — accommodation for the elderly for life.

According to Tager, many elderly people who believe they are securing a home for their twilight years could in reality simply be placing their hard-earned life savings on the line.

The fact is that life rights mean nothing. Invariably, says Tager, the loans used to acquire these life right units are unsecured, as is the accommodation.

Life rights are generally sold on the basis of an interest-free loan by the occupier to the developer. It is usually, but not always, repayable to the estate of the occupier on termination of the life right — provided a new occupier is found for the unit. The termination date is the date when the signatory or spouse dies, whichever is the later, or if the agreement is cancelled for other reasons.

Tager says she believes in the free enterprise system. A developer has a right to deal with his property according to his own judgment. And an individual has the right to invest in any manner he chooses. At the same time a buyer should be given a fair description of what he is being sold. "I worry about people who go into these things under the illusion that they have ownership for life or some form of secured rights. As long as they know what they are getting, I don't mind. I don't want a law which prohibits the sale of life rights."

"The impact of a business practice on the elderly merits special consideration since they generally don't have the capacity to accumulate savings anew. In the case of life rights it must be stressed that substantial unsecured loans are made to the developer in return for unsecured rights."

Her committee has investigated one retirement village and is in the process of scrutinising a second. The first was a life rights scheme. The second is a share block scheme.

"Our first inquiry covered one specific project, but most holders of life rights will be in a similar position," says Tager.

The committee found the privileges of a life rights holder are tenuous. He is entitled to no more than a contractual right of occupation for the duration of his life; he has only a personal right against the owner; he has no real right in the property and his occupational right is not protected against the world.

The occupier must make a substantial, interest-free loan, in advance, to the owner of a housing scheme in order to obtain a life right; while under contract, he cannot have access to this money because it is tied up in the loan; he has no control over the loan — nor does he have any security for it.

Furthermore, the occupier is at risk because the developer is free to deal with the property at his discretion. Should the developer mortgage the property the occupier would be vulnerable to the possibility of foreclosure; should the developer sell the property, the occupier would not have the rights even of a lessee against the new owner.

Because of this the committee found that the term life rights misrepresented the nature of the right acquired and was therefore misleading. "The term implies that the holder has a secured occupational right for his life. If the full implications of the acquisition of unsecured life rights were appreciated, it is unlikely that people would enter into disadvantageous contracts of this nature."

However, the committee recommends that the disadvantage of the unsecured loans could be diminished if the right of occupation were made into a secured right. If this could be done, the fact that the loan was unsecured would not be seriously prejudicial since the loan would be repayable only when the unit was resold.

The committee stresses there could still be serious prejudice to occupiers if the developer's sole asset were a property that was mortgaged. The developer's sole source of income to service the mortgage would be from the sale of unsold units and from the profits on the resale of units. When this income was insufficient the company might have a cash flow problem and the occupiers would be at the mercy of the mortgagee or other creditors.

The only way around this, Tager says, is some form of registered rights such as usufructuary rights, or the establishment of a sectional title register.

Hendrik Bester, of Sanlam Properties, which offers retirement villages on a life rights basis, stresses that any rights are meaningless unless the organisation has limitless borrowing power. "What we do is sign a lease with all tenants which provides the security of tenure. In the event of a retirement village changing ownership the tenants would still have a legal right of occupation."

"The action taken by Sapoa with timeshare is possibly the answer to the whole problem, whereby a stamp of approval is given only to schemes which meet certain criteria. I think something along those lines is probably in the pipeline from Sapoa."

At the end of the day, whatever Sapoa, Sanlam or the Harmful Business Practices Committee do, the final obligation rests with the individual to ensure that he or she knows exactly what the agreement being signed entails.

FINANCIAL MAIL, SEPTEMBER 22 1989
THE Transvaal Provincial Administration has arranged alternative venues for pension payout points in Soweto from next month.

A spokesman for the administration, Mr Andries J Coetzee, said changes have been made to avoid long and unnecessary waiting at payout points.

He said pensioners would be accommodated indoors to avoid standing in long queues.

From October 2 to 6, pensioners in Meadowlands Zone 1 will receive their pensions at the Meadowlands Zone 1 Community Hall, next to Mzimhlope Hostel and not at the local offices.

Old folks in Zone 6 and 10, will receive their payouts at Meadowlands Zone 6 Hall, from October 9 to 13.

Diepkoof pensioners will receive their pay at Diepkoof Hall in Zone 2 and not at the Diepkoof offices from October 2 to 13.
Goodyear: R7.5m withdrawn

MORE than 1,500 Goodyear employees have withdrawn an estimated R7.5m from the company's pension fund. In terms of the deal struck with Numsa two weeks ago to end an 11-week disinvestment strike, the pension fund declined to give the total value of the withdrawals, but it was estimated the individual entitlements would average R5 000. It appeared many were withdrawing to service arrear mortgage payments.

The settlement also included guarantees on job security, working conditions and pension contracts, and an improved housing scheme whereby employees are liable to repay only 8% interest on loans while the company writes off the capital amounts of

Goodyear

R5 000 to R5 000 over five years.

The spokesman said the company was bringing in outside insurance experts to give counselling to employees on what would be the best course of action for them.

The time of the settlement Goodyear management expressed concern about the future welfare and retirement plans of employees.

It had previously been agreed in principle that the pension fund be converted to a provident fund. In the settlement the parties agreed that the actuarial reserve of the pension fund following the withdrawals is to be used as initial financing for the provident fund, the rules of which are still to be negotiated.

The Ohio-based Goodyear corporation sold its SA subsidiary to Compul in a R176m deal which took effect on July 1.
Caring for the aged

ALTHOUGH the concept of an old age home is foreign to the black community, the need has become so great that homes have to become part of our reality, says the administrator of the newly established Eventide Home for the Aged in Soweto, Captain Pogiso Moholoagae.

The main problems facing elderly people are loneliness and boredom, and their lives deteriorate as a result. Spending their twilight years at a home is a more pleasant experience, and brings them together for companionship.

The concept has not existed previously in our culture, but because of the economic situation, 'makotis' no longer stay at home with the gran-nies, and grandchildren are sent to nursery schools, Moholoagae said.

The Eventide home, a project of the Salvation Army, seeks to provide shelter for the aged in Soweto, at a tranquil and peaceful setting in Moholoagae, opposite the Meadowville shack.

The home was originally used as a hostel for university students and professionals from outside areas working in Johannesburg. Designed to care for a maximum of 80 people, it still has about 40 beds free. The home was officially opened on June 10 last year.

Dangers

Moholoagae said the home admitted any qualified pensioner, regardless of their background.

"Our aim is not to separate the old folks from their families, but to give them the opportunity to spend their last few years more happily and safely." Old folks are exposed to various kinds of dangers when left alone, said Moholoagae. Young folks often decide to go out, leaving their grannies behind. "There is no one left behind to look after the granny in case there is an electric shock or she chokes on a piece of meat. We are relieving the community of responsibility which is very demanding."

The elderly people have special needs that have to be met. Some are diabetics and need to eat at regular intervals while others are on special medication and have to be supervised.

Caring for the aged is difficult, Moholoagae points out. They are formerly independent people who used to do things on their own way and suddenly find themselves controlled by rules in a new environment.

The home does its best to help the aged to acclimate. During the day the old folks are given the space to use their time as they choose. Under the trees one would find a war veteran chatting to a group of men about the time he spent in Germany, while others prefer to do gardening, repair work, knitting or just visiting a friend for a good chat.

The spiritual aspect of the resident is also fulfilled. Each day is started with prayers and different ministers are invited to take turns and lead the services. At weekends the pensioners visit their own churches in the townships.

Elderly people who wish to be admitted at the home need a medical certificate and a consent form from their family. The application will then be screened by a special committee before the pensioner is admitted.

To meet the costs of running the home, all pensioners are required to contribute two thirds of their monthly income. The home is not subsidised by the government, and has to rely on the church for assistance. People who wish to contact the home either to place a relative or to offer assistance may contact Captain Moholoagae at 962-1084 at all times, or address letters to PO Box 49, Orlando, 1804.
Chemical workers may strike over retirement benefits

THE Chemical Workers' Industrial Union is in dispute with several large industry employers over their refusal to join an industry-wide provident fund.

The union was conducting legal strike ballots this week at drug multinational Ciba Geigy, as well as at PDC (previously Pretoria Wholesale Druggists) and US-owned chemical manufacturer SA Cyanamid, following conciliation board meetings which reached deadlock, with employers rejecting the union demand that they join the Chemical Industries National Provident Fund (CINPF).

The union is also in dispute over the issue with Shell, the Pilkington Glass group, Reckitt and Coleman and Unilever and plans further strike ballots next week.

The fund, founded by the CWIU in 1987 and controlled jointly by shop stewards and participating employers, now has nine plants participating with around 450 fund members. Another five plants, two of them large national employers, have agreed in principle to join the fund. First to join was Natal-based Nicholas Kiwi, the shoe polish company.

The fund is unusual in that it is national. Trade unions with majority black membership, particularly those affiliated to the Congress of South African Trade Unions, have in recent years scored significant successes in negotiating with individual employers to establish company-level provident funds, governed jointly by worker and employer representatives. These have replaced existing pension funds or have provided retirement benefits for black workers who previously had none.

With an industry-wide fund, the CWIU wants to "use its members combined buying power to lower the cost of insured benefits which are linked to most company provident funds and to maximize asset earnings", according to union general secretary Rod Crompton. Provident funds generally provide insured benefits such as death, disability and funeral benefits along with retirement cover.

Crompton points out a national fund is particularly necessary in the chemical industry where 77 percent of factories employ less than 100 workers and 98 percent employ less than 1 000 workers.

The fund is professionally administered by commercial administrators and its assets invested by one of the life assurers in a guaranteed fund.

It is designed to maximise both plant level participation and the economics of scale of a national fund — contribution and benefit levels are negotiated by shop stewards and employer representatives in each plant where there are members.

Ciba Geigy and Shell indicated this week they wanted in-company provident funds and would not join the national fund.

Pointing to multinational which had taken a "viciously anti-CINPF stance", Crompton said Shell subsidiaries were "some of the worst offenders".

He said some had unilaterally introduced their own provident funds, others like Cera Oil refused to budge despite a recent strike in which the fund was one of the issues, and Reef Chemicals, which had initially agreed to participate, withdrew its support after being taken over by Shell.

A Shell spokesman said the group was "not in favour of a general industry fund which would be subject to interests and pressures far removed from the needs of employees at the workplace".

He said Shell had established pension or provident funds at all of its operations, which differed "according to employee wishes and operational circumstances. It has therefore confirmed to the CWIU that it is ready and willing to negotiate with the union on the particular retirement benefits for any group of employees whom it represents".

Ciba Geigy human resources manager Chris van Staden said the company understood the workers' need for a provident fund — it would establish an internal company fund, where management and workers would have equal representation on the board of trustees. But, he said the company was not willing to make contributions to a body outside Ciba Geigy. He said the main board of trustees of the national fund comprised 24 people, including 12 management representatives from various companies and 12 worker representatives. The chances of Ciba Geigy being represented on this board on either the management or worker side were slim. "Our social responsibility would be taken away from us," Van Staden said.

He said there were about 200 CWIU in the group's two plants at Spartan and Brits, representing 25 percent of total employees.

SA Cyanamid human resources director Pat Rademan confirmed that the company was in dispute with the CWIU. The company had applied for a conciliation board and this was due to meet next Thursday. He said he would not comment on the dispute with the union prior to the meeting.

The CWIU represents about 37 percent of SA Cyanamid's total workforce of 750 — or over 70 percent of hourly-paid workers, Rademan said.

The CWIU is also in dispute with Caltex Oil, which, along with Pilkington and Unilever, "unilaterally changed their pension fund rules to try and undermine the union's provident fund", Crompton said. The union has brought unfair labour practice charges against Pilkington and Caltex, but Caltex this week proposed a settlement which the union is considering, he said.

Crompton described employer opposition to the CINPF as "paternalism and the maintenance of white privilege".

"The bottom line is money and power and whether or not black workers are going to have a say in their own futures and in the future of the economy of the country," Crompton said.

He said more than a third of the value of the stock exchange and gilt market is attributable to retirement fund investment and of that approximately 65 percent of the money belongs to blue collar workers.

Through the national provident fund, the union hopes in the longer term to influence the insurance industry to design products with consumers interests in mind. Crompton said life insurance products to cater primarily for white middle class lifestyles rather than black working class lifestyles and there was a need for more appropriate products.
You can retire in comfort and save on your tax bill

THF reality of inflation is one of the most serious problems facing those planning their retirement.

Undue inflation has persisted for the past five years and has forced those making financial arrangements for their later years to re-plan and examine ways that will provide them with a level of income to safeguard their future.

A retirement annuity investment could provide the answer in retirement planners and retirees, says Bruce Howard, deputy general manager (marketing) at AA Life.

"Generally, the person retiring goes on to a fixed pension, wins some provision for inflation, such as a 5 to 7 percent annual increase," says Howard.

"Often a retired person is able to manage initially on less than his full pension and is looking for the money to save the surplus, as well as his retirement capital, so as to provide additional income in the future when the purchasing power of his pension becomes eroded by inflation and will not be enough to make ends meet."

Mr Howard gives this example. The manager of a large company retires at 60, receiving a R100 000 lump sum from his pension fund and a R3 600 monthly pension. Up to his retirement he did not consider investing in a retirement annuity or, even if he had, his maximum investment was probably R1 729 a year (the maximum tax deduction being the greater of R2 599 less deductible pension contributions, or R1 729).

"In retirement his pension is non-retirement funding income and qualifies for the 15 percent retirement annuity deduction rate."

"Therefore, he can deduct a retirement annuity contribution of up to 15 percent of his pension (R18 000 a year). At least R2 480 will qualify for tax deduction and it could be even more if he also invests 16 percent of his other investment income under the 15 percent rate."

"His marginal tax rate is approximately 38 percent and he can invest his retirement annuity contribution on an annual or monthly basis with a 30 percent subsidy from the Receiver."

Mr Howard continues: "He will be building up a reserve pension fund until he is 65, by which time his retirement annuity contributions will total R120 000.

"Alternatively, if the person needs all his pension income, he can make the retirement annuity investment by way of an annual contribution from the retirement capital."

In other words, the person could fund the retirement annuity out of the capital and for every R150 invested, the Receiver will invest R20.

"The retired person will therefore be building up a much greater amount of capital to supplement his pension than he could otherwise have, remembering, tax rates tend to reduce over time and, therefore, the rate of tax saved on the dedution of retirement annuity contributions can be expected to be greater than the rate of tax paid in future when the person draws a pension from the retirement annuity fund that has been built up."

ORM

AS A % OF GDP

what's not

once while he is on holiday, these costs are incurred, according to the travel agents, in South Africa would depend largely on the type of travel and on the number of persons in the group.

moreover, could arise if the trip is or the purpose of creating or improving capital assets. The costs of trips to attend conferences, to study the latest methods of travel, or to attend training courses.

In conclusion, the Receiver has been asked to disallow the costs in the hands of the Receiver, but the efficient use of the funds should be retained.

not necessarily any 'saving benefits' for since employees need to come and go, nevertheless, for employees to be in travel perks under the counter, it is not possible to make either the employer's or the employee's return on. Clearly such practices are not encouraged, neither planning, travel incentives can be such a way as to minimize any adverse events while at the same time maintaining high levels of both employer and employee trust.

Mr McGurk.

86 87 88 89
Chamber win ‘a blow to racism’

JOHANNESBURG — The Chamber of Mines said it struck a major blow against race discrimination yesterday when it won a court action allowing about 28,000 miners to join its Mine Employees’ Pension Fund (MEPF).

In its ruling, the Industrial Court upheld an earlier court decision that it was an unfair labour practice to exclude skilled black miners from the pension scheme purely on the basis of race.

Welcoming the decision, chamber president Mr. K. W. Maxwell pointed out there could be no place for discrimination in these times.

"We must pave the way for the new South Africa that is to come by taking resolute actions wherever possible to ensure non-discriminatory treatment of all our employees in the industry," said Mr. Maxwell.

The decision follows a protracted struggle by the chamber to persuade the all-white Council of Mining Unions (CMU) to allow blacks in skilled mining jobs to join the pension fund.

When the fund was launched in 1949, black miners were excluded on the basis that they could not enter certain job categories.

When the government began scrapping job reservation in 1981, however, black miners were allowed to fill skilled positions and, in terms of their job category, were entitled to belong to the fund.

Sapa
A retirement home for the rest of your life

SANLAM Properties' proposed R50m San Sereno retirement village, developed by Anson Holdings, a subsidiary of Sanlam, has been exempted from the regulation of the Retirement Villages Act, and the central facilities and first 110 units are due for completion by April.

"The Act vests certain powers in the trustees of a retirement village — but our scheme is being sold on a basis of life rights rather than an outright ownership," said senior manager Ben Lochner,"Sanlam retains ownership of the property, and we guarantee the levies payable by the tenants."

"Under the circumstances, it would be inappropriate for the tenants to have the right to fire us as management company, for example."

The development, in Bryanston, Sandton, covers a 13.6ha site. It comprises 128 one- to three-bedroomed simplexes, 48 one-bedroomed flats in two double storey blocks, 52 suites attached to the medical unit and a frail care centre to accommodate about 50 beds.

The central facilities include a community centre with a dining room, restaurant, library, games and hobbies rooms. There is also a heated pool and a laundromat, a small shop and banking facilities.

Prices for simplexes range from R185 600 to R230 000, for flats from R160 000 to R185 000 and for suites from R70 000 to R135 000.

Levy arrangements vary according to the age of the individual tenant. Agreements allow for set escalations for up to 12 years, after which the levy is fixed for the remaining life of the longest living spouse. In the case of tenants of 80 years and older, the levy escalates for only three years.

Security

Some criticism has been levelled at the life rights concept relating to retirement village schemes. Its detractors maintain it is not the best investment option available, and say it is in the owner's best interests to play a more active role in determining management policies. In this development the tenants life rights are protected through a lease.

Lochner, however, said his company was more interested in marketing "lifetime peace of mind" than property investments.

"Essentially, there are two markets for retirement accommodation. One market wants to see a capital appreciation on its property investment, but the other is more interested in assuring its financial security than in leaving a large inheritance. San Sereno is designed for the second market."

The money paid for the units is invested in a life policy to the value of the total investment, and in an annuity to cover the rental of the unit until the death of the policy holder.

In the case of a couple, the annuity will continue to pay out until the death of the longest surviving spouse.

"The life policy is guaranteed to pay out the original capital investment on the property when the policy holder dies. And if the tenant decides to leave San Sereno, all that is required is three months' notice. The insurance policy and annuity remain in his name, and can be surrendered if he wishes."

There is no obligation to take out policies through Sanlam.

"The advantage of this system over a straight rental agreement is that it reduces income tax payments."

"If a retired person was paying rent out of the income from investments, this income would be taxable — whereas by investing in a scheme like ours the annuity is paid directly to Anson, which is taxable on it," Lochner said.
Perm ruling causes pension problems

Hundreds of old-age pensioners in Kimberley have not received their pensions for several months because the SA Perm has closed their accounts and returned pension payments to the Cape Provincial Administration (CPA).

Of the 1 017 pensions paid directly into Perm savings accounts by the Kimberley Pensions Department, 863 have been closed.

The reason? The Perm only wanted to do business with pensioners who had a savings balance of R1 000 or more.

The society wrote a letter informing the 863 pensioners that it had "done its utmost to accommodate old-age pensioners" but handling their accounts had resulted in "congestion in our banking halls" and was having "an adverse effect on client service".

Problems arose because nobody told the CPA to stop making direct payments in the Perm accounts.

The Perm says it told its clients individually and gave them three-months' notice of the society's intention to close the accounts.

It maintains it was not responsible for informing the CPA because it had not contracted with the CPA to handle the accounts.

This accounted for the CPA carrying on paying the pensions into the accounts.

However, the Perm returned any pensions they received after the accounts had been closed.

The money is said to be somewhere between Cape Town, Kimberley and Pretoria, where the direct payments to accounts are sent from.

Some people have not received their pensions for four months.

Only when confused pensioners went to the pensions office to complain about the fact that there was no money for them in their Perm accounts did the CPA realise something was wrong.

CPA staff asked the Perm not to close any more accounts until alternative arrangements for the payment of pensions had been made.

Galeshehe councillor John Modise said the council realised pensions were not being paid when elderly people explained why they could not pay their rent.

"Any banking institution in South Africa that thinks pensioners can save R1 000, when they receive R150 a month to live on, is completely out of touch," said Modise. "They obviously don't know how pensioners live."

One elderly couple, who have been living on pension for almost 20 years, have had no income for the past four months.

Maria Modisane is 78 years old. Her husband, Michael, is 86.

When Mrs Modisane went to the Perm to collect her pension in May she was told her book had been cancelled and was referred to the Galeshehe pension office to collect her money.

When she arrived at the pension pay points in June, July, August and September, there was no money for her.

Mrs Modisane said she did not receive notification that her account would be closed.

City Press contacted the Perm and established that the Pensions Department was still making payments into Mrs Modisane's account. City Press then arranged for her to collect her money.

But she has not got a savings balance of R1 000, so she will be closing her account.

Mr Modisane's pension was cancelled by mistake during the handover of pension payments by the Provincial Administration.

The pension is now being reinstated and Mr Modisane will hopefully get his pension again from December.

Other pensioners who are having problems getting their payments can write to Hotline and we will do our best to help you.

Please include all your details and a phone number, if possible.
Easier pension payouts

OLD-age pensions cannot be transferred to the homelands from areas officially in South Africa.

Old-age pensioners who move to the homelands, even if they have been getting their pensions in South Africa, have to reapply for their pensions — which could mean waiting several months and, in some cases, years.

Hotline has had several complaints from old people who have not received their pensions after moving to homeland areas.

Some pensioners are forced to travel from rural areas to pay points in Soweto and other areas to collect their pensions. They maintain that it is better to make the journey than lose their pensions altogether.

Our advice is: if you intend moving to a rural or homeland area, arrange for your pension to be paid directly into your bank account.

Once your pension is paid into your bank account, you can withdraw the money at any branch of the bank anywhere in the country.

Lebowa can't pay gran's pension

LAST May, City Press reported that Mrs Sarona Mashego had waited more than five years for her pension after moving to Burgersfort in Lebowa.

The Lebowa government said it did not have enough money to pay pensions to all the people who had applied.

July this year, Mrs Mashego received her first payment — just in time for her 75th birthday.

Now her son wants to know whether his mother will receive the six years' arrears due to her.

Although arrear payments should be made, the Lebowa authorities claim they do not have the money, so they will not pay.
New ID brings payday closer

FOR the past two years and three months, De Deur pensioner Mrs Anna Mokoena has not received her pension.

The pension suddenly stopped in July 1987 and payout clerks told Mrs Mokoena her card was lost.

She has been struggling to get her money ever since.

The Pensions Department told City Press the problem arose because Mrs Mokoena was mistakenly given the same ID number as another person by the name of Anna Mokoena.

It has taken the Pensions Department more than two years — during which Mrs Mokoena has not been paid — to sort the matter out.

Last month, Mrs Mokoena received a new identity book — this time with the correct number — and her pension was reinstated. She should receive her first payment next month — together with the payment for the last 27 months.
Sats appoints five pension fund managers

JOHANNESBURG. — Sats has moved closer to privatisation by allocating part of its pension fund to five private fund managers — Old Mutual, Southern Life, Liberty Life, Sanlam and independent portfolio manager Allan Gray.

The allocation of an undisclosed part of the fund, which has a cash flow of about R40m a month to invest, follows a period of about 18 months in which major portfolio managers pitched for the account.

Sats pensions chief Gideon van Zyl yesterday confirmed market talk that the five managers had been appointed but declined to reveal the amounts involved.

"We have appointed private fund managers to improve the returns on our investments. Previously, Sats was forced to invest in gilts and semi-gilts but now that the fund no longer faces those constraints we are going for the best returns," Van Zyl said.

"He added further allocations would be made to private fund managers.

Asked whether the fund would now invest mainly in equities, he said: "Obviously I cannot say that is what our fund managers will do. We will go for maximum returns."

But since the Sats fund currently has no exposure to equities, it is likely to invest in JSE stock to gain a more balanced book.

Private management of the pension fund will go a long way towards reducing the fund's deficit — the actuarial shortfall between liabilities and assets.

The deficit has been cited as a major obstacle in the way of selling government's stake in Sats to the private sector.

Former Sanlam chairman Andreas Wassenaar put the deficit at R6bn but industry sources say it could be considerably lower. The last official statistics are for March 1979, when the shortfall was R5.3bn.

Steps such as increasing members' contributions have been taken to reduce the shortfall.

In addition, the Sats fund is also putting in place efficient new administrative systems based on private sector methods.
Huge protest over 'racist rates'

THE largest march yet seen in Pietermaritzburg this week drew a wide range of protesters — from pensioners to millionaires.

The thousands of marchers were demonstrating community anger at the city council’s planned rates hikes scheduled for official announcement and implementation early next year.

But a leaked copy of the new tariffs revealed the council planned higher increases for people living in "coloured" and Indian areas than for those living in white areas.

While white people were to pay average increases of 8.9 percent, Indian rate payers were to pay a 53.6 percent increase, and "coloured" people an increase of 59.1 percent.

The march differed from previous protests in the city. It was bigger and the mood contrasted with the carnival atmosphere of the two other marches: from the unemployed to the well heeled, all were determined to stand up against the rates hikes.

The issues were more focused: instead of the wide range of banners typical of earlier protests, this march saw calls for an end to "racist rates" and the Group Areas Act.

The march was also different in that there was none of the violence seen at the end of the two previous protests.
LIFE RIGHTS

Tightening the noose

Government is considering clamping down on unscrupulous property developers who take advantage on the vulnerability of the aged through the controversial life rights system of providing accommodation for pensioners.

However, there are fears that the measures could backfire and hurt those they are designed to protect.

Trade & Industry Minister Kent Durr is seeking views from those with special knowledge on the best methods of registering life rights schemes — perhaps along the lines of a modified sectional title register. But there are fears that this might mean a sudden rise in the price of some retirement homes, pricing them beyond the market at which they are aimed.

Durr was prompted to act by a Harmful Business Practices Committee investigation into the activities of a life rights development (Property September 22). It found that the “privileges” of life rights holders are tenuous.

Life rights are generally sold on the basis of an interest-free loan by the occupier to the developer.

This is usually but not always repayable to the estate of the occupier on termination of the life right.

The problem, according to committee chairman Louise Tager, is that many elderly people who believe they are securing a home for their twilight years could in reality simply be placing their hard-earned life savings on the line. The fact, she says, is that life rights mean nothing — the loans used to acquire them are unsecured, as is the accommodation.

Her committee found that the disadvantages of unsecured loans could be reduced through the establishment of sectional title registers or usufructuary rights.

Though no public statement of intent has yet been made, Durr seems intent on introducing legislation which will make the registration of life right contracts compulsory.

Asked for comment, Sapoa director Peter Erasmus expressed concern about several aspects of such a scheme.

First, he warns against hastily concocted legislation which misses its desired objective: “A case in point was the original Timeshare Act which had to be amended because the consequences of the legislation were not thoroughly thought through.

“We must be very careful, particularly with something as complicated as this, not to jump the gun. Not to do so could have a detrimental impact on the development of retirement villages.”

Erasmus stresses the need for “mature” legislation — particularly in respect of the complexity of the legal mechanism. It is unclear just what legal mechanism should be adopted — and “this should certainly be given considerable analysis. Those consulted should also be given sufficient time to provide weighted comment on how the legislation should appear.”

A further point raised by Erasmus is that the public should be given an informed choice so that it can have the alternative of having life rights registered or unregistered.

“The simple reason for this is that while a registered right may give added protection to the individual, the degree of that protection must be considered relative to the cost.”

He adds that there will undoubtedly be additional costs — as is the case with a sectional title register. These include registration fees and the additional time delay which usually results in increased unit costs.

Erasmus maintains that buyers should be given the choice of “buying a Volkswagen or a Mercedes-Benz,” as he puts it. Life rights offer far greater scope to lower-income pensioners.

He also questions the “real” security offered by registered life rights. A bond registered on the property, for example, would take preference over a registered right unless there is a waiver of preference — which one cannot realistically expect the mortgagee to do; and “that is the bottom line.”

While Sapoa is understandably reluctant to see its members’ room for manoeuvre reduced by restrictive legislation, it is clear that something must be done if the organisation is to head the minister off at the pass. One suggestion is a self-policing structure — along the lines of Sapoa’s new timeshare code of ethics.
Fear of crime ‘has altered lives of aged’

By DAVID YUTAR
Staff reporter

INCREASING urban crime directed at the elderly has created a climate of fear that is inducing the aged to change their living habits.

This is one of the key findings of a Human Sciences Research Council survey of crime and victimisation among 1,600 elderly residents in the Peninsula.

Criminologist Ms Lorraine Glanz of the HSRC found that of a sample of 800 elderly coloured people, 57 had been victims of theft, 18 had been robbed, four assaulted — two of them seriously — and one raped.

In a sample of the same size in the white aged community, she found there had been 45 incidents of theft, 12 robberies, one case of common assault and one attempted rape.

Only slightly more than half of these incidents had been reported to the police.

Forty-nine percent of the coloured people and 53 percent of the whites complained of feeling unsafe when out alone at night.

**Changed habits**

In both communities more than 50 percent of respondents had changed their habits significantly because of increasing fear of crime.

A spokesman for the HSRC said this meant that whereas previously elderly people might have gone out on the streets alone, they no longer did so. When they did, they tried to do so in the company of others.

Ms Glanz, who is a criminologist at the HSRC’s Western Cape regional office, said, although there was a greater degree of fear among the elderly, they were not necessarily at greater risk than the rest of the population.

“Although thousands of South Africans of all ages are victims of crime each year, it is the elderly victim who receives considerable media coverage and who evokes the concern of the public and community leaders,” she said.

The HSRC says a similar survey is being undertaken among elderly blacks. A final report and detailed analysis of all the findings is to be released early next year.
BILLION-RAND ROW OVER PENSION FUND

By VIVIEN HORLER
Weekend Argus Reporter

A PENSION fund worth almost R1-billion is to be dissolved in the biggest pension fund liquidation in South Africa’s history.

The pension fund is that of the National Industrial Council of the Printing and Newspaper Industry of South Africa, which is to shut up shop on December 31.

About 40 000 printers country-wide have contributed to the pension scheme, including about 6 000 in the newspaper industry.

Some are worried about what is to become of the money, saying they want a cash payout or at least the option of taking their share to put into a private retirement annuity.

But it is almost certain the money will be put into a new fund.

About 200 printers and members of the South African Typographical Union, Satu, who are based at Newspaper House in Cape Town, have signed a petition asking for their share of the money to be placed in retirement annuities in their own names.

They say they lost faith in the fund two years ago when some pensioners had to find jobs to augment their pensions. They claim the threats to go to the Industrial Registrar resulted in a 50 percent hike after a meeting with Satu general secretary Martin Deyssel.

They say they fear retribution as new printing technology makes their jobs redundant, and want to protect their futures themselves.

But a spokesman for the printers’ union, Satu, and another for the NIC said redundancy continuity plans could be built into the rules of the new fund, which were still open for negotiation.

Mr Deyssel added: “There is no way the employers can install pagination and further new technology without sitting down and holding extensive negotiations with Satu — and these negotiations will have to include discussions of redundancy packages.”

The printing industry’s industrial council will close because the major employer body, the South African Printing and Allied Industries Federation, decided recently the industrial council system did not serve its members’ best interests.

Anachronism

Michael Watermeyer, chairman of the industrial council, said he was sad to see the end of a council which had served employers and employees for 70 years.

“The South African printing industry has grown over the years and compares well with the rest of the world, and I think it is very sad the industrial council is to be broken up.”

“But if one of the major employer bodies feels that the industrial council system is an anachronism and is not serving the interests of the smaller employer, well, they have a right to that opinion.”

“The employers probably think the principle of divide and rule will work in their favour, but I doubt it. I predict that in five years they’ll all be sitting around a table again, negotiating.”

Said Chris Sykes, executive director of the federation: “Our view is that the industrial council system is something of an anachronism in the modern industrial relations environment.

“Printing is such an incredibly diverse industry, including as it does bookbinding, jobbing shops, silk screening printing, even the manufacture of toilet rolls, that to reconcile all the different needs of the industry at a single forum is an impossibility.”

The withdrawal of the federation from the industrial council was challenged in the industrial court as an unfair labour practice, but the court found that membership of industrial councils had to be voluntary.

The other major printing employer body is the Newspaper Press Union (NPU).

Last month representatives of the council, the federation, the NPU and Satu met in Port Elizabeth and decided in principle the NIC’s pension and other benefit funds (a medical aid and an unemployment fund) should be reconstituted and continue to operate.

A final decision is subject to the approval of the Department of Manpower’s Industrial Registrar.
Survey to focus on social problems

Hillbrow frightens the aged – HSRC

By Norman Chandler, Pretoria Bureau

Elderly people living in Hillbrow and other grey areas of Johannesburg have told the Human Sciences Research Council (HSRC) they fear for their lives.

The aged say that problems in populous Hillbrow — one of the first so-called grey areas — include an increase in crime, noise, hobos, prostitution, street children and illegal liquor selling.

The council has now decided to mount a major survey on the plight of the aged, mainly whites, in Hillbrow as a result of “social changes in the area.” It follows a preliminary survey — officially described as “horrifying” — conducted in August in Hillbrow, Joubert Park and Johannesburg’s inner city area.

The survey is to be held in cooperation with the Johannesburg City Council, the Regional Welfare Board of Southern Transvaal, and the Department of Health and Welfare.

Dr Monica Ferreira, leader of the project, yesterday said the new study was the first of its kind in SA which would focus specifically “on the effects of social conditions such as overcrowding and on the aged’s quality of life and lifestyles.”

She added: “In the exploratory study conducted in August HSRC researchers were horrified at the plight of elderly people living there.”

Dr Ferreira says there has been “gross exploitation” by flat landlords, who evicted pensioners and replaced them with black tenants. In addition, the HSRC had taken note of reports that between 16 and 32 black people were living in one-bedroomed flats and of gangs who terrorised the elderly “to such an extent that they were too scared to venture outdoors”.

Most of the people moving into the suburb were unemployed and from other black states such as Malawi.

Dr Ferreira said many pensioners had been living in the same flat for 40 years and had “no economic alternative but to continue living there.”

She added that “this situation is going to repeat itself in other areas and it is therefore essential to research the problem and find solutions which can be used in the proper planning of open areas elsewhere.”

The survey will focus mainly on aspects of personal safety, security of tenure, and social problems. A sample survey of 300 elderly people will be taken with further in-depth interviews conducted early next year.

“The study is being conducted in the wake of intense debates by councillors, politicians and city officials on the deterioration of Hillbrow,” Dr Ferreira said.
Pit of Hillow elderly, Horrific
Pensioners plight probed

PRETORIA — The Human Sciences Research Council said yesterday it would investigate the serious plight of the aged in Hillbrow in the light of social changes in the high-rise suburb.

The "intensive survey" is to be launched on November 20.

Gross exploitation by landlords, reports of between 16 and 32 black people living in one-bedroom flats and gangs who terrorise old people were some of the negative effects of social change, HSRC project leader Dr Monica Ferreira said. — Sapa
For old folk Hillbrow remains terror town

In a recent survey, Human Sciences Research Council (HSRC) officials found that elderly residents of Hillbrow were living in fear of their lives, too scared to venture outdoors because gangs of black tenants terrorized them. LOUISE BURGERS spoke to pensioners in the streets of the multi-racial suburb.

"Going out at night in Hillbrow is a thing of the past. It's not even safe during the day...we were attacked on our doorstep one morning and robbed."

Pensioners Mr Harry Jess and his wife Stella over a flat in Hillbrow which they bought in 1942.

"When you telephone an agent and tell them you want to sell, they laugh when they hear you are in Hillbrow. It's really bad for those who have bought in Hillbrow, like us."

Most elderly Hillbrow residents said they were frightened to leave their homes at night, but attributed the increase in the crime rate to the gross overcrowding problem, not the multi-racial nature of Hillbrow.

Mr Edward Cohen believes the problem lies with the landlords who allow undesirable elements into the buildings. He does not believe the multi-racial element is a problem.

"If you're a criminal, you're a criminal whether you're white, black, or coloured."

He tried to help a family of unemployed office workers and ended up in jail with his wife and child, being used as a warder. Everything he had was stolen.

"I was stopped once and I have a few problems in my building. There is a lot of noise sometimes. But I don't fear for my life. I don't think it's as bad as they make out.

"If it wasn't for Hillbrow, where would we go? It's cheap here."

Mrs Leo Rogov agrees with the HSRC survey. "The area is afraid of being snatched and will not venture out at night."

"We are scared. On a Saturday it's like Soweto here. Some old people have taken to keeping their handbags at home and carrying their things in grocery bags, but the blacks have got so clever now, they jump out from the alleys and grab the bags too."

"Living in fear...Some elderly people in Hillbrow are afraid to walk in the streets of Hillbrow during the day because of the high crime rate. They don't even consider going out at night."

"Have never been scared. I walk my dog every evening, I go out and have a couple of beers and I have never been attacked. The Africans are not a problem. I get along very well with them."

Another elderly man who preferred not to give his name, enjoys living in Hillbrow, but said something needed to be done about the drug addicts, prostitutes and beggars.

Mr William Monte has lived in Hillbrow for 70 years and is not afraid of living there.

"Overcrowding is an exceptional problem. Where buildings are predominantly black, landlords tend to neglect the buildings and the few remaining white pensioners who cannot afford to go anywhere else, suffer."

"When Hillbrow becomes a Free Settlement Area there will have to be laws to protect the tenants against exploitation and stringent laws forcing landlords to maintain the buildings. Unless this happens, Hillbrow has a very bad future."
Computer move delays pay for pensioners

Staff Reporter

IT will be a bleak Christmas for some black pensioners and disabled people whose government grants are being held up by a computer.

Mrs Sue van der Merwe of the Black Sash advice office said she was told yesterday that queries about outstanding pension and disability grants could not be answered until December 3 because the CPA computer was offline while a government office moved buildings in Pretoria.

CPA spokesman Mr Dirk Smit confirmed that the CPA computer was affected by the move of government computers from one Pretoria building to another.

He said a list of pensioners was obtained before the move to ensure that ordinary payouts could be made and a CPA staff member was sent to Pretoria to see what could be done about the problem.

Only after his return would it be possible to see if queries on back payments could be handled, Mr Smit said.

One of the people affected by the delay is a severely disabled woman who is owed a year’s backpay in her disability grant. She applied for a grant in November last year and received her first payment in September this year.

However, in November she did not receive her grant and will now have to wait until December 3 before she can query the problem, said Mrs Van der Merwe.

"That no queries regarding pensions or disability grants will be handled until after December 3 is an indication of the contempt with which the public service treats the public it is supposed to serve.

"We at the Black Sash are deeply concerned at the apparent disregard that the CPA has shown for the fact that people’s lives depend on their pensions and disability grants.

"Will arrangements be made for food parcels for people whose queries cannot be handled because of this delay?" she asked.
Pension payouts continue as usual.

Mrs. Van der Merwe said the advice office was approached by a severely disabled woman who said she had re-applied for a disability grant in November last year and received her first payment in September this year, with a second payment in October.

When she went to collect her third payment she was told that her money was not available.

“Why can they (the CPA) just simply shut off the computers, specially at this time of the year?”, Mrs. Van der Merwe asked.
Numsa plans to cut its money where its workers are

The National Union of Metalworkers of South Africa may invest part of its R100bn in assets and "should be invested in community projects, provided such investment is consistent with the union's aims and objectives and are in the best interest of its members."

Numsa's approach, one of the first comprehensive union statements on the subject, was published in the latest issue of the labour relations journal "Trustee Digest," a new quarterly title which the union's executive has endorsed.

The union opposes the use of these funds to subsidise individual housing projects, instead recommending that the money be used for a national housing scheme which, it says, "will benefit all workers and their families".

Numsa values the assets of its fund as "indefatigable," but says its main objective is to provide housing for its members. It says the scheme is "a step in the right direction," and that workers' housing is "a fundamental right".

"We believe that all workers should have the opportunity to own and control their housing," the union says. "We also believe that all workers should have the right to work, and that this right should be protected by law."
A R1-billion experiment with state pensions

Weekly Mail Reporter
Row over day care centre

BY SORNI MAESEO

The court battle between the two sides - the government and the parents of the children - over the case of the Maseru day care centre continues to rage.

Government officials have accused the centre of abuse and neglect, while the parents claim their children were mistreated.

A provisional order was granted by the Maseru magistrate to stop the centre from operating.

The centre's owner, Nono Masoal, is facing charges of fraud and misappropriation of funds.

The centre was forced to close in 2010 after allegations emerged of abuse.

In 2011, the government was ordered to pay a compensation of M30 000 to a family whose child was allegedly mistreated.

BY SORNI MAESEO
LONG-TERM INVESTMENT VIEW URGED

INVESTORS should concentrate next year on long-term investment strategies such as retirement annuities and provident funds, according to Price Waterhouse financial planning manager Martin McAusland.

McAusland said in a statement yesterday that 1990 would be a "big" year for certain long-term investment avenues which had been revitalised by government's relaxation of prescribed assets. This was despite the fact the high-interest rates would attract a lot of short-term money.

"Retirement annuities and provident funds, for example, have taken on a new lease of life yet they are now far more performance-rated than before prescribed asset limits were reduced a few months ago," he said.

"A lot of money will be channelled into retirement annuities in 1990, because they are no longer seen as stodgy investments, are not taxed during accumulation and provide excellent payouts on redemption."

McAusland said prescribed asset requirements in the case of retirement annuities had dropped from 55% to about 10%, while for certain life policies they had fallen from 35% to 10%.

Provident funds would be "particularly attractive" next year in view of their tax-free status and valuable combination of risk cover and investment.

"More people would make use of salary forfeiture to achieve tax and growth benefits through retirement annuities and provident funds, he said."
Outlook 90
Greater Investment Freedom for Life Assurance Industry
SOCIAL SECURITY - PENSIONS AND OLD AGED

1990

JAN. — APRIL
**Legal profession wants to see black judicial officers**

The legal profession wants qualified black judicial officers appointed to the lower courts and the Supreme Court as soon as possible, says Johannesburg Bar Council chairman advocate L Goldblatt, SC.

Goldblatt was responding to a statement by an attorney's magazine De Rebus, criticising the Bar's failure to enter into discussions with him on the appointment of black judicial officials.

He agreed, however, that a legal system seen as legitimate by the entire population was one of the challenges facing the profession.

"Obviously among blacks they must be perceived as white courts and that creates a political problem."

"One hopes that in time to come there will be more blacks sitting in the various courts - the lower courts and the Supreme Court."

The legal profession, he said, wanted the appointment of black judicial officials to happen as quickly as possible.

"It is not a question of appointing people of colour."

"We must have people of colour with the appropriate training and experience. We all hope these people will emerge."

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**Retirement villagers bale out developers**

West which ran into cash-flow difficulties last year.

The Silvermine share block scheme is said to owe creditors more than R1m, while Heiderberg's debt is reported to amount to R45m.

Baron Barbour said yesterday Silvermine's financial problems were not related to Heiderberg.

Two major problems faced by SA's legal system were the question of legitimacy and access to the courts by everyone who needed it.

While the prodeo system had served a useful purpose, it should be replaced by readily available legal aid where an advocate could be supported by an attorney, Coetzee said.

The legal profession was doing ev...
Retirement — How much will you need?

PEOPLE who make investment plans for the future, especially for their retirement, have particular difficulty in grasping what inflation will do to the future value of their savings.

Few realise that if inflation continues at 15 percent for the next 25 years everything will cost 32 times more than it does today.

Just think of it: a loaf of bread at R3,2, a carton of cigarettes R1.152 and the smallest motor car R649 000.

The problem with these telephone-number figures is that it makes it very difficult for the ordinary man to calculate approximately how much he needs to save on a regular basis to enable him to maintain his standard of living when he retires.

It is obvious that a very large sum of money will be necessary to live in comfort. The big question is: How much?

To answer this question one needs to look at current expenditure on living and express that in future rand by using the following table.

Annual income adjusted for inflation

<table>
<thead>
<tr>
<th>Years to Retire</th>
<th>12%</th>
<th>14%</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>R 3,41</td>
<td>R 3,71</td>
<td>R 4,41</td>
</tr>
<tr>
<td>15</td>
<td>R 5,47</td>
<td>R 7,14</td>
<td>R 9,27</td>
</tr>
<tr>
<td>20</td>
<td>R 8,65</td>
<td>R13,74</td>
<td>R19,27</td>
</tr>
<tr>
<td>25</td>
<td>R17,00</td>
<td>R24,46</td>
<td>R40,87</td>
</tr>
<tr>
<td>30</td>
<td>R29,66</td>
<td>R59,95</td>
<td>R96,65</td>
</tr>
<tr>
<td>35</td>
<td>R71,70</td>
<td>R106,31</td>
<td>R223,56</td>
</tr>
</tbody>
</table>

(Figures courtesy of Sappi Ltd.)

To determine how much is needed on retirement calculate the amount needed each year now, select the inflation rate that will be appropriate over the period to retirement and multiply it by the figure in the column. The answer is the yearly income required.

EXAMPLE: A person who is 30 now and spends R30 000 a year to live, wants to retire at age 55. If inflation averages 12 percent over the next 23 years, his income on retirement to match his present standard of living is calculated as follows:

1. Run your eye down the 12 percent inflation column until you come to the 25 year line. The figure is R17,00. Multiply the R30 000 a year spent on living costs now and the answer is R510 000. That is the potential yearly income needed 25 years from now.

2. The factor for a 14 percent inflation rate is R24,46 and the total jumps to R733 500 a year to equal the R510 000 needed now. (No allowance is made for tax.)

These figures certainly sound like something out of a telephone directory but there is a solution:

The following table shows how to calculate the amount of money to be invested to return the sum required.

<table>
<thead>
<tr>
<th>Amount to Invest</th>
<th>R1 000 A YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of return</td>
<td>5%</td>
</tr>
<tr>
<td>Amount to invest</td>
<td>R10 900</td>
</tr>
</tbody>
</table>

Now's go back to the problem of trying to acquire R1 075 500 in 25 years time. The quickest way is by investing in growth-linked investments like retirement annuities, unit trusts, endowment policies or income producing properties.

Assume a rate of growth of 16 percent which is currently well within the reason for the average retirement annuity fund, endowment policy or unit trust fund. The table shows that R346 needs to be invested every year at 16 percent for each R10 000 required in 25 years time. Thus the way of achieving the objective would be to put R17 022.75 (346 x 25) every year into the investment area of your choice.

This works out at under R200 per month. If this seems very high, bear in mind that the average person earning R2 500 a month (R30 000 a year) is paying approximately R205 a month off his bond, which forms part of his investment requirement. This leaves less than R200 a month to be found in additional savings.

In the case of retirement annuities the taxman will be paying up to 45 percent of the contributions, making the goal all the more attainable.

While the figures required no doubt seem unattainable, remember the old saying: even an ant can eat an elephant; it just takes a long time.
Heart disease still the major killer

Motor vehicle accidents claimed more lives than heart disease in the below 40 age group, but heart disease remained the greatest cause of death and was responsible for 46.9 percent of deaths in all age groups, according to Old Mutual general manager Mr Bobbie Jooste.

The statement said the figures came from a review of Old Mutual's payouts for death claims in 1989, based on 33,976 claims.

Old Mutual Individual Life received 15 death claims due to AIDS in 1989 compared to eight in 1988 which included the first death claim from the killer disease.

MOTOR ACCIDENTS

An alarming 40.6 percent of the policy holders under 25 who died between 1986 and 1989 died as a result of motor accidents.

Motor accidents were responsible for 26.2 percent of the death claims in the age group 25 to 40 and represented 11.5 percent of the total death claims Old Mutual handled.

More policy holders under the age of 40 died as a result of violence during the last eight years than any other age group, according to the report.

Cancer was responsible for 12 percent of death claims.

RESPIRATORY TRACT

During 1989 death claims due to diseases of the respiratory tract represented 7.8 percent and those due to diseases of the digestive tract 3 percent of the total death claims.

The claims following suicide increased by 246 cases and form 2.3 percent of the total number of death claims by policy holders the report said.

"Although there was a marginal decrease in the prevalence of both heart disease and motor accidents, the impact that it has on the most productive age group gives grave cause for concern," said Mr Jooste.

— Sapa.

Call for nonracial nurses' residences

By Mckeed Koliolo, Pretoria Bureau

The South African Nursing Association yesterday announced its support for multiracial nurses' residences.

In a statement, it commented for the first time on the accommodation of staff from Hillbrow Hospital after their residence was gutted about three weeks ago.

The statement said that while the association was not convinced that integrating facilities by force was the correct approach, its central board believed facilities for training of nurses should be opened to all races.

The association further said nurses' residences should be open to all nurses employed at that specific hospital, or at a neighbouring hospital in an emergency case.

Nurses should be able to apply for a post wherever they want to work and "it is the employer's prerogative to select staff according to merit".
Aids death claims double in 1989

CAPE TOWN — Aids death claims received by the Old Mutual have almost doubled in the past year, while Sanlam has expressed concern that Aids fatalities are occurring among professionals.

Old Mutual received 15 claims for deaths arising from Aids last year according to the company's 1989 report. This is seven more than in 1988.

Sanlam has arranged more than 40 Aids seminars for its pension fund members, trade unions and employees.

"An upsetting aspect of Aids claims is that most are from professional people who have studied for years.

SERIOUS

"Such losses are serious and emphasise the need for information and prevention," said Mr Desmond Smith, Sanlam's senior general manager (individual insurance).

According to the report, in the past eight years more policy holders in the under-40 group than in any other died as a result of violence.

At Sanlam, deaths by accident, murder and drowning accounted for R132 million in payouts.

Sanlam received more than 130 death claims for motor accidents each month.

Cancer was responsible for 12 percent of Old Mutual's death claims, while the 1,942 cancer claims handled by Sanlam amounted to R63 million.
PLETTENBERG Bay is to get a new retirement village aimed at active, upmarket over-50s.

The resort — Homestead Village — is only the second retirement home in the area, according to Pam Golding Properties' Alistair Wallis.

"The resort offers secure, smaller homes and caters for semi-retired people looking for tranquillity and security. A great deal of interest is being shown in the development," the other village has a waiting list of several years, he says.

Construction starts in April, with 100 units to be built from 10 different designs. Prices range from R198 000 to R240 000.

The resort is to be launched to prospective investors on Friday.

Meanwhile, nearly 60% of holiday weeks worth R2m at the new Strand Pavilion timeshare resort have been sold, though construction of the complex only begins this week.

Strand Pavilion sales manager Christel Coetzee says some of the holiday weeks have been bought by local farmers and businessmen who already own homes directly opposite the resort.

"It is unusual to find such interest from the local residents," she said. One reason could be nostalgia about the old pavilion, which was demolished about 15 years ago.
Cusaf follows the Sage Life RA path

By David Carte

COMMERCIAL Union (Cusaf) is the second assurance company to come up with a tax-efficient, equity-based retirement annuity (RA).

Hard on the heels of Sage Life's announcement of a similar scheme, Cusaf has taken advantage of the abolition of prescribed asset requirements to come up with what it bills as "the most tax-efficient investment opportunity of the decade".

Other life companies are expected to follow the two pioneers.

Limits

Contributions up to the normal limits on RAs (the greater of R1 700 a year or R3 500 less pension fund contributions or 15% of taxable income) are tax deductible.

If the equity-linked fund can achieve the historical return of 10% a year, investors on the top marginal tax rate will receive the equivalent of a pre-tax return of 45% annu-

The new RA is more risky than one containing fixed-interest stock and, in a general market retreat, negative returns are possible.

Contributions to the Gold-
"WARNING FOR VERDICT"
Cash flow difficulties, resulting in R4.7m of unpaid debts, have caused developer She-
mara Holdings to hand over management of the scheme to an interim management board
on which creditors, lenders and villagers are represented.

Personal Trust chairman and board
spokesman Jimmy Balgrie says problems
arose primarily "because too much money
was spent too soon on over-expensive and
unproductive assets, way in excess of the
village's requirements at this stage." These
include ultra-luxurious country club facili-
ties.

Under-capitalisation was also a problem
because the development was largely fi-
nanced by debt. Operating capital was insuffi-
cient and the development was excessively
reliant on sales revenue to finance building
activity. The five-phase scheme is into its
fourth phase with approximately 300 units
built and further expansion under consid-
eration.

Interested parties have agreed to allow the
developer a moratorium from December 15
to February 15 as a breathing space in which
solutions can be sought. Property brokers
DCF, called in as consultants, will submit a
report on February 9 outlining options for
completion of the village. "Board members,"
says Balgrie, "are unanimous that liquida-
tion will be the most expensive and damaging
step for creditors, villagers and investors
alike."

Personal Trust, as trustee for certain in-
vestors of the operating capital, is a minority
shareholder in the development company. It
took on a higher profile in the project last
year when approached by villagers to inter-
vene and address the village's deteriorating
financial position.

These are anxious times for the 300 fam-
ilies in the village since the scheme's share-
block format means that, if the company
goes into liquidation, they, as shareholders
rather than owners of title, become concur-
crent creditors.

Meanwhile, the Silvermine Village retire-
ment scheme near Noordhoek (involving, in
common with Helderberg, developer Barry
Burton Barbour) also has cash flow prob-
lems. Increased levies, or early payment
thereof, as well as reduced services are being
discussed as ways of addressing the prob-
lem.
Retirement Villagers May Lose Their Life Savings

By David Carter

SPECIAL REPORT

As the economy enters a recession and the stock market continues to fall, many retirement villagers are left with little chance to recoup their losses. According to a recent study by the Retirement Protection Index, nearly half of all retirement villagers have seen their savings decline by more than 20% in the past year.

The study found that 44% of retirement villagers have reduced their retirement spending by more than 10%, with 8% reporting a reduction of more than 50%. The largest losses were seen among those who had invested heavily in stock markets and real estate.

Retirement villagers are particularly vulnerable to these losses as many have little or no retirement savings. According to the study, 36% of retirement villagers have less than $100,000 in retirement savings, while 21% have less than $50,000.

The study also found that retirement villagers who have not invested in stocks or real estate have been less affected by the market decline. However, this group still faces significant challenges as they have fewer options for generating income in retirement.

The study recommends that retirement villagers consider diversifying their investments, increasing their savings, and seeking advice from financial professionals. It also calls for increased government assistance to help retirement villagers during these difficult times.

Despite these recommendations, many retirement villagers remain concerned about their financial future. "I never thought I would see the day when the stock market would be so volatile," said one retirement villager. "I thought I was being prudent by investing in stocks and real estate."
Retirement Villagers may lose their life savings
Defence cuts to hit pension fund

LINDA ENSOR

The current account of the civil service pension fund, which has a floating deficit of R533m, will be hard hit by the retrenchments of staff arising out of the rationalisation of the defence forces.

About 2,500 members, staff of the SADF, are to be pensioned off or given early retirement. Over 2,000 of these will be navy personnel.

Government Service Pensions Fund (GSPF) chief director, Jan Visser, said the terms of the retirement package would be based on long-standing regulations which made provision for added service on the occasion of early retirement.

Visser said in such cases, a member could claim additional service of one-third of pensionable service or the period between the date of early retirement and the date he would otherwise retire, whichever was less. The maximum additional service could be claimed would be five years.

In addition, those with 10 years of service could claim an extra year for each four-year period employed and would receive a lump sum gratuity of 6.72% of their salary on retirement multiplied by the number of years of pensionable service.

Those with less than 10 years service would not get a pension but a large gratuity.

Visser could not say what the total withdrawal would be as the SADF had not.

Defence cuts

given him numbers. Three months notice would be given to those to be retrenched.

"The policy is to start off with older people," Visser said. "This will not affect their pensions much as they will be near retirement age."

Visser said that while the fund's assets presently stood at R1bn, the withdrawal would be "a blow" to it.

An SADF spokesman said people going on early retirement or being retrenched were treated on an individual basis in accordance with normal personnel procedures.

Furthermore, they would be treated according to the provisions of the applicable pension funds. Therefore it is not possible to provide a single, universal package applicable to all.

Pinetown MP Roger Burrows said the withdrawal would have a significant impact on the GSPF's overall debt position as it would deplete current assets. He added, however, that 2,500 was a small percentage of the fund's total 160,000 membership.
Shortfall shocks Cabinet

CABINET members are reported to be shocked by the extent of the Sats pension funds' deficit revealed in the report on an actuarial evaluation.

A source close to J A Carson & Partners, the actuarial consulting company which undertook the evaluation at the invitation of government, said last week the deficit ran into "billions of rand".

Industry estimates have put the shortfall of assets to liabilities in the Sats' funds at R5bn. Former Sanlam chairman Andreas Wassenaar has suggested they could be as high as R6bn.

And merchant bankers have said that the pension fund deficits could be a major stumbling block in the way of the planned privatisation of Sats.

The source said that when the report was seen by Cabinet ministers, "everyone was shocked".

A senior official from the Sats pension funds said he was unable to divulge any information. "The actuarial report will be discussed at the next session of Parliament. I cannot comment further."

There was no formal comment from J A Carson's, except to say the report was completed last year and was in the hands of the government. Government officials in Cape Town could not be reached for comment.

Among factors named by the source as having contributed to the shortfall were the buy-back scheme — first highlighted by Wassenaar — inadequate financial support and low investment returns.

"They were doing 9%, maybe 12%, while..."
Pension fund ‘hard hit’ by SADF staff cuts

Own Correspondent

JOHANNESBURG.—The current account of the civil service pension fund, which has a floating deficit of R23 billion, will be hard hit by the retrenchments of staff arising out of the rationalisation of the defence forces.

About 2,300 members are to be pensioned off or given early retirement. More than 2,000 of these will be navy personnel.

Government Service Pension Fund (GSPF) chief director Mr Japie Visser said the terms of the retirement packages would be based on long-standing regulations which made provision for a deferred service on the occasion of early retirement.

Mr Visser could not say what the total withdrawal would be as the SADF had not given him the figures. He said three months’ notice would be given to those to be retrenched.

“The policy is to start off with older people,” Mr Visser said. “This will not affect their pensions much as they will be near retirement age.”

He said that while the fund’s assets at present stood at R19b, the withdrawal would be “a blow” to it.
The cost of ‘informal’ pension fund

CAPE TOWN — An interim report released yesterday by the Mouton committee, which is investigating retirement funding in SA, estimates that R1bn a year will be needed to make pre-funded retirement provision for the informal sector.

The committee's findings are based largely on estimates of the sector’s size provided by the Small Business Development Corporation (SBDC) and the state’s Central Statistical Service.

Its interim report is one of two released for comment yesterday. The second deals briefly with the administration of social old age pensions and steers clear of the controversial preservation debate which caused a major uproar when the report of Mouton's predecessor, the Matling committee, was released in 1986.

The investigation into pension provision was instigated by evidence of inadequate retirement planning, especially in the informal sector. While research has shown that 70% of the formal workforce had some form of pension, provision for retirement in the informal sector was negligible with most simply providing for their immediate needs.

LESLEY LAMBERT

The committee found that while an annual R1bn was needed to provide for retirement in the informal sector, the unrecorded, unregulated and unorganized nature of the sector meant savings were the only means of providing for old age.

"If savings have been invested for a pre-determined period of say ten years, and withdrawal coincides with retirement, that would be fine. This seldom happens and people turn to the state," the report stated.

Increase

The committee's informal sector findings were based on 1988 estimates that the sector employed between three and four million people out of a total labour supply of 13 million, with 8.5 million employed in the formal sector and about 1.5 million unemployed. With the TBVC countries included and subsistence farmers excluded from the statistics, the informal sector was estimated to account for about 23% of the economically active areas.

The committee conceded that, given the large increase in the population and the inability of the formal sector to provide adequate employment opportunities, the number of people employed in the informal sector would have increased considerably since the last count. It concluded that, in total, the ratio of people employed in the formal sector to that of the informal sector was nearly 2:1.

While statistics were hard to come by because of the unrecorded nature of the informal sector, researchers suggested that the sector added about 20% to the annual measured GDP. This implied that the sector accounted for 20% to 25% of the 1988 GDP of R195bn.

The SBDC estimated that of the one million business concerns in SA, South Africa, including government and quasigovernment corporations, as many as 600 were in the informal sector.

Broken down into different activities, the SBDC estimated that the informal sector accounts for 44% of commercial; catering and accommodation business activities, 22% of transport, storage and communications and 17% of manufacturing.
Govt decision on service pension fund expected soon

Own Correspondent

JOHANNESBURG. — A government decision on a ministerial committee's recommendations regarding the rehabilitation of the ailing Government Service Pension Fund (GSPF) is expected in the near future.

The committee was established in 1986 by the then Ministers of Health, Finance and Privatisation.

Chief director of the GSPF, Japie Visser, said the report of the committee dealt with questions such as the scale of benefits and the effects of early retirement, while at the same time highlighting the problem of investments being restricted to prescribed assets and the crucial issue of the level of funding.

"Cognisance was also taken of the effect of the privatisation process on the fund," Visser said.

A civil servant — in a very senior position — yesterday complained about the withdrawal of pensions and gratuities by retrenched members of the SANDF and navy personnel, which he said would detrimentally affect the GSPF.

Early retirement, he said, meant that pensioners were withdrawing more from the fund than they had contributed to it so that existing members of the fund were subsidising their pensions. This would eventually mean the fund would have more pensioners than contributors.

The approximate 2 300 people to be pensioned or given early retirement would be able to get additional service up to a maximum of five years according to an established formula. Plus an extra year for each four years served for those who have worked 10 years or more.

This also meant, the civil servant said, that they were withdrawing more than they contributed.

And, he added, the government was not telling the tax-payers the truth about the State's liability to the fund, merely postponing "the evil day" when taxes would have to be increased to make up the shortfall.

"The underfunding of the State pension fund is a potential government liability but the public is not told about this. If the State pension fund goes bankrupt, it will be a catastrophe too ghastly to contemplate."

The fund is underfunded to the tune of R22bn.

In addition, the complainant said, being legislatively limited to investments in prescribed assets, the GSPF is not achieving adequate returns but is also providing the government with low-cost financing.

Visser replied to this saying one step away from the restriction of funds to prescribed assets was the channeling last year of R1bn to four financial institutions for investment in high-return assets.
A GOVERNMENT decision on a ministerial committee's recommendations regarding the rehabilitation of the ailing Government Service Pension Fund (GSPF) is expected soon.

The committee was established in 1986 by the then Health, Finance and Privatisation Ministers.

GSPF chief director Japie Visser said the report of the committee dealt with questions such as the scale of benefits and the effects of early retirement.

The problems of investments restricted to prescribed assets and the crucial issue of the level of funding were also highlighted.

"Cognisance was also taken of the effect of the privatisation process on the fund," Visser said.

Yesterday Business Day received a complaint from a senior civil servant about the withdrawal of pensions and gratuities by retrenched SADP members. He said this would affect the GPSA detrimentally.

He said early retirement meant pensioners were withdrawing more from the fund than they had contributed. 200 31/11/90

Existing members were subsidising their pensions. This would mean the fund would eventually have more pensioners than contributors, he said.

The approximately 200 people to be pensioned off or given early retirement would be able to get additional service up to a maximum of five years according to an established formula plus an extra year for each four years served for those who have worked 10 years or more.

Government was not telling the taxpayers the truth about the state's liability to the fund, postponing the 'evil day' when taxes would have to be increased to make up the shortfall, he said.

Being legislatively limited to investments in prescribed assets, the GSPF was not only not achieving adequate returns but was also providing the government with low-cost financing, he said.

In reply, Visser said a step away from the restriction of funds to prescribed assets was the channelling of R1bn to four financial institutions.
Senior citizens proving their worth in the market

She says: "People are never too old to work. We have placed people aged 75 and older, but obviously, the older the person is the more difficult it is to find employment, as older senior citizens have to compete with younger people."

Variety

At any time, SCEA has a variety of positions available for senior citizens. These jobs can range from packers in supermarkets to secretaries, accountants and financial directors.

Father Christmas were in big demand over the festive season and positions such as caretakers and ground keepers are open for couples.

Kyrleka says the advantages of using senior citizens are that they have years of experience, are loyal and do not bring their personal problems to the workplace.

Many senior citizens want to keep active, but do not want to be tied to permanent jobs. For pensioners, temping is a good way to supplement their incomes while keeping active.

Emphasis

Emmanuel Temp Assignments marketing manager Melanie Pavkovich says her company will give special emphasis to bringing senior citizens back into the job market this year.

The temping industry can use them because in this industry it is not demographics that count, but the end result — whether the job gets done quickly and efficiently.

Pavkovich says: "In SA, people are refusing to retire. Many older people are still young at heart and very capable."

With lower population growth and longer life expectancy in many countries, senior citizens will have a more important role to play in the job market, she says.
The asset is valued as withdrawal entitlement at the time of divorce, except for a retirement annuity fund, where it is a member's total contributions to the date of the divorce action, together with annual simple interest at a specified rate (now 18.5%).

The Act threatens to cause more problems than it solves, says Old Mutual legal analyst Lizette Labuschagne. Shortcomings include:

- The Act does not apply to people who have taken benefits before divorce. Pensioners' benefits, for example, fall completely outside the Act;
- While growth in the fund accrues to the member, the amount awarded the non-member ex-spouse is effectively frozen;
- There is no provision as to how payment is to be made when retirement benefits accrue — as a lump sum or an annuity;
- It is not clear whether the member can decide when payment is to be made (in which case an ex-spouse may wait 20 years and even then only receive an annuity over many more years);
- It is not stipulated who's liable for income tax and estate duty on the amount awarded the ex-spouse, which as the result of a division of assets under matrimonial property law "would seem to be of a capital nature;"
- In the case of a pension fund, the share is based on the benefit the member would receive on the day of divorce, if he/she resigned. In most cases, this reflects only employee and not employer contributions (as the member is usually only entitled to employer contributions on retirement); and
- In the case of non-contributory schemes and funds (some pension and provident funds and most deferred compensation schemes), which allow discretion as to the benefit, the "receiving" spouse may have nothing to attach at the time of the divorce, while the member benefits fully upon retirement.

Labuschagne says these defects have important implications for both pension holders and life offices. The former, if they divorce, will have to reappraise adequacy of retirement planning, given the drain to the ex-spouse. And life offices will have additional administrative responsibilities "in the form of attachments and endorsements of the pension of divorced members."

She suggests a legislative solution would be more effective than "lengthy court proceedings between all parties involved."

PENSION BENEFITS

**Divorce division**

Changes to the Divorce Act last year leave uncertainty over many aspects of the division of pension benefits between ex-spouses.

Before the Divorce Amendment Act of August 1 1989, pension expectancy was not part of a person's estate, so spouses had no claim on it in a divorce suit. Now benefits from pension and provident funds, friendly society schemes and retirement annuities are deemed to be assets and are subject to division — unless the marriage took place after November 1 1984, under antenuptial contract (which excludes accrual).
than Life Cover
More in assurance
Shock ahead

Mr Van Zyl says Sats calculates pension payouts by dividing years of service by 60. Private-sector pensions are calculated by dividing years of service by 60. This justifies use of the last month's salary.

Published accounts give only a sketchy idea of the soundness of pension funds because actuarial liabilities are unknown. The table compares key statistics of Sats funds with the two biggest private sector funds, the Mine Officials Pension Fund (for white-collar workers) and the Mine Employees Pension Fund (blue collar).

The MOPF has three times the assets a member and pensioner of the Sats fund for whites — R59900 against R28400. The MOPF has R2.94 billion, a member and pensioner against the Sats non-white fund's pitiful R8400.

**Table:**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total assets (R)</th>
<th>No. of members</th>
<th>No. of pensioners</th>
<th>Rate of return</th>
<th>Benefits per year (R)</th>
<th>Benefits per pensioner (R)</th>
<th>Employees retired (R)</th>
<th>Members retired (R)</th>
<th>Cash split (R)</th>
<th>Surplus for allocations (R)</th>
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<td>284.1</td>
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Because they achieve lower yields, the market value of Sats assets is perhaps 50% less than the amounts stated at cost.

Sats funds' main assets are home loans to staff, and Government stock. They missed the great share boom of the 1980s and returns to pensioners were far below the 25% to 50% a year achieved recently by private funds.

Sats staff receive home loans at 5%. But the pension funds' average return on home loans was 12.7%. The Public Investment Commissioner (PIC), courtesy of taxpayers, makes up the difference.

Although the funds are asset-poor, benefits for a white pensioner compare favourably with the mine funds, totalling R19 000 against the MOPF's R20 000.

Sats makes much bigger contributions to its pension funds than the mines do — the only reason they show a surplus.

The poorly endowed fund for blacks could be a sore point for trade unions after the bloody strike that ended last week. Sats is about to merge the two funds and bring benefits into line.

Pensions experts say the predicament of the Sats and State pension funds is the result of socialistic employment practices over decades.

But in defence of past practice, they say in real welfare states all pensions come directly from taxpayers. They are not funded at all.

Action: Koedoeskop
Pensions for domestics

LIFE offices are turning their attention to pensions for domestic workers.
Fedlife requires a minimum contribution of R15 a month, premiums rising by 12% a year. No medical examination is required.

If a worker is disabled, a pension is paid for life, based on the amount then invested in the fund. Another R3 000 is paid into the account, securing a higher pension.

On death, the accumulated investment in the fund is paid to nominated dependants, as well as R3 000 cash.

On normal retirement from the age of 55, a monthly pension is paid. A third of its value may be taken in cash.

Many people set money aside for domestics in savings accounts, but they lose value against inflation. Such sums can be transferred to pension funds for domestic workers. Adding either lump sums to the employee's pension fund increases the eventual payment.
Dawie to reveal shock pension fund shortfall

MINISTER of State Enterprises Dawie de Villiers is bracing himself to tell Parliament about a multi-billion-rand shortfall in SA Transport Services pension funds.

The deficit will shock, admits Sats director of pensions Gideon van Zyl.

Mr Van Zyl will not be drawn on a statement by Rembrandt director Johann Rupert that the shortfall could be as high as R17-billion — R100 000 a pension fund member and equivalent to a third of SA’s Budget last year.

The shortfall is a huge obstacle to the impending privatization of parts of Sats.

Mr De Villiers did not reply to a faxed query by Business Times last week.

Most directly affected will be 200 000 members and pensioners of two pension funds, the Railways and Harbours Superannuation Fund and the Railways and Harbours Pension Fund for Non-White Employees. They face bigger contributions and/or reduced benefits.

For years, Sats trade unions have worried about the funds, but have been kept in the dark.

Taxpayers will also not like what they hear from Dr

By David Carte

De Villiers.

Sats is already contributing R74-million a year to its pension funds. The amount is expected to rise steeply.

Mr Van Zyl says action has been taken. The number of employees has fallen from 276 000 in 1983 to 170 000.

Because departing employees receive only contributions plus a little interest, the fund’s liabilities are reduced more than assets when employees leave.

Housing

After being restricted to government stock, the Sats pension funds have started investing in shares.

The funds have stopped funding housing and from last December stopped buybacks of service to the age of 16.

Former Sanlam chairman Andreas Wassenaar tells Business Times that when the Sats pension funds were last valued in 1979 there was a shortfall of R3.5-billion. He would not be surprised if that amount has doubled since.

The main Sats pension fund was found by actuaries to be R23-billion short of its liabilities in 1980. If Mr Rupert’s figures is right, the State could have R65-billion of liabilities to add to its existing debt of R88-billion.

Dr Wassenaar says the high rate of contribution to State and Sats pension funds will make them solvent in the long run.

But now the funds can buy all kinds of assets, the huge contributions, which come out of taxpayers’ pockets, are not justified.

Dr Wassenaar, said in his book Squandered Assets that State pension funds had become underrun ever since the actuaries were fired in 1976.

After that he alleged “all sorts of funny regulations were brought in” allowing advantageous buy-back and other schemes. He pointed to the scandal that ministers could retire on full salary after 12 years.

Dr Wassenaar has demanded an inquiry to find out who recommended making of the actuaries. His book has been met with stony silence by the authorities.

Before the actuaries quit, members could buy back service to the age of 25. That was reduced to 18 and then to 16. The buy-back age has now been raised to 18.

State and Sats pensions are calculated on salary at date of retirement and not the average of the last three years, permitting prepayment.

To Page 2
Huge pensions shortfall

The buy-back of pensions by civil servants had added a further R296 million shortfall to state pension funds, Auditor-General Mr Peter Wonsley said in his report on general affairs for the 1988/89 financial year.

He said the government had decided not to make the additional shortfalls good at present. Attention would be paid to the shortfalls when gross actuarial shortfalls were dealt with.

More reports — Page 5
Old-age home dispute goes on

There is no sign of an end to the dispute in Ocean View township about whether aged residents should be housed in a cluster facility or a conventional old-age home.

Social workers and residents this week questioned the rejection by the Ocean View management committee's of an application by the Abbeyfield Society to establish a cluster facility in Ocean View. The intention was that aged people would still remain part of the community rather than be committed to a institutionalised old-age home.

Despite repeated attempts by the Cape Times it has not been possible to get a direct answer from the management committee but a response to our questions was received this week from Mr. C H Moeke, chief executive officer of the RSC.

He said that the management committee had considered the Abbeyfield Society application but "after careful consideration of the available facts, decided not to support their application."

"The committee felt the concept would not be suitable for their community and has recommended that an old-age home should rather be constructed on the site in question, based on the tried and tested homes in other local areas."

The management committee, Mr. Moeke said, had conducted a survey among the aged residents of Ocean View to obtain their views...the 70-plus members of the Over-60s Club were also canvassed in this regard."

A mystery

Mr. Moeke did not give details about when the survey was carried out, the number of people involved or the results, but social worker Mrs. Alice January says that an extensive survey she carried out among a cross-section of 200 elderly Ocean Viewers showed that the majority favoured the Abbeyfield concept.

Prominent Ocean View resident Mr. Albert Thomas said this week it was a mystery as to how the management committee could have conducted a survey at the Over-60s Club because "it hasn't even existed for the past five or six years."

Mr. Thomas added that the majority of the people did not agree with the management committees because they had no real power. He said that "management committees should be done away with as part of the reform process."

Councillor Chris Joubert from Sea Point, who recently addressed the question of the management committees when he called for a serious re-appraisal of the local government structure, commented this week on Mr. Thomas's remarks:

"Local government should look at changing to a fair direct representation in council." - "Yes!"

He added he was sure the vast majority of councillors would back a system of fair direct representation where areas were divided into wards and everyone, regardless of colour, was able to vote for the councillor of their choice.
Tense times

The noose is tightening around the troubled Helderberg Village retirement scheme in Somerset West (Property January 19). Liquidation proceedings have been brought in the Cape Supreme Court against the developer, Shemara Holdings, and the shareblock company Helderberg Retirement Village Share Block Holding (Ltd).

Liquidation is not a popular option with the villagers, but there is now room to doubt how well advised they have been in preferring a moratorium agreement.

The application for Shemara's liquidation was brought by a minor creditor, Roy Horrell & Associates. In Helderberg's case, it was brought by a villager, Mathias Geldenhuys. The thrust of his affidavit is that the village is digging itself into an even deeper financial hole by continually increasing its liabilities to stay afloat. The freeze imposed by liquidation would end this.

Those opposing liquidation are the major creditors and bondholders, Allied and Personal Trust, as well as the Helderberg directors. If they cannot come up with a rescue package by February 15 when Geldenhuys's application is due to be heard, then liquidation must seem a strong possibility.

It's been disclosed for the first time that Helderberg is having to finance R70,000 in bond interest payments each month. Yet, according to Geldenhuys, the conditions of sale state that liability for both capital and interest on the bonds is Shemara's. The village has been forced to come in because Shemara is unable to meet its instalments.

The financial implications for villagers' levies are severe. Geldenhuys's monthly levy was R370/month in April 1989. This was raised, following a crisis meeting in December, to R605/month. If the R70,000 is split between the 295 villagers, it means an extra R237/month each. But, even with the December increase, there is still a monthly shortfall of R32,000 which would require another R108.50/month from each villager to be financed. Thus the total levy would be around R950/month. This, maintains Geldenhuys, is beyond most shareholders.

He holds there is no prospect that Helderberg and the shareholders could generate sufficient income to cover running expenses, bond repayments and interest on bonds and loans.

The share block company, he concludes, is thus commercially insolvent. Neither, he says, is Shemara in any position to help. It has since "ceased its activities in respect of the scheme."

Geldenhuys makes other allegations:

- A loan of R164,000 made by Personal Trust was in breach of S14 of the Share Block Control Act;
- I.T.A and Oxcon have builders' liens over cottages for which members have share certificates and have advanced the necessary loans. However, the contractors have not been paid and hence the members are unable to gain occupation;
- That Helderberg Village directors had no authority to bind the company by way of the moratorium or to fund further borrowings from Allied;
- Calculations made by an alternate director of Helderberg show that if the company were liquidated it would find itself with debts of around R19m. This would cost the villagers R50,000-R60,000 each to save their homes; and
- Services are crumbling. At one point last month a company refused to deliver the laundry because their account had not been paid.

Geldenhuys maintains in his affidavit that the moratorium agreement serves the interests of Shemara and its creditors, but not those of the village and its creditors. He notes that owing to the insolvency of Shemara, the monthly obligations of the village have increased by some R70,000 and the capital obligations by at least a further R1.3m.

"Yet the directors of Helderberg are fully supportive of the moratorium. They enjoy the overwhelming support of the villagers," mainly because the shareholders are old people "not interested in the day-to-day running of (Helderberg)" and "easily influenced by the others."

To illustrate the point, at a recent shareholder's meeting 247 out of 295 votes were by proxy.
A fly in the ointment?

Controversial life right and share block retirement home selling schemes may soon be put out to pasture.

This enforced pensioning off of two established forms of tenure is a result of draft legislation scheduled to come before parliament during the coming session. If passed, it's likely to change the nature of future sales of retirement homes.

Before time either. The Helderberg retirement scheme in the western Cape, which is facing liquidation in the Cape Supreme Court (see note), is an example of how owners in a share block scheme can be prejudiced if it goes wrong. Members of the financially stricken Helderberg Retirement Village Share Block Holding face the prospect of losing their homes if the scheme cannot be rescued.

The new legislation comes in the form of a proposed amendment to the Housing Development Schemes for Retired Persons Act. The amendment, in effect, would give buyers into a designated retirement village "a real right" to the land on which the dwelling is built.

However, initial interpretation by Johannesburg attorney Johan Roodt, who specialises in the law regarding retirement villages, is that there are several gaping loopholes in the Act which could make the amendments ineffective.

In essence, there are three basic forms of tenure for retirement schemes. First there are sectional title schemes which give the buyer registered title to the property and the financial benefit of being able to mortgage his or her home and enjoy capital growth.

The second is share block, where the buyer owns shares in the property-owning company and has the right to appoint the board of directors. The Share Blocks Control Act protects shareholders to the extent that the company may not increase loan obligations or liabilities without the effective agreement of all shareholders.

The flaws appear largely because developers and shareholders don't stick rigidly to the letter of the Act. Debacles such as the Helderberg scheme are frequently the result. For example, funds paid to the developers may be appropriated for expansion rather than placed in trust. If the developer and, by extension, the share block company, overextends itself, there is no security for individual owners because they have no registered real right over their properties. Further, they are liable for any losses as shareholders in the property owning company.

This also applies to life rights. Under the life right scheme, the tenant/occupier lends money to the developer in exchange for occupation. The loan is normally interest free and is repaid, in whole or in part, into the estate on the death of the occupant or if the occupational right is sold back to the developer/owner.

The amendments to the Act were drawn up after consultations with organisations such as the Business Practices Committee, the Chief Registrar of Deeds, Assocom, Die Afrikaanse Handelsinsituit and Sapoa.

In the case of share block, it requires the deletion of any references in the definition of the schemes which don't confer a real right on the purchaser. In the case of life rights, the new legislation would compel the developer to give the occupant at least a real right in the form of a servitude of undisputed enjoyment.

Roodt maintains that, if passed, the amendments would effectively rule out share block and life right schemes which don't afford real rights as options for elderly home buyers who want to enjoy the protections of the Act. "The only alternatives now open are sectional title, or other schemes where a real right can be registered in terms of a servitude, a registered lease, or ownership."

However, he points out that there are inherent flaws in the existing Act which are not dealt with in the amendments. First, it is up to the developer to designate his scheme a retirement project. "He may choose to sell it as an ordinary share block project -- though it has all the facilities, such as frail care, which would attract the elderly. If he does, there is nothing to force him to comply with any legislation offering special protection to the elderly."

"The second is that, according to the law, no money can be taken by the developer from the purchaser of a designated retirement unit until occupation is given. However, a developer can sell on to a third party, who is not the developer or a retired person. That person is not then subject to this regulation when selling to the elderly."

While it is clear the latest amendments are not totally adequate, they do go some way towards eliminating the problems associated with providing proper tenure in retirement villages.

Perhaps now that a start has been made, the country's legislators can apply their minds to tightening the other loopholes in the Act.

But, at the end of the day, developers and our senior citizens alike can afford themselves the greatest protection by carefully reading the relevant legislation and all contracts before making a commitment. Alternatively, they should consult independent experts. Only then will they know what they are getting and get what they want.
assets is R65bn. If this is correct the pension fund deficit could reduce the value of the transport giant by about 26%.

No information on the deficit has been published despite an actuarial valuation by J Carson & Partners last year. The minister of transport is expected to table updated figures in parliament this session. But Richemont CE Johann Rupert believes the deficit is well above estimates of R5bn-R6bn and could be about R17bn.

Indications are that Sats is trying to get its pension funds on the right track before it is put up for sale. In mid-1989, investment limitations on pension funds were changed, allowing Sats to invest in equities. Previously, funds were managed by the Public Investment Commissioners, which could invest only in government and semi-government stock, which carry fixed interest rates.

This, Sats claims, is the main reason for the deficit. It has appointed private investment advisers to improve performance but won’t reveal how much it has handed over to them (rumoured to be around R1bn). All a spokesman would tell the FM is: “It’s a lot.”

The controversial buy-back scheme, which allowed employees to buy back pension benefits for years not worked, also played a role in the deficit — though Sats claims it was not a major factor because most employees could not afford to buy back. Last month an amendment to the regulations stopping buy-backs — made last year — came into force.

In a further effort to cut costs it is planned to combine Sats’ two funds — the Superannuation Fund for whites and the Pension Fund for Non-White Employees. Since 1987 benefits for the funds have been the same. This will cut administration costs and allow more investment muscle. The proposal was debated in parliament on Tuesday.

The actuarial report preceding last year’s was made as long ago as March 1979. Then the Superannuation Fund was in deficit by R2.1bn and the Pension Fund for Non-White Employees by R1.4bn.

Andreas Wassenaar notes in his book, Squandered Assets, that a report of the Standing Committee on the Accounts of Sats disclosed a 1984 decision to amend the Sats Act so actuarial valuations were no longer necessary and only “economic assessments” would be made.

The result has been a fund which has had no measure of solvency for 10 years.
GRANNY and Grandpa, tread warily before you buy into a retirement village.

They’re secure, luxurious and usually in beautiful surroundings. But as 300 retired folk discovered at Helderberg, near Somerset West, a parkland paradise can become a financial nightmare.

Johannesburg attorney Johan Roedt advises on how to avoid the pitfalls in buying into a retirement village.

Mr Roedt says: “There are three basic methods by which one can participate in a retirement complex — sectional title, share block and life rights.

Not all developers and attorneys are thoroughly acquainted with the Housing Development Scheme for Retired Persons Act (Retired Persons Act); Granny and grandpa should seek professional advice.

“Provided the documentation is okay, the buyer can get good legal advice for R200 — a small price for peace of mind.”

Perpetuity

When a scheme is sold under sectional title, the buyer obtains land title. Ownership is registered at the Deeds Office and the buyer can sell the unit or leave it in his or her will, subject to agreements controlling the particular scheme. Schemes sold this way are subject to the Sectional Titles Act.

Mr Roedt warns that when one buys under sectional title and the scheme is incomplete, care should be taken that the money is secured in accordance with the Alienation of Land Act.

The right to cancel the contract in the event of non-completion should be included in the sale agreement.

By law, the developer cannot take any money until the property is registrable. While the scheme is being built, he must put all money in a trust account or give bank guarantees to buyers.

The Retired Persons Act requires disclosure of all facilities to be provided. The buyer should ensure that they are described in the contract in case the scheme differs from the developer’s claims.

In a share block scheme, a company owns the land and unit holders acquire shares in the company. Attached to the shares is an agreement giving the unit buyer exclusive use and occupation.

The buyer does not take title. All he or she gets is the right of occupation in perpetuity. The buyer can sell shares or leave them to others, subject to agreements over the village.

A bank or building society lending money to the share block company may even loan to unit holders, does not have to support the firm if it gets into difficulty.

The lending institution has the right to call up its bond if the share block company defaults. Unit holders, who are entitled to a share of Helderberg, have paid R500 608 for occupation, will rank as concurrent creditors in the liquidation.

Typically, a part of the

Johan Roedt ... a path through the minefield of purchase price (usually two-thirds) is payable to the company by way of a loan to enable it to finance construction. The balance goes to the developer as the purchase price of the shares. The latter amount represents the buyer’s equity and the developer’s profit.

Shareholders appoint a board to look after the company’s affairs. The board should ensure that the developer sticks to the SIR Act in using money advanced to repay debts in respect of units built already — not to build further units, or worse, non-revenue-producing amenities.

The developer may not borrow in the name of the company without shareholders’ permission. He cannot take a shareholder’s money without putting him or her in occupation.

Shareholders should ensure that the developer does not retain the right to increase the company’s loan obligations.

The third type of scheme is life rights. A developer builds units and, in return for occupational rights, buyers lend him an amount (usually equal to the purchase price) interest free.

When the unit holder sells or dies, the developer pays the buyer or the estate back at par.

This type of scheme makes purchase ostensibly cheaper — but only the developer can make a capital gain over the years. He also gets cheap money.

Mr Roedt says the developer, as the owner of the property under life rights, can borrow against the property. If he goes bust, the buyers lose.

He advises the retired person to insist on a first mortgage bond over the unit and to get occupational rights registered against it. If one cannot get a mortgage bond, at least make sure that the loan to the developer is secured.

The big disadvantage with life rights is that unless there is a registered security over the land, the buyer might become a concurrent creditor against a developer in the event of insolvency — without any direct access to the property.

There is statutory protection with purchases under sectional title and share block — but not in the case of life rights, where the only protection is the Retired Persons Act.

There are three types of management, the body corporate in a sectional title scheme, a board of directors in a share block scheme and a management association with a life rights project.

Retired persons often lack the expertise to run a retirement village, which, with frail care centres and a minefield of legal and financial complications, is a complex business.

Trappings

Levies are another problem area under all three types of scheme. They fund a village’s upkeep. If it has facilities, chances are that maintenance costs will rise steeply. The buyer should consider whether he or she can afford lavish trappings.

The developer is obliged to show levies for the first three years, but they can rocket after he has taken his money and gone.

Because it offers statutory protection and buyers end up owning real estate, sectional title appears the best scheme. But the character and the ability of the developer are probably the most important considerations of all.
Balancing risk and reward

THE DECISION by several life insurance companies, including Liberty Life, to take a contrary view to other life insurers and introduce an 80 percent equity-based retirement annuity, including investment guarantees, is supported by an article in the UK publication "Pensions World", written by Jonathan Tate, chief investment manager of Confederation Life.

Tate concludes that the optimum balance between risk and reward would be best achieved by investing 80 percent in equities and 20 percent in fixed interest securities.

South African life insurers Old Mutual, Sage, Federated Life and Commercial Union have all recently introduced a 100 percent equity-based RA, following the abolition of prescribed assets last year, which means that life insurers no longer have to place 50 percent of their RA funds into low yielding investments such as government stock.

Policyholders investing in these portfolios forego all investment guarantees.

Liberty Life joint managing director Dorian Wharton-Hood says that a 100 percent equity-based portfolio would obviously expose policyholders' funds to greater volatility and hence greater risk.

Liberty Life believes that this extra exposure to risk is not justified by any reasonable expectation of greater return.

Tate's research supports this. Says Tate: "History shows that, in the period since 1945, equities have produced superior returns despite the higher risk, but of course, the future could turn out to be different."

"The investment manager should look at the relationship between the risk-free return and his expected equity return.

"Obviously, in the real world, the asset choices within the mix are much wider."

"Tate advocates broad diversification to include fixed interest securities, property and overseas equities, and would not contemplate dramatic shifts in the mix, except in exceptional circumstances.

Liberty Life believes the 80 percent equity-based portfolio is the optimum mix because policyholders gain a greater exposure to equities from the lower prescribed asset requirements without foregoing any guarantees.

"Add Wharton-Hood: "The term 100 percent equity-based is in any event, a misnomer. I doubt whether any sophisticated fund manager would continue to invest in shares when the prices are inflated simply because the portfolio is deemed to be 100 percent equity based.""
Equity-linked RAs not a new concept

SOUTHERN LIFE has slammed the widespread publicity given to the launching of equity-linked retirement annuities by several of its competitors.

Southern claims that the concept is not unique, stressing that it already has an all-share retirement annuity (RA) portfolio with distinct advantages over the "new product" approach of certain other life offices.

Executive director (life division), Chris Liddle, says Southern has always offered policyholders a selection of linked investment channels and that changes in legislation have resulted in an all-equity portfolio.

"Since the introduction of the present Master Adaptor RA in 1985, investors have had the choice of four portfolios—managed, equity, property or money market—or the traditional smoothed bonus portfolio."

"While the equity portfolio has held sufficient Part 1 assets to conform to the requirements of the Insurance Act, the balance of the portfolio has been invested solely in equities."

He says that since the removal of the prescribed asset requirement in September last year gilts have gradually been sold out of the portfolio and selected equities bought as value situations arose.

"The end result is that the portfolio which was originally established to offer clients the maximum possible exposure to the stock market is now a true all-share RA portfolio."

Mr. Liddle suggests Southern's existing equity portfolio offers distinct advantages over the "new product" approach of competitors:

- Being part of an existing fund with a sizeable asset base, policyholders do not participate in a small portfolio comprising only new money.
- Investors do not need to buy a new policy but can continue paying premiums on existing contracts and benefit from the removal of the prescribed asset requirements."
Delays could cost you thousands in the long run

FEBRUARY 28 is not the only deadline you should consider in deciding on a retirement annuity (RA) — another deadline, potentially far more expensive, is imposed by the cost of delay.

On a R100 a month contribution, a delay of only one year for a 40-year-old could cost over R141 000 (see box).

Many people decide on an RA bearing in mind the final date to obtain tax relief on contributions, the last day in February. They often overlook the primary purpose of an RA, to provide a retirement income, and remain blissfully unaware of the effect a delay of even one year can have on that income.

Nine out of 10 South Africans lack financial security when they retire, but many have cover should they die. “Living too long” is no less important than “dying too soon”. It is essential to plan and save for both and the consequences of failing to plan for retirement as soon as possible can be alarming.

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<td>43</td>
<td>506 788</td>
<td>349 298</td>
</tr>
<tr>
<td>44</td>
<td>430 428</td>
<td>455 448</td>
</tr>
<tr>
<td>45</td>
<td>348 223</td>
<td>537 753</td>
</tr>
</tbody>
</table>

\[\text{Source: Sage Life}\]

Being a member of a pension fund can lead to the dangerous delusion that no further retirement provision is needed. In most cases the opposite is true, with a large gap in earnings before and after retirement. The average pension is less than 30 percent of the final remuneration package. The earlier you begin to save for retirement, the better, due to the remarkable effects of compound interest over longer terms.

The regular monthly or annual savings aspect of most retirement annuity plans also works in favour of the investor, even in volatile markets, due to rand cost averaging. It can provide good returns even when markets are down.

As the table shows, a delay in beginning a retirement plan can be very expensive and adversely affect the end benefit.

For example, a 40-year-old investing R100 a month for 25 years (assuming 15 percent growth and 15 percent contribution increases) would receive R678 076 at the end of the term. A postponement of only one year would reduce the fund by 16,53 percent to R731 287, making the cost of delay in that year R141 000. A delay of four years could mean a loss of more than half of the fund.

Don’t fall into the trap of thinking it will make no difference if you postpone your decision on a retirement annuity until the end of the next tax year.
Don't fall into the trap and sell your home too quickly

Your home is part of the pension plan.

THERE are three common problems that financial advisers find when dealing with retirement planning, says May de Villiers of Syfrets, and in each case they are avoidable, she suggests.

The problem areas are the tendency to postpone the actual planning too long, secondly, selling up and moving house in a rush on retirement, and thirdly, and often crucially, failing to continue to save on retirement.

The postponing of the planning, says de Villiers, is afflicting many of those currently due to retire in the next few years. For the first decade or so of their working life, inflation was not the problem that it is today.

The pension schemes they joined seemed adequate or even generous. There was less incentive to save, or more pertinently, to invest. But the purchasing power of these pensions has since been dramatically eroded.

"Escalating pension funds", de Villiers point out, "firm only a small percentage of the market. The average return on pension schemes is usually well below the inflation rate."

Fortunately most people have been making other investments, such as retirement annuities, and their homes, which are frequently a major investment.

"But on retirement, a lot of people feel they must move away, and they sell their house too quickly. They should sit tight for at least a year."

"It is often an emotional issue, related to children who have left home, reaching a major turning point in life, and the feeling that the home is expensive to maintain."

"But the house is a major asset, and needs to be treated very carefully. Moving to a different neighbourhood or different town, perhaps with the need to form a different circle of friends can be an area of major stress. It needs a lot of thought and planning."

"It is imperative that on retirement people take a long-term view on investment," says de Villiers, emphasising the third major pitfall, the continued need to save or invest.

"You must never stop saving when you retire. You don't stop paying taxes. People need to look at their income, assets and cash flow requirements very carefully, whether they need a new car, or some other major expenditure, such as an overseas trip."

And with inflation set to continue, she sees providing income growth as "a tremendous problem that needs to be addressed from the start."

May de Villiers treats retirement planning as "a special investment situation, but nevertheless an investment situation" and uses Syfrets' computer-based Wealth Creator Plan to draw up a portfolio most suited to the individual.

This involves listing an individual's complete financial situation, and using the computer's number-crunching abilities to look at the income and tax ramifications of a variety of choices.

What these may show is that although one course of action may sound the best, working through the figures - done in split seconds - may show that an alternative provides a better after-tax return.
Site offers a number of options

By Johann Benade,
Ernst & Young

THE SITE legislation which became effective from the 1989 tax year introduced a limited form of separate taxation for married women. Changes introduced this year have increased the opportunities available to people planning for retirement.

Under the SITE system as it stands, a married woman who receives net remuneration is taxed separately from her husband on the full amount of such remuneration. Her income from employment is thus subject to SITE only. Accordingly, she is entitled to retirement annuity funds (RA) with a maximum deduction of the greatest of:

- 15 percent of her non-pensionable remuneration,
- R2 750, less her contribution to a pension fund, or
- R2 750.

These limits apply in addition to the full deductions (the greatest of 15 percent of her husband's non-pensionable remuneration, or R3 500 less his pension fund contributions, or R2 750) available to her husband for his RA contributions.

The husband therefore claims the full deduction on his own contributions and, by putting some policies in his wife's name (although he would actually pay the contribution himself), can claim up to one-and-a-half times the limits previously available.

A further opportunity is available if a wife is a member of an RA fund, but the husband pays the contribution and claims the maximum deduction, attracting tax relief at his marginal rate of 45 percent. On her retirement from the fund, up to one third of the retirement capital may be commuted for a cash lump sum of which a maximum of the greater of R120 000, or an amount calculated by multiplying R4 500 by the number of years she was a member of the fund will be exempt from tax.

The excess (not being net remuneration subject to SITE) will be taxed at the husband's average rate of tax, but the annual payment made thereafter to the wife will be taxed in her hands at site rates, which will normally be substantially lower than her husband's marginal tax rate.

This technique is particularly useful in reducing the husband's taxable income in the year of his retirement.

The well-known advantages inherent to a RA fund combined with the planning opportunities now offered by the SITE legislation, make RA contributions an essential element of a balanced retirement plan.
Managing your retirement annuity

During the life of a Retirement Annuity, changes occur in the legal infra-structure of the product which require different levels of management by the life assured. As the beneficiary of a retirement annuity, it is important to know which of these changes occur in order to make the most of the benefits which are inherent in these retirement funds.

Generally, there are three phases which are dependent on the age of the life assured:

<table>
<thead>
<tr>
<th>PHASE 1: FUND BUILDING PHASE</th>
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</thead>
<tbody>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Premiums: flexible</td>
</tr>
<tr>
<td>Benefits: flexible</td>
</tr>
<tr>
<td>PHASE 2</td>
</tr>
<tr>
<td>Premiums: ceased</td>
</tr>
<tr>
<td>Benefits: fixed</td>
</tr>
<tr>
<td>PHASE 3</td>
</tr>
</tbody>
</table>

This phase occurs mainly during the life assured's working life, specifically up to age 55. It is during this period that most funds are accumulated for retirement. Contributions to a retirement annuity during this period can be very flexible. They may be regular and/or in single amounts. Contributions are also tax deductible making the retirement annuity an attractive retirement-funding vehicle. As with all savings vehicles, the more one puts in, the more one gets out at the end of the day.

The management required during this phase is to ensure a maximum fund build up together with a maximum advantage with respect to the tax deductibility of contributions.

For this reason, a regular monthly contribution is recommended, together with an annual lump sum at the time of completing one's tax return in order to obtain the optimal tax advantage. The minimum lump sum contribution allowable by Old Mutual is R600.

PHASE 2: TRANSITIONAL PHASE

This phase has been termed the transitional phase because the retirement annuity changes from an investment to which contributions are made, to one which commences with the payment of benefits to the beneficiary. This phase occurs between ages 55 and 69.

Although each retirement annuity has a contractual maturity date which must be chosen at inception, it is important to realise that the best time to mature a retirement annuity is not necessarily one's retirement date.

Circumstances differ widely during this phase, and in many situations, it may be advisable to extend the retirement annuity. In any event, the maturity date cannot be earlier than age 55 or later than age 69 under current legislation.

Management of one's retirement annuities during this period is therefore critical, but is often sadly neglected. The following points should be borne in mind when making the decision:

(a) At the inception of the retirement annuity, the earlier one pitches the maturity date, the more flexible the retirement annuity becomes during this phase. The retirement annuity can be extended after this date with higher income subjects at all, depending on individual circumstances. No charge is levied for any such changes.

(b) If the maturity date is initially pitched at age 69, contributions are contractually payable until this time. If the maturity date is later reduced to fit in with one's retirement plans, optimal investment performance will not be achieved because of disinvestment penalties.

(c) A retirement annuity may be matured in part or in full. This may be a useful tool if a person wishes to use other income for a short period after retirement. A typical example of this is for a female whose career retirement age is often 69, and whose husband continues working until 65. It may be prudent to mature only part of the wife's retirement annuity at 69 to supplement their joint income, and the rest when the husband goes into full retirement. Obviously, the longer one leaves the retirement annuity in the growing portfo-lio, the more it may be worth as time progresses.

At the age of 65, if one wishes to take the benefit in the form of the life annuity, it is entitled to a higher income. This is because the shorter one's life expectancy, and therefore the higher the annuity.

The following tables show the difference for a capital lump sum of R100,000 being available to purchase the annuity for a male:

<table>
<thead>
<tr>
<th>Age Payableable for Term Certain</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
</tr>
<tr>
<td>60</td>
</tr>
<tr>
<td>65</td>
</tr>
<tr>
<td>69</td>
</tr>
</tbody>
</table>

(e) After one starts receiving a pension, the full amount of the pension is declared as "non-pensionable income". The benefit here is that contributions to a retirement annuity may be disallowed after the pension has commenced. The maximum deduction for taxation purposes shifts from the current ceiling of R3,500 pa on a pensionable income to 15% of the non-pensionable income.

This particular situation is favourable if one has a high initial pension from a Pension Fund, which may later be eroded due to inflation. Effectively, part of the initial pension can be paid towards a retirement annuity thus deferring the full retirement income in a very cost efficient way.

When the retirement annuity is later matured (in part or in full), one's full retirement income will increase, thereby negating the effect of inflation in the interim.

PHASE 3: RETIREMENT PHASE

This phase occurs after age 69. All retirement annuities must have matured by this time and consequently no further contributions can be paid. The main concern during this time is maintaining a reasonable standard of living. Because most of the income during this period is not index-linked (i.e. there is no provision for annual increases), it is important to ensure any excess income in order to maintain the real value of the retirement income in the years to come. This can be done for example by purchasing Unit Trusts which may be repurchased at any time according to one's needs.
Call on management of Govt pension funds

Parliament
Allow private sector to invest govt pension funds, DP says

CAPE TOWN — The sooner the investment management of government pension funds, which had an actuarial deficit of R23bn in 1988, was transferred to the private sector, the better for the taxpayers of SA, Democratic Party pension expert Brian Goodall yesterday.

Self-administered funds had a return of 18.76% in 1997, but the return on state-controlled funds was 9.36%.

"For every rand contributed by a self-administered fund, it generated R1.52 of income," Goodall said during the mini-Budget debate. "For state-controlled funds the figure was 96c."

The difference in investment returns meant the increase in income for the General Services Pension Fund would be R2bn a year.

"It was the practice of the Registrar of Pension Funds to declare a private sector pension fund to be financially unsound if the value of the assets of a fund was less than 95% of the accrued liabilities."

"The 1988 actuarial valuation of the General Services Pension Fund showed that its assets were equal to 41% of its actuarial liabilities, if you take into account fund increases."
Barend: No need for concern about pension fund shortfalls

Government pension funds should be moving in the direc-
tion of defined contributions and away from defined benefit sys-
tems, and the Government was ironing out problems in this re-
gard, Finance Minister Mr Ba-
rend du Plessis said yesterday.
Replied to debate on the
Part Appropriation Bill, he said there was no reason for concern
about any shortfall in the fund-
ing of these funds.

Even in a process of transi-
tion from one system to another,
adequate provision would be
made by the State to ensure that
all pension fund members re-
ceived the benefits due to them.

In thinking about a change-
over, it had to be kept in mind
that Government pension funds
could invest their funds only in
Government bodies.

This meant in turn that they
were given a larger contribution
from the exchequer than would
otherwise have been the case.

If the changeover were effect-
ed, the burden of generating the
compensatory amount would
shift from the exchequer to the
investors in the fund, the Minis-
ter said. — Sapa.
Commercial Union's new premium income up 48%.

COMMERCIAL Union's total new life and pensions premium income, cleared 43% to £204.5m last year. ( Previous )

General manager John van der Linde said today that the composite insurer had achieved a 33.5% increase last year in recurring premiums.

Group recurring premium growth of 43.9% was achieved, with new plans up 54.7% and increases up 43%. Individual recurring premiums rose 28.6% on average. ( Previous )

Retirement annuity business was up 52.9%. — Sapa 6/11/41 1:12/50
Investment opportunity with built-in tax advantages

Company

New-business boom will break all the old records

Survey Day

Top Performance

Annual report is in now. Click here to view.

Increase benefits by adding the cover.

HIGH-RISK
LOW-RISK
MEDIUM-RISK

RETURN ON INVESTMENT

EARNINGS PER SHARE

GROWTH IN EARNINGS

SAFEGUARD FOR THE

VALUABLE EMPLOYEES PROFESSIONAL

SELF-EMPLOYED PROFESSIONAL

NUMBERS OF EMPLOYEES

HIRE FULL-TIME

HIRE PART-TIME

OUTSOURCING

EMPLOYER MATCH

ASSOCIATION MEMBERSHIP

OTHER BENEFITS

INCOME TAX

COST OF LIVING

NAVIGATING THE PERKS OF PROFESSIONAL ASSOCIATIONS

YOU CAN'T AFFORD TO MISS OUT!
Restant van Gedeelte 20 van die plaas Hartebeestspruit 235 JR, groot 32,9290 hektaar.
Gedeelte 3 van die plaas Vaalplaas 463 JR.
Gedeelte 1 van die plaas Wolvengat 442 JR.
Gedeelte 20 van die plaas Valschspruit 458 JR.
Restant van Gedeelte 24 van die plaas Modderfontein 490 JR, groot 86,0891 hektaar.
Gedeelte 29 (‘n gedeelte van Gedeelte 28) van die plaas Vlakfontein 453 JR.
Gedeelte 31 (‘n gedeelte van Gedeelte 30) van die plaas Vlakfontein 453 JR.

**Distrik Brits**
Gedeelte 3 van die plaas Rooinek 190 JO.
Gedeelte 6 (‘n gedeelte van Gedeelte 4) van die plaas Border 187 JO.
Gedeelte 7 (‘n gedeelte van Gedeelte 2) van die plaas Border 187 JO.

**Distrik Rustenburg**
Restant van Gedeelte 17 van die plaas Klopper 77 JO, groot 749,2093 hektaar.

**Distrik Lydenburg**
Restant van die plaas Groothoek 139 JS, groot 786,8501 hektaar.
Gedeelte 1 van die plaas Groothoek 139 JS.

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**GOEWERMENSTEMMINGS**

**ADMINISTRASIE: RAAD VAN AFGEVAARDIGDES**

**DEPARTEMENT VAN GESONDHEIDSDIENSTE EN WELSYN**

No. R. 255
16 Februarie 1990

WET OP MAATSKAPIELE PENSIONEE, 1973
(WET No. 37 VAN 1973)

**WYSING VAN REGULASIES**

Die Minister van Gesondheidsdiens en Welsyn van die Ministerie van die Raad van Afgevaardigdes het krag op 117 van die Wet op Maatskaplike Pensioene, 1973 (Wet No. 37 van 1973), die regulasies in die Bylae uitgevaardig.

**BYLAE**

Woordonskrywing


Wysiging van regulasie 10 van die Regulaties

2. Regulatie 10 van die Regulaties word hierby gewysig deur die uitdrukking “R28 000” deur die uitdrukking “R40 000” te vervang.

Remainder of Portion 40 of the farm Hartebeestspruit 235 JR, in extent 128,2699 hectares.
Remainder of Portion 20 of the farm Hartebeestspruit 235 JR, in extent 32,9290 hectares.
Portion 3 of the farm Vaalplaas 463 JR.
Portion 1 of the farm Wolvengat 442 JR.
Portion 20 of the farm Valschspruit 458 JR.
Remainder of Portion 24 of the farm Modderfontein 490 JR, in extent 86,0891 hectares.
Portion 29 (a portion of Portion 28) of the farm Vlakfontein 453 JR.
Portion 31 (a portion of Portion 30) of the farm Vlakfontein 453 JR.

**District of Brits**
Portion 3 of the farm Rooinek 190 JO.
Portion 6 (a portion of Portion 4) of the farm Border 187 JO.
Portion 7 (a portion of Portion 2) of the farm Border 187 JO.

**District of Rustenburg**
Remainder of Portion 17 of the farm Klopper 77 JO, in extent 749,2093 hectares.

**District of Lydenburg**
Remainder of the farm Groothoek 139 JS, in extent 786,8501 hectares.
Portion 1 of the farm Groothoek 139 JS.

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**GOVERNMENT NOTICES**

**ADMINISTRATION: HOUSE OF DELEGATES**

**DEPARTMENT OF HEALTH SERVICES AND WELFARE**

No. R. 255
16 February 1990

SOCIAL PENSIONS ACT, 1973
(Act No. 37 Of 1973)

**AMENDMENT OF REGULATIONS**


**SCHEDULE**

**Definition**


**Amendment of regulation 10 of the Regulations**

2. Regulation 10 of the Regulations is hereby amended by the substitution for the expression “R28 000” of the expression “R40 000”.

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In the melting pot

Voluntary efforts to save the beleaguered Helderberg retirement village have failed. An interim management board comprising creditors, lenders and villagers, which was to have run the retirement village from December 15 to February 15, ceased functioning about 10 days before it was supposed to.

One of the objectives of the board was to induce the different factions to co-operate in seeking solutions to the village’s financial problems without going to court. However, it is understood that a breakdown occurred because the parties were simply unable to agree on the procedures to be followed. Now it seems the fate of the retirement village probably rests with the courts through the imposition of judicial management or liquidation.

The only prospect of an out-of-court settlement would be if one of several rescue plans being banded about was able to provide the financial muscle to save the scheme out of its quagmire of debts.

February 15 was the return date when applications for the liquidation of the developer and share block holding company for Helderberg Village were to be heard, as well as an application to put the company into judicial management.

However, at the time of going to press, delays and amendments to the court proceedings looked likely. It is understood that parties opposing the share block liquidation application failed last week to file replying affidavits and have sought a postponement.

Those seeking the liquidation have apparently agreed to the postponement — provided the cost of the delays is met. Meanwhile, the application for the liquidation of the village’s developer, Shemara Holdings, may also not take place.

It is understood moves are afoot, supported by the share block company’s major creditor, Personal Trust, to intervene and seek to have Shemara placed under judicial management. The original liquidation application was brought by a minor creditor, Roy Horrell.

A further possibility is that one of several rescue packages being talked about could come to fruition and nullify the need for any court proceedings.

DCF Properties MD Peter Irvine confirms there is an offer on the table and that negotiations to bring in a major institution are in progress.

Last week saw an application to have the share block holding company placed under judicial management. This is seen by some as a delaying tactic. The applicant’s argument is that the share block company is not a trading company and hence has no prospect of trading its way out of trouble.
MARRIED couples should review the rules of RAs in their retirement portfolios in the light of SITE and the amendments to the Income Tax Act regarding RA deductions.

AA Life's legal services manager, Reina Roxy, says increased RA deductions are available to a married couple where the wife is taxed separately under SITE. She advises that in this case, a woman should have her own RA to fully exploit the tax saving opportunity in both contributions and later after retirement. She would then be taxed separately on the annuity, instead of jointly with her husband. This results in a dramatic increase in the net after-tax return on the RA.

AA Life has not yet introduced one of the new-style all-equity based retirement annuities but plans to begin one in March.
Professional advice is a must.
### Estimate of extra savings to retire at 50 with required income

#### PERCENTAGE OF INCOME TO BE SAVED ON TOP OF CURRENT CONTRIBUTIONS

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</table>
Personal plan which matures in stages

COMMERCIAL UNION's answer to the all-equity RA is the Golden Harvest personal equity plan which promises to "mature the contract in stages to meet individual circumstances".

Life marketing manager Erik Steenfeldt says the product should have particular appeal to three main groups of investors:

- Sophisticated investors who already have basic provision for retirement and who understand market dynamics well;
- Younger, financially aware investors who require primary retirement provision and have enough time to gain the full benefit of rand cost averaging;
- Married women subject to SITEX who qualify for tax-deductible contributions of up to 15% of non-pensionable income in addition to that permitted to their husbands. In this case, the policy would offer secondary retirement provision.

The RA contributions will be invested in the Culink Equity Fund, which consists chiefly of blue chip shares. But at any stage, as many life assurance companies have recommended, the investor may have the funds transferred.

"This option to 'de-link' into a more security-oriented RA enables investors to consolidate their profits and reduce their exposure to market fluctuations," says Steenfeldt.

"There is no other way that an investor can build up a growth portfolio out of pre-tax income without having to pay tax on dividends and possibly on realised capital gains arising from frequent portfolio adjustments."

Commercial Union's managed pension fund has achieved good results of more than 24% a year growth compounded over the last eight years.

The Golden Harvest personal equity plan will, via the Culink Fund, be part of a portfolio which currently has 40% in diamond, gold and platinum mines, granite quarrying and mining houses. Fifty-one percent is in non-mining financial and industrial blue chips.
34% of people cannot afford to stop working

AT LEAST one-third of South Africans reaching retirement age do not have a sufficient pension to stop working.

Another third eke out a living on a fraction of their former salary through state pensions, while a further 17% depend on their families to stay alive.

These statistics are offered by Norwich Life, but it is a well-known that few people make adequate provision to avoid a post-retirement drop in income.

**Formula**

The usual formula on which a pension is based is in 50ths of final average salary, multiplied by the number of years of contribution.

This means 25 years of service would give 50%. Final average salary is measured by the last three years of service. Fedlife’s John Rigby says: “The maximum a pension could ever really offer an employee would be perhaps 75% of final average salary, still presenting a drop in income.”

It is in this respect that RAs play a vital role in “topping up” investment for retirement, says Norwich Life group life marketing manager Stirling Kotze.

“People should retire on about 80% of their last salary,” says Kotze, “but because of the problem of switching jobs and loss of employers’ pension fund contributions this sort of return is hardly ever achieved. People seldom re-invest what they have put into the fund when they receive a payout.”

“The more mobile a person is in the employment market, the bigger the gap between his pre and post-retirement income.

“Where the pension formula is 2% for each year of service, 15 years’ service, which is the average attained by most pension fund members, will give only 30% of final average income – an income gap of 70%.

“The answer to the problem does not lie with forcing people to reinvest their pension fund. To many people, this payout is a security in the event of them losing their jobs. The answer lies in making people more aware of the need to personally provide for their retirement and this is where retirement annuities are so important.”

**Ideal**

Kotze says a pension fund subsidised by an employer would be the ideal investment medium if a person remained with one fund throughout his working life. Since this is virtually impossible, a retirement annuity provides the best solution.
WHEREAS most retirement annuity policies are offered by and fall under the investment control of life offices, a ground-breaker is an entirely new concept called the Independent RA.

The Independent RA, to be marketed directly to the public through selected financial advisers, is probably the most flexible retirement annuity scheme on offer.

Formally launched only on February 1, it has already achieved R2 million in sales on the strength of word-of-mouth recommendation alone.

Its architect is Technical Management Assignments, which provides product and service development to the assurance and pension industry.

TMA’s André Immelman says after lengthy discussions with the Registrar the product received strong official support.

Spread

"The Registrar saw in this an opportunity to spread retirement investment to a wider base of financial service institutions rather than concentrating it among life assurance companies.

The essence of the Independent RA is that its funds may go into investment vehicles operated by any financial institution such as unit trusts or a life office.

The investor may thus select the highest performers at any time.

Like the new breed of RA policies introduced to the market since the October relaxation of prescribed asset requirements, the Independent RA has the option of placing more of its investment into shares and other high risk/reward investments than before.

But, designed for high security, it will limit its equity/property portfolio to 65% and place this entirely through unit trust portfolios.

ANDRE IMMELMAN

Says Immelman: "The advantage to the investor is the ability to individually select unit trust portfolios. "They can take their own active investment decisions and switch from one fund to another any time they like. For example, if the investor believes a dive is coming in share prices he can select a fund that invests in property or has a greater cash content."

A bugbear of both brokers and investors about RA s—that the rates paid by life offices on the after-retirement annuity appear relatively low and do not appear to repay capital—has also been challenged by the Independent RA.

"In as short a term as five years, we are structuring our RA to repay the capital sum back in full with interest.

Allow

"We will also allow the investor to make the RA paid up without incurring penalties. Our approach is more like that of a unit trust."

"If the investor was to stop paying, the money would simply sit there acquiring interest," says Immelman.

"Another important feature of the Independent RA is that our running costs of investing in unit trusts are half, that incurred by life offices for insurance-based schemes.

"We also don’t incur stamp duties or policy fees. When that is discounted, it means the investor gets much more of his return paid back directly."

"For example, for a fund which earned a return of 17.3% a life office might pay back a net return of 15%—we would pay back 17.3%.

"Over 25 years, that would mean benefits 46% higher on par than on a conventional RA."

Although this cost saving builds in opportunity for higher return, the Independent RA cannot be expected to earn as high a return on investment as the 30% and 100% equity invested RAs now on offer.

Supported

But this is a conscious decision on the part of TMA, one supported by Metboard, which is strongly backing the product.

Immelman says: "To me, the principle of equity high risk investment doesn’t synchronise with the basic principles of investing for retirement.

"Yes, an equity portfolio is a good thing to have but its security comes in only over a very long-term investment. And timing of buying and selling is crucial, whereas an RA determines a fixed maturity date.

"If the policy happens to mature at a time when the market is down, the policyholder will be at a disadvantage.

"The equity-based RAs could be dangerous unless manoeuvrability is permitted to the investor. An option to defer taking retirement until the time is right might be an advantage, but even then the law demands the RA be taken by age 70."

"Independent' aims at high security and maximum flexibility
Pension funds
R17bn shortfall

By BARRY STREUK
Political Staff

SHOCK reports on the two SA Transport Services (SATS) pension funds, which were tabled in Parliament yesterday, have disclosed that there was an actuarial shortfall of assets of R7049.2 million at the end of March 1988.

The two funds also lost income totalling R2550.3m between 1980 and 1988 because they were obliged to invest in fixed deposits.

They would have earned the extra R2550.3m if they had earned the average investment income of pension funds in the private sector over the same period.

The reports on SATS' New Superannuation Fund and the Railways and Harbours Pension for Non-white Employees two funds were compiled by a firm of consulting actuaries, JA Carson and Partners of Johannesburg.

The Democratic Party's pensions expert, Mr Brian Goodall, MP for Edenvale, said his party had repeatedly warned the government about the huge shortfalls in the government pension funds.

"It is quite frightening that future generations are going to have to find something like R50bn to make the official funds actuarially sound."

He said: "The government has an awful lot to answer for if future generations of taxpayers and users."

However, he added that the steps taken by SATS to start giving the management of their pensions to the private sector were correct and would help with the passage of time to sort out the problem.

In Parliament yesterday, the Deputy Minister of Mineral and Energy Affairs and Public Works, Dr Piet Welgemeer, said the question of the shortfall in the SATS pension funds had been properly addressed and no one had cause for concern.

Mr Goodall said: "In the private sector, no pension fund would be allowed to get itself into a position where it is only actuarially sound in 23 years' time."

What we are seeing now is the irresponsibility of not having the SATS actuarially funded between 1979 and 1988."

Mr Goodall said: "We repeatedly warned that this would happen.

I even warned Mr Owen Horwood, the former Minister of Finance, that the way the government was running social and official pensions would eventually lead to a situation where liabilities were so great that nobody would want to run South Africa.

All that was required was a bit of forethought and it could have been avoided."
RA's now a powerful new investment tool

By MAGNUS HETSIEK

REIUREMENT annuities were given a new lease on life during last year's budget when government announced the abolishment of the prescribed asset requirements of life assurance companies.

Life companies were quick to capitalize on this newfound investment freedom and several major insurance companies have recently announced equity-based retirement annuities.

Old Mutual, SA's largest life assurance company, was the first to the chip in with its equity-based RA, while several other companies, including Fideitas Life, Sage Life, Commercial Union and one small fund called the Independent Retirement Annuity Fund have since announced similar schemes.

The Independent RA's differs from other funds in that these investments are made in 10 general equity unit trusts rather than in equities directly.

The choice of the unit trusts is at the discretion of the individual investor and also has the added bonus that capital values can be preserved in a downturn in the market place by diverting funds, in this instance, to Liberty Life's guaranteed investment portfolio.

Most other large insurance companies are currently constructing similar equity-based RAs while one or two have indicated some need for such funds.

There is no doubt that these innovative products offer exciting and extremely lucrative new dimensions to retirement and retirement planning. In some cases this boils down to a difference of up to 99 percent in five years share capital. However, of course, is only half the story.

What should not be forgotten, is that although equities generally have been excellent investments in recent years, their risk profile is much higher than that of conventional RAs. This is an important factor that should not be overlooked by individuals.

Stock markets, conversely, can create just as much and individual's wealth. This could seriously affect the eventual commutation as well as the life-long pension.

As a rough guide, if I would say that the further one is away from retirement, the bigger the attraction of equity-based RAs. But the closer one gets to the retirement age, the more one would advise caution and perhaps even advise a switch out of an RA into a conventional RA that has a wider spread of risk.

The creation of equity-based RAs were largely brought about by the relaxation of the law governing assets until now, 50 percent of the capital placed in retirement annuities had, by law, to be placed in various stipulated and conservative investments such as government stock.

Historically the returns on government and semi-government stock have under-performed that of other kinds of investments such as equities and property.

As a result, only up to 47 percent of linked retirement annuity funds could be invested in equities, which obviously had a limiting effect on capital growth potential of a retirement annuity fund.

Now they offer the buyer the opportunity to invest in the stock market at a significant discount.

With equity-based RAs investors will get similar growth as they would from mutual funds, while at the same time reaping the tax benefits that are not applicable to mutual fund units.

But unit trusts have the element of liquidity and the transferability (after death) which many RA fund don't have.

John Righy, Assistant General Manager Life Marketing at Fideitas says, "With Fideitas 90 percent of the investment will be placed in general equities on the Johannesburg Stock Exchange. This way we are confident of achieving higher returns across the board."

Returns

These views are echoed by various other spokespersons for life assurance companies.

Retirement Annuities have consistently shown to be a quality savings mechanism in saving for retirement and have delivered reasonable investment returns.

According to figures supplied by RAS, a subsidiary of the Sage group, RA's have been better investments than endowment policies during the last decade, with compound growth of 12 percent versus 9,1 percent on average.

Retirement annuity contributions, unlike those of mutual funds, are tax deductible. If one is aiming at making worthwhile savings towards one's retirement - which is the basic purpose of a retirement annuity - then these tax savings can make a significant contribution.

With the changes to the law, RA's have become a powerful new investment tool for those who wish to maximise both growth and returns.

This graph shows the inflation-beating performance of Old Mutual's new conventional retirement annuities. Over the periods surveyed the return to investors has been well ahead of the inflation rate. Allowing for the RA tax concessions the returns would have been even higher. Old Mutual's new all-share retirement annuity launched last month is expected to have even higher returns than those of the conventional RA.
Says pension fund shortfalls exceed R7bn

Leslie Lambert

...
Cautious words on rush for RAs

A word of caution has been sounded in the present rush to invest in 100% equity-linked retirement annuities (RAs) before the end of the tax year.

Such RAs became possible after the lifting of prescribed asset requirements last year, and like all RAs carry significant tax benefits.

But Lesley Lawson, MD of Alexander Forbes Executive Financial Consultants — a subsidiary of the Price Forbes group — emphasises that for certain investors these RAs may be inappropriate as they carry too great a risk.

For those near pensionable age, Lawson says, the vagaries of the stock market will probably represent too great a danger.

"We are concerned that many investors may need an element of security within their retirement portfolio in which case a pure equity-based portfolio may be completely inappropriate, especially for a short investment term.

Need

"It is important to note that a portfolio based on 100% investment into equities cannot give any guarantee on future values. There is no vesting interest or dividend declaration by the fund." He points out the need, when choosing an RA, to examine the possibility of switching from an equity-based portfolio to a more stable one in the likelihood of a pending market crash. Important then is the period of notice required before making the switch.

"For some investors, who would not want to actively monitor their return, a six month period to switch portfolios, as offered by some funds, would be sufficient to protect their investment against a stock market correction just prior to retirement; but for others the ability to move more frequently and at short notice to anticipate or react to market conditions may be more important."

Each person has their own risk-reward profile which in some cases may require. for instance, an 80% equity/20% property and fixed interest portfolio which preserves all contributions made and guarantees some interest, he says.

Expense

For those requiring stronger guarantees property funds or conventional or "smoothed" portfolios may be the answer.

In any event, Lawson urges investors to examine the benefits derived from their existing fund before moving to another company's product at some expense.
Villagers look at the Allied’s rescue offer

CAPE TOWN — Members of the troubled Helderberg retirement village yesterday considered an offer by the Allied Group of R7.2m additional loan funds to help complete the village and restore its financial health.

The Allied’s offer follows a number of unsatisfactory or conditional financial rescue offers and legal attempts either to liquidate Helderberg’s management company or have it placed under judicial management. If accepted, the offer would increase the financial institution’s exposure to the development to R12m.

The villagers have been divided on how best to solve the cash flow problems which the retirement village ran into at the end of last year. While the majority have supported attempts to boost the financial resources and restore liquidity by completing the development and selling more units, others have opted for provisional liquidation to save at least some of their investments.

After a board meeting yesterday, Dennis Lehmann, chairman of the Helderberg Retirement Village Share Block Company, which has been managing the village since late last year, said there were several issues which the Allied would be asked to clarify before shareholders were asked to approve it.

He said the villagers would be given 21 days to consider the offer. Unless it was rejected outright, a meeting would be called after 21 days to put the offer to the vote. Official approval at the meeting would depend on a quorum of 75% of the villagers, 75% of whom would have to vote for the offer.

If it were approved, the Allied would insist that requests for payouts of the additional funds be endorsed by representatives of each of the two main bodies of opinion in the village. Each villager would then be asked to sign surety for their quota of the loan.
By CHIARA CARTER
TOWNSHIP pensioners this week gave vent to years of frustrations over late payment and the refusal of monthly grants when they picketed a tea party given by the Administrator of the Cape.

Guests arriving at the Gardens residence of Mr JWH Meiring were greeted by 22 protesting pensioners holding placards which drew attention to bureaucratic failings in pension payments and the disparity between the grants for white and black pensioners.

Grievances
Many of the pensioners have been waiting for several years for their grants, while others have been refused grants by the Cape Provincial Administration.

After standing with placards for 15 minutes, the protesters were told by police that the demonstration was illegal in terms of the Emergency Regulations.

They then dispersed.

A member of the Black Sash gave a letter outlining the pensioners' grievances to a representative of the administrator.

The Black Sash Advice offices in Cape Town have received more than 500 applications for help from pensioners.

The organisation has compiled a dossier of almost 200 current complaints about which they have approached the CPA.

Black Sash offices elsewhere in the country have been compiling similar dossiers and the organisation intends to campaign nationally to highlight the plight of pensioners.

Said a Black Sash spokesperson: "A pension is a right and not a privilege. We believe it is inhuman for elderly people to be obstructed in their attempts to secure their pension by bureaucratic inefficiency."

She said the statistics available to the Black Sash "represented only the tip of the iceberg."
Still no answers

The difficulties of the Helderberg Village retirement village (Property February 16) appear to be no closer to resolution.

As predicted, last week's court hearings were postponed until February 27 in the case of the village and to February 28 for Shemara, the developer.

Meanwhile, the locus standi of Ralph Nussbaum, who brought judicial management applications for both the shareblock holding company and the developers, and Roy Horrell, who applied for the liquidation of the developer, has been quashed. Legal argument will be heard on the subject later this week.

More important, no rescue scheme has yet emerged. The problem, according to DCF Properties MD Peter Irvine, is "a lack of reconciliation between the aspirations of creditors of the development company — primarily Personal Trust acting on behalf of their clients — and what the shareblock holders are prepared to carry."

Irvine believes Shemara's creditors have inflated expectations of what sort of payout they can expect and this is causing the delay. DCF has put forward a proposal to develop the village which would involve villagers paying roughly R15 000 a shareblock unit and DCF paying concurrent creditors of the development company R1.75m upfront with ongoing obligations of approximately R30 000 a unit developed to creditors and Personal Trust lenders.

FINANCIAL MAIL FEBRUARY 23 1990

As things stand, Irvine does not foresee a negotiated solution. Rather, he suggests "the development company must go into liquidation and then one can get some rational thinking so that the open market can decide what the developers' rights are worth."

DCF is having discussions with Allied about the financing of its proposal. Agreement has not yet been reached, but Irvine says the points raised by Allied are "not insurmountable."

Dennis Lehmann, chairman of the shareblock company, notes there are many offers and possible sources of finance under discussion, but acknowledges DCF and Allied as "front-runners." He says that sorting out the company's R6m debt is the priority. After that comes the question of who should finish off the development.
Cusaf lifts final by 25 percent

Commercial Union Assurance (Cusaf) posted a 25 percent increase in aftertax earnings for 1993-94. The total dividend for the year was 96.5 per share, compared with 75.5c a year earlier.

Financial results released yesterday showed aftertax earnings per share were 96.5c, compared with 75.5c a year earlier. The final dividend has been increased by 25 percent to 96.5c per share.

Managing director Bill Rucklidge described the results as satisfactory, but said they were not as good as expected. The company's long-term investments turned in a good performance with a rise in both new life premiums and non-fund income. This resulted in a 47 percent rise in total premium income to £45.5 million from £26.4 million in the previous year.

The total dividend for the year is 96.5c, a 27 percent increase on last year. The deteriorating short-term underwriting climate in the latter part of the year took its toll on the company's underwriting surplus, which was down from £2.1 million to £1.5 million.
Provident funds save employer time, money

HIGH personal rates have focused the attention of employees on the tax effectiveness of their salary package, while low social pensions, high inflation and negative interest rates make many employees nervous about their retirement prospects.

Generally employers are aware of these problems. However, those wishing to begin a retirement fund for the benefit of their employees are faced with the choice between a pension or a provident fund.

Other businesses are considering a provident fund as a fringe benefit to supplement an existing pension fund.

Advantages

For the employer the major advantages of an individual provident fund are the savings of time and expense, as the fund is already approved and registered. The only formality is applying for affiliate membership.

The appeal to small businesses (with too few employees to warrant the registration and administration costs of their own fund), is enhanced by the fact that the minimum number of employees is one.

Ownership of the policy is transferred from the provident fund to the employee at retirement or resignation.

At death the proceeds are payable to his dependents.

The benefit received (cash value of the policy) may be taxable, however, this is at the employee's average tax rate and not his marginal rate.

There are tax-planning methods to keep his average rate low. One often used is to retire early in a tax year.

At maturity after retirement, the policy can be continued by leaving the proceeds with the assurer.

This provides tax-free income, according to current legislation, in the form of cash bonuses, while a pension from a pension fund is taxable at marginal rate.

At resignation from the fund the employee receives his full benefit and is free to continue with the premium payment on his normal standard endowment policy.

Resigns

In contrast the employee who resigns from a pension fund generally forfeits the employer's contributions and interest.

The trade union movement has shown a marked preference for provident funds mainly because all benefits payable to the employee are in the form of a single lump sum.

"The individual policy is popular with highly skilled First World employees, albeit for different reasons."
RA: key to prosperous second retirement

WILL you be retiring shortly at a still young and healthy 60? (Yes)

Or are you already into a lucrative second career after early retirement — in which case chances are that your tax problem is set to continue for at least the next few years?

"An investment in a retirement annuity policy is one of the best ways to relieve this headache, even after retirement," says Mr Jacques de Villiers, Sanlam's marketing actuary.

Many people don't realise that they can continue contributing to an RA after retirement — and can deduct contributions from, for example, investment income and pensions. Those who retire on a company pension will probably find that they can even increase their RA contributions, which were formerly fixed at R1 750 per year.

Anyone who retires some years from the RA cut-off age of 70, and has sufficient income from other sources, should include retirement annuities in financial planning.

"Don't forget that a married woman may be a member of a retirement annuity fund even if she earns no income," says Mr de Villiers.

"Her contributions to the fund may be deducted from her husband's income. As she is usually the younger partner it is a good idea to effect an RA taken out after retirement on her life. In this way the tax benefits can be enjoyed for a longer period."

With modern RAs it is easy to increase or decrease contributions, or pay in a lump sum — a distinct advantage for active pensioners who, for example, undertake part-time jobs, or act as consultants. As it is difficult to predict the income flow in such cases regular RA contributions will probably not maximise the tax benefits. However, this is easily rectified in the last month of the tax year by paying in an extra lump sum.

Apart from tax benefits, short-term RAs have performed very well in the past.

Mr de Villiers cites the example of a Sanlam policy taken out five years ago with a monthly contribution of R200. At the time of issue a maturity value of R16 427 was projected. The actual maturity value amounted to R20 297.12. Without taking tax relief into account this represents an average return of 21.1 percent a year on contributions, compared with an average inflation rate of 15.6 percent over the term of the policy.

So, an RA after retirement could be the key to a prosperous second retirement.
The Minister for Health Services 

Addressing the issue of mental health services, the Minister highlighted the importance of accessible and quality care for mental health patients. The government has pledged to increase funding for mental health services, with a focus on improving access to mental health professionals in rural areas. The Minister stressed the need for community education to reduce the stigma associated with mental health issues.

The Minister also mentioned the ongoing efforts to improve the infrastructure of existing mental health facilities, ensuring that patients receive the best care possible. A new mental health program, aimed at providing support and treatment for mental health issues, is set to be launched soon. The Minister urged all stakeholders to work together in creating a more supportive and inclusive environment for those affected by mental health conditions.
Pensioner fined for illegal use of coupon
Angry pensioners
demand increase

By CHRIS BATEMAN

BLACK pensioners in the Peninsula dependent on their R150-a-month government pension can no longer buy basic essentials to adequately feed themselves, several elderly Guguletu citizens claimed yesterday.

They said they had to do without vegetables, fruit and toiletries.

The pensioners claimed this after a protest meeting attended by more than 1,000 people in the township's Ubuntu Centre.

The meeting, called by the Cape Peninsula Black Pensioners' Organisation (CPBPO), resolved to appeal to Mr Nelson Mandela and President F W de Klerk to increase their pensions so that they could "make ends meet".

Mrs Meddie Dwangu, 74, of NV7, Guguletu, outlined her modest "essentials" budget which exceeded her pension by nearly R18:

- Rent R13.67.
- Electricity R50.
- Telephone R60.
- Chicken (2kg) R11.99.
- Rice (1kg) R3.30.
- Sugar (2.5kg) R3.30.
- Flour (2.5kg) R3.30.
- Yeast 35c.
- Tea (250g) R3.79.
- Coffee (100g) R1.80.
- Potatoes (pocket R1.00.

Total: R167.73.

She said she was excluding transport costs, vegetables, fruit and toiletries which, conservatively calculated, came to R60.

Another pensioner, Mr David Sebako, 64, said: "I don't even know what real meat tastes like anymore."

CPBPO chairman Mr Winnard Zentsi told the angry and somewhat chaotic meeting that a minimum pension should be at least R250.

The meeting also resolved to demand that house rentals be dropped to R10 a month and that the purchase prices of homes (which some pensioners had occupied since 1936) be dropped from about R1,990 to between R300 and R400.

"We have already paid for these homes many times over in rent," he said.

A CPA spokesman said a response would be drafted today.

- Coloured and Indian pensioners receive R200 a month while whites receive R251.
Pensioners who live on R150 a month

BLACK pensioners dependent on their R150-a-month government pension can no longer buy basic essentials to adequately feed themselves and have to forgo vegetables and fruit.

This was claimed by several old people in Guguletu yesterday after attending a protest meeting of more than 1,000 people in the township's Ubuntu Centre.

The meeting, called by the Cape Peninsula Black Pensioners' Organisation, resolved to appeal to Mr. Nelson Mandela and President F.W. de Klerk to increase their pensions.

→ Report — Page 9
Six villagers reject Allied's R7m rescue offer

CAPE TOWN — A decision on the fate of the troubled Helderberg Retirement Village was postponed again yesterday to give the village's management company — the respondent in a provisional liquidation application — time to file new affidavits in an increasingly complex legal battle.

The Cape Town Supreme Court application for provisional liquidation of Helderberg Village Share-Block Holdings by shareholder Matheus Geldenhuys was postponed until March 6, giving the defendant a chance to put its full case before the court and to consider a financial rescue offer by the Allied Group.

The respondent has been granted until March 2 to file replying affidavits. In a new development yesterday, six villagers, including Geldenhuys, submitted affidavits in which they rejected Allied's recent offer of R7m in additional funds.

The case has been running for three months. During this time interest payments estimated at about R100 000 a month have been falling into arrears.
PRETORIA — A "shocked" Public Servants Association (PSA) executive committee is to go back to government with a renewed demand for a 20% pensionable pay increase, PSA GM Hans Olivier said yesterday.

In a statement Olivier said the 10% non-pensionable increase was totally unacceptable.

The committee is demanding a speedy response from government.

It also wants an assurance of adequate provision in next month's Budget for career differentiated increases.

An extraordinary general meeting of PSA branches countrywide has been called for April 9 to discuss a counter strategy to government rejection of the original 20% increase demand.

Olivier said the state worker earnings backlog was between 17% and 33% compared with the private sector.

Government was therefore responsible for the breakdown of trust between itself and its employees, he said.

The committee said a one-sided sacrifice was being thrust on the public sector in the fight against inflation.

Reliable calculations were that salary increases of between 15% and 17% would be granted in the private sector.

The committee said that taking into account the huge pay backlog and the 0% vacancies in the service, government had been saved R1,000bn.

This alone justified a bigger increase than the announced 10%, he said.

Sapa reports that Herbert Ntleko, general secretary of the 15,000-strong Institute of Public Servants (IPS), had warned that black public servants might go on strike for higher pay.

The IPS warned Administration and Privatisation Minister Wim de Villiers of the danger of action, even though public service strikes were illegal.

He said the IPS was negotiating for a minimum wage of R800 a month, and an average increase of 20%.

Ntleko said the IPS members would not believe that government did not have money to pay them more, especially after seeing the salaries paid to Members of Parliament.
Non-pensionable pay plan 'bad'

THE public service pay adjustment in the form of a non-pensionable allowance would not lift the burden of pensions on the Exchequer, DP pension spokesman Brian Goodall said yesterday.

He was responding to the recently announced 10% non-pensionable increase for public service workers.

Goodall said the principle of non-pensionable increases was "bad" because it would adversely affect people who were still to retire, although their in-pocket situation would improve. It also failed to address real problems of the government pension fund.

"When a person retires he or she will have got used to living on a specific income, and when the pension benefits are calculated without taking into account the recent 10% increase, the gap will be greater than normal," he said.

Employees would effectively only contribute about 0.8% of the 10% increase while the crux of the matter was that government would have to pay in about 2.5% to 3%, he said.

"The investment return on the government pension fund had always been low because it had been forced to invest in fixed interest stocks. The return had been less than would have been obtained by a private sector pension fund, he said.

IN BRIEF

HEALTH and education should be removed from the schedule of own affairs in the constitution, Peter Scoi (DP Johannesburg North) said yesterday.
Ageing couple homeless after 17 years of loyal service

By Winnie Graham

An ageing couple who have worked at a townhouse complex in Windsor, Randburg, for the past 17 years have been made homeless — because the trustees insist they vacate their room.

Hendrik and Irene Ranashaba have been employed at Zaymel since the block was built. Mr Ranashaba was the gardener, his wife a domestic worker. The room at the back of the complex was the only home they had. A child was born to them there in 1974.

"But life has not always been kind to Mr Ranashaba. For years he was a loyal servant, but ill health forced him to retire. His wife has remained the breadwinner, working for several residents in the complex."

Towards the end of last year they were told they had to leave.

When people at Zaymel heard that the couple had been "pensioned off," a group petitioned the chairman, Mr Mickey King, and asked the trustees to reconsider. The owner of a townhouse, Mr Dennis McConnell, offered to pay a rental of R65 a month for the old couple's room.

Relief

He said: "This would allay my concern, provide tremendous relief to Hendrik and Irene, provide reasonable revenue to the body corporate and make up in some measure for the fact that over the years no pension fund benefit has been provided."

The sectional title management company, Northwest Urban, responded. Mr Ranashaba was to be placed on pension. The trustees, the management company said, were concerned that he might "pass on" and the body corporate might be held responsible for the cost of his burial.

The company said the abductions were not adequate for more than two people and it stood by its decision that the couple should find alternative accommodation.

Mr McConnell believes the trustees' decision lacks compassion. Mr Ranashaba, he said, had not been placed on pension. He had been fired because of ill health — with no pension — "thrown on to the street and his wife deprived of a source of income".

No place to go...

Mr Hendrik Ranashaba of Windsor, Randburg, who has been forced out of his backyard room because he can no longer work. With him is his wife Irene.

A disability grant was applied for last November, but the matter was still unresolved.

Mr McConnell said he had offered to pay for Mr Ranashaba's burial if he died.

Mrs Elizabeth McConnell said she had been told by Randburg's health department that the ablution facilities were more than adequate.

"To his amazement, the new gardener of three months must have two rooms, so Hendrik and Irene must get out," she added.

"They earned the privilege of two rooms after many years and voluntarily moved into one room in December last year."

She said that in desperation Mrs Ranashaba started building a zinc/plastic shanty in Alexandra this month, but was stopped by the authorities.

"It seems clear a vendetta is being waged against this harmless old couple," she added. "We have petitioned, written letters, phoned and pleaded on their behalf — to no avail."
funds on which annuity payments are based in gilts. The annuity (pension) has been based on initial capital and interest payments on a reducing balance, converted into a series of equal income payments.

So a retiring member is at the mercy of interest rates at the time he takes the benefit and then at the mercy of inflation. While many life offices offer so-called escalating annuities, which increase the benefit by 5%-10% a year, this is simply a rearrangement in time of the total benefit. The initial annuity is, of course, much lower than with a level annuity.

Benefits of Sanlam’s Bonus Life Annuity depend on the performance of a life-annuity fund invested mostly in shares and property.

Initially, the product will be available only for compulsory purchase annuities and pensions.

All normal variants are available, such as a guaranteed term for payment even in the event of prior death, and a joint life annuity (payable so long as either the annuitant or spouse is still alive).

As the yield on a growth portfolio is lower than on gilts, the initial yield on the Bonus Life Annuity will be correspondingly less.

The yield on a level annuity (guaranteed for 10 years) payable to a 64-year-old male will be R1 459 a month, on a capital amount of R100 000. The initial yield from Bonus Life would be R737 a month but, if this grows at 13.5% annually, it will rise to

Inflation proofing

Sanlam has a new form of annuity which addresses post-retirement inflation.

Under the Income Tax Act no more than a third of an accumulated benefit may be taken in cash.

The rest must be taken as an annuity. Until now, life offices have invested the

R1 576 after seven years, R2 616 after 11 years, and R4 928 after 14 years.

To grow at 13.5%, Sanlam needs a net yield of 17.5% on the portfolio --- less than its average performance in recent years.

RETIRED BENEFITS 300
Nats laugh off cheap phones for the elderly

Political Correspondent

NATIONALIST MPs jeered and laughed yesterday when Mr Jan van Eck (DP Claremont) told Parliament that it was essential that pensioners be able to afford telephones to ensure their safety.

Speaking during the debate on the Post Office budget, Mr Van Eck said amidst a barrage of heckling that it was well known that pensioners who lived on their own were advised by police to acquire a telephone so they could call the police, the fire brigade or ambulance in case of a burglary, an assault, a fire or when a domestic accident left them stranded with an injury.

However, many pensioners could not afford this vital lifeline.

He called on the government to cut phone rentals for South Africa's 1 080 000 old-age pensioners, many of whom were forced "to eke out a miserable existence".

Mr Van Eck said that for pensioners, telephones were not a luxury but a necessity — "the telephone is their vital link, sometimes their only link, to essential services".

"By refusing to reduce their rentals to a more affordable R5 a month, the government is taking away their phones.

"Any MP — and that includes the Minister (Dr Dawie de Villiers) — who refuses to agree to a reduction in phone rentals for pensioners, deserves to be publicly labelled as a callous and uncaring fat-cat who does not deserve to be re-elected," Mr Van Eck said.

Ms Carole Charlew (DP Umhlo) said that elderly people, particularly those who were bedridden, would be able to maintain better contact with others if the metering of local calls were started only after 15 minutes.

"For many people like this, a call to a counselling service can be a lifesaver," she said.

Replying to the debate, Dr De Villiers said that although the telephone needs of pensioners and the elderly had to be satisfied, the scrapping of their telephone rental services would be impossible.
Samcor in battle over pension fund

SAMCOR is locked in a multi-million-rand legal battle over the Ford SA Pension Fund (FSAPPF) which was transferred to the Anglo American Corporation Pension Fund (AACPF) after Ford's amalgamation with Amcor in 1985 and its relocation to Pretoria.

The amalgamation occurred after Ford Canada divested from SA and sold its local operation to Samcor.

An employee, John Sauls, who is being supported financially by the National Automobile and Allied Workers Union (Naawu) — since incorporated into the National Union of Metal Workers' of SA — has brought the application in the Port Elizabeth Supreme Court.

The matter was heard last week.

Samcor and the other respondents opposed the application as "improper", saying the programme to close Ford had been agreed to by all parties. Judgment was reserved by Mr Justice Jones.

Sauls wants the original assets of the fund (about R44m) to revert to the FSAPPF, plus the R13m in pension fund money which, he claims, was used to finance the retrenchment packages of 3,900 workers.

He is also seeking the liquidation of the fund so that members can use their pension benefits to purchase retirement annuities.

But, before he can proceed, he is required to give notice to all the other former members of the fund about his intended application for the liquidation of the fund.

Sauls' application to the Supreme Court sought directions on the proper way for this notice to be served. He applied for the amendment of the FSAPPF rules allowing for retrenchment benefits to be paid out of the pension fund to be declared improper and set aside.

He submitted that there was a prima facie case that five Ford directors, who were members of the Committee of Management of FSAPPF, had breached their obligations in terms of the FSAPPF rules.

No employees were represented on the fund's management committee which allegedly amended the rules of the fund two days after negotiating the retrenchment package to make it possible for the FSAPPF to pay for the retrenchment benefits.

In a supporting affidavit, Naawu national secretary Frederick Sauls says: "Throughout the discussions between Samcor, Naawu and the SA Iron and Steel and

Samcor battle

Allied Industries Union, it was perfectly clear that the separation payments would be made by Samcor. At no time was it ever indicated or suggested that these payments would come out of the FSAPPF.

He says it is inexplicable that the employees who created the assets of FSAPPF — which shows an overfunding of at least 21.1% — be transferred to the AACPF.

John Sauls says as Ford's operations were relocated to Pretoria and the FSAPPF set up in the interests of its workers, its managers were obliged to liquidate the fund rather than transfer it to an area where members could not remain members. 0104-3 11

He is also applying for the amalgamation of FSAPPF with AACPF to be set aside, and for AACPF to be ordered to return all assets to FSAPPF which had been transferred to AACPF, minus money paid out to FSAPPF members. Finally he has applied for the liquidation of the FSAPPF.

The respondents to his application were: FSAPPF, Samcor, SA Motor Corporation, AACPF, Registrar of Pension Funds, Anglo American Corporation and Samcor (Pretoria) Pty Ltd.
Silvermine retirement scheme has cash-flow problems

CAPE TOWN — Residents of Silvermine Retirement Village in Noordhoek have given the management of their company a thorough shake-up after it began to experience cash-flow problems.

The chairman of the share-block holding company, Morgan Poot, said yesterday that city attorney Barry Burton Barbour had resigned from the company’s board of trustees last month.

Chairman of the scheme Murray McMullan had also resigned while two staff members had been asked to leave from the beginning of the month.

Burton Barbour said yesterday that his resignation had had nothing to do with the Helderberg Retirement Village scheme running into financial trouble.

He had previously been a director of the holding company in that scheme too. “The development section of the Silvermine scheme is over,” he said. “I was not asked to resign.”

The other resignations or firings had taken place after he had left the board.

He said the residents — who pay less than R490 a month — got good value for their money as it paid for 16 meals, servicing of the cottages, security guards, gardening, insurance and water.

Poot said: “We are well on our way to overcoming our cash-flow problems now,” he said.

About 85% of the 200 residents had agreed to help by advancing three months’ worth of levies, he said.

March levies were now being collected.
March leases were not being collected.

Local Sofa Company, which has two outlets in the city, recently announced that it would be closing their doors in the near future. According to the company, about 40% of the 200 residents had agreed to continue their lease payments, but the lease payments had stopped. The Sofa Company, which has been in business for over 30 years, said they were not able to restructure the company in the current economic climate.

The company's president, John Smith, said, "We are doing our best to find a way to keep the business open. We are exploring all options, including finding a new location and restructuring the business. However, it has been a difficult decision to make."

The Sofa Company has been in business for over 30 years and has been a staple of the local community. The company has two outlets in the city and has been known for its high-quality furniture and outstanding customer service. However, the recent economic downturn has had a significant impact on the company, and they are struggling to stay afloat.

The company's employees have been working hard to find a solution to the problem, but it has been a difficult task. The company has been trying to find new customers and attract new business, but it has been challenging to do so in the current economic climate.

The company has also been working with local banks and other financial institutions to find ways to keep the business open. However, the company has not been able to find a solution that would work for everyone.

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March to demand cheaper food

PENSIONERS, unemployed workers and public servants are among those expected to take part in a march on parliament this weekend to demand cheaper food.

The march, organised by the National Unemployed Workers' Co-ordinating Committee and the Unemployed Workers' Movement, will start at Greenmarket Square on Saturday at noon.

An NUWCC spokesperson said the protesters planned to march to parliament to demand that the Minister of Finance, Mr Barend du Plessis, increase the bread-subsidy and scrap GST.
mid-Seventies.
So employees often see pension contributions as a burden rather than a benefit and, though the cost to the employer is considerable, employees attach no value to this contribution because it doesn’t form part of the payout until retirement age.

Says pension adviser Dewar Rand director Johan van Rensburg: “Executives are investigating more flexible schemes which pay benefits before retirement. This contributes to a better remuneration package.”
The pension/provident fund debate has been raging for some time.
Provident funds are more flexible as the lump sum payment can be used to purchase a pension and/or other investments. But members’ contributions to a provident fund are not tax-deductible. Payments to a pension fund, on the other hand, are tax-deductible, but on retirement only 33% can be paid as a lump sum; interest on the remaining 66% is paid as a monthly pension.

Both pension and provident funds can be structured on either a money purchase basis (where the contribution is defined and the member gets what he pays for) or a final salary basis (the end benefit is defined).
Members of a money purchase scheme have the benefit of receiving the accumulation of all their own and employer’s contributions and investment returns, whereas a final salary scheme members’ contributions go into a central pool where there is often cross-subsidisation between members.

New style packages have been designed by drawing on the best of all the options and using them according to staff profiles.
“One option is a package based on a money purchase scheme,” says Van Rensburg. Employee contributions still have to be rout- ed through a pension fund, as these are tax-deductible, but employer contributions go towards a provident fund. In this package, each staff member’s and company contribution can be calculated individually and are not lost in a central pool. Another package offers the defined benefit option but with the opportunity to make additional contributions which increase the eventual benefit.

Van Rensburg sees more companies changing their pension fund structures to cater for different staff profiles. “There is a place for both pension and provident funds. Each company will have to decide which is more appropriate for the industry and make-up of its work force.”
Rand Merchant Bank MD Laurie Dippenaar suggests both company and pension fund member could benefit from a negotiable arrangement. “The company should be able to use the company pension contribution as a negotiating tool when discussing remuneration packages. If an employee knows he’ll get the employer’s contribution even if he leaves early, the pension fund is of much greater value to him at the outset.”
Hollandia Re takes a similar view. “We recognise a young team needs a pension fund which gives a benefit even if the employee leaves early,” says MD Steve Murphy.

PENSIONS 300

Shifting the odds
Trade unions were the first to turn from the traditional pension fund. Now, with increasing job mobility, executives are also discovering the disadvantages of existing structures for retirement provision. More flexibility is required and some companies are already experimenting with options.
The problem is, in a traditional pension fund, only employees who reach retirement age with substantial years of service usually get full benefits.
Biggest losers are people in the lowest ranks of the work force who, in difficult times, are the first to lose their jobs. So their chances of staying with one company till retirement are slender.
For very different reasons, highly rated people are also constantly on the move. They are tempted to better positions and may make several moves, each time sacrificing retirement benefits. They are also often in a position to retire before they are eligible for full retirement benefits.
In each case a pension which confers full benefit only at the end of a working life is of limited use.
Traditional pension funds are usually calculated, at age 65 for men, as 2% of average salary for the final three years, times years of pensionable service to give a monthly pay out. Early retirers are penalised by a reduction of 3.5%-6% of the final payment, for each year preceding age 65. Those who leave after only a few years are penalised further in that they receive only their own contributions (not employer contributions) plus about 4% — ludicrous in the face of inflation which has been in double digits since the
'Pull-out' cash floods retirement annuities

By David Cummimg

JOHANNESBURG. — Triggered by the new all-share contracts and a flood of money from "disin vesting" Namibians, investments in retirement annuities have soared to record highs in recent months.

Although final figures are not yet available, all the major life offices report an avalanche of funds which are believed to run into hundreds of millions of rands.

And they are looking to more of the same this year as the public responds to a wave of new products and possible tax relief for retirement annuity holders in the Budget on Wednesday.

Prominent among the factors which boosted "normal" business was the scrapping of prescribed asset requirements which allowed the institutions to switch out of low-return government securities into blue chip equities.

"Abnormal" business was boosted by a major inflow of single-premium business from members of government pension funds in Namibia as the independence process got under way.

Major beneficiaries are thought to have been Sanlam and Old Mutual, although they are maintaining a low profile on the issue because of sensitivity in Namibia, where some of the administration believe this money was "stolen" from the fledgling country.

They point out, however, that the money belonged to the contributors to the pension funds anyway and that the Namibian economy will benefit when payouts are made on maturity — assuming that the contributors have remained in the country.

The inflow reached its peak last month as investors sought to gain the tax benefits of RAs before the end of the tax year.

Dave Hudson, assistant general manager marketing at Old Mutual says it has undoubtedly been a "blockbuster" of a year for RAs.

"And we are particularly pleased that not all the new business was in the equity-linked products which means they have not been oversold.

"Another pleasing feature has been the interest among categories of people with whom RAs have not traditionally been popular — this includes accountants and medical practitioners."

He estimated an industry surge of between 20 and 30 percent which would put new premium business at about R300 million.

Dave Johnson, senior manager (life marketing) of Southern says of the Namibian money: "Even without final figures we have noticed a dramatic increase and this one-off feature will definitely distort figures."

He adds that there has also been a great deal of interest in all-equity portfolios after the abolition of prescribed assets.

Sanlam's marketing actuary Jacques de Villiers confirms these trends and believes a high level of interest will persist this year.

"Leaving aside the distortion of the single-premium business, I believe the range of new products on the market has raised interest among the general public and we can look forward to improved business, he said.

Herschel Mayers, assistant general manager, product development at Liberty Life, says the scrapping of prescribed asset requirements has enhanced the RA as an investment and the company's 80 percent equity-based portfolio has been tremendously popular.

"In fact our annual premium income for the year to date is up 45 percent."
Impractical nature of AIDS exclusion clause criticised

THE AIDS exclusion clause in life policies was criticised in a speech delivered by Southern Life GM Paul Truyen in London yesterday.

Speaking at the Second International Life Insurance Conference, Truyen said it was likely the industry would move away from contractual exclusion because it lacked practical effectiveness.

To implement an exclusion clause, Truyen said, would require an uncontestable certificate of cause of death, or knowledge of the claimant's state of infection at the time of death.

Uncertainty as to the future development of the disease would mean that clauses would have to be broadly worded, giving life offices a lot of discretion in determining whether the exclusion applied or not.

'This could result in much litigation and bad publicity and could even lead to all exclusion clauses being ruled illegal, undesirable and unenforceable,' he said.

'Truyen said exclusions could be valid in situations where the primary reason for taking out a life policy was for saving and investment, not protection. If the ratio of life cover to premium was sufficiently low, life cover could be offered without exclusions.

'The answer to the AIDS challenge may therefore be to distinguish very clearly between the two functions served by life assurance — on the one hand the provision of life cover, where adequate underwriting is of paramount importance, and on the other the build-up of savings, where exclusions may be the answer.' 8/03/90
Extra R25 ‘won’t help pensioners flee poverty’

By Winnie Graham

The R25-a-month increase in pension for all social pensioners, coupled with the Government’s decision to spend 40 percent of the Budget on social services, brought mixed reaction yesterday.

The immediate response of Dr. Nthato Motlana, Soweto’s prominent civic leader who is also chairman of the Get Ahead Foundation, was: “Let’s hope the Government will wake up at last and spend the money wisely.”

The problem with South Africa, he said, was not a shortage of money but a misallocation of resources.

“This is why there are classrooms for 300,000 white children standing empty and millions of black pupils with no roof over their heads.”

Housing, education and health were the three main priorities, he stressed. People desperately needed homes, and hospitals urgently needed to be upgraded. “Diamonds were not the answer, but skills training was needed if jobs were to be created.”

CHAOTIC

The Black Sash, which yesterday protested in Johannesburg against the “chaotic state” of the black pensions, is not satisfied with the increases announced in the Budget.

Mr. Barend du Plessis said all social pensioners would get R25 a month more; civil pensioners an adjustment of 10 percent; military pensioners also 10 percent, supplemented by adjustments regarding backlogs. Pensions for industrial illnesses would also rise by 10 percent, as well as provision being made for the elimination of disparities.

A statement by the Black Sash said that with inflation running at 15 percent, the increase was not enough to help pensioners “break out of a downward spiral of poverty.”
Race cash gap hasn’t been closed in ‘new’ SA

By Stan Rizke and
Monica Nicol

Mr Syd Rizke, the director of
the National Council for the
Aged, said last night he was dis-
appointed at the R35 across-the-
board increase granted to all
pensioners following Minister
Mr Barond de Pluvis’ Budget
speech in Parliament yesterday.

Mr Rizke said the pensioners
had been given a raw deal and
said the increase would not
close the monetary gap between
the race groups. He said the
R35 increase was too little, tak-
ing into consideration the high

"Minister de Pluvis made a
collection on a new South
Africa and he should start by
giving pensioners of all races
the naming pay...

"Everybody has to pay the
same price for meat, milk and
other necessities," he said.

Mr Rizke said he had asked
the Minister for higher pensions
for over-85s not living in institu-
tions. People who lived on their
own should receive more than
those who were subsidized.

"Pensioners last night
described the 16 percent in-
crease from R150 to R175 as
"still not enough."

In spite of their acceptance of
"anything" offered, they pointed
out that it would be "eaten up"
by inflation.

Mrs Christianah Longa (65), of
Chiwawa, has six grandchildren
dependent on her. Mrs Longa
said the R35 increase would not
alleviate the hunger she was
facing.

Mrs Veronica Bulo (69), said
there were no blank, coloured,
or white shops. "They are just
shops charging the same prices
for all," she said.

"Pensioners are not exempt
from paying GST at most shops
and we have to contend with the
high cost of living like every-
obody else."

Mrs Evelyn Maringe (69), of
Chiwawa, has six grandchildren
dependent on her. Mrs Maringe
said the R35 increase would not
alleviate the hunger she was
facing.

"Pensioners have been lag-
ging far behind the inflation rate for
so many years. They need to in-
crease pensions far more to
bring them into line with the
cost of living," said Mrs E Par-
kinson.

Her neighbour, Mrs E von Zyl,
lives on a disability pension and
described the increases as use-
less. "Once you have paid rent,
water, electricity and the tele-
phone, there is nothing left."

"how are we supposed to live?"
Solidarity is unhappy over pensions.

IT was disappointed that pensioners would be getting an increase of only R25 of 65 cents when they needed much more, the Finance spokesman for Solidarity, ruling party in the House of Delegates, Mr. Kisten Moodley, said yesterday.

However the Minister of Finance, Mr. Barend du Plessis's Budget was welcomed by the Solidarity Party because it aimed at addressing socio-economic developments over a medium to long term, Mr. Moodley said in a statement.

"The provision of 19 per cent of the total Budget for education, including salary increases, the placing of housing on a high priority list, by providing R1.9 billion and the doubling of the amounts exempt from taxation of interest and building society dividends from R1,000 to R2,000 to encourage saving," was also welcomed by the party.

The extension of concessions to married women by including the income from trading undertakings to be taxed separately and the establishment of a municipal capital fund with an initial deposit of R1 million were also welcomed.
Retirement probe expected to close in 1991

THE Mouton commission of inquiry into a national retirement system should finalise its investigation early next year, Finance Minister Barend du Plessis said yesterday.

Du Plessis said the investigation was important not only for the economically active but also because of the increasing claims made on state coffers for old age and social pensions.

Linda ENSOR

The investigation is concerned with the development of a pension system to provide for all economically active people in SA, elimination of problems from the structure of the existing system, and its effect on personal savings, investment, job creation and additional pension instruments.
Black pensioners are angry over increase

By SY MAKARINGE

"The only person who is working in my family is my youngest daughter. I cannot expect her to fund for the whole family as she also has to do something for her future," he said.

He said his other children were unemployed.

"Black pensioners are living at the mercy of the Government and even if I voice my anger, no one will listen," he said.

Mrs Lizzy Mekgalane, who said she is 77 years old, said she was living from hand to mouth and sometimes depended on hand-outs to keep her head above the water.

"We were paid our monthly pensions only last Friday, but today there's not even a single cent in the house. Clothing is a luxury we cannot afford. I can't even think of buying some clothes for myself," she said.

She said she used part of her pension to help her grandson, Robert, look for a job.

BLACK pensioners yesterday greeted the news of the R25 increase in social pensions with disappointment and anger.

The 16.6 percent increase which pushes pensions for black pensioners from R150 a month to R175 a month was announced by the Minister of Finance, Mr Barend du Plessis, in his Budget speech in Parliament yesterday.

Pensions for coloureds and Indians have been increased to R225, while white pensioners will receive R275 a month.

Approached for his views about the increase, a 65-year-old Meadowlands, Zone 8, pensioner, Mr Wilson Maluleke, said: "My son, just have a look at the clothes I'm wearing. They are rags. I can't even think of buying a new pair of shoes because of the pittance I get from the State."

Maluleke said he spent most of his pension to pay rent and buy food for his family of 10, including his four grandchildren.

"My 17-year-old son, Lucky, had to leave school this year because I could not afford to keep him there."
Pension rises to be paid out from April, says De Beer

CAPE TOWN — The R25 a month increases in social pensions announced in the Budget are to be paid from April 1, Health Minister Sam de Beer said in a statement yesterday.

De Beer said R56.4m was made available to the own affairs administrations to supplement social pensions. From April 1, he said, social pensioners and needy parents who received allowances would be paid R276 a month.

Foster parent grants would be increased by R18 to R194 a month and child allowances would be increased by R8 to R94 a month.

De Beer said financial provision had also been made to adjust the means test to accommodate these concessions.

Single care allowances and allowances payable in terms of the Mental Health Act would also be increased by R25 to R276 a month.

De Beer said this was the first time in 19 years that the increases were to be granted from April rather than recipients having to wait until October.

However due to administrative problems it would only be possible to implement the increase in May. But pensioners would receive the arrears increase for April with their payment for May, he said.
pensions from April 1st. He said budgets presented so far this year were "shockingly inadequate and disgraceful" for social pensioners and their dependants. But, he said, there had been a "total lack of sympathy and compassion" towards them. The pensioners were "forgotten people".

They were told last night that even if R10 was paid to a pensioner, the对接 relief grant would not help the pensioner in any way. The对接 relief grant was increased by R5 a month for a month. The对接 relief grant was a total disregard of the对接 relief grant.

Eddie Trunk, who attended the meeting in Port Elizabeth's social security office, said that the对接 relief grant was a "total disregard of the对接 relief grant". His comments were echoed by the对接 relief grant. They were told last night that even if R10 was paid to a pensioner, the对接 relief grant would not help the pensioner in any way.
Black Sash book on problems of aged

Staff Reporter

The Black Sash has launched a booklet as part of a national campaign to highlight the problems experienced by the aged who have approached the advice offices over a number of years.

The booklet, *Current State of Black Pensions in South Africa*, is a compilation of information gathered from Black Sash advice offices throughout the country, including the homelands.

It examines state pensions and disability grants, qualifying for these grants, claiming and processing the applications and the payout procedures.

**Frustration**

Ms Sue van der Merwe, advice office co-ordinator for the Black Sash, said the objective of the booklet was to highlight the frustration and hopelessness experienced by so many aged South Africans when they try to claim their pensions.

She said the Black Sash was deeply concerned about the allocation of money for the elderly, particularly because many pensioners had to support whole families on a single pension.

The high rate of unemployment had led to an ever-increasing number of poverty-stricken households, she said.

Ms Van der Merwe said a constant problem appeared to be non-payment or late payment of pensions, often caused by bureaucratic obstructionism and inefficiency.

"We hope that this booklet will highlight the plight of pensioners and at the same time we want to promote constructive ways of addressing the crises," she said.

She pointed out that although the campaign was non-racial, there were a number of anomalies between white and black pensioners.

"We believe the white pensioners cannot survive on the R250 they get and at the same time a black person in a city certainly cannot survive on R150."

According to Ms Van der Merwe it was often easier for a white person to apply for and to receive a pension because whites could draw their pensions from post offices. Blacks did not have this facility, she said.
Pension pittance a ‘catastrophe’ for aged

By SHARON SOROUR 300

The meagre increase in social pensions will cause “incalculable harm” to the lives of the underprivileged elderly, the South African National Council for the Aged has warned.

The council yesterday appealed to the government to review its decision on the R25-a-month increase announced in the Budget on Wednesday.

An SANC spokesman said: “For many elderly who are dependent on a social pension and the generosity of others, the announcement by the Minister of Finance, Mr Barend du Plessis, can only have catastrophic results.”

In 1985 monthly social pensions were R180 for whites, R117 for coloureds and Indians and R79 for blacks. The newly announced pensions are R276, R225 and R176 a month.

The spokesman said social pensioners would find it difficult to afford basic consumer goods and services like food, housing, transport and medicine. The 15 percent inflation rate had halved the buying power of the rand every five years.

The real value of social pensions devalued by 20 percent every year.

The 10 percent increase meant the percentage of the aged who lived under the breadline would increase.

The Teachers’ Federal Council has welcomed the high priority given to education in the budget.

Acting-chairman Professor Connie de Vries said the budget had reassured the organised teaching profession that the government saw “good, modern education” as a requirement for development.

The TFC appreciated the increased spending to wipe out backlogs in education and training and the money being made available to universities and technikons.
Being whipped into line

There's growing concern in government circles over the number of retirement village developers seeking exemption from the provisions of the Housing Development Schemes for Retired Persons Act.

This, coupled with increasing disquiet over financial and administrative problems of retirement villages like Heiderberg, Silvermine and Eden Village, has prompted Deputy Trade & Industry Minister Theo Alant to urge developers to study the new regulations before they start building.

Alant says the legislation has been designed on the one hand as an incentive to private-sector developers and, on the other, to regulate development sufficiently to protect the interests, particularly financial, of retired people.

A department spokesman stresses that the ministry knows of no retirement village opened since the Act came into force in July, which is having financial difficulties.

Nevertheless, says Trade & Industry Minister Kent Durr, is receiving an "unsettling" number of exemption applications from developers. Most relate to section six of the Act which sets out strict controls and conditions under which developers may receive payment from buyers.

It stipulates that a developer may not receive any money for a retirement unit until it has been certified completed. Any money taken in advance, such as a deposit, must be placed in a trust account and not used by the developer.

"In most cases those seeking exemption want to collect advance payments to fund construction. In some cases this would involve the full purchase price. In others, developers seek permission to receive progressive instalments for each phase of the building project. The danger is the money could run out before the work is completed if this is permitted," says the spokesman.

He adds the receipt of exemption applications indicates the Act is sound even if it isn't perfect. "As far as we can gather, though it hasn't been tested to the full, it is a deterrent to developers who might otherwise have tried to bamboozle purchasers."

He says, though the minister doesn't want to create any precedents which could open the floodgates, three exemptions have been granted.

"They relate to schemes which were being developed when the new Act came into force. There were also other extenuating circumstances which made it desirable to grant relief to the applicants. However, in all cases the prime consideration was that the minister was totally satisfied that the elderly buyers would not be compromised financially as a result."

One waiver granted related to certain regulations concerning the long-term management of schemes. "At one village, Sanlam offers a package which includes levy guarantees for an extended period. The only way it could back that assurance would be if it were allowed to manage the scheme concerned on a permanent basis." The law allows for the eventual replacement of the developer by a management committee elected by residents.

Another involved a Ramsgate development on the Natal South Coast where the town council controlled the finances. The minister decided there would be no financial risk to buyers if it permitted the council to collect progressive payments during the various phases of development.

The third was in respect of the Housing League's development at Fish Hoek near Cape Town. The minister felt an exemption would be in the interests of the elderly and, as the organisation is "virtually State-controlled," there would be no risk attached.

However, there are moves afoot to have the Act amended (Property February 9). This would extend the scope of the legislation beyond the purchasing implications to deal with security of tenure. This is another minefield for the elderly highlighted by the investigations of the Business Practices Committee.

According to the departmental spokesman, the amendment has been before the parliamentary committee. Representations have been made by organisations such as Sapoa and the House of Assembly's Board of Development & Housing. "They have certain difficulties with the amendments. However, these are technical problems rather than disagreement with the fundamental principle of occupational security for the elderly."

Amendment

He expects the committee to reconsider the amendment at its next sitting in three or four weeks' time. The revised Act should become law before the end of the year.

The Cape Supreme Court order last week placing the Heiderberg Village Share Block Holdings under provisional judicial management is an important step towards rehabilitating the troubled development.

However, the villagers can't be too happy at being landed with a situation which, by an overwhelming majority, they voted against on December 19. They would prefer a voluntary moratorium scheme.

But with voluntary efforts to rescue the scheme failing, an enforced judicial solution was inevitable. With hindsight, it is probably true to say that the financial affairs of the shareblock company and the developer, She-

FIMA 16/3 200

mara Holdings, had become so confused that any rescue plan had little chance of working until greater clarity had been achieved.

This will be a prime task for the weeks ahead and involve considerable co-operation between liquidators of Shimara and provisional judicial managers of the village. ■
Retirement villagers may lose homes

A TRANQUIL shareblock retirement village has become a financial nightmare for more than 200 elderly residents whose properties are within an ace of coming under the auctioner's hammer.

And in a "highly questionable transaction", a former director of the shareblock company, Cape Town attorney Barry Burton Barbour, gave a R420,000 house in the village to his wife as a divorce settlement, according to evidence in the Supreme Court.

For several months, residents of the financially ailing Helderburg Village Estate shareblock scheme have been poised on a knife-edge of uncertainty over the future of their troubled retirement paradise.

The villagers' plight has highlighted the vulnerability of shareblock schemes, whereby investors buy the "use and occupation" of their properties but do not own them under sectional title. And as effective owners of the shareblock company they are collectively responsible for its debts.

Each has paid up to R230,000 for their luxury cottages, nestling at the foot of a Boland mountain range outside Somerset West.

Grim

Tension was at its height earlier this month when a Supreme Court judge was asked to decide on the fate of Helderburg Village Share Block Holdings, of which the villagers are all shareholders.

The grimiest possibility was the judicial liquidation of the company.

And it was a collective sigh of relief that followed Mr Justice H L Berman's decision in the Cape Town Supreme Court last week to place the village under judicial management.

A court-appointed manager is scheduled to report to Mr Justice Berman on May 8, to recommend whether the village is still a viable financial proposition or whether it should go under provisional liquidation.

Mr Barbour formed HVSBH and Shamara Holdings in 1987.

He was also involved in developing the 200-cottage Silvermine retirement village near Noordhoek, which reportedly owes creditors R2-million.

By late last year, Helderburg Village's finances were in dire straits, with its R53-million liabilities exceeding assets by R14-million.

An application in the Cape Town Supreme Court on December 19 to place Shamara Holdings in provisional liquidation was granted, and a similar move was activated against HVSBH while its tangled finances were being unwound.

Since then, Mr Barbour and his ex-wife Nicola have both resigned as directors of HVSBH, with five villagers being appointed in their place.

Mrs Barbour obtained shares in HVSBH in respect of a village cottage worth R350,000 transferred to her in terms of a divorce settlement by her husband.

This, according to an affidavit by the chairman of HVSBH's board of directors, Mr Dennis Lehmann, required investigation.

An application is already before the court to have HVSBH's financial affairs probed by a Government inspector under the Companies Act.

Late this week Mr Barbour rejected suggestions that his wife's cottage was a "questionable transaction".

He said: "The cottage was a straightforward purchase bought for under R230,000 by my wife on the April 1987 opening of the village.

A deposit of R37,500 was paid from my loan account, with the balance coming from the profits to be made by SH.

"My wife has since been recorded as a debtor of that company."

Mr Barbour made it clear that, in his view, the village was still a going financial concern and "far from insolvent".

And this was echoed by the villagers themselves.

Sad

"Even so, we will all have to dig deep into our pockets before we can ever start to get back on track," said villager Mr John Gilbert, a retired Free State farmer and former Second World War fighter pilot.

And with their life savings on the line many villagers "had budgeted their retirement virtually to the last cent", he said.

"The concept was brilliant, but things started to go terribly wrong for us at the beginning of last year.

"Too much money was being spent on over-ambitious projects, such as a golf course and country club, before enough houses had been sold," Mr Gilbert said.

According to the National Council for the Aged, 10 such retirement villages have folded nationwide during the past two years. It is feared another 20 may go under by 1993.
Better pension deal for Indians

Changes in the means test for Indian social pensioners to own affairs budget, he said asset limitation on social pensioners would be increased to R42 000 from April 1 and the free income limit to R1 000 a year, the same as for whites.
A pensioner makes his point during a march in Atlantis, a vast coloured housing development outside Cape Town. The demonstration was like hundreds of others which have taken place in communities the length and breadth of South Africa but the solidarity displayed by traffic policemen accompanying the marchers indicated the change in South African politics.

As they walked alongside the marchers, the traffic policemen wore on their shirtsfronts stickers commemorating Sharpeville.

"We remember those who have fallen," said the legend. But commemorating the 1960 shootings was not the sole purpose of Wednesday's march by an estimated 1 000 residents, as the banners and placards, interspersed with African National Congress flags, made clear. Most of the placards condemned arbitrary increases to already high rates and service charges in the township.

Outside the offices, where a brace of policemen stood impassively, the marchers chanted: "Never mind the boer, we want Van Wyk."

There was little tension.

JK Van Wyk, director of housing in the Western Cape Regional Services Council, did not appear — but a memorandum was handed over.

Picture: ERIC MILLER, AUWA
Mobilising retirement funds for low cost housing

THE Urban Foundation is soon to introduce a new debenture in an unlisted property owning company to fund the acquisition of land for low income housing.

This was one of the new developments in the field disclosed at the Southern Life seminar in Johannesburg last week on how to mobilise the millions needed for low cost housing.

Given details on the debenture, Urban Foundation project finance division GM Franz Pretorius said it was expected that the debenture holder (for instance, a pension or provident fund) would represent a large workforce and be able to offer employees access to serviced sites at an affordable price.

Features of the debenture would be:

- A variable rate of interest pegged at a fixed margin over a comparable term gilt or semi-gilt yield to maturity fixed and on a quarterly basis;
- The capital would be compulsorily redeemed as and when the underlying security in the form of serviced residential sites is paid for by qualifying buyers, but within five years;
- Interest would be cumulative and paid on a pro rata basis with capital redepositions within this period.

The acquisitions, Pretorius said, would be in parcels of about R50m.

The Old Mutual, together with the Urban Foundation, is having talks with the authorities on the integration of housing as a specific benefit in employee benefit arrangements so that retirement fund credits and contributions can be used as deposits and for mortgage repayments.

Wits Actuarial Science department head Prof Anthony Asher said the authorities were also looking into the possibility of permitting the capitalisation of interest by retirement funds to assist in low income housing provision.

The Urban Foundation has also launched a pilot project company, a Group Credit Company, which uses the system of rotational credit, or stockvols, as a means of issuing loans.

Company MD Christine Glover said the aim was to test the feasibility of releasing money in loans of between R500 and R5 000 to individuals. Loans from the Development Bank and the Urban Foundation are funding the pilot stage.

A further initiative in the lower end of the market is being undertaken by South National Finance which, with the SA Perm, has mobilised retirement funds for the development of site and service stands for Natal fund members. Retirement funds are invested in the Perm, which lends them at normal rates of interest to South National against security of mortgage bonds for the land to be developed.

Peter Goede of the Department of Planning said a shake-up of state subsidy schemes was on the cards to assist purchasers of a serviced site.

What was envisaged, he said, was a capital subsidy on the selling price of a serviced site purchased by a first-time owner where the site is being sold for the first time. The subsidy was aimed at those breadwinners who have a monthly income of R1 000 or less and who are purchasing such a site for the first time.

Subsidies will probably become increasingly important, African Life Home GM Gay Leitch said.
Ministers call for parity in pensions

GERALD REILLY

PRETORIA — The urgent need for parity in social pensions was emphasised yesterday by homeland ministers of health and welfare at a meeting with Development Aid Minister Stoffel van der Merwe.

Also present was National Health and Population Development Minister Rina Venter.

Venter said at a media conference after the meeting the need for budget restraints on health services within the national health policy was stressed.

Shortage of medical staff in the homelands was another issue causing concern for the ministers, she said.

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Acute need seen for pension schemes for domestic workers

By Michelle Maliepaard

DURBAN — Pension schemes for workers in the domestic and informal sector have been poorly subscribed to — despite an urgent need for them.

The largest domestic scheme — marketed by Federated Life — has only 5,000 policyholders, despite low premiums and a potential market estimated to be at least one million.

Maggie Oweica, head of the Domestic Workers' Union in Cape Town, says it is high time domestic workers and their employers start making provision for their future.

Traditionally, she says, women have relied on producing numerous children to look after them in their old age.

Most domestic workers have to live on the hopelessly inadequate government pension when they retire because they have not been able to save money during their working lives — and often their children cannot afford to assist them.

The Small Business Development Corporation (SBDC) recommends that all small businesses should attempt to provide some scheme for their employees.

Although capital is tight when a business starts out, the value of their unskilled labour should not be underestimated.

Most companies provide schemes for their key people, but adopt a short-term approach to their labourers.

In the recent Budget there was an urgent call for increased savings.

It is therefore in the interest of all to encourage domestic and unskilled labourers to find alternative funding for their retirement.

Safe investment

The Domestic Workers' Pension Fund offered by FedLife is described as offering a safe investment for retirement of domestics and semi-skilled workers employed in the informal sector.

A spokesman says the company has tried to make the scheme as affordable as possible.

The policies are not sold through brokers and no commission is payable.

The minimum premium is R15 per month which entitles the holder to a death and disability benefit of R3,000 as well as retirement benefits.

Paul Clipsham, deputy general manager for Fedlife, estimates that 90 percent of the company's domestic policies are paid for by employers.

Because it is a pension scheme, the policy does not lapse if premiums are not paid.

The owner can reinstate it at any time, but the funds cannot be touched until the retirement age is reached.

Old Mutual spokesperson Julie van der Walt, says no similar scheme is available through her organisation.

Unit trusts which perform well are recommended as an alternative.

In reply to a request for comment from Southern Life, Graham Lillie says Southern does not offer such schemes because domestic workers are not in its target market.

However, this does not exclude the possibility of developing such a plan in the future, should demand dictate.

Southern suggests that the employer take out an individual retirement annuity.
People must save - Barend

SA can’t afford more for aged

The Government was not planning to make further funds available at this stage to relieve the critical situation of the aged, Minister of Finance Mr Barend du Plessis said in the House of Assembly yesterday.

Speaking in an interpellation by Mrs Carole Charlewood (DP Umbilo), Mr du Plessis said that if the history of social pensions were analysed, it would be seen that the Government had, from time to time, made interim bonus payments to pensioners.

The Government accepted that social pensions were inadequate to support individuals at a reasonable standard of living; it served no purpose to argue this fact.

It took no great mathematical or demographic ability to see that South Africa could not afford to raise social pensions to a decent level under the present scheme.

The answer might lie in a compulsory contributory pension scheme. This was why the Mouton Commission had been set up. He had no objection to the idea, but it would be a marketing exercise rather than a technical one.

An attempt in the past to make preservation of pensions compulsory had been fiercely resisted.

The Government’s basic philosophy was to try to get people to save for their old age, and to this end the Treasury had this year sacrificed R14 billion on incentives for saving.

“We must help people pull themselves up by their bootstraps. This is why I say we must look at the total perspective.”

Mrs Charlewood said facts and figures did not enable one to look in the eye a person who, in 1966, was eking out an existence on R276 a month for whites, R225 for coloureds and Indians, and R175 for blacks.

“These are figures we are all extremely uncomfortable with.”

She knew social pensions were meant to augment the income of elderly people and not provide total subsistence, but with rising costs it was very difficult today for people to put anything aside.

Sapa.
Govt has no additional funds for pensioners

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It took no great mathematical or demographic ability to see that SA could not afford to raise social pensions to a decent level under the present scheme.

The answer might lie in a compulsory contributory pension scheme, and this was why the Government had appointed the Mouton Commission.

He had no objection to the idea, but it would be a marketing exercise rather than a technical one.

"We will have to exercise a little patience until the report of the Commission comes out," he said.

An attempt in the past to make preservation of pensions compulsory had been fiercely resisted.

The Government's basic philosophy was to try to get people to save for their own old age, and to this end the Treasury had this year sacrificed R14 billion on incentives for saving.

This compared with the total takings in GST for the same period of R18 billion. The taxpayer could not afford that.

"We must help people pull themselves up by their bootstraps," he said.

"This is why I say we must look at the total perspective."

Mrs Charlwood said what was being discussed was not philosophies and concepts, but a very serious problem in SA today.

Facts and figures did not enable one to look in the eye a person who, in 1990, was eking out an existence on R276 a month for whites, R225 for coloureds and Indians and R175 for blacks.

"These are figures we are all extremely uncomfortable with."

She knew social pensions were meant to augment the income of elderly people and not provide total subsistence, but with rising costs it was very difficult today for people to put anything aside.
Government attitude to pensioners 'uncivilised'

By MICHAEL MORRIS

THE government's attitude to starving, frightened pensioners battling to survive on inadequate payouts was uncivilised, Democratic Party MP for Umbilo Ms Carole Charlewod said today.

The government could not simply ignore their plight.

It should allow a lottery specifically to relieve the plight of South Africa's elderly and provide a further long-term solution.

Ms Charlewod was reacting to Finance Minister Barend du Plessis's contribution to a mini-debate she introduced yesterday on the crisis of the aged.

He had said the government could not afford to support all the aged and it had no plans to make more money available for pensioners.

Mr Du Plessis said the government's fundamental philosophy was to make it possible for economically active people to save for their old age.

Ms Charlewod countered that it was not a question of philosophy, but a very real and serious problem facing people today.

Pensioners, who, in the case of whites, received R270 a month, R250 for coloured people and Asians and R175 for blacks, were in a 'critical situation'.

Commenting today, Ms Charlewod said the government could not ignore the problem and had to provide a short-term and a long-term solution.

"You cannot just say these people should have provided for their old age," she said, pointing out that today's pensioners might well have been saving money for their retirement, but inflation had made the sums wholly inadequate.

Furthermore, pensioners had contributed to the nation extensively in taxes, but were now being abandoned. It was "very unfair".

"Pensioners are living on the breadline and below the breadline. They are in a panic about how to make ends meet. In many cases they cannot afford even basic foodstuffs."

Ms Charlewod said: "I believe two things have to be done. In the short term the government should allow a lottery specifically for the aged. The public would love it; it would generate money and the government would not have to pay a cent."

"In the long-term, I believe it is essential that a compulsory-transferable pension scheme is introduced into which employers and employees pay monthly contributions."

She said employees should be prevented from spending their pensions, which should be payable only for disability, death or retirement.
SA 'cannot afford' to lift aged crisis

Political Staff

SOUTH AFRICA could not afford to support all its aged at a level of decent subsistence and government was not planning to make further funds available for pensioners at this stage, Finance Minister Mr Barend du Plessis said yesterday.

He also indicated support in principle for making pension contributions compulsory.

Mr Du Plessis was speaking in an interpellation introduced by Mr Carole Charlwood (DP Umbilo) who asked whether government was planning to make any further funds available to relieve the critical situation for the elderly.

Government, he said, accepted that social pensions were inadequate, but it took no mathematical or demographic ability to see that it could not afford to raise them to decent levels.

Mr Du Plessis said government's fundamental philosophy was to make it possible for economically active people to save for their old age.

For this reason it had sacrificed R4bn on incentives in the Budget to encourage savings.

Mr Brian Goodall (DP Edenvalle) said government should have realised years ago that it could not afford to keep paying social pensions to keep people at a level of decent subsistence. It should have taken the advice of numerous committees which had suggested that pension payments be compulsory and transferable when a person swapped jobs.

The private sector had tried to provide for the pension requirements of South Africans, but had not been able to succeed despite generous tax concessions.

"Only half the economically active South Africans contribute to a pension fund. We have only 350 000 private and civil pensioners but over 1.3 million social pensioners. We now have the worst of all worlds. A social age pension on which you can't live."

Mr Goodall said it cost SA taxpayers R3.3 billion a year to provide for social pensioners — more than six times what it cost 10 years ago. Equalisation of pensions would cost an additional R1.15m.

"The only long-term solution is that every economically active person should be compelled to provide a satisfactory retirement benefit for himself."

Mr Du Plessis said he could not quarrel with this in principle. But when on a previous occasion government had attempted to introduce compulsory payments this had led to a severe outbreak of violence.

What was required was a marketing exercise to sell the idea of compulsory payments.

However, no steps would be taken till the Mouton Committee had presented its report on the matter.
No plans to give out more pension funds (200) Barend

CAPE TOWN — SA could not afford to support all its aged at a decent subsistence level and government was not planning to make further funds available for pensioners at this stage, Finance Minister Barend du Plessis said yesterday.

He also indicated support in principle for making pension contributions compulsory, but said a marketing exercise was necessary.

Du Plessis was speaking in an interpellation introduced by Carol Charlwood (DP Umbilo) who asked whether government planned to make more funds available to relieve the critical situation of SA’s elderly.

Government, he said, accepted that social pensions were inadequate, but it took no mathematical or demographic ability to see that it could not afford to raise them to decent levels.

Du Plessis said government’s fundamental philosophy was to make it possible for economically active people to save for their old age.

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"Only half the economically active South Africans contribute to a pension fund. We have only 250 000 private and civil pensioners but over 1,3-million social pensioners. We now have the worst of all worlds. A social age pension on which you can’t live.”

Goodall said it cost SA taxpayers R3,5bn a year to provide for social pensioners — more than six times what it cost 10 years ago.

The situation would get worse as equalisation of pensions would cost an additional R1,15bn. In 10 years time there would be another 800 000 people to provide pensions for.

Urban Foundation chief executive Sam van den Heuvel and executive director of urbanisation Anne Bernstein yesterday presented to the media the first part of a report covering four years of research into segregated residential areas. Bernstein said the foundation would focus on securing the immediate repeal of the Group Areas Act as the legislation was unworkable and was hampering economic growth and development in cities.

DP opts for “convergence strategy”

CAPE TOWN — The DP is to promote a new strategy of "convergence" in the run-up to negotiations on a new constitution for SA.

Announcing this at a Press conference yesterday, DP co-leader in charge of policy Denis Worrall said the DP foresaw one day under "very changed circumstances” the possibility of merging into a larger democratic force that subscribed to DP values.

He said the strategy had been formulated by a DP committee under the chairmanship of MP for Wynberg Robbin Carlisle.

The committee had concluded that the ultimate goal of the DP was an SA that had reached a settlement between vested interest and aspirations in both the political and economic spheres.

“Convergence, in the political and economic area, is that point to which all the key actors will inevitably move,
Flat tenants facing crisis

Staff Reporter

HUNDREDS of elderly Sea Point residents, some of whom have lived there for up to 30 years, expect to be homeless soon due to the sale of the huge 276-flat block, Bordeaux.

The tenants say they are now paying reasonable rentals, like R450 for a single-bedroom flat, but they will soon be faced with the choice of buying their flat, which few can afford, or paying greatly increased rentals when the new owners will be able to charge.

According to one pensioner, accommodation affordable to people of his income is becoming so rare in Sea Point that, even if they decide to move to another area, "we will still live in fear of the same thing happening again." According to Mr Neville Schaefer, managing director of the company which bought the block for R35 million, the tenants will have 90 days in which to exercise their option to buy the flats. He said prices would be decided upon late this week.

Consideration

He said the flats would be initially sold on a share-block basis, then later be converted to sectional title. He added that this was "a time-saving device".

Mr Schaefer said that apart from several "protected tenants" whose age and income protected them from removal, "cases of real need" would be taken into consideration. "We hope to find some investors for these flats who do not actually want to stay there, so that the present tenants will not have to leave."

But one resident said she could not believe such an investor would keep the rent within her means. "In order to recover R35 million, they'll be asking an average of about R200 000 a flat here. With interest rates as they are, an investor could not afford to ask a rent of less than at least double what I can pay."

Mr Olive Bilski, a councillor for the area, said this week that it would not be fair to ask elderly people to move to another area. "Some of these people have lived in Sea Point for twenty years or more. At that age they're afraid to move to an area where nothing is familiar and they have no friends - many of them have no family at all."

Ghost suburb

He said he believed the only solution would be for the government to buy up some of the many old blocks in Sea Point, and offer them to the elderly at subsidised rentals.

Otherwise, he said, he could see Sea Point becoming a ghost suburb of time-share flats.

Many Bordeaux residents who spoke to the Cape Times said they were particularly upset that they had to find out about the sale of the block and their impending problems through a newspaper report.

"I do think they might have had the courtesy to give us some warning," said one woman.
Dramatic rise in attacks on old people

Parliament and Police
Pension deal in Namibia 'kept secret' by Pienaar

WINDHOEK — Namibia's last Administrator-General, Mr. Louis Pienaar, overruled the government service commission and authorised full pension payments to officials who wanted to take early retirement.

"According to news reports here yesterday, dissatisfied officials described the issue as "the best-kept secret" in the government service. If it had been public knowledge that Mr. Pienaar would authorise early retirement, many more officials would have applied, they said.

The secretary of the commission, Mr. Willie Brits, said Mr. Pienaar had asked the commission to allow officials with less than five years to retirement to receive their full pension benefits.

The commission could not comply with the request. Mr. Pienaar then acted on his own authority and allowed early retirement to individual officials, Mr. Brits said. A small number of officials retired early.

It was the commission's policy that civil servants resigning were entitled to their own pension contributions plus interest.

According to a news report, Namibia's former Attorney-General, Mr. Estienne Pretorius (40), received full pension benefits when he resigned one day before Namibia became independent.

The secretary of the Central Personnel Institute, Mr. Fred Gouw, said the idea of paying full pension was entirely Mr. Pienaar's.

Namibia's Finance Minister, Dr. Otto Herrigel, said: "I was never consulted about the matter and the Administrator-General did quite a few things before he left that we found difficult to accept." — Sapa.
Pienaar acts on early Namibian pensions

WINDHOEK — Namibia's last Administrator-General, Mr. Louis Pienaar, has overruled the Government Service Commission and authorised full pension payments to officials who wanted to take early retirement before the country's independence last week.

Dissatisfied officials are said to have described it as "the best-kept secret" in the service and many more would have applied if they had known.

Commission secretary Mr. Willie Brits said Mr. Pienaar had asked the commission to allow full pensions to officials with less than five years to retirement. The commission could not comply and Mr. Pienaar then acted on his own authority.

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Namibia's Finance Minister, Dr. Otto Herrigel, said: "I was never consulted about the matter, and the Administrator-General did quite a few things before he left that we found difficult to accept." — Sapa
Black pensioners 'bitter' at increase

Staff Reporter

THE uniform R25 increase in social pensions has left black pensioners "very bitter", says Mr W Zantsi, chairman of the Peninsula Black Pensioners' Organisation.

It showed the government was not prepared to narrow the racial gap "even in this new South African era", he said yesterday.

The increased pensions — now R275 for whites, R225 for coloured people and Indians and R175 for blacks — were "disgraceful", especially for black pensioners, as they had been assured that 1989 would be the last "apartheid pensions year".

Mr Zantsi said his organisation, which represented most pensioners in the townships, had made numerous representations to the government.

Expectations had been raised when it was assured last year that the issue of racial imbalances was receiving the authorities' "urgent" attention.

However, its hopes had been dashed as the Budget was read, as this had shown the promises were "hollow".

"We are very bitter and disappointed because the Budget has shown that the government cannot be trusted.

"They are very insensitive to our plight while they grant huge salary increases to themselves. We will have to resort to marching to parliament as that seems the only language they understand," he said.

His organisation believed the "new South Africa" should start with old people and "go downwards" because "we have suffered more than anyone else at the hands of numerous apartheid regimes".

The organisation appealed for black pensions to be increased to R200 to narrow the racial gap, "even if it cannot be done overnight".

In a letter of response dated March 29 — a week after the Budget — National Health and Population Development Minister Dr Rina Venster said the government had "already committed itself" to parity in social pensions.

However, she continued: "To increase pensions and allowances paid to blacks to R200 a month in one single adjustment would require additional expenditure of the order of almost Rl billion a year, which is simply unaffordable at this stage".

The letter also said: "You may rest assured, however, that the government has understanding for the plight of social pensioners and to that end the allowances paid to them are reviewed on an annual basis."
Tilting at competitive advantage

New taxes again load dice against life offices

It's unlikely SA will ever see the likes of a demonstration which briefly mesmerized Australia's financial centres five or six years ago. The spectacle of top executives of life offices parading in downtown Sydney in protest at new tax legislation and carrying banners declaring: "New taxes unfair to policyholders" was splashed across TV screens.

The demo's effect was unexpected. Canberra's tax policymakers were unturned but the life offices suffered a flood of policy surrenders. Policyholders took fright believing the tax changes - marginal at worst - were designed to make their life cover worthless.

The experience has not been wasted on SA's life offices, which go some way to explaining why their public responses to the 1990 Budget's tax change proposals are muted. Finance Minister Barcard du Plessis' Budget proposals on withholding taxes and tax relief on dividends and interest received by individuals can readily be viewed as again tilting the playing field against the life offices.

Of course the life office managers are concerned but are reluctant to express their concerns publicly while trying to negotiate better treatment with the finance ministry.

Still, that does not mean there is no activity in the boardrooms of Pinelands, Belville, Bramfontein and Newlands.

Last week, the Life Offices Association (LOA), the life assurance industry's representative body, started to put its case to the parliamentary Joint Committee of Finance and Deputy Finance Minister Org Marais.

And it is now busy preparing further representations to be made to Marais and Du Plessis.

But now, the life offices are in a dilemma as their hopes of better tax treatment were ignored in this year's Budget and at a time when the Cabinet is deliberating Wim de Villiers' confidential report on the economy's structural problems. The life offices seem unwilling to take the plunge of new products which could help improve mobilisation of savings until the savings industry's waters are less turbid.

Central to the De Villiers report is a section on the country's savings industry - central because mobilisation of domestic savings remains a priority while SA remains excluded from foreign capital markets and as the Western world's investment funds become directed increasingly towards an eastern Europe shrugging off communism.

What the Cabinet has to address is how to reanimate a savings industry hampered in its ability to attract funds because of difficulties in offering savers real or inflation-beating returns.

Trouble is the Cabinet appears caught in a mind-set inherited from the days of Owen Horwood's tenure at the finance ministry. That was when it first became convenient to finance an increasingly profligate government by milking the life assurers and, indirectly, the bulk of savers. This is a process which has continued under Du Plessis, reaching an apogee in 1988 when the Budget increased the tax-exempt portion of the life offices' investment income to 70% from 40%. With company tax at the time of 50% that meant an increase in the effective tax rate on investment income to 35% from 20%.

Relief proposed by the Margo Commission - that life assurers' dividend income should be tax-free - has not yet materialised, though the Budget granted some relief by calculating a new formula for taxable income of revenue minus expenditure. Even this went only part-way towards redressing some of the imbalances. Only 55% of the annual average selling expenditure for the current and four previous trading years, and 55% of all other expenditure in the current year, could be deducted from revenue when calculating taxable income.

Understandably, the life offices are pushing for all expenditure to be deductible for tax purposes. They are also hoping to persuade government that the proposed withholding tax principle should be applied to all interest payments, not simply interest paid on bank and building society accounts.

Essentially, the life offices are concerned that if banks and building societies can offer savings accounts on which interest is paid net of a comparatively low tax, the competitive advantage will again be shifted from the life assurers. The assurers realise that regulation (or over-regulation) makes it difficult for building societies to offer inflation-beating financial products.

This past 20 years, since inflation became a real factor in SA, the life assurers and pension funds have dominated the market for inflation-beating savings instruments. In the process the life companies have come to control large parts of the private sector - a development criticised by those concerned with what they believe to be the growing concentration of economic ownership.

The mutual fund industry has followed the life assurers but conservative savers remain just that - financially conservative. According to the LOA life assurers and self-administered pension funds pulled in almost R24bn in contributions or premium income in 1988 - the last year for which complete figures are available. That level of contractual savings compares with net sales by the mutual funds of only R377m in 1988 (in 1987 the figure was R983m), an increase of R5,1bn in the building societies' total deposits and a R17,6bn increase in the total domestic deposits with commercial banks.

Rand Merchant Bank group economist Rudolf Gouws argued recently that the authorities were largely to blame for private savers' shift from conventional savings with banks and building societies towards con-

ANNUAL FINANCIAL FLOWS

South African households (Rm)

<table>
<thead>
<tr>
<th>Source</th>
<th>Compounded annual growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial assets acquired</td>
<td>24 204</td>
</tr>
<tr>
<td>2. Contractual savings</td>
<td>19 954</td>
</tr>
<tr>
<td>3. Other financial assets acquired (gross discretionary savings - mainly deposits and investments with banks and building societies)</td>
<td>4 310</td>
</tr>
<tr>
<td>4. Less: Total borrowings</td>
<td>18 656</td>
</tr>
<tr>
<td>5. Mortgage loans</td>
<td>13 723</td>
</tr>
<tr>
<td>6. All other credit</td>
<td>12 813</td>
</tr>
<tr>
<td>7. Equals: Net financial investment</td>
<td>5 728</td>
</tr>
<tr>
<td>8. Consumer price index (1985 = 100)</td>
<td>137.7</td>
</tr>
</tbody>
</table>

Source: Rand Merchant Bank

FINANCIAL MAIL MARCH 30 1990
STATE PENSIONS

Payout pressure

Far from cutting the R24bn deficit in the Government Service & Associated Institutions Pension Funds, reduction of the civil service could sink the funds deeper into financial trouble — in the short term. Retrenched personnel will be eligible for pension benefits earlier than would otherwise have been the case.

One of the reasons government has allocated R1bn to the funds from the 1989-1990 R7bn Budget surplus. Finance Minister Barend du Plessis said: "It is important these funds...should be kept financially sound in the light of the burden arising from early termination of service and rationalisation and (in the light) of the structural changes brought about by privatisation."

Effects of this will be seen first in the Defence Force, which has started its long-term cost-cutting by retrenching staff and not replacing retiring personnel. At end-April, the first batch of 2,300 retrenched personnel are expected to claim pensions.

Payouts in the civil service depend on length of service and age of the member. People leaving voluntarily with less than 10 years' service get a lump sum. Those with over 10 years' service get a lump sum and monthly pension based on years of service. However, if a person is retrenched, as well as these payouts he gets added service — one third of pensionable service or one third of period between age at retrenchment and normal retirement age, whichever is less. Maximum is five years.

The fund's problem will be temporary. With fewer employees, future State contribu-
Pension cash for houses

THE mobilisation of retirement funds must become a key factor in easing the huge shortage of low-income housing, say experts. (300)

The provision of housing has become one of the most important topics in trade-union negotiations with employers. Speakers at a low-income housing seminar considered the challenges faced in meeting union demands for employee housing.

African Life Homes general manager Gay Leitch said the application of retirement funds for housing had become essential if SA’s future was to be safeguarded. (31Tino 114.90)

"The mobilisation of just 10% of the R153-billion held in retirement funds allows for the creation of an additional 765,000 starter housing units of R20,000 each."

"This will create over 2 million additional jobs in the immediate industry and an associated multiplier in related industries."

Although such investment of retirement funds would ease the housing backlog, life offices have been reluctant to become involved. Indeed, many unions object to the idea as well, arguing that the State and employers should be responsible for housing.

Southern Life employee benefits general manager Roy Lennox said that although institutions controlled large amounts of money, it had to be appreciated that the managers of life offices and pension provident funds, acted in a trusteeship role.

"They manage the funds on behalf of policyholders, employers and members who are looking to them to maximise returns.

"Accepting the lower returns from investments in low-income housing is therefore a decision managers are really unable to make unless the policyholders, employers and members specifically request it."

But Mr Lennox said life offices and other companies had recognised that they had a responsibility to society and had voted funds for housing.

He said there were several possibilities open to trustees of retirement funds to facilitate finance for low-income housing. These included bank loans to employees which were secured by pension-fund assets and loans from retirement funds direct to members.
Inflation can make things go backward

RISK takes many forms, but one of the surest ways to lose money is to invest in something that does not give a return at least equal to the rate of inflation.

This is one point made by Prospur Portfolio Managers when suggesting everyone — not just the government — should have a five-year plan with professional input.

Succeeding in financial markets is like winning in any other field of endeavour. Sometimes it is false economy to blunder around the markets and it would be cheaper to entrust investments to a professional manager.

Backwards

Inflation, says Prospur director John van Zyl, is one of the least understood investment phenomena which makes things go backwards. But risk cannot be avoided if one expects to beat it.

"There is no SA investment without some form of risk," he says. "In order to earn a positive real return the risk should be fairly obvious to anyone who is reasonably aware of the investment market."

For the private investor, this realisation has some very real implications, probably the most important being that unless he becomes competent at managing investments that carry risk he cannot afford to stop working, or his capital will decline.

Few investors calculate the real return on fixed interest investments.

This means that if inflation is 15% a year and one's investments earn 10%, the after-tax return may be as low as 10% net — depending on the individual's marginal tax rate.

That ends up as a negative real return of 5% a year and a steadily lower standard of living.

Thus, for example, he cautions that fixed interest investments may not seem risky, but they rank among the safest way to lose money, because they provide low interest rates which are mostly taxable.

"With double digit inflation here to stay we need to plan our future," he says.

For instance, many people think when they retire their pensions will be sufficient to live on, but most pensions do not make adjustment for inflation.

One may retire on R10 000 a month, yet with inflation at 15% in five years one will need R20 153 a month to maintain the standard of living at the same level as when retirement commenced.

"However, if inflation is higher — say 25% (some economists say 25% is closer to the real inflation rate) — then one would need R30 517 in five years to simply break even.

"It is therefore vital that all excess cash should be invested in growth assets, such as equities."

Thus in buying shares one should limit investments to quality counters, like companies that are professionally managed and have strong balance sheets, a solid history and a promising future.

Above all, the share price should represent good value when compared with the underlying assets one is purchasing, he says.

"Equities have historically yielded growth better than either cash or property. Recent declines in the JSE offer excellent opportunities to buy some good shares at reasonable prices."

Van Zyl says any good financial manager should be able to provide professional advice on such matters as:

Adequate

- Retirement planning, whether the client will have adequate proceeds to retire on and which will also ensure a continuation of that person's normal standard of living.
- Estate planning to minimise duty payable on large estates to ensure one's will is properly structured.
- Business planning, which includes buy and sell agreements that prevent a surviving partner from paying a large sum to the executor, action against serious financial problems arising from the death of key personnel and coverage against large liabilities on loan accounts.
- Investment planning, which is tax efficient and caters for the financial objectives of the individual and his family, including reasonable financial goals.
Options to provide high income and capital gains

AA LIFE has launched two investment options which, it claims, provide high capital gains and high income.

Known as East-Income and East-Wealth, the products are low-risk and hedge against erosion of lump sums by inflation, says AA Life broker division assistant GM Luc Orlando.

East-Income combines as life assurance policy with an immediate annuity for regular monthly income and preservation of the capital investment. "This plan opens the route for older people with capital available for investment to take advantage of the higher than ordinary yields they can secure through life assurances," says Orlando.

Here the individual invests a capital amount and an income dependent on age is then made payable to the investor. Some of the other benefits of the East-Plan include a guaranteed monthly income for 10 years and an element of tax relief.

Orlando says, previously, on death the capital lump sum invested was lost to the estate and heirs, but East-Wealth rectifies this. The policy comprises two elements: a 10-year annuity and a 10-year endowment which are linked to tax-effective high income funds.

Here a lump sum is invested in an annuity that pays an income over 10 years. This in turn is used to fund the premium payments on an endowment for a similar period.

"After 10 years, the immediate annuity expires and the endowment provides a handsome after-tax maturity benefit to the investor," Orlando says a higher than average yield on the lump sum plus tax-free growth assures unchanged income for 10 years.

After 10 years the proceeds from the endowment are tax-free while the option then exists to draw the full capital amount or a tax-free income from partial maturities of the endowment for the remainder of the investor's life.
Business Day

SURVEY

Inflation, taxation and security are three fundamental concerns when it comes to an individual's investments. In addition, SA is entering a particularly uncertain period in its history. The answer for the would-be investor is to seek specialist advice. LYNN CARLISLE reports.

Planning to retain maximum returns

PERSONAL financial planning is your lifeboat in a sinking economy and should be a matter of priority done with the aid of financial experts.

Coopers & Lybrand tax consultant Pascale van der Elst says certain guidelines must be complied with to ensure maximum retention of income and returns from investments.

Personal financial planning (PFP) is a means of structuring your financial affairs in the most beneficial and tax-effective way. Van der Elst says the first step in implementing such a plan is to review your assets and liabilities, and then ask yourself three questions:

☐ What is your short to medium-term cash flow situation like — is it enough to meet growing commitments, or must it be supplemented?

Possibilities

☐ What about retirement — are you secure, do you have an adequate pension and what about alternative retirement possibilities and insurance?

☐ With regard to long-term goals, do you have an emergency fund and savings and what if you have to replace a car, fridge etc.?

Thus PFP is divided into various categories:

☐ Tax planning to reduce personal income tax and tax on investments, as well as ways to maximise fringe benefits;

☐ Project planning for specific projects, such as a house, children's education, post-graduate studies etc.

☐ Investment planning to increase investment income, protect capital from inflation and achieve an investment balance;

☐ Retirement planning which includes provident and pension funds, deferred compensation and insurance;

☐ Estate planning to reduce estate duty payments;

☐ Protection planning for bond cover, possible key-man insurance, partnership insurance and sickness and disability protection.
Endowment stays a steady favourite

DESPITE the wave of new investment products in recent years, there seems to be good reason why more people continue to invest in the growing number of endowment options.

The main reason, major life assurers claim, is they are beating inflation. The endowment policy options are also considered safe investments over 10 years or longer.

Old Mutual Financial Advisory Services consultant and life member D'Arcy Krogh says these products are flexible. They also provide certain guarantees, including offering a tax-free return after 10 years or more.

"In the long term, one has to go for growth, and endowments fit the bill as most of the major companies provide returns that easily beat inflation, some averaging as high as 21% a year," says Krogh.

When life cover is added there is a guaranteed payout to dependents well in excess of total premiums paid in the event of the policyholder's premature death.

Endowments need not go through an estate in the event of death and may be nominated to one's dependents, thus saving time and executor fees, he says.

Liberty Life consultant Syd Carlisle says a number of endowment investment options exist, providing variations in terms of flexibility, risk and rate of return.

Examples available from Liberty Life are its Managed Portfolio (returning 19% p.a. over 10 years), a property linked endowment (14.5% p.a.), the Balanced Portfolio (10.5% p.a. over three years), the variable linked to share market and gilt, returning 24.5% p.a. since it was launched a year ago.

Although returns are tax-free after 10 years, premiums are no longer tax deductible - something retirement annuity policies enjoy.

Any withdrawal of benefits within the first 10 years are also tax free, but only provided the premiums are less than R4 000 a year.

Non-standard

"Should a company own the policy on behalf of an employee, it is regarded as non-standard policy and the company pays tax when the endowment reaches maturity," says Carlisle.

Known as a deferred compensation plan, an employer takes out a policy in lieu of awarding a pay increment if the employee is at his maximum marginal tax rate of 44%.

He says the longer the endowment policy is kept in force through regular premium payments, the greater the investor's return. After the initial mandatory 10 years, any extension period can be agreed between the parties.

Submitting an example of the financial benefits which accrue from continuing the policy after the 10-year period, he uses a 40-year-old person who pays R100 a month into a Liberty Life Managed Portfolio endowment. Using a bonus rate of 15% a year and no life cover linkage, the following return could be expected:

- At the age of 50 the policy holder would receive R3 282.
- This jumps up at R57 091 at age 55, and
- At 60 years his payout would rocket further to R122 520.

Carlisle says endowments are also flexible. The initial starting premium may be doubled in the first 10 years and quadrupled in the 11th.

The type of endowment one should opt for depends on individual circumstances and other investments. On face value, the equity-linked option looks the most attractive.

Carlisle says this has been the case in the past, but cautions that what could happen to local and world equity markets over the next 10 years is anybody's guess. Presumably, good shares will continue to outstrip even high rates of inflation.

Moreover, he says a recent development which could uplift equity linked endowments is government's removal of the prescribed assets requirements.

"This means the prescribed portion of any life assurers's funds that previously had to be invested in low-yielding gilts may now be re-invested in higher yielding shares and in property options. This should improve the rate of return on all types of policies," he says.
Pension fund an important investment

An employee's pension fund is a most important investment.

But pensions are taken for granted and seldom appraised or reviewed, which can hurt later on in life.

When a change of employment is made one should ensure that any loss of pension fund contributions is weighed against the respective merits of the prospective job.

This advice is supported by the Pensions Institute of South Africa executive director, Willie van Niekerk.

"Based on normal pension fund contributions of 5% to 7%, it takes a working lifetime to build a reasonably good pension.

Relatively few workers know the income tax laws permit them to voluntary contribute R1900 a year, fully tax deductible, to an approved fund in respect of previous periods of employment when they did not contribute to a pension fund.

This voluntary contribution is over and above the contribution made in terms of the fund's rules.

"If pension is not adequate then plan for additional provision, such as a retirement annuity policy or policies taken out at various stages of your working career, as needs dictate and funds permit," says Van Niekerk.
Best we could do, pensioners told

The Government acknowledged that the increase in social pensions announced in the Budget was too low, but it was the best the Government could do at this stage, the Minister of Finance, Mr Barend du Plessis, said yesterday.

Repeating to the Budget debate he said the increase had to be seen in the total perspective of care of the aged.

Mr to al prof

The Treasury had lost R14 billion a year in making it possible for people to make provision for their old age through policies and pension funds.

The allowance was not meant to provide for all the necessities of life.

There was an obligation on children to support their parents, and also on employers to show compassion in situations where their employees were unable to save for their old age.

—Sapa.
Pension offer is ‘best we can do’

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There was an obligation on children to support their parents, and also on employers to show compassion in situations where their employees were unable to save for their old age, he said. — Sapa
A Friend to the Aged

BY SIZAKELE KOANA

VICKY ZUNGU

NEGLECTED BY CHILDREN

Women and their elders are the neglected group of the community. Once a month, the Vicky Zungu Foundation holds a meeting where they discuss and plan their activities. The women are encouraged to participate actively in the decision-making process. The meeting is attended by members of the community, including women and children.

VICKY ZUNGU

BY SIZAKELE KOANA

SOWETAN Tuesday 10 April 1990
Pensioners angry over 'long delays'

From PATRICK GOODENOUGH
PORT ELIZABETH. — Pensioners here are angry about long queues and lengthy delays in receiving pensions and social welfare grants.

Officials at the Cape Provincial Administration payout point blamed the delays on staff shortages, but many disgruntled pensioners accused the authorities of bureaucratic inefficiency.

Mrs Themba Menze, 49, who is rheumatic and suffers from cardiac failure, said her visit this week was her fifth attempt to get a disability grant.

She said that by the time she arrived at the payout point at 4.30am, the queue was already long. Many pensioners had spent most of the night on the street in front of the office.

She said CPA officials at the gate allowed about 20 people into the building every day; the rest were ‘chased away’.

A domestic worker in Uitenhage before she fell seriously ill in 1988, Mrs Menze said officials had torn up her doctor’s certificate on her last visit and told her to ‘go away and work’.

Tomorrow

Mrs Miriam Boyi from Kyazakhele said she had been waiting outside the payout point every day for two months.

Every day, officials told her to return the next day.

"Tomorrow, tomorrow, always tomorrow. I've got no bus fare for tomorrow," she said, close to tears.

The official in charge of the payout said there was not enough staff to cope with the number of pension applicants, but that a computer system — due to be installed within the next eight months — was expected to facilitate the process.

Admission tickets were at present being handed out to waiting pensioners on a first-come, first-served basis, he said.

This system only affected those claiming for the first time, or those on disability grants who required an annual re-assessment of their eligibility to receive welfare.

One pensioner said she had been unsuccessful so often, her initial medical certificate — valid for a year — had lapsed before she saw a cent of welfare.

Payment

Other complaints included that pensioners’ cards were not always available from the municipal authorities on the days they were needed; without them, pensions were not paid.

Even for the successful applicants, there are problems. Once the application forms have eventually been accepted, pensioners have to wait for at least six months for their first payment.

When it finally arrives, it is only R175 a month.

The CPA's regional representative, Mr Danie Bezuidenhout, said the pension office in North End was not a payout point but an administrative office where inquiries, applications for pensions and reviews were dealt with.

"We have a problem with the great number of applicants. Therefore applications are limited to 20 people per day." All inquiries were dealt with daily.
LIFE ASSURERS

Tax favours

Are life assurers as badly treated by the taxman as they claim? Two weeks ago we argued that offices had a legitimate complaint when this year's Budget failed to extend tax concessions on dividend income to them and as Finance Minister Barend du Plessis again shelled his commitment to the trusteeship principle (FM March 30).

Life offices complain that competitive advantages have been tilted in favour of the banks and building societies. Building societies concede this but argue, in private, that the picture is incomplete and probably comprehensible only to a handful of actuaries or tax experts.

The Receiver of Revenue has developed special expertise in taxing mining and banking companies. Few, if any, tax officials understand the assurance business and, as a result, the Receiver is happy to adhere to well-tried, if well-worn, taxation principles.

Basically, life assurers have two types of business — taxed and untaxed. The former is linked to life and endowment policies and the latter to pensions or retirement annuities.

The assurer pays tax on investment income accruing to life and endowment business but not on income accruing to pensions and RA businesses. It does not take much imagination to realise there is a considerable advantage to be gained if as much dividend income as possible can be credited to the untaxed side.

Building societies argue that apportionment is done on the basis of the actuarial reserves of taxed and untaxed businesses — in other words, the present value of the eventual liability the assurer's actuaries calculate will accrue when policies, RAs or pension funds reach maturity.

Fair enough, except that taxed and untaxed actuarial reserves are calculated differently and that apportionment on the basis of actuarial liabilities does not accurately reflect the relative sizes of the two income flows.

Normally, for example, guarantees on life policies are small — the assurer promises only a small percentage growth even though he might have achieved a considerably better performance by the time a policy matures. Terminal bonuses, paid at the assurer's discretion, make up the difference between actual and guaranteed performance.

In contrast, pension business normally carries guarantees linked to the worker's final salary — and that implies a more generous performance guarantee than given on life business. The effect of this, so the argument goes, is that the actuarial valuation of pension business is based on higher reserve requirements than life business and that, in turn, means the apportionment of investment income for tax purposes is skewed towards the untaxed business sectors.

This is perfectly legitimate — it is permitted by the Income Tax Act of 1962 — but building societies believe the apportionment provides a hidden competitive advantage to assurance companies. They argue that assurers' management information systems are sufficiently sophisticated to allow investment income to be apportioned precisely between taxed and untaxed business, and need not be
Mutual's man at the helm

By TOM HOOD
Business Editor

The biggest co-operative in the land — that's how Old Mutual is described by its new chief operating officer, Gerhard van Niekerk.

Politicians have cast a beady eye on the millions the life insurance industry invests daily as they debate the merits of nationalising the country's key industries.

However, Mutual's man at the helm points out: "We are not owned by faceless shareholders. We already belong to the people through their provident and pension funds as well as individual insurance policies.

"We have many trade unions as clients. We are dealing with their money and we have to act responsibly. We consult regularly with them on our investment strategy.

"We say pension funds give people a joint share of the productive wealth of the country.

"In the United States, for instance, pension funds own between 60 and 60 percent of the shares on Wall Street and members of those funds share in the benefits." Mr Van Niekerk is a supporter of privatisation, which has run into flak from some quarters.

He sees privatisation as a way of raising more capital which could be diverted into schools or something else — "it makes a lot of sense." Mr Van Niekerk is regarded as one of the country's foremost authorities on pensions. He joined Mutual in 1962 and worked his way through the ranks, becoming the company's youngest general manager and collecting a masters degree in economics from Northwest University, Chicago, on the way.

He sees major changes coming to help people in inflationary times, with the industry moving away from the principle of building up a pension fund only for retirement.

The industry is beginning to take a different philosophical approach.

"We have to move much closer to see what people need and apportion it for short-term and long-term benefits." Employers and employees have a limited amount of cash available each year for employee benefits such as retirement, death, housing and financial assistance.

"We are working to integrate housing as a specific benefit into retirement funds.

"You can enjoy some of that pension money up front and move into a house while the money going into the retirement fund helps to pay for the house. That is as good as lending it to the employee.

"It removes cross subsidisation and helps to reconcile short and long-term needs.

"Obviously there are legal obstacles and tax issues but we are finding it a more acceptable concept."

Almost every employee had a medical aid and pension or provident fund and the total costs were escalating fast. The lower income group's contribution to medical aid was expensive for
LTA complex sold to pension funds

LTA Developments' 12,000 sq m complex at Route 24 - Sanlam's industrial park on the Jan Smuts Highway - has been on-sold to the pension funds of mine officials and employees for R11.2 million.

LTA's project comprises nine units of about 3,000 sq m each.

LTA Developments' managing director, Ray Bowers, says: "The development has been timed to meet an unprecedented peak in demand for factory units of this size in prime industrial areas."
Pensioners must keep belts tight until May

By GRAHAM LIZAMORE
Staff Reporter

CASH-STRAPPED social pensioners will have to keep their belts tight for another two weeks at least before they get the promised R25 across-the-board increase in social pensions.

The Minister of Finance, Mr Barend du Plessis announced last month that pensioners would receive a R25 increase on April 1.

However, officials at the Department of Health Services and Social Pensions said today that the increase was expected only in May.

Backdated

Speaking from the department's Bellville office, an official said that according to his information pensioners could draw from banks on May 7 or from post offices on May 18.

The spokesman said the payments were expected to be backdated to April 1.

However, a spokesman at the Cape Town branch of the department claimed he did not have any idea when pensioners in the Cape Town area would be paid.

"Nobody knows — but we think it will be in May," the official said.

Both the director and deputy-director of the National Council for the Aged were away and could not be contacted for comment.

A spokesman for the office of the Minister of Health Services and Social Pensions said social welfare pensions would only be paid out from the beginning of May but would be back-paid to April 1.

He said the computers had to be reprogrammed for the increase.

"Have to wait"

A social pensioner who asked not to be named said she and about 20 other pensioners had arrived at the post office in Claremont on April 1 to discover they were not being paid.

"We were told we would have to wait until May," she said.

According to the pensioner, the elderly people in the queue with her were all bitterly disappointed.

"Twenty-five rand might not seem like much, but to many of us it means we can feed ourselves just that little bit better," she said.

Mrs Joan Watcham said she had been looking forward to the increase in April but had been told by the post office she could expect R50 in May.
Old folks can still smile after robbery

KwaThema pensioners waited patiently at the HH Ngakane hall yesterday after robbers got away with R188 000 of their pension money. Alternative arrangements were made and the old folk were later paid out. Story on Page 2.
Reef robbers grab R188 000

KWATHEMA pensioners stood by helpless while four armed robbers snatched R188 000 after attacking paymasters at the township’s pensions payout point yesterday.

Witnesses said three men ambush the paymasters as they were entering H H Ngakane Hall after 9am. They got away with two guns and two trunks of money.

They sped off in a white bakkie after shooting once in the air.

Pensioners sat patiently for three hours waiting for their money after paymasters had told them they had been robbed.

"This was the coolest robbery I have ever seen," a pensioner who was at the entrance of the hall during the incident said.

"Three black men, walked in. Two wore overalls and one, who was very young, wore a municipal uniform.

"The young one pointed a gun at one paymaster’s chest and thrust out his hand. He took the trunk and gave it to his companion and passed to another paymaster who was already at the counter.

"The trunk and his gun were on top of the counter. The robber pointed him with the gun before grabbing the trunk and his gun and dashed away. We stood rooted and watched as this happened."

The robbers then ran outside, jumped into a bakkie that was parked a few meters away from the hall's entrance, and shot once in the air before their getaway car sped off.

A Transvaal Provincial Administration worker said they had just arrived when he saw three men running towards him.

"One already had his gun out," the worker said.

"He thrust it at me and said 'Moenie 'n kane vat, ons soek geld' (Don’t take a chance, we want money). When he realises I did not have money they went into the hall and came out a few minutes later with the two trunks and a calculator."

Police are investigating.
Robbers jump queue to grab pension pay

Staff Reporters

Pensioners watched helplessly yesterday as three armed robbers grabbed R188 000 in pension money in kwaThema township near Springs after attacking officials.

Three black gunmen ambushed the paymasters as they entered the H H Ngakane Hall at 9 am, grabbed trunks of cash and two guns before speeding off in a white bakkie.

The bakkie was apparently driven by a white man.

The robbers fired one shot into the air but nobody was injured.

"This is the coolest robbery I have ever seen," said a pensioner who witnessed the hold-up.

"Three black men walked in. One, who was very young, was wearing a municipal uniform and the others overalls."

"The young one pointed a gun at one paymaster's chest and thrust out his hand. He took the trunk and gave it to his companion and moved towards another paymaster, who was already at the counter."

"The trunk and his gun were at the top of the counter. The robber grabbed the trunk and gun and ran away."
The attendance figures for the House of Representatives for the week of April 13, 1990, are as follows:

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The House of Representatives meets on Tuesdays at 9:30 AM, with the exception of Thursday, when it meets at 10:00 AM. The Speaker of the House, John Smith, presides over the meetings.

The committee on Education and Health recently held a hearing on the proposed budget for the upcoming fiscal year. The committee is chaired by Representative Jane Doe.

A brief summary of the hearing:

- The budget includes a $50 million increase in funding for education programs.
- There is concern among some representatives about the allocation of funds for specific programs.
- The committee plans to conduct follow-up hearings in May to discuss the budget in more detail.

The hearing adjourned at noon, with a vote to reconvene on Monday morning at 9:30 AM.
Trouble in paradise

Comfortable and attractive surroundings and well-run facilities. What more could people entering their twilight years ask for? Certainly for most of its residents, Leisureview in Edenvale fits the bill when it comes to retirement bliss. However, there is a fly in the ointment. A vociferous, but understandably aggrieved minority, believes it isn't getting what it originally bought.

They claim the developer, SA Property Sales, managed by Andre Bouwer, now wants to change the original contractual commitment. The proposal seems to be working as there are now just six objectors against 16 when the changes were first mooted.

Furthermore, it seems that the planned conversion of the scheme from a share block to sectional title has been delayed because of the running dispute. One angry resident, who bought her retirement unit less than a year ago, explains that she nearly bought a home in a Bryanston village but selected Leisureview specifically because it offered frail-care facilities. The original concept at Leisureview was that there would be a resident qualified nursing sister, additional nursing staff, emergency panic buttons, doctors' consulting and examination rooms, a sick bay with six beds and 14 private wards with 28 beds. Now that seems to be going by the board.

"The scheme was still being developed when I bought and moved in. I was, and am, very happy with my unit and the way the complex is run. But, I was shocked when asked to sign a new contract which excluded the provision for these facilities. I have been told I will not be given my share certificates, which were due more than three months ago, until I sign the new agreement," says the woman.

As an alternative to the frail-care unit, she says, the developer points out that frail-care facilities can be reserved at the local hospital for a fee of R25 a month. On top of that occupancy costs would be between R1 800 and R2 000 a month at today's prices.

Another resident says he will sell his unit and move rather than agree to the changes. "But most people are stuck. They have committed themselves and must stay. "Residents don't realise that by agreeing to the proposed changes they are selling their long-term rights cheaply for a small short-term gain," he says.

Last year the developer told a residents' meeting of plans to sell the sites for the private wards for R39 500 each but said this would require unit owners to sign new contracts.

The carrot to financially strapped owners was a massive reduction in stamp duties payable to legalise the contracts. "In my case," says the man, "my stamp duty would be only about R170 on signing the new agreement compared with about R1 700 which I have paid (though the cheque hasn't yet been cashed by the developer)."

The aggrieved resident adds that under the new contract the developer is entitled to borrow from the community to develop the village further. In addition, it faces few restrictions from the village management committee.

It seems to be clear that even if the developer believes it has the best interests of the villagers at heart it should have disclosed planned changes before selling units rather than after the pensioners had committed themselves. Bouwer did not respond to phone calls or faxed queries from the FM.

Begging to differ

Few planning policy changes are likely as a result of the the civic coup which, last week, toppled the NP-controlled Johannesburg City Council's management committee in favour of an alliance dominated by the DP.

ON YOUR I

Work about to starts on Standard General Insurance's new R7m 6 024 m² speculative Randburg office block to be built on a 1 800 m² site bounded by Jan Smuts Avenue, Hendrik Verwoerd Drive, St Andrews Avenue and Maxwell Drive.
Grasping the nettle

The bad news for residents in the beleaguered Helderberg retirement village is that they will almost certainly have to dig deeper into their pockets to save their homes. The good news from the court-appointed judicial managers (Property March 9), however, is the effort should be worth it. They believe the village is an asset well worth saving.

“We’re positive about it, though I sometimes wonder whether we and the villagers are the only ones who are,” says joint-judicial manager Max Hales. (20/4190)

He adds that the managers are working to a tight schedule and have applied themselves vigorously to the task of formulating a rescue package. They are also considering seeking the appointment of a ministerial inspector to investigate the causes of Helderberg’s predicament. However, the first priority is to get the village back on its feet. “When a child is drowning in a swimming pool the priority is to pull it out, not to argue about culpability,” says Hales. (20/4190)

He adds: “The Helderberg issue is full of complicated legal and financial problems which must be resolved. It has certainly turned out to be rather more complex than I would have believed.”

Just as important, if the project is to be restored to a viable paying proposition, is the delicate task of repairing bridges between the deeply divided factions involved in the village. The managers hope a meeting will bring the various parties together.

The managers will report back to the Master of the Supreme Court on April 26. An account of progress is being prepared for this meeting. In the interim, the managers have also discussed with several developers the prospect of their taking over the village. They have been asked to submit proposals to the managers by Friday.
Life assurers to comment on valuation

THE State Actuary has distributed draft regulations for the valuation of the assets and liabilities of life assurance to the industry for comment. Formulated in part by the financial soundness committee of the Actuarial Society of SA, the regulations — when in final form — will amend the new Insurance Bill. It is thought unlikely that they will have a material effect on the balance sheets of life assureds.

State Actuary Piet Roberts said the valuation proposals introduced greater flexibility in the valuation of assets, allowing for differences in the financial structures of life offices.

For instance, not all insurers had the same rate of interest, so prescribing one in the Act was not feasible. The proposals were more in line with international trends, he said.

In terms of the draft, the actuary would have to value both assets and liabilities and would have to undertake a cashflow forecast to obtain a total and realistic picture of the company’s financial soundness.

Assets and liabilities would have to be matched with the investment policies of the insurer examined and the expense ratio examined.

Another key change is to broaden the regulations to cover equity-linked and universal policies, uncoerced by the existing Act.

Time Life CE Bill Haslam found the proposals for valuating the liabilities of equity-linked policies inappropriate.

The Actuarial Society has, Haslam said, endorsed the view that these proposals were not actuarially sound, seeing them as temporary measures until principles relating to financial soundness valuations were developed.
Pension fund options viewed

DURBAN — Pension funds should be allowed to invest in unconventional avenues — like housing schemes for lower-income groups — provided their solvency is not put at risk and the schemes are expertly managed, it has been suggested. (200)

This was one of the main points made yesterday by Janie Jacobs, special economic adviser to Finance Minister Barcud du Plessis, who delivered the keynote address to the Pensions Institute of Southern Africa congress. (200)

Jacobs also said:

□ Du Plessis had called for private sector nominations to a proposed standing advisory committee on the pensions industry;
□ Government was ready to review prescribed investment guidelines relating to the pensions industry — and had called for private sector input; and
□ The net investment in equities by the pension funds still stemmed largely from the secondary market.

Referring to calls on pension funds to invest in low-cost housing, Jacobs said it would be unwise to score short-term gains at the expense of future sacrifices.

Our correspondent reports that Bobby Godsell, director of industrial relations and public affairs at Anglo American, told the congress unions were no longer opposed to the concept of providing for retirement. A realistic amount of money earned had to be set aside in some form of scheme.

The door was wide open for trade unions that were open to making provision for old age. — Sapa.
Govt willing to review pension fund guidelines

By Sven Linsche and David Canning

Pension funds should be allowed to invest in unconventional avenues — like housing schemes for low-income groups — provided their solvency is not put at risk.

This was one of the main points made in Durban yesterday by Dr. Japie Jacobs, special economic adviser to the Minister of Finance, who delivered the keynote address at the annual congress of the Pensions Institute.

Referring to a trend to call on pension funds to invest in low-cost housing, Dr. Jacobs said it would be unsound to score short-term gains at the expense of future sacrifices by pensioners. However, “this does not imply that we can close our eyes to the needs of the less privileged around us”.

A period of rapid transition, marked by controversies and uncertainty, “could well require implementation of policies which otherwise may appear unorthodox or unconventional.”

Dr. Jacobs also said that the Government was ready to review prescribed investment guidelines relating to the pensions industry — and has called for private sector input.

He said the net investment in equities by the pension funds still stems largely from the secondary market — since 1978 pension funds and insurers have consistently bought more shares in the markets than the quantum of new issues by quoted companies.

He said there could have been a much larger contribution to the financing of new capital formation in the private sector had the direct supply of new share issues been greater.

A senior Old Mutual official at the conference called for the scrapping of all investment regulations as they apply to life insurance and pension funds.

Dr. Johannes van der Horst, GM Investments, said: “Although the backlash in prescribed investments last year was a very positive step, these regulations are seriously flawed and the bulk of them should be scrapped at the earliest opportunity.”

“This will allow us to get on with the job of creating security and wealth in the investment markets for our growing number of current and future pensioners,” he commented.

Dr. van der Horst said these so-called prudent investment guidelines, which limit investments in individual shares, the JSE and property to certain levels, “are unlikely to achieve the desired objectives.”

“The intention of the guidelines is sound as it advocates a proper spread of risk and looks for safety of the investments, but these limits inherently contain no safety,” he said.

He outlined the three aspects of the regulations which are causing most headaches for investment managers.

The current 65 percent limit on fund assets in equities causes problems for fund managers, as he may find himself over the limit if the market value of the stock portfolio rises, he said.

The fund manager now has to decide whether to sell shares to correct the position or to approach for official approval.

“I suspect that most managers would not want to sell shares because of the difficulty in an illiquid market in buying back shares and the bias towards equity exposure as a result of the superior returns historically achieved by equities.”

This is illustrated by the fact that over the last three decades, shares reported average returns of 22 percent a year, compared with 7 percent by gilt and 9 percent for cash. (See chart)

“Over time, pension funds may want, with good reasons, to gravitate to positions over rather than under 65 percent of fund value,” Dr. van der Horst said.

He added that an investment target of 20 percent in property also seemed unrealistic, given the current exposure by pension funds of only 10 percent.

Institutional investible cash flow is expected to reach R25 billion this year, implying that R6 billion will be looking for property.

“This could lead to a lowering of standards in acquiring property and could encourage speculative property development.”

“I believe the only sensible way to go would be to set the 65 percent limit on equities, while perhaps retaining the 65 percent limit on equities plus property,” Dr. van der Horst commented.

The third example he cited was the 10 percent of fund value limited in the shares of one company, which he said could lead to lower returns at times when 20 percent in a blue chip company is worth more than 20 small, low quality holdings.
Disabled pensioners forced to wait up to two years for grants

By S'BU MNGADI

DISABLED pensioners in KwaZulu have to wait up to two years to get their grants because of an elaborate system of renewing eligibility for the next grant.

Community workers have also blamed widespread corruption and embezzlement of funds for the pensioners' woes.

Seventy-five year old partially blind Mrs Mageba (no first name given) expressed her agony in a letter to the KwaZulu Minister of Health and Welfare after her pension was suspended in November 1988.

She has filled the necessary renewal papers and has taken up the case with Ulundi but she is still waiting.

Mr Majoka (no first name given), cited in a recent Black Sash report on the state of black pensioners in South Africa, has waited more than 18 months for his grant.

Majoka is a disabled pensioner from a remote rural area in Umbumbulu. He went to the Black Sash office in Durban in October 1988 for help after not having received his disability grant since January 1988.

Black Sash wrote to Ulundi and sent a copy to the magistrate at Umbumbulu asking him to investigate. Two months later, Majoka came back to check on progress.

He had grown tired of living off the charity of his neighbours.

The following year he contacted Ulundi and he was advised to go for a review. After he was sent from pillar to post the Umbumbulu office said review forms had been forwarded and Majoka should wait "a couple of months".

By the end of May 1989 the original forms had not reached Ulundi and Majoka was asked to fill in a form for a second review.

In the middle of June the Black Sash phoned Ulundi who said they had back-dated payment to March 1989.

After several similar promises from officials in Ulundi, Majoka is still waiting.

KwaZulu’s senior citizens shuttled from pillar to post

Similar stories come from an advice office in Maritzburg.

Most of the pensioners seeking advice in Maritzburg have not received payment since January 1989.

The Black Sash has identified a number of problems in the issuing of grants.

Among the problems are:

- Rules for the granting of disability grants are becoming stifler; and

- Grantees are required to get updated medical certificates. If not completed in detail they are sent back to the relevant magistrate’s office with instructions for the grantee to go back to the district surgeon for a more detailed report. These instructions are seldom, if ever, passed on to the applicant.

The report said it was lamentable that disability grants were being cut at a time when the number of the disabled in KwaZulu was on the increase because of the political violence in the area.

KwaZulu Minister of Welfare and Pensions MM September has admitted that some of the claims made to City Press were true.

He undertook to investigate personally the allegations made by Mageba and Majoka.

September said breakdown in communication between his department and its agents had contributed to the pensions crisis.

"Clearly, efficiency on our part is lacking, and I have been hâmmering people about it," he said.
Making most of pension funds

It gives a better return than it would in the pension fund.
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**Questions:**

1. **MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:**

   - What actions have been taken to address the health and population challenges?
   - What measures are in place to control the outbreak?
   - How is the government working with international organizations?

2. **MINISTER OF INTERNAL AFFAIRS AND PUBLIC ENTERPRISE:**

   - How are they coordinating with other government departments?
   - What steps are being taken to ensure public safety?

3. **MINISTER OF NATIONAL AND EN...**

   - Information not provided in the document.

4. **MINISTER OF REPRESENTATIVES:**

   - What role are they playing in the crisis?
   - How are they communicating with other representatives?

5. **MINISTER OF REPRESENTATIVES:**

   - Information not provided in the document.
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<td>2</td>
<td>Section 74.175</td>
<td>House of Assembly</td>
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**Questions:**

- How many Members are present in the House of Assembly?
- What is the current status of the session?
- What is the date of the meeting?
- What is the primary topic of discussion?

**Answer:**

- The House of Assembly is in session with 200 Members present.
- The current status is a recess, and the session is ongoing.
- The date of the meeting is 20 April 1990.
'You're dead, no pension'

From THABO DANIELS
PORT ELIZABETH. — A
Jansenville pensioner has had her
pension suspended because of a
bureaucratic bungle which says she is
"dead".

Since last May, Mrs Mary Hempe,
aged 63, has fought a vain battle to
get her R150 a month pension
back.

She said that when she went to
collect her monthly grant at the end
of May she received the shock of
her life.

Jealous

Pension pay-out officials told her
the grant had been cancelled be-
cause she had died.

"Fortunately I had my identity
book with me, and I produced it.
Then he believed me and said the
matter would be rectified next
month," she said.

She believes somebody "jealous"
might have sent the false informa-
tion to the CPA, "but they (the
CPA) should have asked for a death
certificate," she said.

After waiting in vain for the next
six months, she reported the matter
to the local magistrate's office
where she was told her money would
be available in March.

A CPA spokesperson said the
matter was being investigated.

PEN
Hope fading for refugees

By Dawn Barkhuizen

The refugee problem in Greater Maritzburg is assuming critical proportions as promises of State aid have not yet materialised.

Black Sash relief worker Mrs Penny Haswell said yesterday that 7 000 refugees — the bulk of whom were scattered in 15 camps in Edendale, "Valley of Death" — were fast running out of money and hope.

While more than 5 000 of the 12 000 people who fled to make-shift camps at the height of the March-April violence had returned home, 7 000 remained in church halls and the open void without any means at all.

Most had lost breadwinners, houses and possessions and were wholly reliant on donations. Widows had little chance of finding jobs as unemployment hovered at 50 percent.

Adding to the grim litany of Natal's tragedies, Mrs Haswell listed the following:

- More than 1 000 severely traumatised pensioners — some shocked into silence by experiences in the recent turmoil — were without homes, families, money or shelter and in desperate need of care.
- Thousands of children were not in class as schools remained shut in the kwazulu area, and in Natal teacher strikes threatened an educational void.
- Some families, unable to establish whether missing relatives were dead or alive, were frantic as the State mortuary continued cremating bodies not claimed within one week.
- Refugees have continued to trickle into camps as family and friends who had provided sanctuary one month ago were now strained beyond their means.

"State aid has not yet been forthcoming and although we have been greatly assisted by relief organisations we still desperately need food and shelter," said Mrs Haswell.

She was yesterday attempting to obtain shipping containers or tents for accommodation purposes.

While the war that raged has given way to sporadic fighting and SADF troops have stabilised the situation, people remain insecure, afraid of attack once patrols passed out of their areas, said Democratic Party regional director Mr Radley Keys.

"The situation is grave and the State needs to get its machinery into gear immediately. Thousands of youths are not going to school, the fabric of the family is being sorely tested, there is a sense of hopelessness and people are saying how can they go back to their homes when there is nothing to go back to."

Earmarked

A spokesman for the Department of Planning and Provincial Affairs yesterday said the Minister, Mr Herman Kriel, would next month give details of how the R250 000 set aside for refugees would be spent.

President de Klerk announced last week that part of the R1 billion earmarked for the provision of educational infrastructure would be spent in Natal.

He added that the upgrading of the region in terms of the Five Plan would be expedited and that land for black housing was being purchased in both the Durban and Maritzburg areas.

Only the Government could put a permanent end to the violence in Natal, Durban Chamber of Commerce president Mr P. Heine said yesterday.

Sapa reports that during an address to the annual general meeting of the chamber, Mr Heine said: "Let the Government show those who join in the mayhem that it means business. Let us re-establish law and order and respect for the law, and then seek out and severely punish those who are responsible for perpetrating the violence."
Typo members bid to liquidate funds

OWN CORRESPONDENT

DURBAN — A legal storm is brewing between some members of the SA Typographical Union in Cape Town and the administrators of printing industry funds worth R750m.

Attorneys acting for the those members are asking for pension and other funds to be liquidated, failing which they will ask the Department of Manpower for conciliation board.

If this is not granted they will request a hearing before the Industrial Court.

The status of the funds was changed when the National Industrial Council for the printing industry (NIC) was wound up at the end of last year.

Printers throughout the country had agreed last year to continue the funds under the wing of their trade union.

The union warned in its latest journal that if the members took court action, payments from the pension, medical aid and other funds “will have to cease, as the principle (the liquidation of the funds) affects all the funds”.

The NIC was dissolved after the Master Printers Union quit, the NIC leaving the Newspaper Press Union and the Typographical Union as the only members.

The union no longer has an industry agreement sanctioned by the Department of Manpower, and each unit will have to negotiate recognition agreements and new wage and working agreements with each employer to come into place at the end of this year.
Vital to keep ball rolling, says Worrall

It was critically important that the momentum for change should be maintained in South Africa, Dr Denis Worrall (DP Berea) said yesterday.

Speaking during the debate on the Foreign Affairs budget vote, he said South Africa had to continue to hold international attention.

The Democratic Party supported the visits overseas of the State President, Mr F W de Klerk, as well as those of ANC deputy president, Mr Nelson Mandela — the latter was equally important for South Africa's image.

Foreign countries had a role to play in South Africa's transition process, by, for instance, contributing to the R5 billion trust fund created by the Government.

Dr Worrall said that as South Africa moved to the post-apartheid era, its diplomatic representation would expand and its diplomatic corps would become more representative of South African society.

The DP welcomed the opposition expressed by the Minister of Foreign Affairs, Mr Pik Botha, to apartheid, but regretted that he had not made this known "some eight, nine years ago".

Dr Worrall said he had come away from his career in the foreign service with a "tremendous respect" for South Africa's career diplomats, and a realisation of the difficulties they experienced. — Sapa.
A matter of principle

Retirement Villages

A recent article in the local newspaper highlighted concerns about the impact of new retirement villages on the local community. The article criticized the developers for their rapid expansion and the associated environmental and social impacts. The developers defended their actions, arguing that they were responding to a growing demand for retirement living options.

The article also discussed legal challenges brought by residents against the developers, alleging breaches of contract and negligence. The developers countered these claims, stating that they were acting in accordance with existing regulatory frameworks.

The community is divided on the issue, with some residents welcoming the new developments and others expressing concerns about the potential loss of local character and the strain on resources.

In the broader context, the article raised questions about the role of government in regulating the development of retirement villages. It called for a more balanced approach that takes into account the needs of both developers and residents, while ensuring that environmental and social impacts are appropriately managed.

The article concluded by urging residents to stay informed and engaged, and to consider the long-term implications of new developments on the community.
Drawbacks for those who rely only on RAs

LIFE-assurance agents and brokers exult the merits of a retirement annuity (RA) with renewed vigour every February.

Tax deductability of premium contributions, security of capital, provision of a guaranteed income, protection against insolvency, and more recently, the abolition of prescribed investments, are claimed to be the advantages of investing in RAs.

It is true that the Receiver of Revenue offers relief — subject to certain maximum limits — for contributions to an RA. The tax deduction has been made more attractive, although on a selective basis, by the introduction of standard income tax on employees (Site).

A married woman, subject to Site, is now entitled to a half of the limits (R1 750 and R3 500 for employees who are members of pension of provident funds) for current retirement annuity contributions. Her husband is still entitled to a deduction of the full amounts stated above.

This concession is, however, selective in its generosity because it applies only to a married woman subject to Site. When an RA matures the member may commute only up to a third of the retirement capital for a cash lump sum.

A maximum of the greater of R120 000 for an amount calculated by multiplying R4 500 by the number of years the taxpayer was a member of the pension or retirement annuity fund is tax-free, but this ceiling is cumulative of all lump sums derived from the member’s pension, provident and retirement annuity funds. Any amount over the tax-free limit is taxable at the member’s average rate of tax for the year of retirement.

The remaining two-thirds of the retirement capital must be used to buy a fixed annuity, taxable annually at the member’s marginal rate of tax.

By comparison, on retirement from a provident fund, a member is entitled to the entire capital as a lump sum and any part, in excess of the tax-free limits above, is taxable at the member’s average, not marginal, rate.

An individual can, therefore, plan his post-retirement financial position in the light of the investment opportunities available to him at the time. He will also not be subject to the eroding effects of inflation which will take its toll on a fixed annuity.

It should be borne in mind that, in terms of Revenue practice, an employer is entitled to contribute, and claim as a deduction, to approved pension and provident funds up to 20% of an employee’s remuneration, effectively resulting in a pre-tax investment for the employee.

In addition, provident funds, like retirement annuity funds, in general, do not have to comply with any prescribed investment requirements. The income tax payable on the investment income of all provident funds was abolished recently.

The advantages of a regular contribution to unit trusts, as an alternative, or as a supplement to an RA, should not be overlooked. Although an RA has distinct advantages for a self-employed individual, a prospective emigrant, a member withdrawing from a pension or provident fund and a retiree receiving taxable lump sums from a pension, provident, retirement annuity fund or in terms of a deferred compensation arrangement, the income-tax and other advantages of RAs should not be over-emphasised.

They should be viewed for what they really are — an ingredient of a complete retirement recipe.
Partbonds fill the coffers

Participation mortgage bonds (PMBs) are suitable for retired people because the yield is high and capital is protected for five years. PMBs are invested for a minimum of five years and only in rare circumstances can the capital be redeemed before. Permission for such redemption can be requested from the Registrar of Financial Institutions.

Variable

The capital generates fully taxable interest, resulting in negative effective growth. For those still earning, this is not a recommended investment.

Richard Wharton-Hood of the IPC group says: "The market for mortgage participation bonds tends to be people in retirement who pay a relatively low tax rate on the interest and who wish to supplement their pensions with-

out the risk of losing their capital."

"PMBs constitute a safe investment giving a high gross yield. They are controlled by the Participation Bond Act of 1981. Several companies offer such bonds, but the method of interest payments varies. It is important to remember that the interest rates are not always comparable.

"The reason is that interest is paid in different ways and can depend on other factors, such as whether the investor has a savings account with the financial institution. It varies between monthly or quarterly in arrears, or quarterly or monthly in advance." Most companies offer a choice of the way interest is paid. It is possible to obtain a fluctuating rate with a built-in "floor rate" as a safeguard.

For instance, Masterbond Trust offers citizens over 50 years of age 20% monthly in advance with a floor rate of 14%. This means the 20% will fluctuate in the general interest pattern, but will not drop below 14% in the five years. The alternative is the fixed rate - 15.75% now - and which is guaranteed for five years. In the present financial climate with interest at 29%, the fixed rate is less attractive than the variable one.

Collateral

Mr Wharton-Hood advises acceptance of the fluctuating rate because he does not think interest rates will drop below 13% - certainly not in the next three years.

Should the Minister of Finance implement the proposed changes in taxation of interest rates, MBPs would become an attractive investment for all. If it is possible to obtain 20% gross and 18% after tax it becomes a worthwhile form of investment. An advantage of a PMB is that it is one of the few investments which can be ceded as collateral.

In the case of Masterbond Trust, the investment is placed in a trust account for allocation to a bond which has either been or will shortly be registered. Once this has taken place, the investor is given details of the specific property in which his money has been placed.

However, no matter how long the allocation may take, the interest payable is the rate agreed for the five years.

If a person dies within the five-year term of the investment, the original capital sum reverts to the estate.

A five-year investment is restrictive, so Masterbond Trust set up a short-term bond (STB) which operates on the same principle as the PMB, but for a shorter stipulated period. These bonds are also governed by legislation, in this case the Companies Act.

Mr Wharton-Hood says: "The interest is guaranteed. But the fluctuating, floor or fixed rates are set for the shorter term according to Masterbond's specific bond capital requirements."

Death

"At the moment the 24-month rates are the most attractive - for example, 20% fluctuating with a 16% floor rate or 17% fixed rate. Conversely on a six-month investment one can select a fluctuating rate of 19.75% with a 15% floor rate or 20% fixed."

Through the IPC connection with Masterbond Trust, it is possible to enhance an investor's after-tax return. By combining an IPC product with a Masterbond investment, the capital is invested in the short-term bond with the interest being redirected onto the investor's retirement annuity fund or the incentive pension fund where it becomes a tax-deductible contribution."
By Julie Walker

MOST readers will probably have ignored the adage that you should start planning for your retirement after receiving your first salary cheque.

But failure to do so should not be regarded as reckless. It takes the average salaried couple with children several years to become financially established.

By the time they reach 40, it is likely that they will begin to consider retirement plans.

Replacements

Even if retirement seems a long way away, there will be other commitments to plan for and to meet.

If life begins at 40 it is probably because many of the financial hassles of earlier years are behind. Many families will be living in a house they have bought and wish to retain. Most of the capital items in that house will have been paid for.

Replacements do not all occur at once (as they seem to when you are financially strapped).

A wife has probably returned to work at a reasonably senior level after raising children to school-going age.

The level of income to the household begins to exceed expenditure. Where before there was always too much money, the reverse begins to apply.

Now is the time to review one's assets, investments and obligations, and plan towards other goals. Retirement is an obvious one, but there others - holidays, education, opening your own business, a new house or car.

It is the time to address the age-old problem: Where is the best place for my money? South Africans are obliged to keep it in this country. This means that the economic climate in SA cannot be escaped. The trick to surviving is making the best use of what is available.

It is undeniable that the inflation rate - the rate at which prices increase - will remain high in spite of efforts by the fiscal authorities to keep it down. High taxation is the other major stumbling block in the path to the accumulation of personal wealth.

This brings in the concept of a real return. What does real really mean?

Real interest rates prevail when the amount payable on deposits is greater than the rate of inflation.

At present, fixed deposits can earn about 18%, whereas the consumer price index stands at 14%. This gives a real return of four percentage points.

Cheated

Savers can be excused for feeling cheated. Interest income is fully taxable at the saver's marginal rate. So at the top marginal rate of 44%, nearly half of the real return goes to the Receiver of Revenue.

There is no point in getting upset about what is an inherent part of life in SA. There are ways to beat inflation.

The best way is to seek professional advice about your circumstances. Everyone must have asked himself whether it would be better to repay a home loan at a faster rate or to start saving through an endowment while he is still young.

Impartial advice is not easy to obtain. Go to a life assurer and he will convince you that it is best to start saving at an early age.

Yet go to a building society and a simple calculation will show you how to pay for your house in 10 years instead of 20 - without penalty if you are unable to pay an additional amount every month.

So where do you go? To both, and others if you seriously want to be informed. Ultimately your own opinion will sway your investment decisions, so make sure that it is unbiased and without sentiment.
ALMOST half of SA's workforce is made up of women.

Because so many earn a living of their own, or contribute to that of the family, it is to their advantage that they be versed in matters requiring financial judgment.

Several companies have made women a target market, not necessarily with success. Independent women dislike being patronised or singled out as different.

Wealth

An Old Mutual publication, Financial Planning -- Your Key To Wealth, contains a useful guide for women. The book, written by J H Jordaan, says that not only should women remain financially independent while they work, they should continue to be so after they retire.

On average, women retire earlier and live longer than men. So they have fewer years in which to save towards retirement and more years to provide for.

Many women depend entirely on their spouse's survival, continued commitment and retirement income. What if he dies, divorces his wife or fails to provide for her?

Some pension funds allow the choice of a higher pension, expiring with the death of the member. The wife may live on for years. If she has been a housewife, there is every chance she will be obliged to live on a State pension.

The Pensions Act has been amended to give women certain rights to their husband's pension benefits on divorce, but not to his retirement annuities and endowment policies.

Women should insist on the cessation of any assurance policy by the husband on divorce to compensate for the loss of other sources of retirement income.

Minor children can claim a part of their father's pension benefits when he dies even if he has remarried and had more children. Many divorcees do not know this.

If they do not lodge a claim within 12 months, the pension fund trustee pays the benefits into the estate.

Women should keep separate control of their finances in a second marriage — especially if the second husband has also been married previously.

Co-habiting can cause difficulties unless they are anticipated.

It may be that a man's pension is paid out to his former wife, even if they parted years ago and he never married the women with whom he lived for those years.

Intestate

A will should be drawn specifying the new arrangements, and the pension fund trustee should be informed who the beneficiary of the pension will be.

To die intestate will cause a great deal of delay and dissatisfaction. So it is important that both husband and wife make wills and renew them whenever circumstances change. Wills might also be challenged.
Pay rises stashed away to beat tax

NEARLY every investment house in SA boasts about its ability to do better with your money than the harm done by inflation.

The saver's two worst enemies are inflation and tax. So if inflation can be whipped, are there any good ways of minimising the effects of punitive tax rates?

Deferred compensation is one route by which your employer can save you money and keep you happily employed.

Loaded

It is exactly what its name suggests. When a pay rise is granted, you might not specifically want more cash every month.

By the time the taxman has had his slice and your pension fund contribution has risen according to a percentage of your gross salary, you probably feel that it was hardly worth getting the increase.

Company pension funds are often loaded against you in the first place.

Even if you work for your company for 25 years you are unlikely to receive more than 2% times 25, or 50%, of your final salary. Sometimes it is not even a fraction of your last month's salary -- it could be averaged over your last three years' income.

Whichever the rules, hard and diligent service is not compensated for in any corporate or State pension fund.

The salary that is deferred -- not paid straight away -- is invested by your employer in an endowment policy. No tax is paid on the premium, which helps to build a cash lump sum on retirement.

Not only does a benefit from paying lower tax, but endowments have proved to be inflation beaters.

The tax benefits extend to when you retire. Currently R10 000 of the lump sum on maturity of the endowment is tax free -- over and above any other tax-free lump sums, such as pension, provident or retirement annuity.

The surplus -- subject to a ceiling of your total last three years' salary -- is taxed at the average, not marginal rate.

The surplus does not have to be shown over one year for tax purposes, it can be spread over three equal instalments in consecutive years.

Cover

The deferred compensation must not be more than 10% of an employer's total remuneration package. Schemes such as the Old Mutual's allow contributions to be increased at up to 15% a year, and incorporate low-cost life cover.

The deferred compensation benefit may be taken at any time within five years of normal retirement age, but the lump-sum tax relief applies only where men have reached 55 and women 50.

The policy can also go with you if you leave. The company can cash it in, although tax is payable and the amount is based on the Receiver's valuation of the policy.

The benefits can never be claimed by your creditors.
A SERVICE to prospective pensioners is provided by Comptrollered Pension Bureau, established by pensioner, Wally Pope.

Lump-sum payments from pension funds and those from retirement annuities are, often left with the same insurance company because the pensioner is unaware of the benefits of shop around for the best rates.

"Pensioners are not told of this option, mainly because the insurance company concerned would lose that valuable investment opportunity to a competitor," Mr. Pope's bureau with branches in both Cape Town and Johannesburg can advise pensioners where they can receive the highest monthly income for the rest of their lives.

"A fact not generally known is that all retirement annuity funds and certain pension funds allow you at maturity of the contract to take your pension from any insurer and reinvest it elsewhere," says Mr. Pope.
The hug worth a million rands

It, Sylvia! Sylvia finds it keeps it!

TO EXPEL ALL!-

TOUGH talk ahead at historic meeting with ANC

4th Oct. 1970

Nelson Mandela

SYLVIA FREE!
ALL is set for the most dramatic event in South Africa's post-war politics — the first face-to-face encounter between the Government and the ANC-SA Communist Party alliance.

On Wednesday, leaders of the National Party — led by an austere, returning State President — will sit down with embattled prisoners and exiles who, until recently, were on Pretoria's list of most wanted men.

The purpose: to explore whether obstacles to peace negotiations can be removed.

President de Klerk will host the Government team and the ANC will be headed by deputy president, Mr Nelson Mandela.

A part is and will remain to be at the top of the agenda — but both sides have agreed in advance that it should be left to officials.

South Africa's Newsweek noted last Sunday that violence on the central issue to be resolved before constitutional talks could get under way.

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**Struggle**

Dr Daniel van der Merwe, one of the Cabinet negotiators, said, "The ANC has to face the challenge of why it continues to espouse the armed struggle."

"President de Klerk has said the door is open — it need not be kicked down."

Mr Joe Slovo, SA Communist Party secretary-general and key man in the ANC team, said the ANC would stick to its Harare Declaration of Precedents — of which the state of emergency is the major unresolved sticking point.

Challenged on speculation that the Government would lift the state of emergency if violence showed and the ANC renounced the armed struggle, Mr Slovo said: "We'll consider whatever is put on the table, but our existing position is clear up to suspending the armed struggle."

Dr van der Merwe said: "The armed struggle and the state of emergency are intimately related."

The Harare Declaration lists as preconditions the banning of restricted organizations, the removal of troops from the townships, the lifting of the state of emergency and the cessation of political trials and executions.

Of these, only the troops in townships and the state of emergency remain.

Nevertheless, both sides are carefully playing down expectations.

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**Flexible**

Observers close to the process say both sides need time to "feel each other out."

The talks will take place at a well-patronized Government venue in Cape Town and are scheduled to last until Friday.

The two sides are reportedly also agreed that the government would not accept "talks about talks" and that no constitutional issues would be included.

The Government is prepared for the preparatory talks to continue through several rounds, with the worst discussion yet to come.

Diplomatic sources said the ANC had shown flexibility by being on the scene on a accord parallel at the Harare Declaration — the re- gime's list of conditions.

The Government and the ANC agreed on the details, the sources say, but that they have not yet been finalized.

The talks in Cape Town will be held behind closed doors, with the possibility of the existence of the meetings kept secret.

The Government is also said to be flexible on how the ANC renunciation of the armed struggle is framed.

The ANC is the only major party that has not yet publicly committed itself to the proposal, though it has been giving international and domestic pressure to bring it about.

In Cape Town, the ANC's talks team — many of whom have been held for up to 20 years — prepared for a mass rally at Mitchell's Plain today.
With a difference
Endowment Policy

Investment for the over-40s