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

(300)

Star 11/7/89

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 final 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 by the two tables above showing the typical position at retirement and a "favourable" position at retirement.

Don't be hit by the retirement poverty gap

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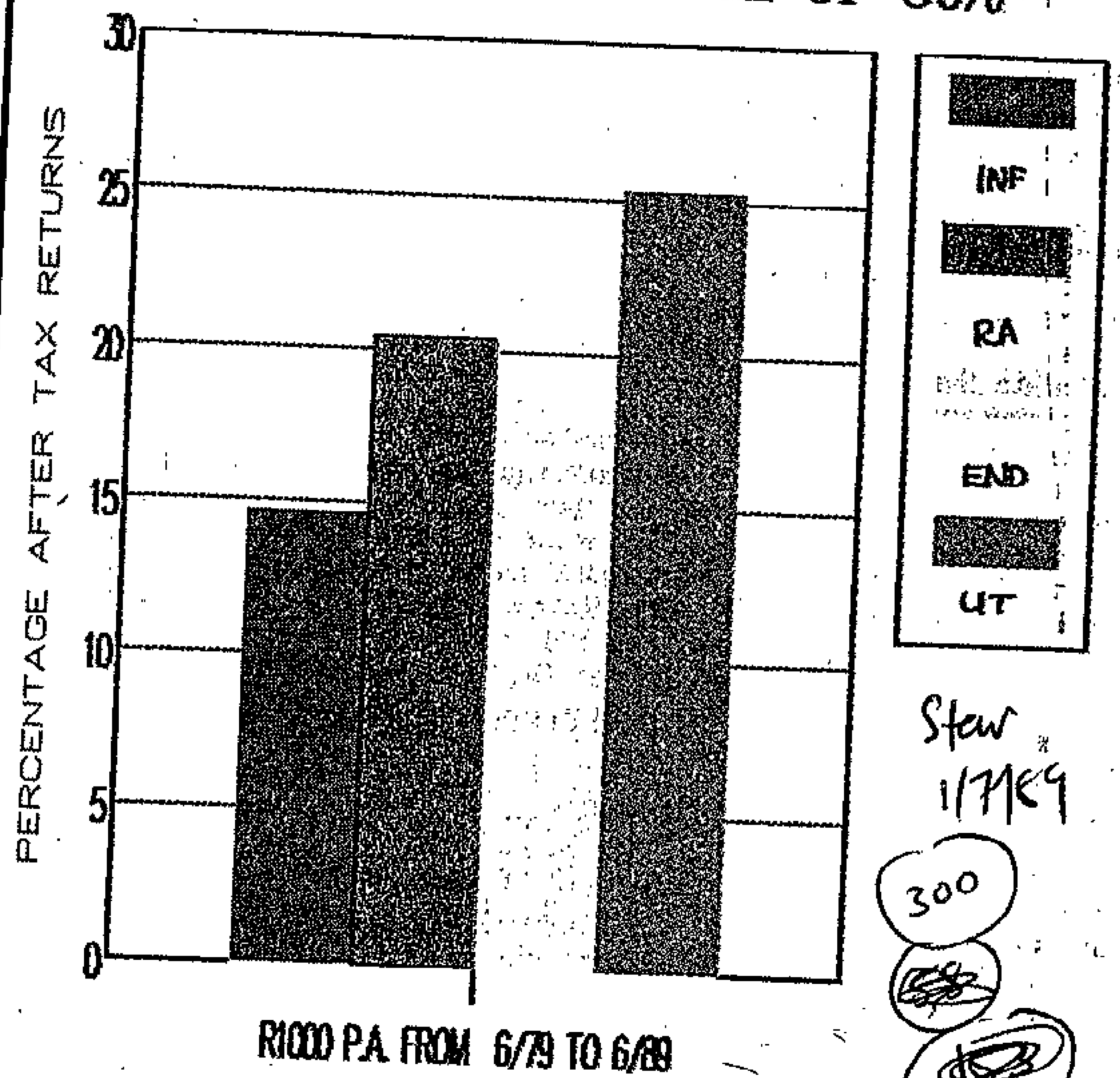

Stew
1/7/89
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Unit trusts, endowments and RAs beat inflation

All belong in the balanced portfolio

RETIREMENT annuities, unit trusts and endowments are all inflation-beating investments and each has a place in the well-balanced portfolio.

This chart by Old Mutual shows the after-tax yields of these investments over the past 10 years with R1 000 invested annually.

RAs had a 20,4 percent return; endowments 18,6 percent and unit trusts 24,3 percent and each category easily beat the inflation rate of 14,7 percent.

Old Mutual emphasises that portfolios should include a broad range of short and long-term investments ranging across the risk spectrum.

Although unit trusts had the best performance one has to consider the very different risk ratings. Unit trusts have a comparative higher risk profile with no guarantees of capital invested — you could over the short term receive less than your capital.

Endowments have a lower risk profile and guarantee more capital than was invested. The guarantee in the above example was R11 206 — 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.

RA contributions are tax deductible but the proceeds are to some extent restricted. Only one-third of the proceeds may be taken in cash (in this case R9 497) and the balance must be used to purchase a lifelong pension. The pension in this instance yielded R220,16 a month after tax.

How to plan your finances

Star 11/7/89

300

WE are often bombarded with advertising hype promising all sorts of things, or else tend to get lost in a maze of financial gobbledygook 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 or 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 R641 in today's terms — a real loss of R359 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 now

300

LESS than 10 percent of working South Africans retire financially independent due to inadequate retirement planning.

Even those who are members of company pension schemes — and only half of the working population has a corporate pensions package — face a major drop in income when they retire. In many cases this is over 50 percent.

An employee with 30 years service will receive a pension some 40 percent below his salary and relatively few workers have as much as 20 years pensionable service.

To compound the problem rising inflation and taxation will whittle away the pensioner's buying power at a stage when he has little prospect of increasing his income.

A 15 percent inflation rate — well below the current figure — halves the value of a pension every five years.

The solution is to start building a retirement nest egg now which will show capital growth at rates above the inflation rate. For most South Africans this is more easily said than done with inflation and rising tax, through fiscal drag, cutting take-home pay.

The tax man does provide help by allowing some retirement funding to be deduced from income before taxes are levied. This brings about a tax saving with the Receiver effectively paying for part of the cost of the pension.

One of the most flexible methods of building capital for retirement is a retirement annuity.

The capital accumulated over the years plus the interest earned buys a monthly pension. Up to one-third can be taken in cash and an annuity purchased with the rest.

You may retire at any time between the ages of 55 last birthday and 69 last birthday. This flexibility is often used by retirement planners to defer income surpluses at retirement to a later date, offsetting the impact of inflation.

The attractions of retirement annuities include options where RA premiums continue to be paid by the assurer if a client is disabled until the annuity matures and receives the pension.

Another advantage of an RA as an investment is that in the case of insolvency an annuity cannot be attached by creditors. But this protection does not apply to the one-third taken in cash.

A retirement annuity may not be surrendered or pledged like a normal insurance policy, thus providing a firm base for financial planning. If you stop paying premiums the policy becomes paid up but continues to share in the fund profits.

Low-cost options with a high value

RETIREMENT annuities form one of the single most important retirement instruments in South Africa today.

South African assurers are offering several low-cost options well worth considering when taking out a retirement annuity, says Mr Stuart Fish, assistant general manager (marketing) of the Old Mutual.

One of the most useful is the Waiver of Premiums option whereby the assurer undertakes to continue paying premiums until the retirement annuity matures if the client becomes disabled during the term.

If the policyholder was paralysed at say the age of 35 the assurer continues paying the premiums until the normal retirement age. The retirement annuity then matures and a pension is paid for life. The cost is only an additional 1 to 3 percent of the premium.

Another option is the Capital Provider benefit whereby in the case of permanent disability the life insurance company would pay out the value of the policy and the sum can be used to buy an immediate annuity. This benefit costs only 66c per R10 000 cover for a client up to 40 years of age. Both options — the double disability benefit — can be included in one retirement annuity.

The Premium Update option allows premiums to be raised by a maximum of 15 percent a year to keep pace with inflation. The adjustment can apply to both the annuity and the life cover. The increase in the life cover is automatic and no medical examination is required. This is a free benefit.

The Guaranteed Insurability benefit allows the client to take out a new RA without any medical examination up to a sum of R30 000. The client is allowed to exercise this option five times before the age of 40 to a maximum sum assured of R150 000. The cost is R1,75 per R10 000.

Various options are available at retirement: Old Mutual for instance will guarantee to pay the annuity for five years or 10 years after the date of purchase regardless of whether the client survives for that period. This option offers good value for money as well. If an annuity without a guaranteed term paid an annuity of R300 a month a five-year guarantee would pay R290 and a 10-year guarantee R274.

The valuable joint annuity option allows the wife to receive her husband's annuity or vice-versa in the case of their death — it is also possible to vary the benefit received with the husband being paid more during his lifetime and the wife slightly less after his death.

1. Budlender,D. 1986 pg3

2. ibid pg4

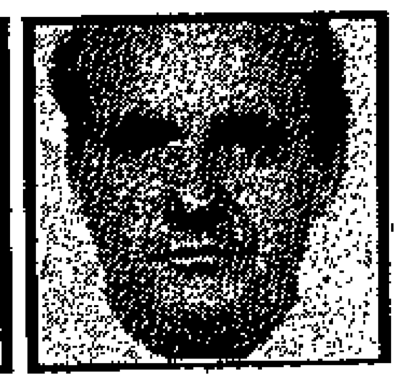
The pension time-bomb

Star 1/7/89

300

Money Matters

MAGNUS HEYSTEK



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 screeening 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 multi-dimensional 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 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 from the trade unions, but I have been led to believe that this opposition (to the transferability of pension fund contributions) is weakening and that the unions are even considering giving qualified support for such a move.

And where do the pension funds stand on this particular issue?

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 everytime a persons 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, be 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 up, otherwise he might even be in for an even nastier surprise.

That the employer's contribution, which is part of the renumeration 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 9am on Radio 702 inthe John Berk's Show. Also appearing on the show will be Derek Uys, author of the successful booklet called "Secrets of making your will."

(300)

Cover for disabled pros

ST Times 2/7/89

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 permanent incapacity benefits, we have introduced a partial incapacity this year.

"The need was prompted by instances where members suffered severe injuries or crippling diseases, but were trying to spend some time at their practices.

"Notable among these cases was a young professional who suffered a broken neck which rendered him quadriplegic, yet he was able to practise to a limited degree from his wheelchair."

Last year the total benefits paid to members amounted to R66,1-million — an increase of 34% over 1987.

Sunday Times
BUSINESS TIMES

300

Odds favour men

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

Gerhard van Niekerk, general manager of Old Mutual's employee benefit division, says: "Modern 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 retirment 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.

Pensions & Provident Funds

Freedom to choose often overlooked

S/Times 2/7/89. (300)

PAUL CLIPSHAM

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 Advisors, 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, highlighting 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 chose 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 employees 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 10% from the employer with tax relief granted on these contribution provided there was freedom to choose the package of benefits most suitable to the individual.

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

"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."

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.

300

Security for all under scrutiny

By Anthea Duigan

ONE of the most important developments in the pensions industry in the past year was the appointment of the Mouton Committee. It follows the Meiring Committee.

Urgent issues which have to be addressed to allow a meaningful retirement dispensation to work in South Africa include the means test and the State old-age pension, prescribed investments and the unemployment insurance fund.

Professor Wynand Mouton is looking at the long-term provision of retirement benefits in general (rather than traditional pension benefits) for all the population.

Desmond Smith, president of the Pensions Institute and senior general manager of group benefits at Sanlam, outlines the moves taking place in the industry.

Mr Smith says: "There is an increased involvement and interest by organised labour in retirement provision. It is heartening and encouraging.

"The unions have slightly different views on retirement benefits which must be accommodated as far as possible and common ground found so as not to inhibit this momentum.

"I see the role of the authorities as one of creating an environment conductive to the development of the retirement funding machine. If there are any hindrances to this development of the desired or preferred means of making provision for retirement, they should be removed. Any form of provision is better than none.

Conducive

"A role of the Pensions Institute is get all interested parties involved in debates about retirement funding.

"The Chamber of Mines and the National Union of Mineworkers have negotiated a provident fund which is being introduced through their joint efforts. Seifsa and Numsa are engaged in negotiations, retirement funding being part of the agenda."

Another issue is the introduction of investment guidelines which do not mean the abolition of investments in what has up to now been termed prescribed assets.

Mr Smith says: "We view these guidelines as an interim step between prescribed investment in Government and other stocks and ultimately no prescription or guidelines. Pressure on property investments could lead to a distortion of prices.

"Another area which is becoming increasingly relevant to the institute is taxation. With the introduction of the investment guidelines, the anomalous treatment of private and underwritten provident funds is a matter which will receive our urgent attention.

Objective

"We believe it is imperative that this anomaly be removed to prevent unnecessary distortions in the market."

The main objective of the Pensions Institute is to promote the common interests of pension, provident, retirement annuity and similar funds.

The 330 members include retirement funds, actuaries, pension brokers, administrators, insurers and individuals.

300

S/Times 2/7/89

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.

By Anthea Duigan

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.

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 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.

WYNAND MOUTON

"It seems that neither the First nor the Third World countries have been successful in designing state pension schemes that are going to be caplable 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 includes 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 experience. 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.

Mr Munro says an economist is being sought to join the team. Sub-committees are appointed to investigate special areas.

The whole system of the old-age pension is being looked into with a view to identifying and analysing problems.

One radical proposal is for each worker, with assistance from his employer, to be made responsible for his own provision for retirement with only those who have saved sufficient money being able to retire. Those who have not saved would have to work until they died.

A Business Times Su

You can't take it with you, but you may need it awhile

(300)

S1 Times 21/7/89

JOE GATES

IN spite of a publicity drive, most employees are still going on retirement with insufficent 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 R100 a month which remains constant for life or R75 which will increase by 10% annually. In choosing, it is helpful to remember that the R75 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 40 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 40% 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 developed into a contest because both have a role to play in retirement provision.

This is the view of consultant Fiachra 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 reversionary pensions payable to the spouse of the retired member.

Room for both funds

300

S Times 2/7/89.

"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 an 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 computerisation by banks and building socities.

Executives

Second, having a small pension, merely reduces or eliminates the meagre State old-age pension available to black people. 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 peple 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 on returned contributions or investments is exceptional.

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 pension fund and the lack of tax relief on employees' contributions under a provident fund as compared with the full tax relief on employee contributions up to 7,5% 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 employees 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. (300) S Times 21 7 87

James Wallis, alternate director of Mibsa (formerly Minet) 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."

S/Times 2/7/89

Returns can vary

(300)

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 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 rands a month.

R60 pension bonus 'an election ploy'

Star 6/7/89

300

By Peter Fabricius, Political Correspondent

The Government was accused today of dipping into the national coffers to buy pensioners' votes.

White opposition parties said the once-off R60 payment to social pensioners announced by the Minister of Finance, Mr Barend du Plessis, was a transparent vote-catching ploy.

But Mr Allan Hendrickse, leader of the Labour Party and chairman of the Ministers' Council in the House of Representatives, dismissed suggestions of an election ploy and said that the decision on the bonuses had been made before the election announcement.

This had followed representations to the Minister of Finance by the Ministers' Councils of the three Houses of Parliament.

Mr Casper Uys, the Conservative Party finance spokesman, said that Mr du Plessis had "even made that deduction himself" when he said in a statement that the grant would be seen as an election ploy.

Mr du Plessis announced that all social pensioners, black and white, in the Republic and the TBVC countries would receive a R60 grant in October and that this would amount to R128 million which would be taken from the R1 billion "contingency fund" which was set up at the time of the Budget.

About 2 143 000 social pensioners would receive the grant.

Mr Harry Schwarz, Democratic Party finance spokesman said today that he had forecast at the time of the Budget that the R1 billion contingency reserve would be used for election sweeteners.

He said that civil pensioners and farmers would probably be given something soon and that the Government was under pressure to increase public service pay.

"I hope the Government stands firm against this pressure."

However, he pointed out that the Government had already announced it was considering aid to hard-pressed tobacco farmers.

The R460 million payment to write off the maize farmers' debt and the reduction in controversial toll levies were regarded as other election ploys.

Mr Mike Ellis, the DP's pension spokesman, said the "Government grossly insults pensioners if it believes this will swing their votes to the NP".

"This once-off payment underlines the Government's total insensitivity to the financial position of the pensioners."

Mr Schwarz said he was happy the pensioners had been given something and gave the Government credit for granting the same bonus to black pensioners as to white.

"I think pensioners must be pleased there is an election coming as there is now a long history of increases timed to coincide with elections."

But the R60 once-off payment was very "meagre" and the DP believed the Government should have granted a monthly social pension increase at the time of the Budget.

Govt to pay R60 pension bonus

CAPE TIMES 6/7/89

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

B 10 Day 6/7/89

(300)

MIKE ROBERTSON

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 R1bn Contingency Fund created in the Budget.

In all, R128m 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 accusa-

□ To Page 2

Pension bonus

(300) B 10 Day 6/7/89

□ From Page 1

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."

REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

Government Gazette
Staatskoerant

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Vol. 289 PRETORIA, 7 JULY / JULIE 1989 No. 11992

GOVERNMENT NOTICES

30

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

1. In this Schedule "the Regulations" means the regulations published by Government Notice No. R. 568 of 5 April 1974, as amended by Government Notices Nos. R. 1454 of 23 August 1974, R. 2365 of 20 December 1974, R. 674 of 23 April 1976, R. 1305 of 30 July 1976, R. 1774 of 9 September 1977, R. 1179 of 8 June 1979, R. 517 of 21 March 1980, R. 770 of 23 April 1982, R. 2330 of 29 October 1982, R. 2453 of 12 November 1982, R. 2302 of 21 October 1983, R. 1872 of 23 August 1985 and R. 2188 of 24 October 1986.

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—

GOEWERMENTSKENNISGEWINGS

ADMINISTRASIE: RAAD VAN AFGEVAARDIGDES

DEPARTEMENT VAN GESONDHEIDS-DIENSTE EN WELSYN

No. R. 1457 **7 Julie 1989**

WET OP MAATSKAPLIKE PENSIOENE, 1973
(WET No. 37 VAN 1973)

WYSIGING VAN REGULASIES

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

BYLAE

Woordomskrywing

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 568 van 5 April 1974, soos gewysig by Goewermentskennisgewings Nos. R. 1454 van 23 Augustus 1974, R. 2365 van 20 Desember 1974, R. 674 van 23 April 1976, R. 1305 van 30 Julie 1976, R. 1774 van 9 September 1977, R. 1179 van 8 Junie 1979, R. 517 van 21 Maart 1980, R. 770 van 23 April 1982, R. 2330 van 29 Oktober 1982, R. 2453 van 12 November 1982, R. 2302 van 21 Oktober 1983, R. 1872 van 23 Augustus 1985 en R. 2188 van 24 Oktober 1986.

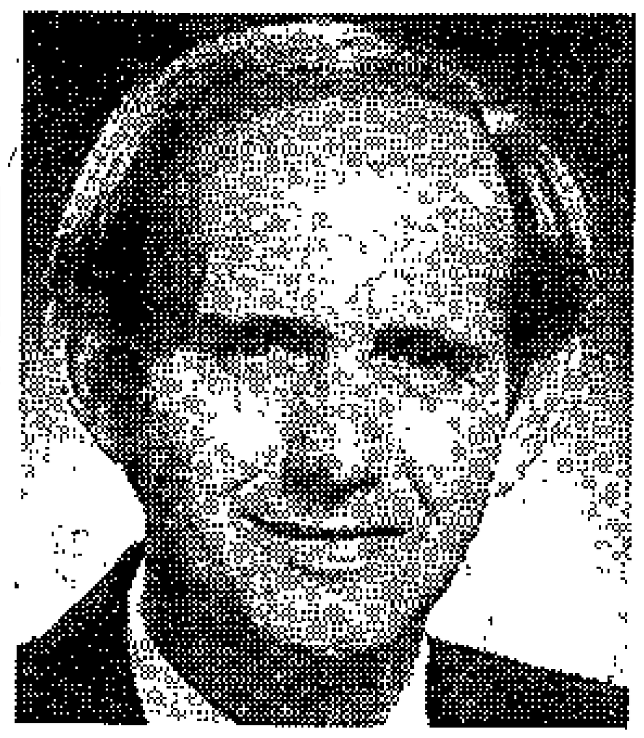
Vervanging van regulasie 1 van die Regulasies

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—

CAPE TIMES 1/7/89 (300) (illegible)



Mr Ken Andrew

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 Keuning, 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

By GAYE DAVIS, Cape Town

THE government is in a pre-election panic, putting pence 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 R128-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 and whites R251 — 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 this 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

300 [redacted] W Mail 7-13/7/89.

300 [redacted] W Mail 7-13/7/89.

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 interests 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 spending 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.

Employer pension pay-out for those who quit

S Times 9/7/84.

By Robyn Chalmers

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

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

Sheppley & Fitchard deputy senior 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 employees' 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 Wynand Mouton to investigate a new dispensation for retirement provision for all South Africans.

In addition to addressing of voluntary preservation and transfer of pensions, surpluses in funds and increasing of pensions, Professor Mouton is considering the employee'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 2% 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.

"The benefit 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

300

[redacted]

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. S/Times 9/7/89

Prices range from R106 000 for a one-bedroomed to R137 000 for a two-bedroom cottage, each having its own garage. Monthly levies will range from R264 to R348.

Employer pension pay-out for those who quit

300

S Times 9/7/89.

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ERATORS' GESTURE

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 Sabta, Mr Jabu Mabuza, said their executive committee had asked all the provinces to consider

Free rides for old folks and disabled

300

the matter very seriously and to plan actions.

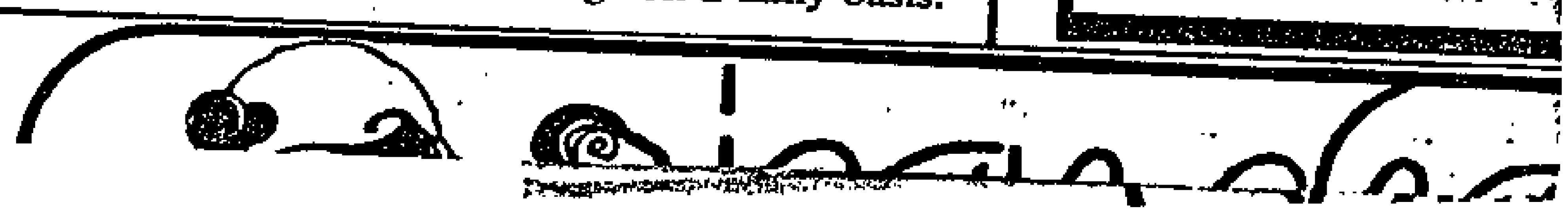
"We are doing this particularly to show our sympathy with elderly people," he said.

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

Saldta'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 Tokoza 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

For the first time for ages Mrs Moti Malele will sleep warmly.

Star 10/7/84

300

The Star OPERATION SNOWBALL

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 Itlhokomeleng Association for the aged and disabled of Alex. This association cares and tries to find help for these people.

They organise medical checkups 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 Itlhokomeleng 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 1014, Johannesburg 2000.

300 10/7/89

Briefing

R60 will not alleviate pensioners' financial cri

A drop in the ocean

Pensioners battling to make ends meet do not seem overjoyed at the prospect of receiving the Government's pre-election bonus. Some spoke to JACQUELINE MYBURGH and BRENDAN TEMPLETON.

"They give with one hand, but take even more with the other," says Mrs C J 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 (Jafta).

Mr Brian Goodall, DP candidate for Edenvale and former spokesman on pensions, said "old age pensioners cannot be bought off
on the Government
decisions concerning

The Government
six commissions of
sioners' living
act on any
them, he said.

Pensioner Mrs
of Brixton, said
face rising living
received notice
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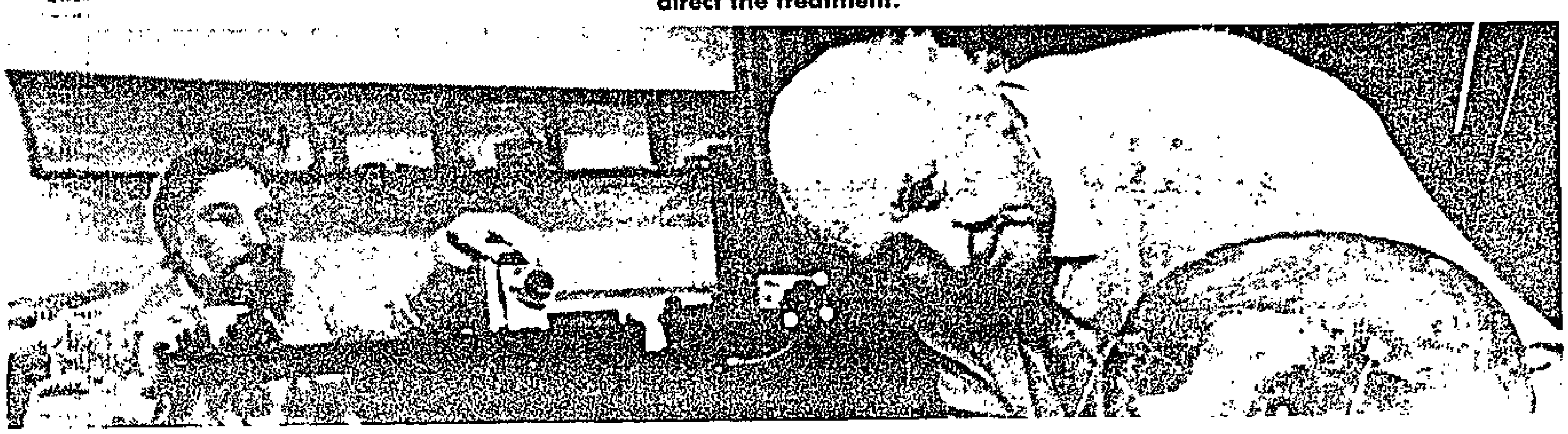
Three dimensional information is fed into a computer to calculate the position of the tumour inside "Tom's" head and thus direct the treatment.



nancial crisis

an

not be bought off with R60" and called on the Government to make concrete decisions concerning the aged.

The Government had embarked on six commissions of inquiry into pensioners' living conditions but had yet to act on any recommendations made by them, he said.

Pensioner Mrs Elsie Rowe (85), also of Brixton, said she regularly had to face rising living costs. Last month she received notice from the Johannesburg Council to expect the following increases:

- Property tax 14,2 percent.
- Electricity 10 percent.
- Gas 15 percent.
- Water 45 percent.
- Refuse removal 15 to 24 percent.
- Sewerage 50 percent.

Mrs Rowe's companion, Mrs Elizabeth Gabus (69), sketched the average pensioner's budget.

Council house rent is R68,64 which, with rates, taxes, water and electricity, comes to about R120. Groceries cost about R100, leaving R31 for the telephone bill, hospital bills and small luxuries.

Mrs Rowe is among the lucky ones who have children to help them out financially.

A couple, who said they wished to remain anonymous for fear of losing their council house, said their children were also in financial difficulties. They lived far away so the telephone was the only means of communication.

Essential

Mr Starfield of Jafta felt pensioners should not have to pay telephone rental or the R5 consultation fee at hospitals, as these services were essential for their well-being.

He made some other suggestions to protect pensioners:

- The reintroduction of rent-controlled housing for the aged.
- Legislation obliging people changing jobs to reinvest their pensions rather than withdrawing and spending them.
- Pensions linked to CPI index.
- The public should be made aware of pensioners' problems.

Another problem is the rescheduling of minimum assets (R45 000) one may have to qualify for pension. People owning dwellings worth more than R15 000 are not entitled to a pension. This disqualified many borderline cases, Mr Goodall said.

"What can R60 buy one today, anyway?" asked Mrs Hogan.

Mrs Elsie Rowe (85) (left) and her friend Mrs Elizabeth Gabus (69) are feeling the pinch of rising living costs and do not expect the Government's recently announced R60 handout to make much difference to them.

Building a new road to economic recovery

Star 10/7/89

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.

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 World Bank.

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

Africa had been candid about the nature of its problems, said Mr Adedeji 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.

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, differential 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 Adedeji 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 pittance

EXHAUSTED and weak, with her crutches swinging under her armpits, 37-year-old Ms Agnes Mnono hobbles on one leg as she approaches the pay-point in Zwelethemba, hoping that this time around her problems will be over.

The R194 disability grant that Mnono, an unmarried mother of four, received from the government after she lost a leg in a freak train accident in May, 1978, was unexpectedly withdrawn last October.

No reason was given for the abrupt withdrawal.

Eleven years ago, Mnono earned a living as a "sleep-in" domestic servant in Paarl and planned to put her children through university. She also dreamt about building a house for them.

But one Friday afternoon her dreams were shattered as she prepared to travel home to visit her children. She was about to board a train when she slipped.

LOST A LEG.
Ms Agnes Mnono

Grant

She fell under the wheels, and in a fraction of a second all her hopes disappeared below the platform of Mbekweni station.

In 1987 she received the grant for the first time. But last September, the officer at the local pay-point gave her forms which he said she had to complete and take to a building society in Worcester's High Street.

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

The following month she returned to the building society and discovered that no money had been paid into her account.

When Mnono approached the official at the pay-point, whom pensioners described as "racist" and "rude", he chased her away and said she had to go and find work.

Widower Mrs Stella Mondleki, 59, who lost sight in her left eye in 1980 and is now gradually losing sight in her right, said she had also not received her bi-monthly grant of R150.

Her problems began when they opened a savings account for her with the building society. But when she went to the building society she discovered her grant had not been paid into the account.

Mondleki lives with her two school-going children in a house bought her by her married daughters. But her problems multiplied after her elderly mother moved in with them recently.

Fingerprints

Blind Mrs Ida Mosala, whose husband is also unemployed, said she always had to borrow transport money from neighbours when she had to attend treatment at the local Donges Hospital at the begining of each month.

She has still not received the government disability grant she applied for four years ago.

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

"But when I went back to the commissioner's office to get the money, the officer rudely told me to go away and not come back, because my husband was healthy and could still support me," said Mosala tearfully.

Twenty-seven year-old Ms Cynthia Marayi developed epilepsy after her parents died. The handicap forced her to leave school in standard five.

In 1985 doctors at Tygerberg 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 paid regularly until September, when she was told to open a savings account. Since then she has not received the grant.

She said the official responsible for the payment of pensions at Worcester told her she was "cheating the government" as she could still find work and support herself.

"I did try to find work once but I only lasted a day because my new employer soon discovered my handicap when I collapsed with a tray in my hands and smashed all the cups," said Marayi.

Her body is marked with the burns she has sustained after having had fits while busy in the kitchen near the stove. Her teeth have had to be extracted because she bit her lips every time she had fits.

Epileptic

Another epileptic, 22-year-old Maxwell Nkibi, was told by a white official at the commissioner's office to find a job because he was still young and looked fit.

He first applied for a grant in 1987. His father died several years ago, leaving his mother, Gloria, a cleaner, with the responsibility of rearing the four children.

Mrs Patience Baca, 53, a mother of seven, who was injured in a road accident five years ago, has also not received her grant since she was asked to open an account last year.

John Moferefere Makhetha, 41, who is paralysed from the waist down, said his grant was suddenly stopped three months ago.

Ten years after he had a stroke which confined him to a wheelchair, his wife abandoned him and their two small children. The children, Amanda and Mark, are now teenagers and still at school.

Heart patient Thobile Stanford Lumko has not received three successive grants from the government.

Lumko, who had his first heart attack after somebody killed his brother by stabbing him in 1960, said that he had received a quarterly pension of R300 since 1964.

In December last year, the scheme was converted into a payment of R150 a month.

In April he did not get his grant because the building society did not receive money from the CPA.

"When I went to the commissioner's office, an official there joked about the whole thing, telling me to hang in there because my money was somewhere between Pretoria and my home and that it would one day fly in through my front door," he said.

MOTHER OF SEVEN.
Mrs Patience Baca

Pove... in 'pl... of ho...

POOR and hungry children, some wearing odd shoes, project a sad picture as they walk home from school in the dusty streets of Zwelethemba township, deep in the heart of the Boland where the mountains stand as one of life's wonders.

Not far away, in the conservative town of Worcester, their young white counterparts seem to turn the local tarred roads into a mini-Kayalami as they slide up and down on roller-skates.

Laughing and carefree, they appear content with life. Unlike the children on the other 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 Zwelethemba are highly politicised.

"You have no idea how militant they have become," observed a local primary school teacher, who for obvious reasons, asked not to be identified.

"They have taken over from adults in condemning the system of apartheid. They realise how their parents are suffering because of apartheid and they know that the white child is more privileged."

Big Seven

As the children play, an official of the the Committee of Seven, the township's democratically-elected organisation, appears. The children immediately shout, in unison: "Up The Big Seven!"

Zwelethemba, which means "a place of hope", is in reality a place of despair. Its history 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 African families from an area known as Sakkedorp, where they had lived with "coloureds" for many years.

The families were resettled in Zwelethemba and promised a better life.

According to Committee of Seven executive member Lizo Kapa, nothing has come of the "sweet-talk".

The residents of the new township were promised better housing and proper recreational facilities. But, 35 years later, none of these promises have materialised.

"We still do not have electricity and running water in our homes," said Kapa.

"Roads are still as bad as they were when we first came here, and we have never had any sports facilities."

Improve lives

This was confirmed by Innocentia Kobe, 86, who told SOUTH that when the families were moved to Zwelethemba, the government elected an Advisory Board which they said would look after the residents.

But the Advisory Board never made an impact, "because it never even attempted to look into our problems as they were told what to do by the whites".

Throughout the existence of the Board, virtually nothing was done to improve the lives of the people.

Then in 1979 the birth of the community council brought hope to the older residents, while the younger ones, already angered by the failure of the Board, vowed to distance themselves from any government-appointed body.

In a desperate attempt to get the council off the ground, the then Bantu Affairs Department appointed a Uitenhage councillor, a Mr Tini, to act as mediator and persuade the residents to accept the council.

"Tini warned us that if we continued to shun the council the government would bring in the neighbouring council of Zolani, Ashton, to run the township," recalled Kobe.

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

The controversial Zwelethemba Community Council operated in isolation 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 detained.

Wide chasm

In March 1986 the Bantu Administration Board, sensing the widening chasm between itself and the community, appointed a committee and empowered it with the responsibility to run the township.

This committee 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 comprises chairperson Abel Dlikiliki and executive members Shephard Matshoba, Lizo Kapa, Nyaniso "Outa" Gayiya, Chris Tyawana, Mpazamo Kolo and Harris Sibeko.

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 detained for more than a year. The last member was released in March 1988.

Big Seven members were again detained under the state of emergency before the municipal elections in October last year. The elections were a disaster in Zwelethemba after residents refused to participate and no candidates came foward.

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 recognise any other committee besides the Big Seven.

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

THE OLD -AGE H...

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

There is no official nursing staff to care for the sick and infirm and the "matron" is one of the elderly residents.

Established by the Bantu 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 land became available. But 26 years have passed and it seems as if the hostel has become a permanent home for Zwelethemba's old folk.

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

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

The only visible objects in the kitchens are the black coal stoves, donated by the Roman Catholic Church some years ago. The Church also paid for the ceiling and painted ty

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Misery after pension payout mix-up

THE government's announcement of a R60 once-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 Zwelethemba, 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 been 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.

"We are horrified at the situation," said Black Sash's Boland field worker Ms Annemarie Hendrikz.

"It's already bad 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 Hendrikz.

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.

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

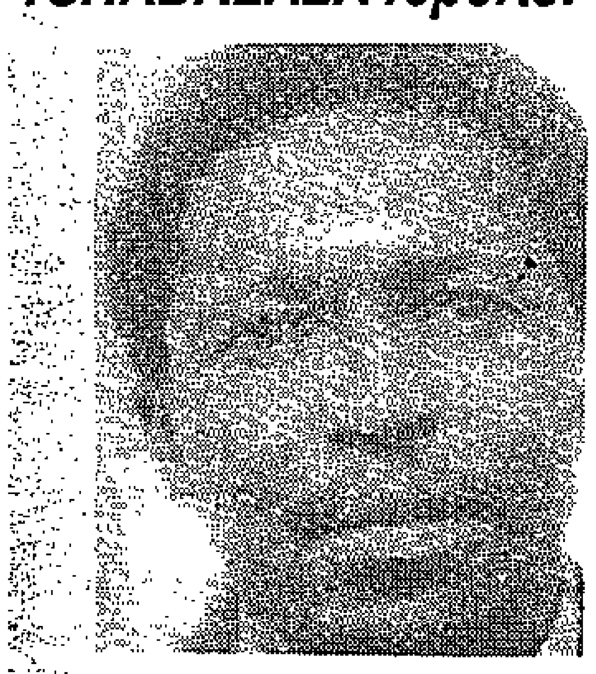
"When pension cheques reach us, we find that we cannot deposit the money with the bank. As a result, we are forced to re-direct the money and send it back to Pretoria," he said.

GIVING UP HOPE. Worcester pensioners outside their payout point

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

Zwelethemba'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:



Life tough outside for ex-detainee

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.

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.

"While I was in detention I worried a great deal about my family," he said.

After his release from detention, doctors declared him unfit for work. He was told to apply for a disability grant.

But when he went to the commissioner's office to apply for a grant, an official allegedly told him to "get lost" after he discovered that he had been a political detainee.

"He told me he had the last word and that the doctors who'd said I 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.

"She earns 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 from the Cape Provincial Administration and a committee of the Worcester Town Council.

Soon afterwards an official from the CPA summoned Williams 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 Zwelethemba had the democratic right to choose who they wanted as their leaders," said Williams.

CPA spokesperson Mr I du Preez said the CPA 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 number.

'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 also cared for the old people. But she left last year to assist in a white old-age home in Worcester.

Now King Korn's voluntary "matron" is 66-year-old resident Mrs Johanna 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 appear seriously ill.

"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 upset because she is being offered a monthly grant of R200 to support the children.

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

"I have to buy food and clothes and also pay for their school needs 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. But life for me is like hitch-hiking beside the road, not sure when I will be picked up."

BLIND IN ONE EYE. Mrs Stella Mondleki

Pics by
YUNUS MOHAMED

Streets of death

STOP this recklessness!

This was the appeal from Guguletu residents this week, following the recent death of two Malunga 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 Maziko 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 townships' traffic problems.

Motorists openly flout traffic regulations such as jumping stop streets, driving without lights 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.

With no 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 stopping in the middle of the road for passengers to embark and disembark.

NY1, the street where the two boys were knocked down, is Guguletu's longest and busiest street, which virtually dissects 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 to bypass traffic jams and potholes, irrespective of whether there are pedestrians about or not.

The poor street lighting further endangers the lives of pedestrians and motorists.

A heartbroken Mrs Nosane Maziko, 29, described how her children were killed by a truck that hurtled down NY1 and allegedly mounted the pavement.

"We were accompanying a friend to the nearest bus-stop when this truck appeared from NY1. It came straight at us and knocked the four of us down," said Maziko.

"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 pre-school at Manenberg, and Zolani were the only children of the Maziko family.

Cape Town Traffic Manager, Mr Wouter Smit, referred SOUTH to the Ikapa Town Council for comment on inadequate road services.

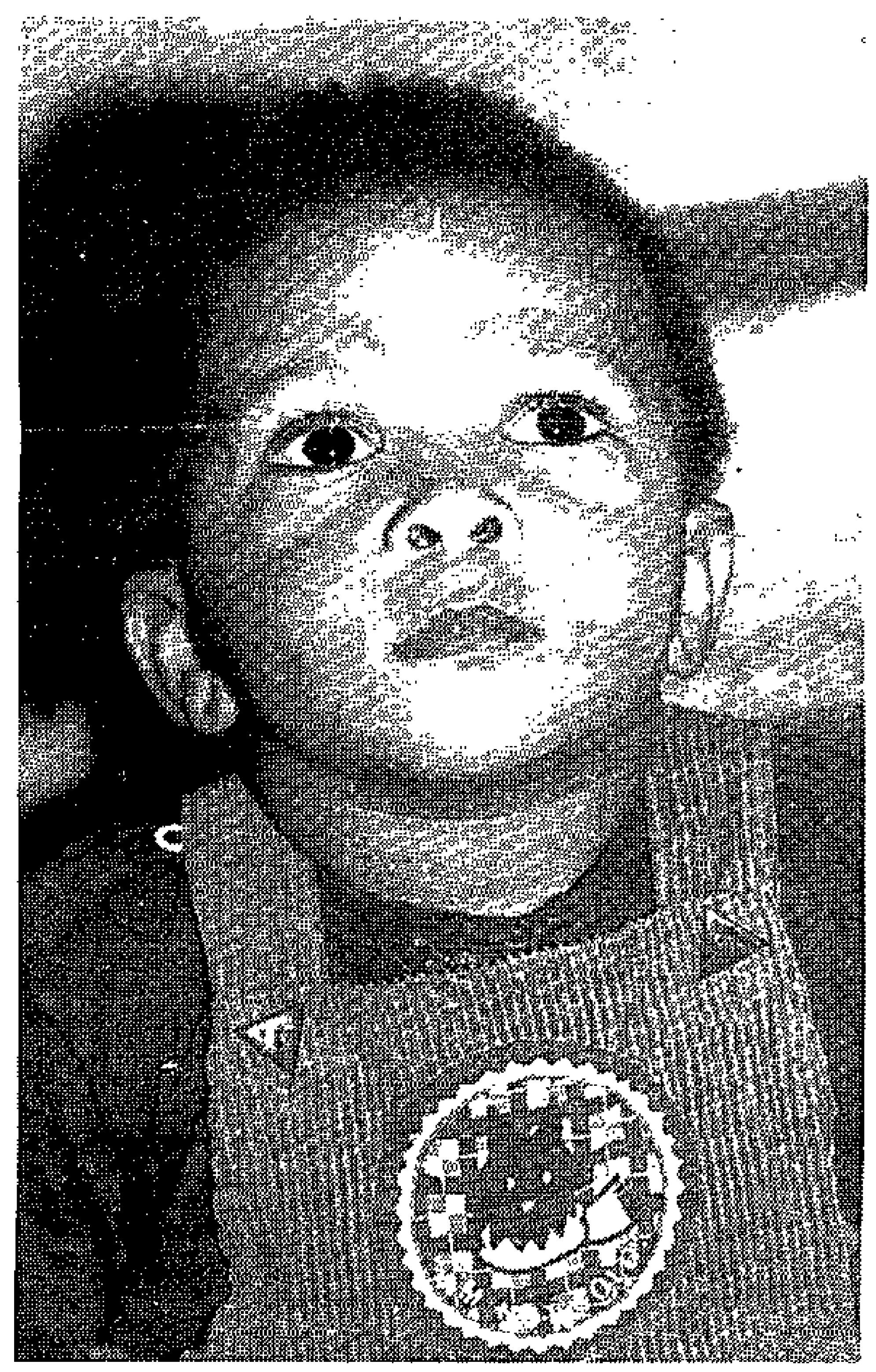
He said the townships lay outside the jurisdiction of his department.

By the time of going to press, Ikapa Town Council officials and the CPA had not responded to requests for comment.

Special report by ANDILE XAYIYA

Snarl-up. Typical road scene near Guguletu's terminus

Dead. Brothers Lazola (above) and Zolani (below)



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 humps should be introduced to limit the number of accidents.

Miss Siphokazi Skade, 27, and Mr Tomi Mafenuka, 29, both agreed that pedestrian crossings and traffic lights should be installed, particularly in NY1.

"We should have all the services that are present in Cape Town itself. Only with regular patrolling will motorists accept that they have to drive safely," said Mafenuka.

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 Moyake, 43, of Langa, said a meeting between motorists and residents should be convened to discuss the problem.

Mr David Mrhatyuli, 53, 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.

Moyake

Mrhatyuli

James

Dealing with fear of future

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. In a paper entitled "The Role of Whites in a Changing Society", presented at a recent Lusaka conference, Five Freedoms Forum chairperson MIKE OLIVIER, left, 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:

IF we look at the South Africa of June 30 1989, we see an immense amount of confusion, a fair degree of madness and a small dollup of sanity.

The president-to-be, F W de Klerk, has been flying around Europe desperately trying to persuade governments that he has something real to offer in the way of fundamental change.

And he knows very well that if he does not deliver the goods, and soon, his government, and the country as a whole, will face renewed and perhaps unprecedented international pressure.

If we remember that only 18 months ago his government's ambassador to the United Nations, Les Manley, told the world to "do its damnest", we can appreciate how fast things are changing.

As Frederick van Zyl Slabbert points out, the government has shifted its approach from a multi-nation, partitioned structure to one of rhetoric about a one-nation, integrated state.

The impact of this group-oriented and racially-based, co-optive approach needs to be assessed, particularly as the entire machinery of the government has for 40 years been geared towards the achievement of the partitioned multi-nation state.

I believe that the mass of inconsistencies in government policy and practice will evolve into an ever-growing mess as the ideological base of apartheid continues to fall apart.

Obstruct

Back home FW faces different pressures. On the one hand, he faces a rightwing outside and inside of his own party, which is doing everything in its power to resist and obstruct fundamental change.

The 41 years of apartheid rule are starting to repeat on the National Party. The indigestion is severe!

They are finding that effective breath fresheners are hard to come by once halitosis sets in. A large section of the white electorate, conditioned by fears created by the government itself, are finding it extraordinarily difficult to accept the inevitable.

This is how the NP comes to the schizophrenic position where, on the one hand, their more realistic thinkers know full well that the day is coming when they will have to speak and negotiate with the ANC, and on the other, they feel obliged to fight the election on an "ANC-gevaar" platform.

It is naive to think that the negotiation of a new future for South Africa will be a simple coming together of two or so parties around a table. The process is immensely complicated.

Complicating

In this light it is interesting to think of the various government "reforms" as retreats from previously held "non-negotiable" positions.

One of the complicating factors in this whole area is that the government has not defined its "bottom line".

Other than assuming that it does not want to give up its position of power, no attempt has ever been made to define its goal honestly.

In most whites there is a very real level of fear of the future which involves a fear of the black community. This is an almost inevitable legacy of four decades of apartheid, three centuries of separation and a very good propaganda programme of media control.

Sometimes this fear is subliminal, but increasingly it is coming out into the open. At its most extreme it is represented by monsters like Barend Strydom.

What we have found through our experience in Five Freedoms Forum (FFF), and there are many others here with similar stories to tell, is that certain kinds of political action have the effect of reducing this level of fear.

By creating nonracial experiences in a way that is neither threatening nor patronising, we have found that in a relatively short period of time white fears start to evaporate. We do understand, however, that politics is about power and that it is not enough to create comfortable nonracial environments.

These need to be combined with a variety of pressures for change.

One reality of white conditioning is that the vast majority of whites overtly or tacitly support violence by the state in one form or another.

Most support the state of emergency, are relatively uncritical of SADF actions and give very little thought to security force atrocities.

In fact, whites have consistently voted to retain present privilege rather than focus on longer-term enlightened self-interest.

At the same time only a very small proportion of the white community would be prepared to consider that the decision by the ANC to take up arms had any legitimacy.

Armed attacks on civilian targets such as Wimpy Bars and shopping centres serve to bolster such views and to reduce support for negotiated settlements. The same could be said of "necklace" attacks.

The response of the white community to pressure from the black community is diverse. Sections of the white community are goaded into action whenever the townships are ignited.

For example, during the 1984-1986 "unrest", an important section of the business community started taking anti-apartheid initiatives. Some went to visit the ANC; others became more high profile in imploring the government to change.

The economy is perhaps the second major factor affecting white attitudes. Whites seek to preserve their way of life and the support for this lies in their stake in, and dependance on, the state of the economy.

The close interrelation with demographics and economics has a situation where in many respects apartheid has become unworkable.

South Africa's population, including the so-called "independent homelands", is conservatively estimated at around 40 million today. Of this, five million are white.

The black population is growing very rapidly. At the moment whites represent 12 to 13 percent of the total population. It won't be too long before they comprise less than 10 percent.

The white community is therefore simply not large enough to provide for the skilled and professional labour needs of the economy.

Conversely, the black living areas are simply not large enough to house the growing black population.

These kinds of factors, combined with the more direct political pressures, have led to the phasing out of job reservation and influx control and have signed the death warrants of the Group Areas and Separate Amenities Acts.

Labour unions have brought considerable political pressure to bear on business and its white management both around the negotiating table and on the shop floor.

The other side of the coin for the white community, however, is the fear factor.

The combination of negative growth rates in real terms, increased government spending on such non-productive areas as defence and apartheid machinery, as well as privatisation and changed political priorities, have all contributed to a situation where the government can no longer afford to guarantee whites an economically secure future.

Henchman

Another very important force affecting white attitudes is the changing international and sub-continental scenario.

At its most basic level, the emerging bilateralism between the Soviet Union and the Western powers with regard to Southern Africa has denied the government the convenient bogeyman of the "Red under the Bed and the Bear on the Border".

Now, suddenly, Pik Botha is sharing a jet cockpit with Russians and Cubans, who in turn are paying their respects to President Botha in Tuynhuis.

And there have been whispers that some of Botha's erstwhile henchmen have been whispering to the ANC in such exotic surroundings as Bermuda. It is all very confusing.

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

Exactly what effect on white attitudes the release of Mandela and the end to the emergency may have, I am not sure, but I suspect that both the CP and the DP will benefit. There is no doubt that the overall effect on South Africa will be immense.

The same can be said about the situation in Namibia. Like everything else in the subcontinent, it pulls in different directions. On the one hand, the likelihood of a Swapo election victory in November will enhance the fears of majority rule for many whites.

Shortage

On the other hand, thousands of South African troops will be back home. This will both open the temptation for a greater SADF presence in the townships, and will strengthen pressures for further reduction in military service, as well as for a viable system of alternative service.

Already the skills shortage exacerbated by the high level of emigration of conscripted professions, has led to groups like the Human Sciences Research Council calling for changes in this regard. We can expect this to become even more of an issue in the future.

If anything is clear from all this, it is that we are living in extremely interesting and volatile times.

For those of us working in the white community, they will require extraordinary depths of imagination, creativity and courage to make the best of them.

If our aim is to end apartheid and to build nonracialism, then it is as well to have a good understanding of those forces working in the opposite direction, to uphold, strengthen or remodel apartheid.

The National Security Management System was constructed as a means of managing this programme. Headed by the State Security Council, which came to dominate the cabinet, it devolved down to 11 regional Joint Management Centres and about 350 mini-JMC's in each town and village.

The political philosophy which underpinned this system was one which held that the majority of people were not particularly concerned about national level political issues, but were primarily interested in bread-and-butter matters.

Where problems existed, these could be exploited by a revolutionary minority. The solution was therefore to eliminate the revolutionaries and upgrade the "oilspots".

The mini JMC's were the eyes and the ears that made the appropriate recommendations. The country came to be governed by an extra-parliamentary structure.

The one side of this was the detention of over 30 000 activists, the emergence of vigilante groups and death squads, the restriction of the press and banning of over 30 organisations. The other side was the attempts to upgrade "oilspots" like Alexandra and Bonteheuwel.

Mandela

Over the past six months, both sides of this equation have run into severe troubles. On the one hand, the finances are simply not available to do the kind of upgrading that will win any lasting support.

On the other hand, the government had to give in to the hunger strike, release detainees and relax the implementation of the press restrictions, due to a combination of local and international pressures.

It goes without saying that the release of Mandela and the end to the state of emergency will be anathema to those favouring the "counter insurgency" solutions.

The inability of the SADF to "win" the war in Angola, the demise of PW Botha and the fact that FW de Klerk's background is not based in the security forces or the police like Vorster or the military like Botha, has also reduced the dominance of the "securocrats" and has therefore opened the way for a greater role for parliament and the NP.

But the NP itself faces a crisis that it has no way of getting out of. They are finding it more and more difficult to appease an increasingly demanding international community, satisfy the simmering anger of the black majority and placate an increasingly suspicious white electorate.

The result has been that they have been pulling in conflicting directions with little sense of coherence and no sense of vision.

And their cause is not helped by frequent revelations of corruption within the NP and within the bureaucracy.

It is likely that they will come through September's election with a significantly reduced majority, after which FW de Klerk's honeymoon will definitely be over.

One result of the reforms that have taken place has been the parting of the ways between the NP and many in the bureaucracy and the security forces, as the NP has left the rightwing behind.

Within both the police and at least the lower ranks of army, there is strong support for the CP, and in some cases the AWB.

So far the government has made little serious attempt to stop it.

There is no doubt in my mind that one effect of a free Mandela and a terminated state of emergency will be the enhancing of this tendency, because it will deepen suspicions that the government has gone "soft".

Similarly, the government's moves towards privatisation and its tentative moves to trim the bureaucracy have led to a strengthening of the CP within the civil service.

In general, however, it appears there are real limits to the growth potential of the far right.

While it is too early to write them off as a real threat, demographics and economics make it impossible to turn back the clock.

A few of the more honest of their number have realised this and are turning towards the idea of a "modest-sized Volkstaat".

But abandoning the country's wealth for a life of purity and whiteness is hardly likely to attract more than a small minority of zealots.

My fear, though, is that they will become more frustrated and more violent as a result. I think we can expect to see more of the assassination squads and the "Barend Strydoms" in the future.

In the final analysis, it is the very reliance on an awe of authoritarianism that is undermining the structures of the state.

The weaknesses of autocracy and the authority figures that evolve as its leaders is that they are forced to take on more than they can handle. They cannot question and change.

Democracy is foreign to their upbringing. So as the forces of economics, demographics and internal and external social and political pressure mount and grow more complex, the foundations begin to crumble.

Vibrant

This is most obvious at local city level, and it is here that the greatest opportunities lie for those of us who want to build a nonracial democratic society.

For it at the local level that people can take control of the situations affecting their own lives and where the opportunities for alliances between local organisations exist.

On the other side of the white fence is the existence of what I see as an increasingly vibrant anti-apartheid, pro-nonracialism opposition in the white community.

Aside from a few problems, I am encouraged by the performance of the DP so far. Its formation allows for a powerful pro-nonracial force within the white community which can go way beyond the sum of its original three constituent parts.

At least within the House of Assembly, I think it has a very important role to play in a variety of ways.

The general view in my organisation is that there is a strong parliamentary tradition within the white community, and that in a real way parliament is representative of the majority of the white electorate.

It therefore makes little sense to us to campaign for a boycott of the white elections and a lot of sense to seek to strengthen the DP. One of the hopeful signs is the party's commitment to liaising with extra-parliamentary groups.

There are definite actions that members of parliament can undertake to the process of transformation in South Africa.

Our role is to ensure that those in parliament who strive for goals similar to our own are encouraged to use the space that parliament allows them.

It would be very sad if this issue led to a reopening of the divide between the white parliamentary anti-apartheid opposition and extra-parliamentray groups.

Within the white community the days of extra-parliamentary opposition being confined to Nusas, Black Sash and a handful of white trade unionists is long since over.

Police appeal to senior citizens

300

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. Star 13/7/89

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) 33-9709.

GOVERNMENT PENSION FUND

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 Carel 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. ■

14/7/89. Finweek

300

The (big) bucks stop here

Star 15/7/89

Foreign politicians are poor relations

300

BRUCE CAMERON

CAPE TOWN — The Government, stung by the exposure of what is possibly the most generous pension scheme in the world for ex-politicians and particularly for former Cabinet Ministers, has made a vain effort to justify the massive expenditure.

The Bureau for Information started checking around with local embassies after strong public reaction to press exposure this year of the extent of the pension scheme.

The scheme has seen Ministers such as Mr Chris Heunis receive a golden handshake of almost R500 000, with a further R13 000 a month.

And even more anger was generated by the announcement last week that social pensioners would receive a once-off R60 "bonus".

Black pensioners receive R150 a month, coloured and Indian pensioners R200 a month and white pensioners R251 a month.

Director-General of the Bureau for Information Mr Dave Steward confirmed the bureau attempted to compare the pension scheme with those for politicians of other countries.

He claimed the information was not readily available. He also denied the probe was being conducted on Government instructions, saying it had been requested by a newspaper which he declined to name.

However, embassies here readily supplied the information which showed that, compared with the most affluent countries in the world, it is far more profitable to be a politician in South Africa.

How to qualify

In South Africa, ordinary MPs have to wait for 7.5 years to qualify for a pension and for only five years as an office bearer. And most Nat MPs are some sort of office bearer: Minister, deputy minister, committee chairman or whip.

After qualifying, South African politicians receive a pension based on a proportion of 15. For 10 years' service they receive ten-fifteenths of the salary and any allowance they were earning on retirement.

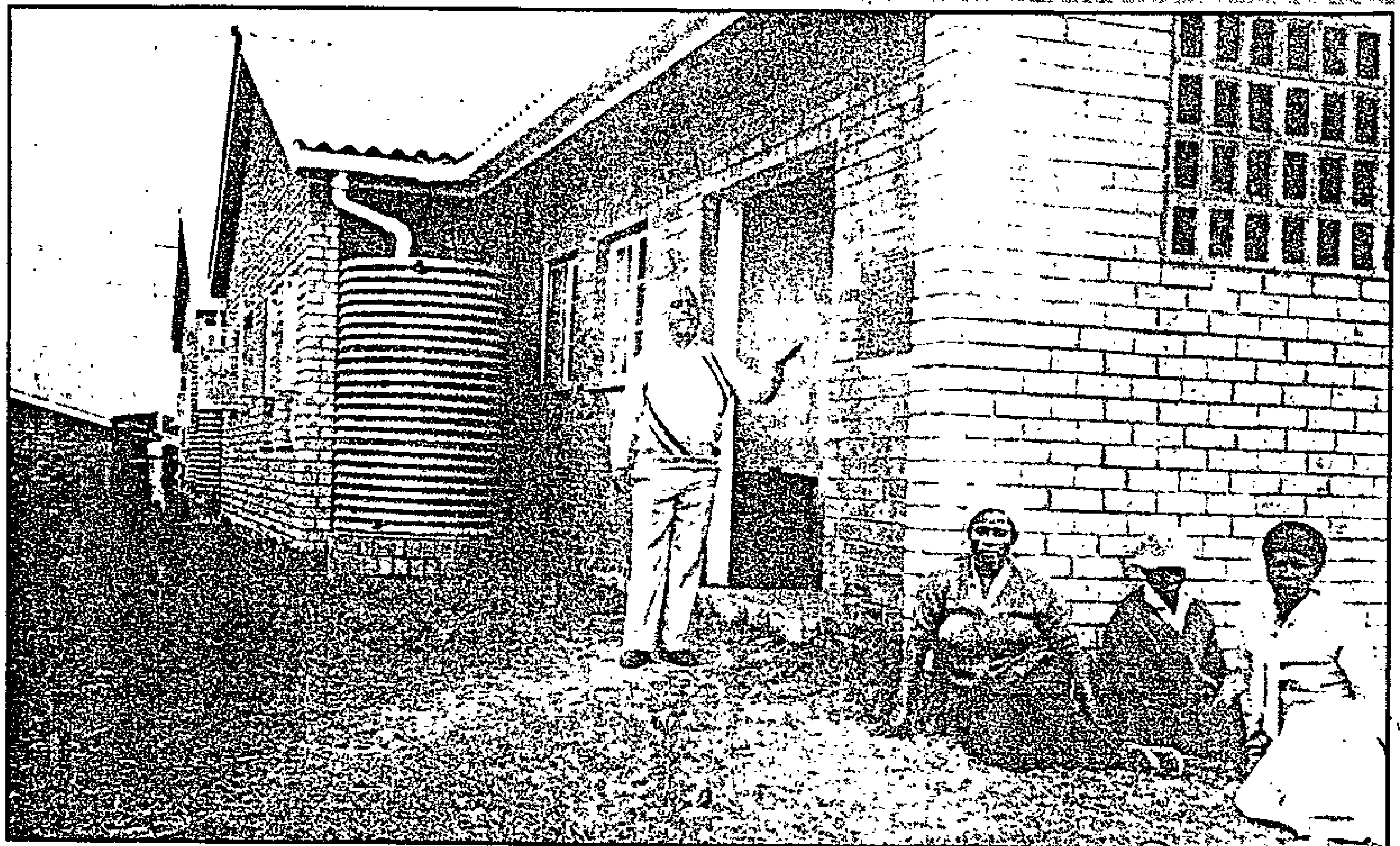
The maximum is fifteen-fifteenths, except for the gratuity. This is also worked out as a proportion of 15, but up to 20 years' service are included. The amount is then doubled.

So an MP retiring after 16 years would receive a pension equal to his current salary and allowance of about R75 000 a year, with a R160 000 gratuity.

For this they contribute seven percent of their income for 12 years — with the taxpayer having to foot the bill for the enormous outstanding amount.

Against this, the pension of British MPs is based on proportion of 50: they have to do 50 years' service for a full pension. No additional gratuity is attached but they can commute a portion of their pension.

The Americans work differently. Retiring members can start collecting a pension at the age of 50 after 20 years of service, or at 60 after only 10 years' service. For each year of service the member receives 2,5 percent of his annual salary, with the maximum benefit being 80 percent of the annual salary.



LOCAL HERO: Rev Robert Magagane Hlongwa at the clinic his efforts made possible.

Star 15/7/89

Clinic, creche result from one-man mission of hope

A MAN is stabbed and lies writhing in pain, bleeding profusely, but he is not taken to hospital because the nearest one is King Edward VIII hospital in Durban 50 km away and there is no transport.

The next day he is bundled into a wheelbarrow and wheeled for about 5 km to Illovo, Natal South Coast, where there are telephones.

An ambulance is called and he is taken to hospital but he dies shortly after arrival. Doctors say that his life could have been saved had he been taken to hospital immediately.

That happened almost 19 years ago at a black reserve of Nkwali, near Illovo, and the waste of a life was too much for the Rev Robert Magagane Hlongwa who thought something must be done.

Mr Hlongwa of the Free Pentecostal Mission Church launched a one-man fund-raising campaign to build a "badly needed" clinic in the area. The campaign saw Mr Hlongwa moving, cap in hand, from one factory to another in Durban asking for money.

As chairman of the Thuthukani Nkwali Child and Family Welfare Mr Hlongwa had the backing of his committee but the exercise rested on his shoulders:

"It was tough doing that then and initially I managed to raise very little.

One of Natal's unsung heroes is a modest 50-year-old black man who has almost single-handedly mounted a fund-raising campaign for 19 years in an effort to better the life of his people at Nkwali, near Illovo on the Natal south coast. This is what started it all.

What made the campaign even more difficult for Mr Hlongwa is that he did not believe in writing letters to ask for money but thought it was better to call personally at a factory or a prospective donor.

That belief led Mr Hlongwa in 1986 into the house of mining magnate Mr Harry Oppenheimer in La Lucia, Natal, where he was treated "warmly".

"I told Mr Oppenheimer the purpose of my mission. He did not give me money then but promised me he would refer the matter to his committee," Mr Hlongwa said.

A friendship was struck between the two men who began to write to each other regularly.

Not long afterwards, Mr Hlongwa received a letter from Anglo American saying they had decided to contribute towards the building of the clinic.

It was opened on May 6 1987. Well-equipped and with a sister in charge, the clinic sees about 100 patients a week.

After the clinic was finished, Mr Hongwa did not sit back to admire the results of his efforts but continued to make his trips to Durban daily to raise more funds.

The result was that a creche was completed last August. It has three classrooms and accommodates 100 children but it has actually only 18. The reason is that there is not enough money to run the creche and no transport to ferry the children to and from the creche.

And Mr Hlongwa is still not finished. His next project is a comprehensive high school.

A site has alredy been allocated and the school will have an enrolment of 1 000 pupils by 1995. A project appraisal has been done and the kwaZulu government has promised to supply the necessary staff and operating funds "provided the community requests Government school classification".

Anglo American, through the Anglo American and De Beers Chairman's Fund, has agreed to make available a grant of R24 500 "for the preparation of a concept and development plan" for the school.

300

New deal for the old timers

By Udo Rypstra

NEW rules for retirement villages are expected to start a shake-out among developers and give more protection to pensioners.

Several developers have stopped advertising since the promulgation on June 30 of regulations under the Housing Development Schemes for Retired Persons Act.

Local Government, Housing and Works Minister Amie Venter and Economic Affairs Deputy Minister Theo Alant say some people suffered large losses after investing in certain schemes.

Under the new regulations, developers have to disclose certain minimum information about their schemes in advertisements. Some developers' documents must also be available for inspection by the buyer. If the unit is not completed at the time of purchase, the money must be kept in trust at a financial institution.

University of Port Elizabeth professor of mercantile law Henk Delport analyses the Act in Juta's SA Property Journal.

Carl Scheppening ... big is best for village pensioners

He writes: "The Act will go a long way to protect buyers of housing interests in development schemes. The legislation obliges a developer to disclose fundamentally important aspects of the scheme to prospective purchasers (if they are retired persons). However, the legislation does not guarantee that a buyer may not experience problems with his purchase at a later stage."

STRICTER VILLAGE CONTROLS

He suggests that those who do not understand the legislation or the implications of the disclosures made to them should obtain professional advice.

South Africa's largest RV developer, The Board of Executors (BoE), which has launched a R50-million village in Tyger Valley, Bellville, says the market is now much the domain of large corporations. They can pool their resources and hold out until their sales allow them to break even or show a profit.

Managing director Carl Scheppening says: "The future will hold tighter legislation which will scare off the dubious element which was anxious for easy pickings.

"But there will always be room for the small, ethical devloper who has a well-thought-out scheme on prime land."

Big developers who followed BoE in the market include LTA, Basil Read, Clifford Harris, Lonrho and Sanlam.

Mr Scheppening expects other large financial institutions to enter the market and to bring a more uniform management system supported by financial experience.

BoE, which administers R1,5-billion of assets including 10 other retirement villages, develops in partnership with conglomerates. Its Knysna Belvidere Park, for instance, is being built together with Clifford Harris, construction arm of the Basil Reed group.

In Randburg it is marketing Sunrise Estate, which is being developed by Lohnro civil engineering company Matrix.

Matrix used to concentrate on commercial and industrial buildings.

BoE has underwritten the Tyger Valley project — Tamarisk — with Grinaker, Anglovaal and First National Bank. Grinaker subsidiary Condecor is constructing the project on 8ha of prime land where three old quarries have been filled with water to make dams. The surrounds are being turned into a bird sanctuary.

Mr Scheppening says the trend is for large villages because they are less expensive. Because of economies of scale, they can provide more leisure and medical facilities than a smaller complex.

"It stands to reason that a village supporting 300 homes can afford bigger and better and more swimming pools, club houses, restaurants and sick bays. The cost is divided proportionately amongst a large group of owners."

BoE, like other large developers abroad, believes that responsibility does not end when the sales contract is signed. It offers administrative and financial management support to ensure that the development does not run into financial difficulties.

Older people, he says, are unable to fight financial battles with developers and should buy from blue-chip companies with a good reputation and much experience.

Old age home talks

(300)

Sowetan 18/7/89

THE Soweto Care of the Aged organisation will hold its annual general meeting on August 31.

The Reverend Bangisizwe 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

(300) Sowetan 18/7/89.

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 or 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" UOFS donors' newspaper, 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 citiznes

SOWETAN Reporter

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 UOFS 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

B/Day 19/7/89

300

ALAN FINE

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 19-day-old disinvestment strike 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 Neethling 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 Hartford said.

The company has suggested the immediate payout to employees of double their

☐ To Page 2

Goodyear

B/Day 19/7/89

300

☐ From Page 1

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 1985, had available.

Hartford 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.

Millions in pensions and gratuities awaiting SA's top politicians

ROBERT GREIG

THE retirement of present MPs, Ministers and members of the President's Council will cost taxpayers and their children between R575m and R1bn, says Andreas Wassenaar.

This assumes an annual 10% to 15% increase in salaries and pensions.

The former Sanlam chief comments in his new book Squandered Assets that the pension scheme of Ministers and MPs is hedged against inflation "to perfection" at the expense of future taxpayers.

He writes: "Their entrenchment is so effective that they have no personal interest in the campaign against inflation. If anything, they stand to benefit from rising rates of inflation.

"The super attraction of a political career is undoubtedly to get entry into a profession where you fix your own salary, where you decide on how much of it will be taxable and where you decide on your annual increases in salaries and pensions."

Wassenaar estimates on average it will cost taxpayers R5m every time a Minister retires. Thirty-five officials are categorised as Ministers for pension purposes.

The annual cost of providing a Minister's pension, assuming no inflation and present salary scales, is between R188 000 and R330 000. This is on top of his R157 000 annual salary.

Assuming a 15% increase in salaries and pensions, Wassenaar says the annual amount which would have to be set aside in a fund to pay a Minister's pension would be between R377 000 and R690 000, depending on his age of entry to Parliament. This figure excludes salary and allowances.

A person who entered Parliament two years ago aged 40, who became a Minister and will retire in 1999, will get pension benefits costing the taxpayer R9,9m — assuming annual 10% salary and pension growth.

B|Day 20|7|89

Calculations based on Wassenaar's figures would indicate that:

☐ An MP elected in 1989 can retire in 15 years' time with a pension of R671 139 and a tax-free gratuity of R2m, assuming an 15% increase in salaries and pensions.

His annual contribution to the pension would be 7%, totalling R169 251, while taxpayers would have contributed the remaining 93% — or R2,65m.

☐ A Minister appointed after the September 1989 election would come in on a taxed salary of R120 500 and tax-free allowance of R36 600. After 12 years, he could retire with a pension worth R1,4m and a tax-free gratuity of R4,2m, again assuming an annual 15% salaries and pension increase.

Wassenaar believes there is a case for saying that MPs, being part-time employees, should not receive a pension at all — "the norm in the private sector".

☐ Wassenaar's estimate of costs to taxpayers excludes retirement costs of functionaries of six "self-governing states", two of whose assemblies have already passed pensions legislation duplicating the SA pensions scheme.

300

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. 300

"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 Weltevreden 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[illegible] 3867.

Star 21/7/89

vey July 2, 1989

(300)

Tax anomaly causes fears of backlash

S/Times 2/7/89

A SERIOUS tax anomaly between pension and provident funds has arisen as a result of the abolition of prescribed assets and the amended taxation 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 50% 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 a tough stand which we hope will not reach a point where they are moved to encourage 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

CAPE TIMES 21/7/89

Own Correspondent

JOHANNESBURG. — The deficit in the South African Transport Services pension funds, estimated at R6 billion, is a huge stumbling block in the way of privatising the corporation, experts say.

The R6 billion figure is the estimate of former Sanlam chairman Mr Andreas Wassenaar. Industry estimates vary, but most put the actuarial shortfall of 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 Eli Louw would make the information available at his convenience.

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

(1) Presentation (2) Cartoons

Presentation

Shortfall in funds could top R5bn

300

Sats pension deficit 'bar to privatisation'

B/Day 21/11/89

GRETA STEYN

THE deficit in the Sats pension funds, estimated at R6bn, is a huge stumbling block in the way of privatising the corporation, experts say.

Former Sanlam chairman Andreas Wassenaar puts the figure at R6bn. Industry estimates vary, but most put the actuarial shortfall of assets to liabilities in the Sats funds as high as R5bn.

Sats has yet to disclose the official figure and a spokesman said Transport Minister Eli 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 Huyssteen 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 Huyssteen.

The last actuarial valuation of the Sats funds was disclosed on March 31 1979, when there was a total deficit of R3,5bn. Wassenaar believes this could now "conceivably" be as much as R6bn — 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 step 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-gilts 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 R40m a month to invest. The assets of the Sats funds were about R3bn at the end of the 1987/88 financial year and have since grown by at least a few hundred million rands.

A fund that is over-invested in gilts, 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

(300)

Star 22/7/89

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

JABULANI SIKHAKHANE

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 succesful 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 person 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.

FORGET THE ACHES, THERE'S A JOB TO BE DONE!

RARING TO GO ... Roland Rudd, Nell Goddard and Hettie Rudd collect their tools and go to work (300)

Picture: TERRY SHEAN

By JANICE HILLIER

ARMED with spades, hammers and handmade tools, an enthusiastic group of elderly people is determined to transform an old, derelict house into a community centre.

Desperately in need of a venue for their growing community group, the Stilbaai old folk decided to raise funds and renovate the building on their own.

Dilapidated

And, as a bonus, the 100-year-old building will be declared a national monument when they have finished their work.

The chairman of the building committee, Mrs Anthia Rossouw, told the Sunday Times this week the community group started up two years ago with 35 members.

She said Stilbaai only had one hall to accommodate all its organisations and societies, and this was being renovated.

"With the membership growing — presently standing at 153 — and no suitable buildings available, the municipality suggested the old rundown Jagersbos building as a venue for the old folk.

"To repair the dilapidated stone building would have cost at least R100 000."

But the lack of funds did not deter the community group.

"They decided not only that they would raise funds, but that they could also renovate the building themselves. They immediately formed a building committee," Mrs Roussouw said.

Smiling

"Each member helped to raise money for the first load of building materials by knitting jerseys, selling cakes and holding concerts."

Their "building manager", Mr Roland Rudd, a semi-retired engineer, was able to draw on the knowledge of members who had been experts in the electrical, woodwork and building fields, as well as on the knowledge of an elderly man who knew all about thatching for the roof.

Said Mr Rudd: "Some special tools even had to be made by hand and used by the elderly group to attend to some of the problems."

"The building project has definitely given all the elderly a new lease on life. They are smiling again, feeling involved and part of something and have established new friends," said Mrs Roussouw.

"News of our venture has spread fast and so far I have had inquiries from other elderly people in different parts of the country about the project."

August 15 will be a big day for the community group as, not only will they be celebrating their second "birthday" as a group, they will also be having a roof wetting party.

S I Times 23/7/89

Services

On completion, the community centre will offer a variety of services to the elderly, such as reflexology, therapeutic services, adult work classes, a trim gym, bible studies, a library and a hairdressing service.

The centre will also offer a meals venue for the retired people in Stilbaai.

First hints of pension action

(300)

St Times 23/7/89

By Robyn Chalmers

EYES in the pensions industry are focused on the Mouton Committee, which is looking into a new retirement dispensation.

Reports on initial findings are emerging.

The committee was formed in February last year on the recommendation of the Meiring Commission on pensions.

Its brief is to produce guidelines for a new set-up in retirement provision for all people in South Africa, together with details for its implementation.

Short-term priorities for the committee included problems with pension payments, the means test, voluntary preservation and transferability, unemployment benefits and increased benefits.

Fedlife managing director Arnold Basserabie, a member of the 21-strong committee, indicated at a conference of industrial councils that several issues were being considered and addressed in the longer term.

Bearing in mind that more than 50% of all South Africans live in households with a total monthly income of less than R600, it seems that more than half of the population will have to rely on the State for retirement provision.

Mr Basserabie said affordability was an important aspect as far as contributions by the State, employers, employees and individuals were concerned.

This was especially so when one considered that in 1986, tax incentives-concessions in connection with retirement provision amounted to about R4-billion — or 18% of total State income.

Mr Basserabie said: "Retirement needs have to be assessed — should assistance merely provide for basic sustenance needs or should it encompass all conceivable needs of the elderly?

"In addition, the balance between public and private sector input is vital. At one extreme there is the belief that sole responsibility for retirement provision rests with the State, and at the other State assistance is seen as merely being supplementary to existing insurance schemes, as a privilege, and not a right."

He said the Mouton Committee was taking the stance that a careful and strategic balance between these two opposites was the only true reflection of reality.

At this stage, it seemed likely that the emphasis would be on the public sector's establishing the legislative framework for a system that would be implemented by the private sector.

The committee also recognised the impact that lifetime financial needs had on retirement provision. They included disability, death, housing needs and unemployment.

"Flexibility and simplicity are of the essence. The system must also be acceptable to all South Africans."

Mr Basserabie indicated that the committee was still in the early stages of investigation and planning. It would constantly test its goals and plans with all interested parties, and change them if necessary.

"The recommended new dispensation will need to slot smoothly into the broad social assistance system. Simplicity in both understanding and administration is a keynote."

State pension funds sound, says govt

CAPE TIMES 24/7/89

300

By BARRY STREEK
Political Staff

THE state pension schemes were not in any trouble and they were actuarily in a sound position, National Health Minister Dr Willie 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 actuarily bankrupt and called for the appointment of a commission, possibly headed by Dr Andreas Wassenaar, 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 R45 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".

(Report by Barry Streek, 122 St George's Street, Cape Town).

● DP lashes at criticism by "closet Nats" — Page 7

CPA gives answers on non-payment of grants

CML Times 25/7/89

300

Staff Reporter

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 Zwelethemba where pensions and disability and maintenance grants were stopped.

Ms Vuyiswa Agnes 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 Nodlunyeuana 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 packages that can benefit all

300

B/Day 26/7/84

Retirement benefit packages are increasingly being negotiated with employers and unions. The private sector needs freedom to implement innovative deals, says GERHARD VAN NIEKERK, GM of Old Mutual's employee benefits division

GONE are the days of annual "wage talks". In today's environment, every aspect of the contractual relationship between employers and employees is under the spotlight.

Actual distribution of income — and retirement benefits — is no longer a question of paternalistic handouts or unrealistic demands backed by threats, but increasingly a matter of all-inclusive negotiation.

The traditional perception of "them" and "us" ("bosses" and "workers") is slowly being replaced by a realisation that all parties involved are equally important for the creation of wealth.

Employees generally, not only low-income industrialised workers, are beginning to question traditional benefit structures, realising that their voice can effect meaningful change.

In short, it is being realised that simple choices between instruments such as pension and provident funds are completely insufficient. The emphasis must be on human needs and the solutions must be restricted as little as possible by statutory regulations.

The only way in which the different needs of our diverse population can be satisfied is if the private sector is allowed to implement the results of negotiated arrangements. The private sector is well developed and has the necessary infrastructure and expert knowledge. The state alone cannot achieve what is required.

There are basically two ways of formally providing for a population's retirement needs. The first is money transferred from the working to the retired population through taxation.

The second involves deferred individual consumption, involving voluntary individual savings or negotiated savings arrangements between employers, employees and sometimes the state.

The first system is fundamental to almost all state-controlled systems. For it to work, there are three important prerequisites:

☐ A stable demographic pattern. In other words, no meaningful change must take place in the ratio between older persons and the working generation over a period of about 50 years;

☐ The present generation must be willing to finance the older generation; and

☐ The present working generation must reasonably expect that the next generation of workers will have the same attitudes.

For success, the second system — based on deferred consumption — requires that:

☐ It is economically profitable for an individual to limit his consumption — to save now to benefit in the future. This implies real investment opportunities (interest rates) and a tax policy which encourages savings; and

☐ Individual income must be above a minimum threshold for participation. Someone living on the breadline cannot save for the future unless aided by his employer.

The first system implies sufficient resources and political powers of persuasion to pay universal benefits to all pensioners. In SA, this is difficult to visualise.

My view is that deferred consumption is the only way in which our population can hope to achieve additional retirement security in the medium to long term.

However, given the composition and financial position of our population it will be difficult to go beyond the present philosophy of state pensions for the really needy only. A long-term macro-strategy to provide for retirement can be summarised as follows:

☐ Create the necessary climate for the unemployed to be absorbed by the informal sector;

☐ Create opportunities for people in the informal sector to graduate to the small business sector and encourage membership of a formal retirement system; and

☐ Encourage the preservation of established employee benefits rights for those in stable, formal employment.

This long-term strategy addresses both short- and long-term objectives — in other words, survival in the short term and provision in the long term.

At the micro level the total income package of employees, especially that of union members, will increasingly be negotiated. This must be encouraged. To promote it, however, there must be as many options available as possible.

Retirement packages that can benefit all

300 BDay 26/7/84.

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ARGUS 27/7/89

300

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.

Insurance companies have been under pressure from the government for years to channel into housing some of the billions of rands 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 on a home.

Monthly contributions would then be used as bond instalments, enabling higher repayments and therefore affordability of housing.

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

"Viable model"

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 available to make houses more affordable for low-income buyers.

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

Hard to save

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.

The bulk 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 and that it provides a basis for financial security beyond a pension benefit because it is a capital asset that could be sold or rented," said Mr Beets.

JOY . . . Retired teacher Mr Esau Majokweni conducts the CPOA choir at the opening of the Guguletu Senior Centre yesterday.

The building of the centre, which is for the exclusive use of Guguletu senior citizens, was funded by the Cape Peninsula Organisation for the Aged (CPOA) to the tune of R800 000. It features a hall, several workshops and lecture rooms.

CPOA chairman Mr B S Farrel said other facilities included ablution blocks, laundries and carpentry workshops.

The centre is one of the first of its kind in the country.

In his opening speech the chief executive of the CPOA, Mr Ivan Hampshire, said he hoped the centre would improve the quality of life of the elderly in Guguletu.

About 400 elderly Guguletu residents attended the opening and were treated to Marimba music and traditional dances. The CPOA choir had people swaying in their seats.

Picture: RICHARD BELL

CAPE TIMES 27/7/89

300

Iscor's pension fund is 'flourishing'

GERALD REILLY

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. BIDay 25/7/89

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 totalling R235m were made and R55m was paid to pensioners. (300)

Fund GM J H Scheeper welcomed the drastic alteration of the prescribed investment provision of pension funds. BIDay 25/7/89

At the end of 1988 the fund had R920,27m in approved investments with a R802,6m market value.

Star 28/7/89 (300)

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 rands 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 involement

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.

Star 28/7/89 (300)

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.

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Unions give new direction to pension funds

300

JABULANI SIKHAKHANE

THE emergence of a new labour movement, more representative of the country's workforce, has brought significant changes to the retirement industry.

Unions are becoming an important direction-giving force in the retirement provision field.

This is the impression given by Old Mutual managers at a two-day conference on pension and provident funds which has just ended in Johannesburg.

Eric le Roux, Old Mutual's group marketing manager, said that prior to the early 1980s the only contact the retirement industry had with the workers was through management, which took all the decisions on behalf of the workers.

The result of increasing union participation in retirement benefits is that the employers have lost what traditionally used to be their attraction for employment.

The trend was to move retirement benefits away from the employment situation to the union environment, Mr le Roux said.

Unions have also moved retirement benefits away from the conventional pension funds into provident funds, which are more like money-purchase schemes.

At present there are more than 50 union-negotiated provident funds, the mining industry fund negotiated by the National Union of Mineworkers (NUM) and the Chamber of Mines being the latest.

Mr le Roux saw union-based funds becoming the trend.

These funds are part of the major thinking emerging within the labour movement. Star 29/7/89

Union-based funds, which are likely to become a major issue in 10 years' time, are formed as a result of the union initiative, which invites employers to participate in the scheme.

Contribution is by negotiation, as opposed to the industrial council-based funds, which are established in terms of the law.

Gerhard van Niekerk, general manager of the employee benefits division, said increasing union participation in the employee benefits schemes was regarded as a healthy development in retirement provision.

Recently benefit structures have increasingly become part of the total salary package that is negotiated between the employer and his employees.

"Historically, the employer made all these decisions and often, although not always realising it, played the roles of both employer and trustee of these benefit funds," he said.

Mr Le Roux said that the union mergers and the change in union leadership had led to employers in some cases adopting a more conservative view of the labour movement.

An employer negotiates with one leader today and the next day he is gone and a new ones comes up.

"These changes, which happen mainly in smaller unions, don't given an impression of long-term stability. This is not true of major unions such as the NUM and the National Union of Metal workers of SA."

OM pension funds outstrip inflation

Cape Times 29/7/89 300

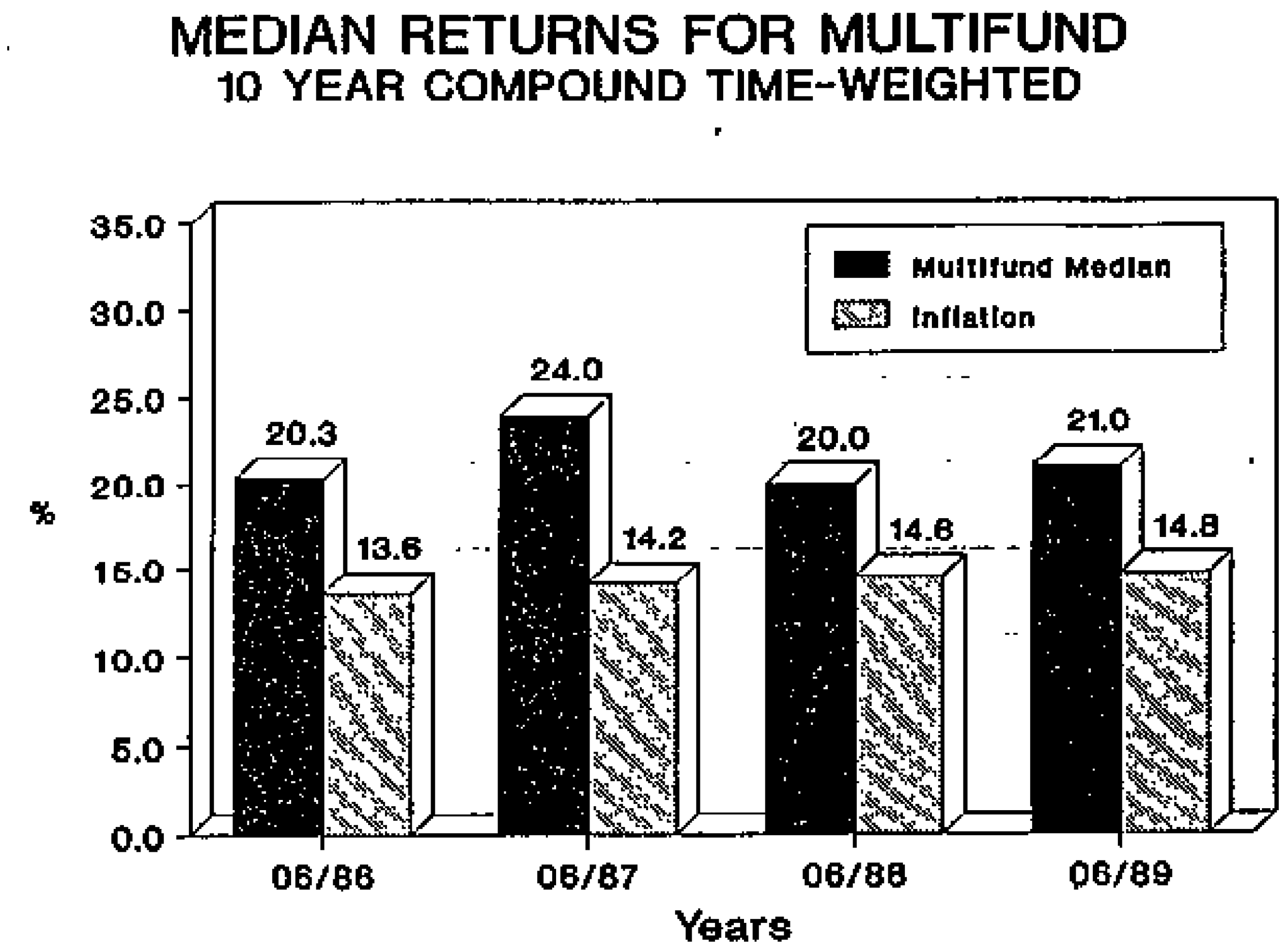
Financial Staff

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 Niekerk.

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

Van Niekerk 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.

DT 11 mos 30/7/87 300

Old Mutual prepares for post-apartheid SA

By David Carte 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:

- Should it take sides in the liberation struggle?
- How should it react to the possibility of nationalisation in Namibia, and who knows, one day in SA itself?
- Is it a rip-off that an employee leaving a pension fund receives only his or her contributions plus a lousy 2% to 3% a year?
- Are the life companies too powerful and would not privatisation make them even more powerful?

Apartheid

Although Mutual raised these questions, which it believes are bothering the public, the replies from pensions chief Gerhard van Niekerk and team were not entirely predictable or defensive.

Like Anglo American, but unlike its rival Sanlam, which keeps its 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 even to the question of a post-apartheid SA.

As a mutual, it is conscious that it belongs to its policyholders right across society.

With population and income trends running strongly in favour of the black community, Old Mutual knows it cannot serve one or two groups. Trade unions are ascendant particularly in pensions and provident fund issues, and Old Mutual is taking steps to spread its appeal to all population groups.

The group realises 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 want."

He is fatalistic on the question of nationalisation.

"We were nationalised in Zambia and several other African countries, but we still perform a valued service in other liberated countries, such as Kenya and Zimbabwe.

"If we are nationalised in Namibia or anywhere else, so be 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 institutions with their billions will inevitably be the major subscribers to privatisation 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 acknowledges that under existing practice, the stayers and the newcomers 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 he guarantees.

Mr Van Niekerk believes employers have erred in stating that they match employees' contributions. They should pay in a portion of the salary bill, so that nobody gets the idea that the employer's contribution is his or hers.

If the rules are to be changed to permit the employer'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 trade union resistance to the traditional pension fund was one of the major factors which caused the entire pensions industry to take a long, hard look at itself.

Allegations from employees about paternalism and the fact that pension benefits are structured for the First World component of SA have resulted in a big swing by black workers from pension to provident funds.

Employers have become edgy about workers receiving a lump-sum on retirement, fearing they will not have the financial acumen to invest their money wisely.

Risk

Old Mutual assistant general manager Reg Munro says that the debate on pension vs provident funds rests ultimately on one question — who carries the investment risk?

"A provident fund which carries a defined contribution is essentially a money purchase scheme where the risk is passed on to the employee. If the stock market crashes, he will lose out, but if it 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 investment manager, for example, and the investment strategy involved."

Awareness

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

Group marketing manager Eric le Roux says there is strong support for this idea among many trade unions, which are also promoting the idea of union-based funds.

Last year the Chemical Workers Industrial Union (CWIU) launched an industry-wide fund. One of the problems was that employers were reluctant to join it.

Mr Le Roux believes their concern about the CWIU fund is mainly of a structural nature, but that in general, they fear the groups involved do not have the financial expertise to succeed.

"Competition among unions is such that they must provide facilities to attract members. Industry-wide unionised funds have both advantages and disadvantages, however.

GERHARD VAN NIEKERK

"On the one hand, preservation of funds is increased, especially among the more skilled workers, as they will tend to remain in one industry even if they do job hop.

"On the other, there is nothing to compel employers to contribute to an industry fund. If they decide not to, then the worker will be the loser."

Assistant general manager Henk Beets put the spotlight on medical aid schemes, about which there has been increasing grumbling from members.

Old Mutual is aware that while people are reeling under the burden of rising costs medical aid administrators, 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 Beets' explanation is 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 increasing 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 organisations 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. Debating 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.

Better deal for job-leavers

300

S Times 30/7/89

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-lens 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 on retirement and resignation, operates on a money-purchase basis.

For every rand contributed by the employee, one is contributed by the employer.

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 thus 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 and salary on retirement for members transferring the proceeds from the money-purchase to the pension fund.

Cape Times (300)
31/7/89

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 alternative vehicle 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 meeting pension consultants on August 7 and was confident a solution would be found soon.

Satu's general secretary, Mr Martin Deysel, 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.

Cape Times 31/7/89

Jani has the AWB boss taped

Staff Reporters

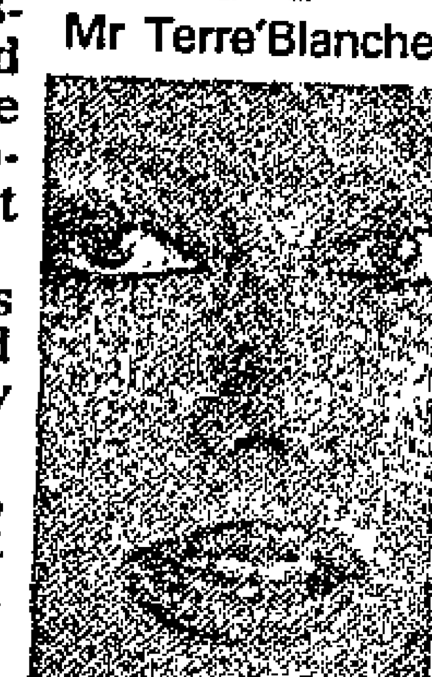
CELEBRITY columnist Ms Jani Allan is in London to escape the consequences of transcripts of telephone messages allegedly left for her by AWB leader Mr Eugene Terre'Blanche.

The messages pleading for contact — published yesterday in the Sunday Times — had been left on the answering machine in Ms Allan's Sandton flat over the past few months.

Ms Allan was sent to London by the Sunday Times last week and was quoted 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 Terre'Blanche


Ms Jani Allan

Ms Allan said in the Sunday Times that she had released the tapes because Mr Terre'Blanche had said she had so pestered him 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 relationsip alive were made in an interview published in the newspaper Rapport yesterday.

The AWB leader's wife, Mrs Martie Terre'Blanche, was quoted as warning 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 last December's Paardekraal Monument incident — which resulted in Mr Terre'Blanche's being charged with and later aquitted 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 pease 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 another article that Mr Terre'Blanche had fallen asleep in the passage outside her apartment after she had ignored his pleas to be admitted after midnight on June 26.

The report 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 for me."

PENSIONS (300) Finweek 4/8/89

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.

4/8/89 Finweek (300)

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

Star 9/8/89 - 300

Diagonal Street

SVEN LUNSCHE

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 shold 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 equity 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 actions 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

ARGUS 3/8/1977

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.

(300) Fmail 4/8/89

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.

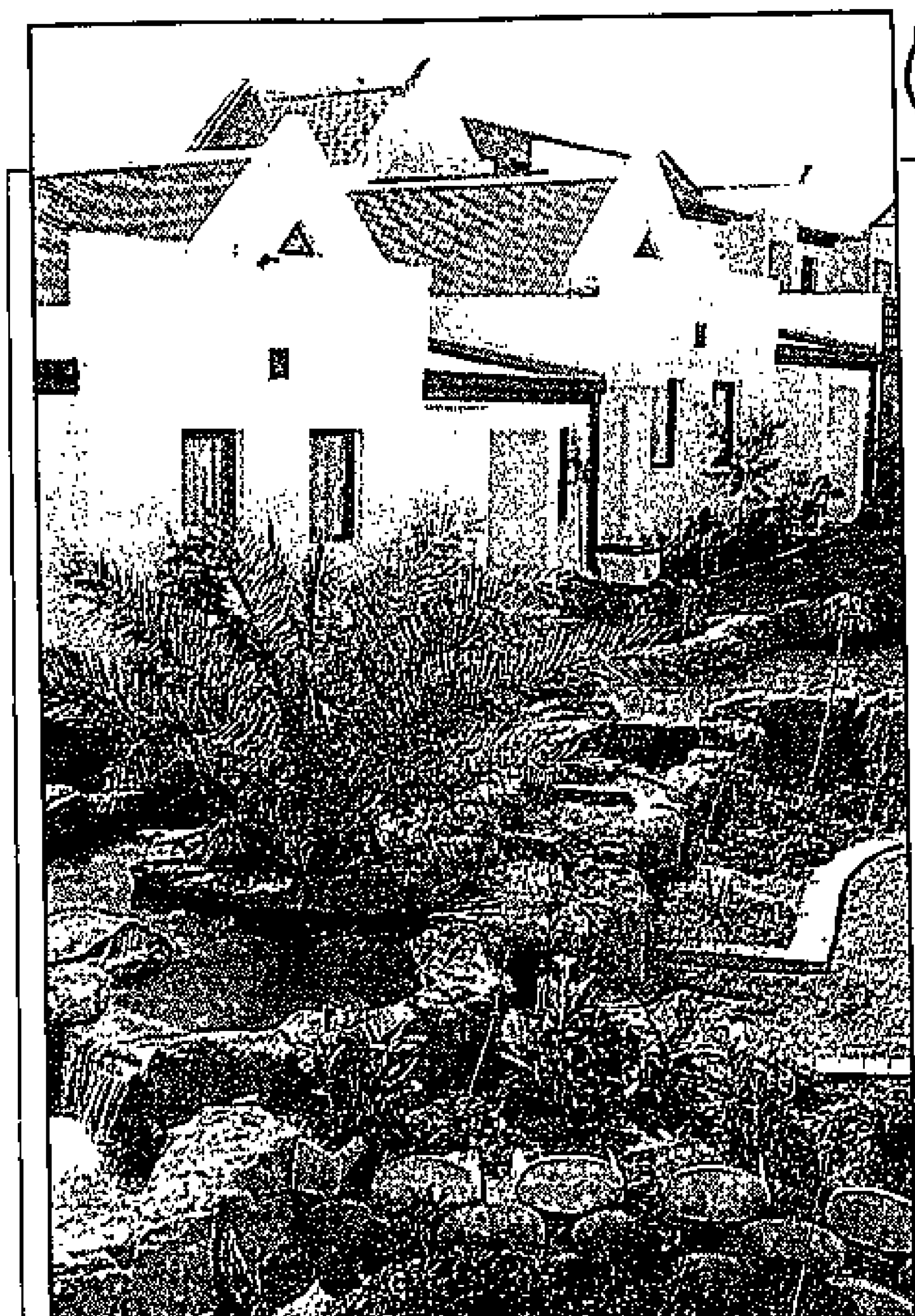
The downside is that the unit remains the property of the village operator. In the event of death, the occupier's estate receives only the initial lump sum down-payment — with no accumulated interest or consideration for appreciation in the unit's value.

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).



Darrenwood . . . no to life rights

The most significant are that:

- □ Loans advanced to developers are, for income tax purposes, often disclosed as loans, but registered as mortgage bonds in favour of unit buyers. They can, therefore, be classified as gross income and not capital, making them subject to taxation;
- □ Property development costs may not qualify for deduction because the units are not sold and, therefore, don't constitute trading stock; and
- □ Occupiers are given free occupation of units in exchange for interest on loans. The free occupation thus constitutes gross income, so the occupier could be taxed on the basis of what his rentals would be.

So serious do developers consider this issue that, as a direct result of an *FM* article on retirement village tax implications, Sapoa has put life rights on the agenda of a seminar on timesharing at the Johannesburg Sun on October 25.

But not everyone agrees with the *FM* that the issue is that problematic. Joe Pelser, assistant manager in charge of own developments at Pretoria-based Bester Homes, which operates Renaissance Security Villages, accuses the *FM* of attempting to stir up controversy. Developers, he says, can fend for themselves, but he is concerned that elderly people "may not be able to assess the article for what it is."

He says that apart from a remote possibility that an occupier may be taxed on the value of the accommodation as consideration for the loan, he foresees no taxation problems whatsoever for developers.

Pelser says the Renaissance concept, devised in mid-1988, is based exclusively on life rights. This means the right to occupy a unit and use facilities, subject to rules, from a defined date until death, cancellation or default, in exchange for a secured, interest-free loan.

Security is by means of secured debentures, issued by the company. The amount of the loan is secured by a first covering bond registered over the development in favour of a trust representing the present and future occupiers of the development. However, not everyone is prepared to brush aside the potential risks as easily as Pelser.

Camdons, which markets retirement village units on behalf of developers, says the tax implications depend upon the agreements of the individual companies. Where appropriate, they are reworking contracts to ensure problems are minimised.

Clearly, even though life rights have been used as a means of selling retirement security for the best part of 10 years, there is confusion and a case to answer. ■

Higher pensions force borrowing

CAH-THUS 15/8/89

300

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, Senbank chief economist Johann du Pisanie suggests in his economic review.

He bases this on detailed figures in the Reserve Bank's flow of funds account, which show that pension and provident fund contributions by employees and employers are included in statistics of employees' remuneration although "these contributions are not actually received by the employee in the relevant year".

If this is taken into account, he says, households had R88bn available for consumption last year and not the R114bn calculated by the Reserve Bank.

Du Pisanie says that total credit extended to the domestic private sector increased by R26,6bn last year. Personal and corporate saving was R11,6bn and net investment by the private sector R5,7bn.

"The question arises why the private sector should have needed additional credit.

"Part of the answer is to be found in the fine print below the tables in question in the Reserve Bank's Quarterly Bulletin.

"Pension, provident and long-term insurance funds are included in the personal sector while the saving of the banks themselves, other monetary institutions and public corporations are included in corporate saving."

Du Pisanie continues: "If the Reserve Bank were to distinguish in its national accounts between financial intermediaries and other institutions, it would throw more light on the position of households."

He says the increase in the assets of the funds or "contractual saving" by households was almost R26bn in 1988.

If this were deducted from the personal disposable income of R114bn as calculated by the Reserve Bank "it is revealed that the current income households actually had available for consumption was only R88bn".

But private consumption expenditure totalled R112bn.

"It may therefore be deduced that households had to incur additional debt of nearly R24bn to finance their consumption and saving.

"The net saving of R1 907m which is indicated in the Reserve Bank Quarterly Bulletin is equal to personal disposable income minus private consumption expenditure and transfers made. It is also equal to the difference between the "contractual saving" of R25 836m and the additional credit of R23 610m."

This information, says Du Pisanie, can be interpreted in several different ways. One is that consumers lived above their means — incurring debt to finance part of their consumption expenditure.

"An alternative interpretation arises from the fact that many employees have to pay compulsory contributions to pension, provident and insurance funds which are supplemented by employers. It is possible that many employees accept this commitment as part of their conditions of service but in fact choose to save much less.

"Thus they obtain credit to reduce their net saving. In other words, the credit is in fact being used to finance their contractual saving, not their consumption."

Du Pisanie concludes that "if employees were to make only voluntary but not compulsory contributions to pension, provident and insurance funds, the flow of money to these funds, as well as the consumer's need for credit, would have been much smaller in 1988."

This interpretation, he says, is supported by figures showing that the total percentage of personal disposable income going into contractual saving has increased from 8,2% in 1974 to 22,6% in 1988.

However, he continues, since 1981 credit has been used to reduce net saving as a percentage of income and therefore "households use credit for both consumption expenditure and contractual saving".

Suzman to give away most of cash

Cape Times 8/8/89 (300)

By ANTHONY JOHNSON
Political Correspondent

SOUTH AFRICA's longest-serving MP, Mrs Helen Suzman, plans to use the "major part" of her golden handshake when she retires next month to set up an educational trust fund for black women.

Mrs Suzman, whose 36-year tenure as MP for Houghton ends on September 6, will be entitled to a gratuity of about R200 000.

Officials in Pretoria said yesterday that an ordinary MP like Mrs Suzman would receive a yearly pension of R75 111.

Mrs Suzman said yesterday that she wanted to devote the major share of her gratuity to setting up the trust.

The trust would be geared specifically to women because their educational needs often took a back seat within financially-strapped families, she said.

The formula used to pay golden handshakes to MPs is based on their maximum salaries before retirement and the length of parliamentary service.

(Report by A Johnson, 122 St George's Street, Cape Town).

R361 000 tax-free farewell for Heunis

Cape Times 7/8/89

380

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 737 and a yearly pension of R120 579.
- The Minister of Agriculture, Mr Greyling Wentzel, will get a pay-out of R332 045 and the maximum pension of R120 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 000 and a pension of about R105 000 a year.
- The Minister of Home Affairs, Mr Stoffel Botha, is set to receive a R296 395 pay-out and a pension of R119 499 a year.
- The Indian Minister of the Budget, Mr Ismael Kathrada, will receive a gratuity of R165 404 and a pension of R72 962 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, 11 Diagonal St, Johannesburg).

R45-m no-frills hotels planned

By TOM HOOD,
Business Editor

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 80 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 80 percent, compared with an industry average of just over 57 percent. After only five months, it was enjoying occupancy of 80 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 R65-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 500 000 rooms," Mr Enderle said.

GF/1/17645 5/8/89 (380)

REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID-AFRIKA

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Vol. 291 PRETORIA, 1 SEPTEMBER 1989 No. 12079

GOVERNMENT NOTICES

DEPARTMENT OF FINANCE

300

No. 1920 **1 September 1989**

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

1. In these regulations "the Regulations" means the regulations published by Government Notice No. R. 98 of 26 January 1962, as amended by Government Notices Nos. R. 2144 of 28 September 1984, R. 1790 of 16 August 1985, R. 1037 of 28 May 1986 and R. 232 of 6 February 1987.

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 %,

GOEWERMENTSKENNISGEWINGS

DEPARTEMENT VAN FINANSIES

No. 1920 **1 September 1989**

WYSIGING VAN REGULASIES UITGEVAARDIG KRAGTENS DIE WET OP PENSIOENFONDSE, 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

Woordomskrywing

1. In hierdie regulasies beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 98 van 26 Januarie 1962, soos gewysig by Goewermentskennisgewings Nos. R. 2144 van 28 September 1984, R. 1790 van 16 Augustus 1985, R. 1037 van 28 Mei 1986 en R. 232 van 6 Februarie 1987.

2. Die volgende regulasie word hierby by 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 oorskry nie: Met dien verstande 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 paragrawe (a), (c) en (d) van item 9], uitgedruk as 'n persentasie, nie 90 %,

300

SOUTH AFRICAN TRANSPORT SERVICES

No. R. 1866 1 September 1989

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, Eli 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 expertise 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

No. R. 1866 1 September 1989

PENSIOENREGULASIES.—DIE 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, Eli van der Merwe Louw, Minister van Vervoerwese 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 soos in die Bylae hierby uiteengesit word.

BYLAE

1. Die volgende regulasie word na regulasie 3 ingevoeg:

"3A. BELEGGINGSKOMITEE

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

(2) Die Beleggingskomitee bestaan uit—

(a) die Voorsitter van die Gesamentlike Komitee;

(b) 'n lid van die personeel van die Administrasie wat by die administrasie van die Fondse betrokke is en wat deur die Voorsitter van die Gesamentlike Komitee benoem word; en

(c) twee lede van die Fondse 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 Voorsitter van die Gesamentlike Komitee kan die aanstelling van die lid genoem in paragraaf (2) (b) na goeddunke beëindig.

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

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

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

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

(a) die prosedure 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 uitoefening van sy funksies en bevoegdhede en maak behoorlike voorsiening vir die bewaring van alle sekuriteite; en

REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

Government Gazette
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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 abovementioned notice, substitute the following for regulation 3:

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

'10. No 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.'.".

GOEWERMENTSKENNISGEWINGS

ADMINISTRASIE: RAAD VAN AFGEVAARDIGDES

DEPARTEMENT VAN GESONDHEIDSDIENSTE EN WELSYN

No. R. 1856 **1 September 1989**

WET OP MAATSKAPLIKE PENSIOENE, 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 regulasie 3 deur die volgende:

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

'10. No 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.'.".

PENSIONS 304 FM 1/9/87.

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 looking 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

300

S Times 3/9/89

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.

B/Day 7/9/89.

300

Life assurers dissociate themselves from tax policy

LESLEY LAMBERT

CAPE TOWN — Major life assurers 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 authorties — provides a tax-free funding vehicle for provisional 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 Thea Heunis says the line is so thin that if Inland Revenue rules that Norwich's loan system renders the Protax policies nonstandard 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 be to clamp down on policy loans but to require that all life offices marketing the schemes advise the Receiver of Revenue of policyholders and their transactions.

(300) Fmail 8/9/89

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.

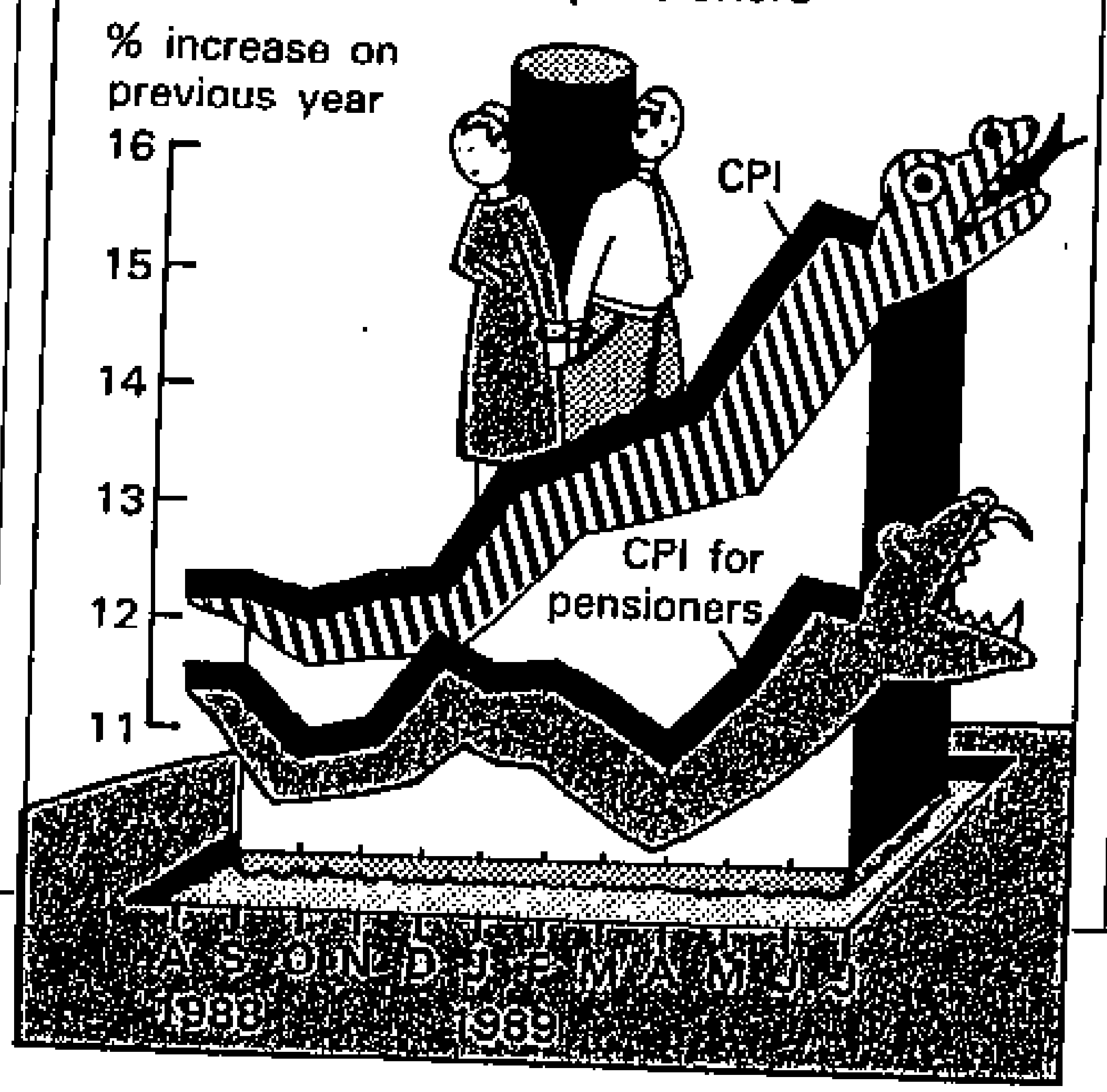
Her statement adds credibility to predictions that the provision of retirement villages will — as in the US — become the third biggest industry behind fast foods and second-hand cars. Population growth predictions indicate that those who finance and build them are as yet only scratching the surface. 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?

No escape for aged

CPI for pensioners



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.

(300) 8/9/89

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 problems are sorted out other difficulties, real or imagined, will be exposed.

If nothing is done to clarify the issue soon, there is a 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, particularly in terms of the need for good management and its impact on affordability, especially in terms of service and maintenance levies.

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 had 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 can seldom manage increases at a rate higher than 65% to 75% of the inflation rate.

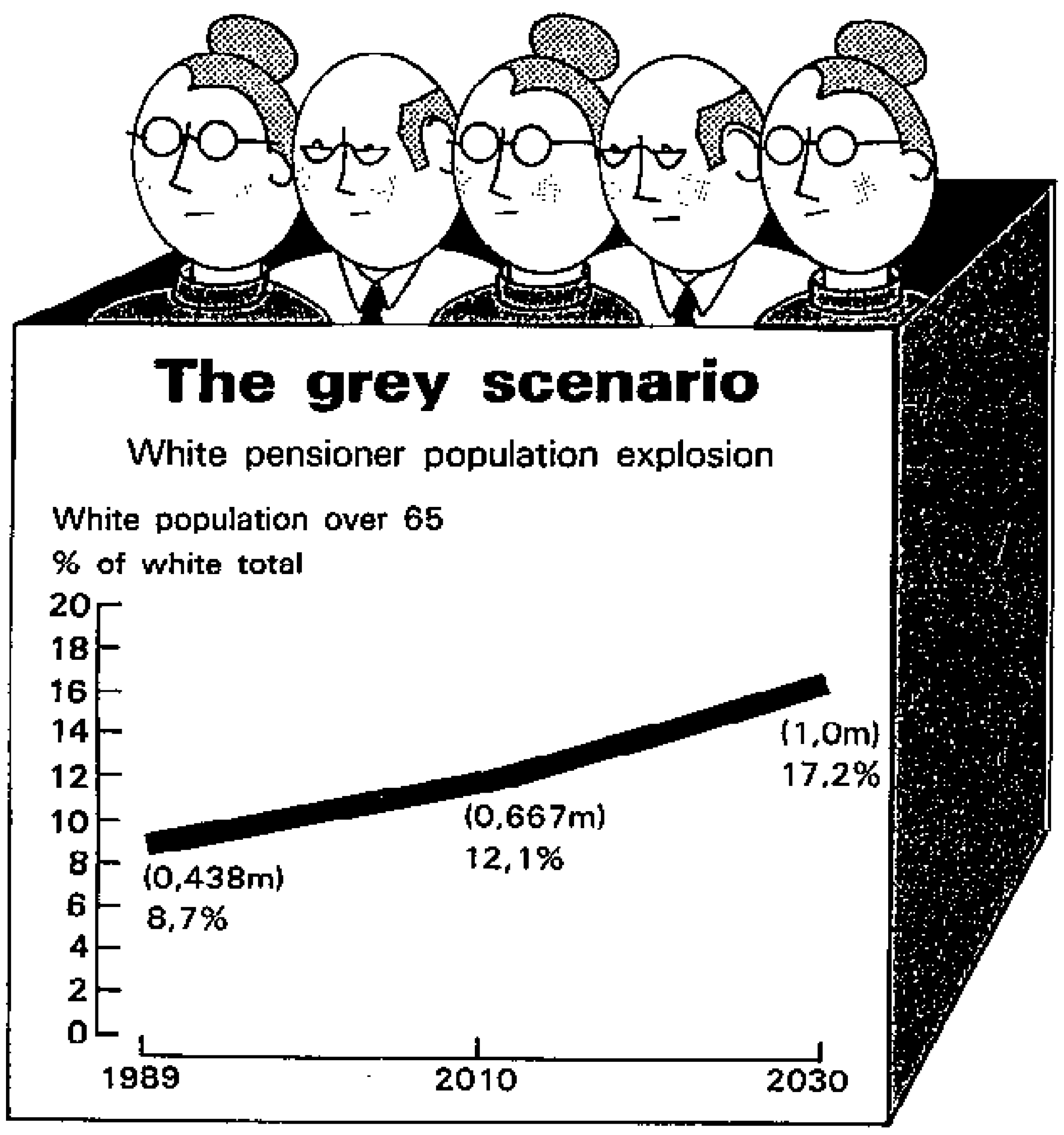
"That may sound reasonable but by the time a pensioner is 10 years into retirement the differential has a big impact."

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 cost 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 in-



The grey scenario

White pensioner population explosion

creases in the future ..."

At this stage, the retirement villages have been located where the market exists — or where the elderly, certainly the more affluent, wish to live. The HSRC's Ferreira points out that there are high concentrations of elderly people on the platteland largely because of the migration to the cities of younger people: "This means that the platteland towns lend themselves to the establishment of retirement villages provided support services can be established."

Other popular areas for retirement villages include Somerset West, Strand, the Natal coast and even the west coast. Cost structures have so far been tailored to these regions' infrastructure. But, for developers, the option of erecting sectional title units willy-nilly in idyllic surroundings is not possible indefinitely. Increasing longevity means an increasing need for specialised accommodation for different age groups

creases in the future ..."

According to Ferreira, for example, the fastest growing group among senior citizens is the 80-years-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 assurances, 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 homes 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 possibilities.

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 be — but the elderly, to have a sense of worth and dignity, need to know that they have not been brushed aside or to 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

Star 12/9/89 By Toni Younghusband, Medical Reporter (300)

The cost of caring for South Africa's aged will have risen from R3 billion in 1980 to R15 billion by the year 2030, a 5 000 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

300

ABM

Star 13/9/89

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 1.

After World War 2 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 "Korsakoffs" — 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.

TRANQUIL

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 villages.

"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 aged costs SA R3bn a year'

B/Day 13/9/89 TANIA LEVY (300)

HEALTH care for 70 000 people in institutions for the aged cost the taxpayer R3bn a year, Dr Raphael Schapera said at the Containing 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 R9bn a year by the year 2030, if the present style of aged care continued.

Staggering cost increases would overtake population growth estimates as well as forecasts of GNP increases, Schapera said.

However, taxpayers could be saved R800m 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 subeconomic conditions, he said.

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

300

Pensions pay delay

Hardships for elderly folks

By SONTI MASEKO

DELAYS in pension pay outs are causing hardships to scores of pensioners in Meadowlands who have been battling for almost a week to get their pension pay.

Pensioners complained that many of them were turned away and told to return the next day.

The result has been an increasing backlog in the number of people who have to be paid as more people from another zone turn up.

They say that there are fewer officials attending to them.

One of the pensioners, Miss Daisy Khorombi, said that she saw people being turned away. Some of them looked ill and walked with difficulty.

"There are only three people doing the whole work, taking fingerprints, doing computer printouts and payouts and they are unable to cope with all the work," Khorombi said.

"I was to receive money last Friday but I was sent away," she said. "It is Tuesday today and it does not look like I will be paid."

She said that people from the other zones who were to be paid earlier were still in the queues and this led to bigger numbers as more turned up every day.

A senior TPA official, Mr A J Coetzee said yesterday his officials had to contend with a huge backlog because of last week's protest action against the general elections.

Large numbers of people who were not paid on September 6 arrived the next day causing delays.

Coetzee indicated that payments could be finished by tomorrow.

Another official said September has been a "bad month" for his department. He said there had been an increase in the number of applications and these had not been budgeted for.

They had to ask people to return the next day.

He denied that there was a shortage of staff.

"All I am saying is that people must understand that we are trying to do our best," he said.

Seventy - year old Mrs Ellen Majola is supported by Miss Plantina Maluleka (right) and Miss Diane Tshabalala when she came to collect her pens[illegible]

Pension fund race bar to be fought in court

STAR 2/9/89

By Drew Forrest

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

The dispute, which started in 1985, 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 industry, 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.

No extra benefits, says Liberty Life

b/day 22/9/89

300

LESLEY LAMBERT

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 19% for both years.

300

Finmail 22/9/89

LIFE RIGHTS

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 latter, 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.

Tager . . . concern for the elderly

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. ■

New pension payout points

Sowetan 26/9/89

(300)

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.

Diepkloof pensioners will receive their pay at Diepkloof Hall in Zone 2 and not at the Diepkloof offices from October 2 to 13.

... though Hillsam re-

See Page 12

Goodyear: R7,5m withdrawn

(300)

ALAN FINE

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.

A Goodyear spokesman said yesterday said more than 60% of the 2 500-strong workforce — including a large number of non-Numsa members — had so far made the decision, although employees had until November before the offer closed.

The agreement included a provision that employees were entitled to withdraw double their own accumulated contributions plus interest, and the company paid into the fund another R1 000 per worker.

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 union 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

To Page 2

Goodyear

(300)

From Page 1

B/Day 26/9/89.

R3 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.

At 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 Consol in a R176m deal which took effect on July 1.

Caring for the aged

By SONTI MASEKO

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 Pogisho 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 grannies, 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 Mofolo, opposite the Mshenguville shacks.

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 a 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 has its difficulties, Moholoagae points out. They are formerly independent people who used to do things their own way and suddenly they find themselves controlled by rules in a new enviroment.

The home does its best to help the aged to acclimatise.

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 982-1084 at all hours, or address letters to PO Box 49, Orlando, 1804.

Captain Pogisho Moholoagae ..."the aim of the home is not to separate the old folks from their families".

Chemical workers may strike over retirement benefits

Confrontation looms in the chemical industry as workers reject employers' proposals regarding a nationwide provident fund.

By HILARY JOFFE

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 it 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 costs of insured benefits which are linked to most 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 economies 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 multinationals 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 also to influence the insurance industry to design products with consumers interests in mind. Crompton said life insurance products tended 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

Star 30/1/89

300

THE reality of inflation is one of the most serious problems facing those planning their retirement.

Unbridled 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 to retirement planners and retirees, says Bruce Howard, deputy general manager (marketing) at AA life.

"Generally, the person retiring goes on to a fixed pension, with 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 means 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 63, receiving a R100 000 lump sum from his pension fund and a R3 000 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 750 a year (the maximum tax deduction being the greater of R3 500 less deductible pension contribution, or R1 750).

"In retirement his pension is 'non-retirement funding income' and qualifies for the 15 percent retirement annuity deduction rule.

"Therefore, he can deduct a retirement annuity contribution of up to 15 percent of his pension (R36 000 a year). At least R5 400 will qualifiy for tax deduction and it could be even more if he also invests 15 percent of his other investment income under the 1988/89 tax tables.

"His marginal tax rate is approximately 38 percent and he can invest his retirement annuity contribution on an annual or monthly basis with a 38 percent subsidy from the Receiver."

Mr Howard continues: "He will be building up a 'reserve pension' fund until he is 69 last birthday (the latest retirement age in terms of retirement annuity fund rules) or earlier, if needed, to supplement his pension in future years when inflation eats into it.

"In addition, the investment returns that he will enjoy on this 'reserve pension fund' will probably be much greater than any alternative investment route available."

Alternatively, if the person needs all his pension income to live on, he or she can make the retirement annuity investment by way of an annual contributon from the retirement capital. In other words, the person could fund the retirement annuity out of his capital and for every R62 invested, the Receiver will invest R38.

"The retired person will therefore be building up a much greater amount of capital to supplement his pension than he could otherwise and, remember, tax rates tend to reduce over time and, therefore, the rate of tax saved on the deduction 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."

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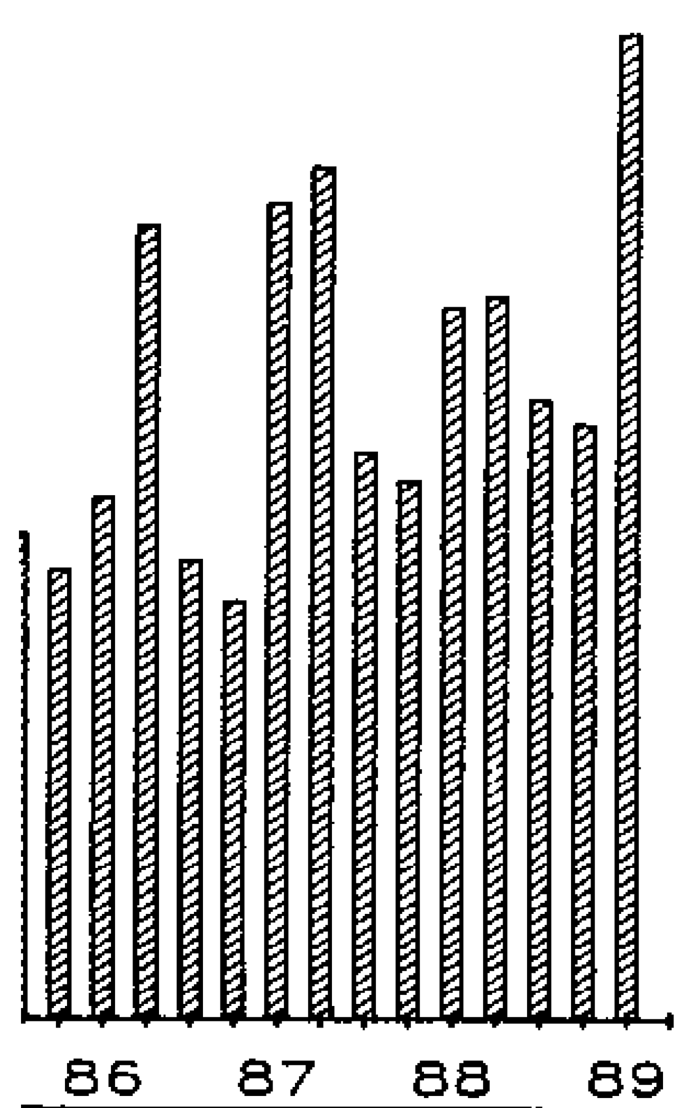
AS A % OF GDP



what's not

ence while he is on holiday, these costs n his hands.

tibility of costs incurred in attending a itside the Repubic would depend largely for the fair, said Mr McGurk.

ince is so solicit orders for goods to be o purchase stocks, the costs would quali- ion.

ince, however, could arise if the trip is or the purpose of creating or improving capital assets. The costs of trips to ac- ssets, new agencies, or to negotiate long- finance could be subject to disallow-

s may wish to send their employees to conferences to study the latest methods es, or to attend training courses.

on occasion, the Receiver has been mpt to disallow the costs in the hands of (on the basis that the expenditure is ture), such attempts should be resisted

iot necessarily any 'enduring benefit' for since employees tend to come and go. ncommon, however, for employees to be th travel perks 'under the counter', of ation is made in either the employer's or eturn of income. Clearly such practices evasion and should be discouraged.

er planning, travel incentives can be such a way as to minimise any adverse ons while at the same time maintaining and honesty of both employer and em- Mr McGurk.

Chamber win 'a blow to racism'

Cit Times 5/10/89

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

300

A retirement home for the rest of your life

VAL PIENAAR

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 tenants 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 13,5ha site. It comprises 168 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 56 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 000 to R300 000, for flats from R140 000 to R165 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

300

City Press 22/10/89

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.

Galeshewe 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 Galeshwe 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 Modisene said she did not received 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.

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.

Easier pension payouts

C Press 29/10/89 300

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.

New ID brings payday closer

City Press 29/10/89 (300)

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.

CAPE TIMES 1/11/89

Sats appoints five pension fund managers

300

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 R3,5bn.

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 adminsitrative systems based on private sector methods.

Huge protest over 'racist rates'

(200) Wmail 3-9/11/89.

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.

300 Finweek 3/11/89.

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.

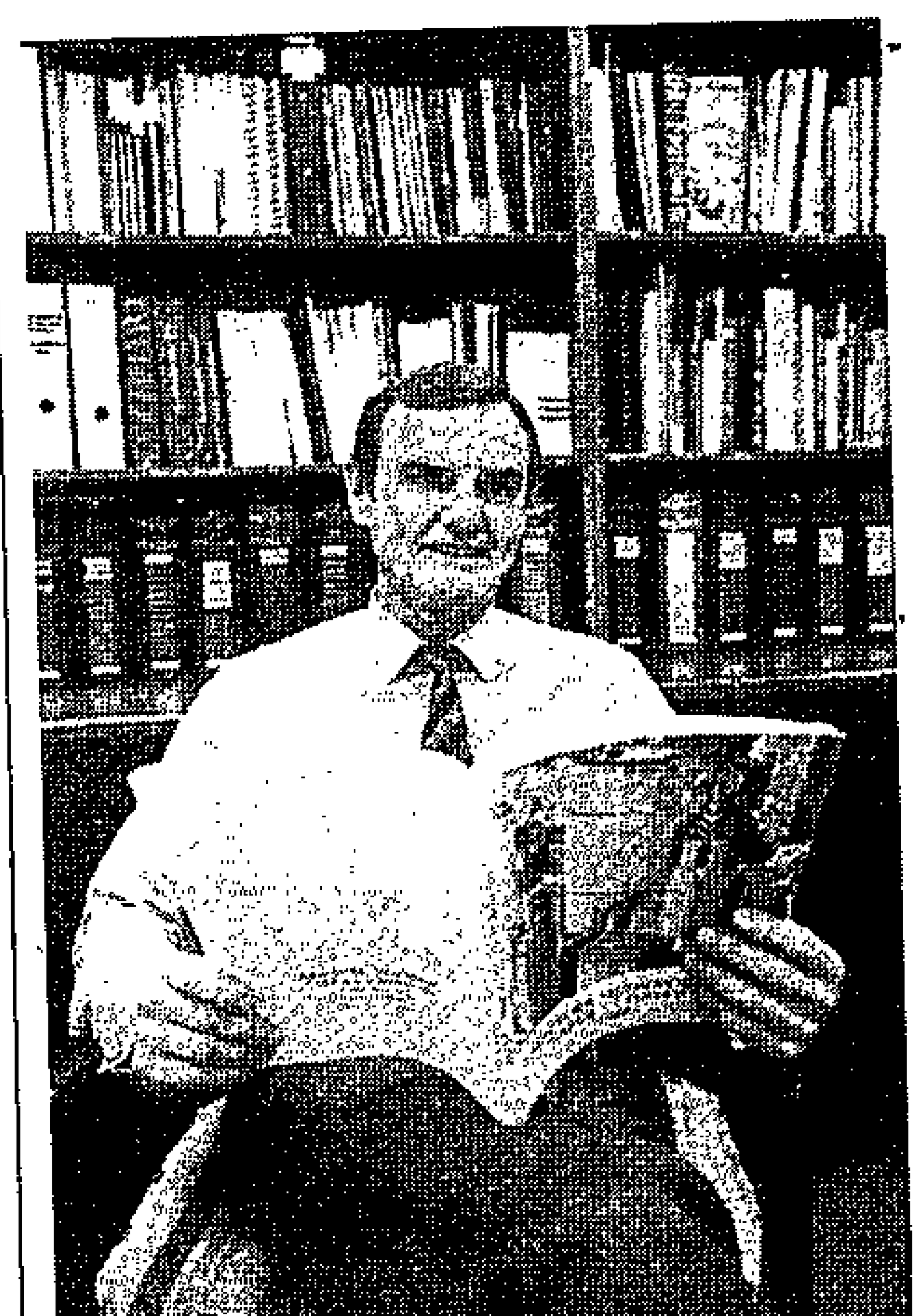
First, he warns against hastily concocted legislation which misses its desired objective: "A case in point was the original Timeshare Act which had to be amended because the consequences of the legislation were not thoroughly thought through.

"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 . . . beware of hastily concocted legislation

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'

ARGUS 9/11/89

300

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 to 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

W/E ARGUS 11/11/89 (300)

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 countrywide 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 their threats to go to the Industrial Registrar resulted in a 50 percent hike after a meeting with Satu general secretary Martin Deysel.

They say they fear retrenchment 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 contingency plans could be built into the rules of the new fund, which were still open for negotiation.

Mr Deysel 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, silkscreen 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

Star 16/11/89

Hillbrow frightens the aged – HSRC

300

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 co-operation 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 over-crowding 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 48 years and "have 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.

B/Day 16/11/87

300

Plight of Hillbrow elderly 'horrific'

GERALD REILLY

PRETORIA — Researchers have been "horrified" at the plight of elderly people living in Hillbrow, Joubert Park and Johannesburg's inner city area.

The Human Sciences Research Council (HSRC) is to launch an intensive survey in the areas on November 20. An exploratory study disclosed "gross exploitation" by flat landlords who evicted pensioners and replaced them with black tenants, according to researcher Monica Ferreira.

It was also found that there were 16 to 32 blacks living in one-bedroom flats and gangs who terrorised old people to such an extent that they were too scared to venture outdoors.

"Many of the pensioners have been living in the same flat for 48 years and have no economic alternative but to continue living there," Ferreira said.

Two phases

"Their situation will repeat itself in other areas and it's therefore essential to research the problem and find solutions."

Ferreira said the survey would be conducted in co-operation with various other bodies, including the Johannesburg City Council, the Regional Welfare Board of the Southern Transvaal and the Department of Health and Welfare.

The survey, Ferreira said, would focus mainly on aspects of personal safety, security of tenure and social problems.

It would be undertaken in two phases — the first, to start on Monday, involved 300 old people living in the area who would be interviewed by HSRC researchers.

She said that during the exploratory study, elderly whites reported being afraid of staying in the area.

Problems identified as serious included the increase in crime, noise, hobos, prostitution, street children and illegal liquor selling.

The study is being made against a background of intense debating by city councillors, politicians and city officials on the current deterioration of Hillbrow, which is one of the country's first politically grey areas.

Safety

"Last month Foreign Minister Pik Botha said the NP in Johannesburg had decided to speed up the proclamation of Hillbrow and environs as a free settlement area," Ferreira said.

Ferreira said in recent meetings between Botha and the city council, an official decisions was taken to act to relieve the plight of senior white citizens and to ensure their physical safety.

Cape Times 17/11/89

300

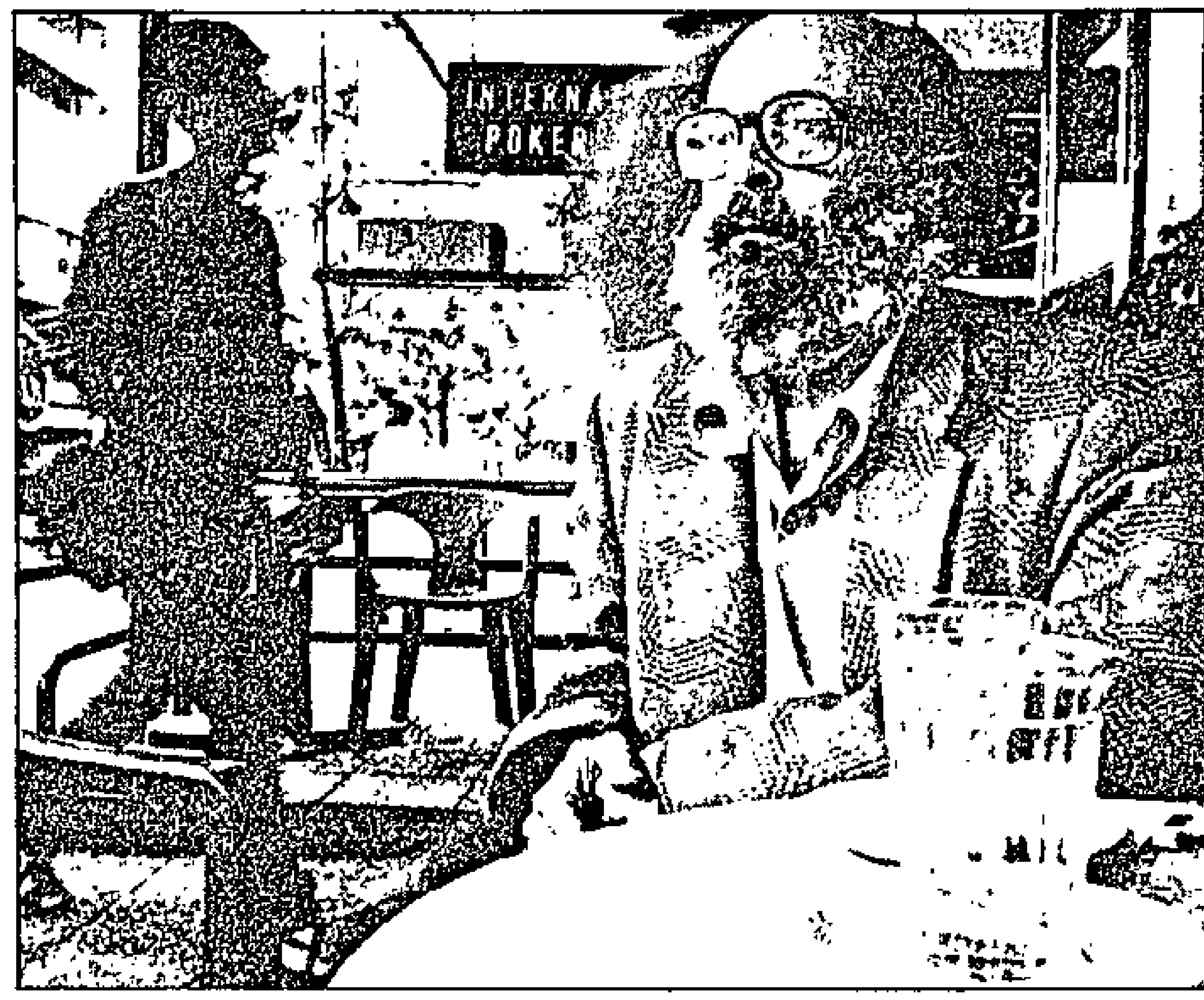
Pensioners' plight probed

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-bedroomed flats and gangs who terrorise old people were some of the negative effects of social change, HSRC project leader Dr Monica Ferreira said. — Sapa

Mrs Lea Rogow .. scared to go out at night.



Mr Edward Cohen: "Landlords should guard against overcrowding."

For old folk Hillbrow remains terror town

In a recent survey, Human Sciences Research Council (HRSC) officials found that elderly residents of Hillbrow were living in fear of their lives, too scared to venture outdoors because gangs of black tenants terrorised them. LOUISE BURGERS spoke to pensioners in the streets of the multi-racial suburb.

300

Star 20/11/89

"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 Joss and his wife Stella own a flat in Hillbrow which they cannot sell.

"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 multiracial 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 multiracial element is a problem.

"If you're a criminal, you're a criminal — black or white. I actually think the whole of Johannesburg should be declared open."

He tried to help a family of unemployed whites and ended up with his ceiling and chairs being used as firewood. Everything of value he had was stolen.

"I was mugged 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 as they make out.

"If it wasn't for Hillbrow, where would we go? It's cheap here."

Mrs Lea Rogow agrees with the HRSC survey. She is afraid of being mugged and will not venture out at night.

"We are scared. On a Saturday it's like Soweto here. Some old people have taken to leaving 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. What can we do?"

She said it would not make much difference when Hillbrow was officially declared a grey area, but asked what would happen to those living on the borders of Hillbrow. Hillbrow was too crowded to take everyone.

Mr William Monte has lived in Hillbrow for 70 years and is not afraid of living there.

"I 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.

The chairman of the Hillbrow Residents Association, Mrs Gene Gunther, said pensioners living in Hillbrow were afraid.

"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."

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. ● **Picture by John Hogg.**

1988 women's winner of the Algoa Bay crossing and first Enduro, and Greg Reis, 1989 SA national Windsurfer class racing champion. Picture: LEON MÜLLER, The Argus.

Computer move delays pay for pensioners

AG6 300
23/11/89

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

Cape Times 28/11/89

300

Staff Reporter

A CAPE Provincial Administration official yesterday denied that pension payouts would be affected because of an off-line CPA computer.

CPA spokesman Mr Dirk Smit said although the CPA was moving and a computer dealing with pension queries would be "down" until December 3, "payment of pensions will not be affected".

He said arrangements have been made to ensure that pensioners would be paid out on time. "A line has already been opened to deal with queries," he said.

He was replying to questions raised by Black Sash Advice Office worker Mrs Sue van der Merwe, who said she was told by another CPA official that pension payouts would be affected, and that queries could not be dealt with before December 3. This was because the computer would be off-line while the CPA in Pretoria moved premises.

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 her money was not available.

"How 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 puts its money where its workers are

Weekly Mail Reporter

200 26-30/11/89.

THE National Union of Metalworkers of South Africa may invest part of the R3-billion assets of pension and provident funds in which its members are represented in low income housing.

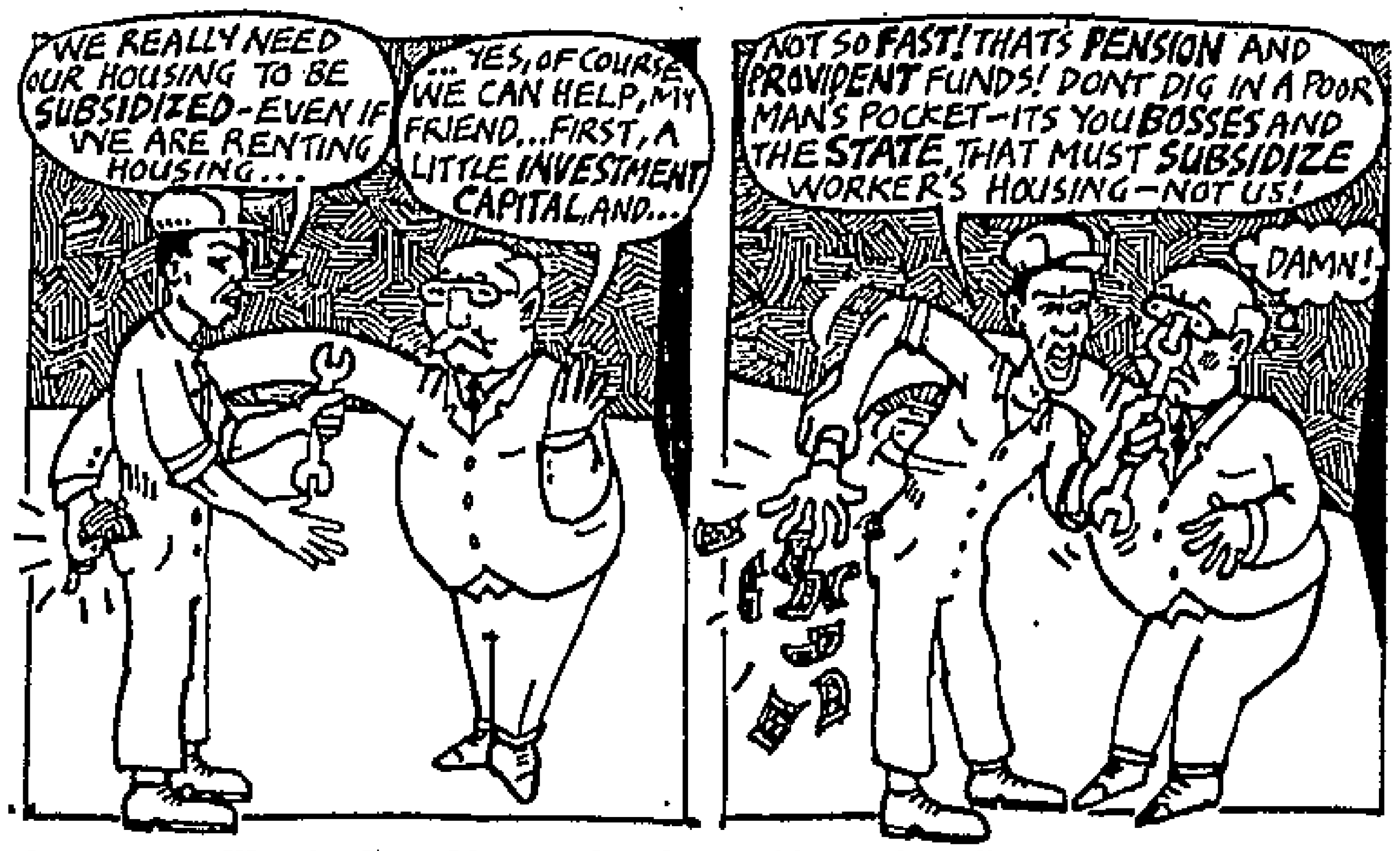
But the union opposes the use of these funds to subsidise individual workers' housing packages and will instead demand of employers a housing allowance, as part of its living wage campaign in the coming year.

Numsa's approach, one of the first comprehensive union statements on housing policy, is outlined by national organiser Geoff Schreiner in the first issue of *Trustee Digest*, a new journal for pension and provident fund trustees published by the Labour and Economic Research Centre.

Schreiner attacks the privatisation of housing provision, arguing it is the state's responsibility to ensure everyone has a house. Pointing out that more than five million South Africans are without shelter, he writes, "As long as housing provision is motivated by profit, the crisis will just get worse."

The union believes the housing crisis will only begin to be solved once there is a "genuine government of the people" and a restructuring of the economy.

But it will develop short-term policies based on a series of principles including worker control, working class unity and "compatibility with the longer-term objective of state provided housing as a right".



A cartoon illustrating Numsa's view of housing finance

Graphic: TRUSTEE DIGEST

Schreiner notes many companies have introduced home loan schemes which subsidise a portion of the interest on bond repayments. But workers are usually expected to use their pension or provident fund money as collateral for the bond.

"These schemes create divisions between better paid workers and those in lower categories and the unemployed, who cannot afford to own houses even with employer subsidies," he says.

The union believes the state and employers should subsidise workers' housing — not workers themselves. But Numsa does accept a portion of pension and provident fund assets should be invested in community projects, provided such investment does not jeopardise returns to fund members.

Numsa values the assets of funds in which the union is represented at R3-billion and, according to Schreiner, would consider directing pension and provident fund investments towards:

- Land — "to ensure some land is released at affordable, non-speculative prices to workers and their communities";
- Building activities — the union will consider investing in "low-cost building activities which will benefit the community", particularly site and service schemes, rental accommodation and rural developments;
- Financial institutions — "Numsa may direct funds to financial institutions which are prepared to provide small loans, particularly in rural areas."

Looking at the housing crisis, Schreiner cites as problems the lack of housing finance for those with low incomes, the fact that little low cost housing is on the market for sale and none is available for rent, the small state subsidy for housing which "discriminates against the poor and only assists home buyers", and insufficient land released for housing. "The little land that is released is sold to developers whose only interest is to make a profit. Land is not released to individuals or community groups," he writes.

Numsa has drawn up a set of demands for discussion with other unions and civic groupings at a national conference. These include:

- The abolition of legislation which restricts people's right to choose where they live — the Group Areas, Prevention of Illegal Squatting and Land Acts;
- Increased state subsidies for all housing needs, including rental, biased towards the low-waged and unemployed
- The release of sufficient suitably located land at affordable prices
- A large-scale national housing development programme to be negotiated with representative organisations
- An end to privatisation of services and proper state subsidisation of services.

A R1-billion experiment with state pensions

300

1-7/12/89 WMail

Weekly Mail Reporter

THE government has no intention of privatising the Government Services Pension Fund at present, but the government will decide in three years' time whether the fund should be given over to private management.

This depends on the results of an experiment, in which R1-billion of the fund's cash flow will be invested by four financial institutions.

Finance Director General Gerhard Croeser states this in an interview in the latest issue of Bureau for Information journal *RSC Policy Review*.

"Unlike private sector pension funds, the GSPF's total annual cash flow — about R5-billion — must be invested by the Public Investment Commissioner and may only go into government and fixed-term stock, not into shares."

Challenged on whether this did not mean the fund earned lower returns than private sector ones, Croeser said the average rate of interest earned on the investments was 13 percent but that this rose to 17,5 percent if capital appreciation of the assets was included. Measured against a survey of 120 pension funds, the PIC fared better than the average, says Croeser.

The focus is, however, the actuarial report on the GSPF, which by March last year was running a R23-billion deficit — R6-billion more than in 1985.

The actuarial report found the fund's liabilities were only 41 percent covered, taking into account pension increases, although this had increased from 32 percent in 1985. Without taking pension increases into account, the figure is 63 percent, up from 51 percent.

The report by a private consulting actuary, released by the government earlier this year, was only the second since 1976, when the requirement for the fund to be evaluated every five years by an actuary was cancelled.

The fund was actuarially evaluated in 1985 — when it showed a R17-billion deficit — and the government subsequently revised regulations to make a three-yearly actuarial assessment obligatory.

The crisis in government pension funds was highlighted in A D Wassenaar's book *Squandered Assets*, published earlier this year.

He estimated, on the basis of 1985 figures, that the deficits of the GSPF and the two pension funds for the South African Transport Services Fund exceeded R30-billion.

Wassenaar argued the government pension fund was technically bankrupt and the taxpayer would eventually have to foot the bill.

"The rate of contribution to the Government Service Pension Fund from revenue is fully 10 percent higher than it would have been if it had been conducted in all respects as a private sector pension fund," Wassenaar wrote.

He mounted strong criticisms of the secrecy of the government pension funds and the generous terms offered to public servants, cabinet ministers, local authority councillors and others.

In the case of the GSPF these included the "buy-back" scheme, in terms of which public servants could acquire loans to buy pensionable service back to the age of 16, and the paying of pensions based on a public servant's salary on his/her last working day — in contrast to private funds, which pay pensions based on average salary over the final three years of employment.

In an interview with Minister of National Health and Population Development Willie van Niekerk, *RSA Policy Review* appears to be giving him a platform to respond to Wassenaar's attack.

Van Niekerk is extremely concerned to refute allegations of the fund's bankruptcy and to stress the administration of the GSPF is improving.

He acknowledges that the principal causes for the deficit are "the system of buying back service, the unsatisfactory investment return and unfunded benefits", but stresses the GSPF will be 93 percent funded towards 2013 and fully funded towards 2018.

The "buy-back" system has been amended — according to Van Niekerk it cost the fund R1,3-billion between 1985 and its amendment in 1987. Now "the member fully reimburses the fund for the commitment the bought back service places on it, among others by imposing higher interest on the transaction".

Wassenaar did, however, challenge this — even with the amendments, public servants could still receive "free gifts" from the fund.

Van Niekerk also stressed the "last working day" basis for pensions was being investigated by an Interdepartmental Advisory Committee set up in 1987 to investigate the fund.

He said members were currently contributing more than the fund required to meet current expenditure, to reduce the deficit.

But Van Niekerk stressed there was no question of public servants' pension benefits being decreased.

Row over day care centre

By SONTI MASEKO

THE newly built Wattville Day Care Centre for the Aged, which is due to open next year, is already at the centre of a controversy.

Following a split in the Wattville Society for the Care of the Aged, two rival groups claim to represent the organisation - and both want control of the centre.

The council, which built the centre, will have to decide which committee administers the centre.

The split follows a general meeting in August when outgoing chairman Mr Noel Mlokothi led a walk out in protest "against the manner in which the proceedings were conducted".

Those who stayed at the meeting elected a new committee headed by Mr Hoekie Eland.

Mlokothi, a former mayor of Wattville, and his group met in November and also elected a committee for the Wattville Society of the Care of the Aged.

Mlokothi was re-elected chairman.

300

Mr Harvey Anderson, the town clerk of Wattville, said the council had received a letter from Eland's committee seeking recognition from the council.

He said the council was aware of the two groups and said both parties should be brought together to seek a possible compromise.

Sowetan 19/12/89

LONG-TERM INVESTMENT VIEW URGED

SYLVIA DU PLESSIS

INVESTORS should concentrate next year on longer term investment strategies such as retirement annuities and provident funds, according to Price Waterhouse personal 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 as they are now far more performance-orientated than before prescribed asset levels 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." (300)

McAusland said prescribed asset requirements in the case of retirement annuities had dropped from 53% to about 10%, while for certain life policies they had fallen from 35% to 10%. B Day 21/12/89

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.

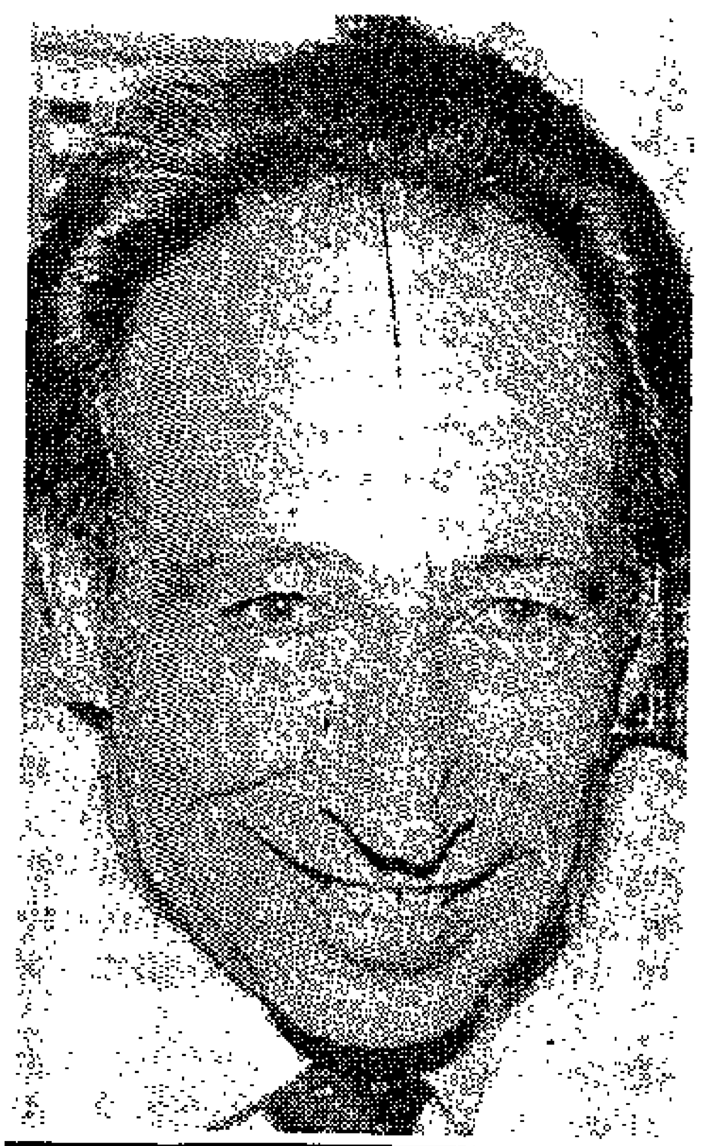
Greater investment freedom for life assurance industry

Star 30/12/89. 300

30/12/89

OUTLOOK 90

DORIAN WHARTON-HOOD, joint managing director, Liberty Life, and chairman, Life Offices Association



THERE were three significant levelopments in the South Afri-an life assurance industry in 1989 which bear on prospects for the ear ahead.

These were the scrapping of rescribed assets, the acceptance y the Government of the trustee rinciple of the tax basis applica-le to life assurers, and the aboli-on of the taxation of underwrit-n provident funds.

The acceptance of the trustee rinciple means that the rate of x paid by life assurers will in e course be reduced to a level pproximating the average mar-inal rate of all policyholders.

New regulations

This is because the trustee prin-iple accepts that life assurers ay tax on behalf of their policy-olders. It also means that the as-rers will in due course be al-wed to deduct all the expenses curred in the production of their xable income.

At present life assurers are xed at 45 percent, the highest arginal rate applicable to in-viduals, and are permitted to duct only 55 percent of their re-wal expenses.

Their new business expenses e averaged over the past five years, which effectively reduces the amount they are able to deduct.

This acceptance of the trustee principle was welcomed by the life assurance industry.

The replacement of prescribed assets by investment regulations effectively means that life assurers now have considerably more investment freedom and are now compelled to invest only about 15 percent of policyholder's liabilities in government stock.

This will certainly benefit policyholders, who can look forward to more exciting products and improved investment returns in the future.

It has been made clear that these investment regulations will be reviewed in 1990 and the life assurance industry hopes that this will lead to further relaxation on the part of the authorities and consequently, even more investment freedom for life assurers.

The abolition of taxation on underwritten provident funds to bring these into line with private povident funds was an important concession, also welcomed by the industry. Previously this anomaly was not as serious as it became after the abolition of prescribed assets.

Hopes are high in the industry that the cumbersome Sixth Schedule will either be simplified or abolished in 1990. This highly complex piece of legislation has done nothing to discourage investors form placing money with life assurers and has also generated very little tax revenue.

In addition, it has become expensive for the authorities to administer, and for life assurers to apply in practice. In fact, the only parties who appear to have benefited from the Sixth Schedule are tax advisers!

Also, the Sixth Schedule no longer has a role to play following the introduction of the five-year voluntary agreement entered into by all life assurers in October 1988.

In terms of this agreement, life assurers no longer sell policies with terms of less than five years, nor do they offer policyholders any form of guarantee, other than on death, within the first five years.

The agreement was aimed at drawing a dividing line between short and long-term savings, to assist the building societies and banks to focus on the short-term savings market, while the life assurers concentrated on the longer term savings market of five years and more.

The agreement has been most effective and it now seems inappropriate to have a barrier after five years, and a further division of the territory after 10 years, which was the original intention of the Sixth Schedule.

It is encouraging to note that there appears to be a better understanding among building society spokesmen of the reason why funds have continued to flow to life assurers.

Healthy development

Obviously this flow has continued because of the fact that life assurers have consistently produced real returns for investors above the inflation rate, and has nothing whatsoever to do with the tax basis applicable to life assurers.

While the life assurance industry welcomes any move to encourage savings by, for example, increasing the amount of interest payable free of tax to investors, funds will continue to flow to life assurers as long as investors believe that inflation will continue at a high rate.

It is therefore imperative for the authorities to control inflation.

In recent years, the Life Offices Association (LOA) has become increasingly successful in regulating its industry without the need to resort to legislation.

We believe that this is a healthy development and it seems that the authorities will encourage further self regulation rather than impose control by further complex legislation.

This attitude seems to be in-tune with the De Klerk regime which has made a tremendous impact since the general election. There appears to be a spirit of co-operation and a genuine determination to deregulate and stimulate the economy.

The initiatives of the new State President have certainly been welcomed by business leaders and by commentators and critics of South Africa, both here and overseas.

A source of concern to the industry during 1989 has been the growing tendency among certain brokers and the media to suggest that it is possible for potential policyholders to compare the merits of different life assurance products in a scientific way.

When the LOA introduced the Benefits Illustration Agreement, it was one of the LOA's intentions to neutralise future illustrative values of policies, because all experts in the industry believe that it is futile to compare projected future values.

When a policyholder buys a life assurance product, he puts his faith in the life insurer of his choice, and the ultimate value payable in terms of his policy depends on the future performance of that particular life assurance company.

Important factor

The key factor is future investment performance, which is impossible to quantify. Expense control, service, product design and so on, are, of course, also relevant.

To suggest that it is possible to predict future values by comparing premium rates, past investment performance and so on is patently ridiculous.

The past track record of a company is indeed relevant, but there is no basis for believing that the future will remotely reflect the past performance of any life assurer.

For example, investment managers and other senior management may change jobs, with the result that policies and philosophies could change, to name but one important factor.

There is simply no doubt that the choice between two competing life assurance products depends on judgment, and cannot be done in a scientific way. The comparison of different products is an art and not a science.

Finally, although we expect 1990 to be a difficult year for the South African economy in general, life assurance companies are less dependent on economic sycles, and tend to perform reasonably well in sluggish times.

One of the biggest challenges facing South Africa in 1990 is the need to achieve a higher economic growth rate. By channelling their funds effectively, life assurers can help achieve higher economic growth and increased efficiency.

If inflation is to be significantly reduced, government and the private sector must act in concert. Government spending must be curtailed, the money supply must be controlled and productivity must be improved.

We need to become a leaner and hungrier economy if we are to compete in world markets.

SOCIAL SECURITY – ~~PEN~~ PENSIONS AND OLDAGED

1990

JAN. ——— APRIL

Churchmen to see De Klerk

CHARLENE SMITH

THE first of an anticipated series of talks between church groups and President F W de Klerk takes place tomorrow when he meets a 12-member delegation from the conservative Church Alliance of SA (Casa).

De Klerk, in his Christmas Eve address last month, called on church leaders to meet him. It is believed he is keen to involve churches in remoulding the racial attitudes of their congregations and in helping to create a climate for negotiations.

The Casa delegation, which claims to represent about 10-million church-goers, said issues it intended discussing with De Klerk included the state of emergency, constitutional development, the abolition of discriminatory laws, and the application of biblical principles by the authorities when they decide on controversial moral issues.

A De Klerk spokesman said dates had not yet been set for meetings with other churchmen.

Casa, which was formed in June 1988, said it represented more than 900 denominations. Delegates at tomorrow's conference will include among others Casa president and Fellowship of Pentecostal Churches secretary-general M L Badenhorst; Reformed Independent Churches Association president Bishop Isaac Mokoena; the Zionist Christian Church's Rev Paul Mazibuko; and Dr Pierre Rossouw of the white Dutch Reformed Church.

Retirement villagers bale out developers

LESLEY LAMBERT

CAPE TOWN — Members of the 200-cottage Silvermine retirement village near Noordhoek are having to bale the development out of short term financial difficulties.

Earlier, another retirement village in the Cape reported similar problems.

The Silvermine villagers have taken over management of the "share-block" holding company after the negotiated resignation of members of the controlling ARP & P Noordhoek Development Trust. The trust is headed by Cape Town attorney Barry Burton Barbour, who was involved in the Helderberg Retirement Village near Somerset West which ran into cash flow difficulties last year.

The Silvermine share-block scheme is said to owe creditors more than R3m while Helderberg's debt is reported to amount to R4,5m.

Burton Barbour said yesterday Silvermine's financial problems were not related to Helderberg's.

National Council for the Aged director Syd Eckley said yesterday at least 10 retirement village schemes had gone bankrupt in the Cape and Transvaal over the past year.

BDay 9/1/90

Legal profession 'wants to see black judicial officers'

SUSAN RUSSELL and GERALD REILLY

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 in a statement to an interview — with newly elected Association of Law Societies president Nico Coetzer — printed in attorneys' magazine De Rebus.

Coetzer said the nurturing of an unfaltering belief among all South Africans that courts were places where justice would prevail was the greatest challenge facing SA's legal system this decade.

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 pro deo system had served a useful purpose, it should be replaced by readily available legal aid where an advocate could be supported by an attorney, Coetzer said.

The legal profession was doing everything possible to give everyone who needed it access to the law.

Responding to Coetzer's comments, Goldblatt said he believed the SA courts were already perceived as legitimate.

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 officers to happen as quickly as possible.

"It is not a question of appointing people by virtue of colour."

"We must have people of colour and ability with the appropriate training and experience. We all hope these people will emerge."

who was involved in the Helderberg ... gone bankrupt ... Retirement Village near Somerset ... vaal over the past year.

The legal profession was doing ...

Details of life policy claims

BDay 9/1/90 LINDA ENSOR 300

MORE than 40% of Old Mutual policy-holders below the age of 25 who died between 1986 and 1989 were victims of motor accidents.

Death claims due to AIDS almost doubled last year — from eight in 1988 to 15.

The review of Old Mutual's payouts for 33 576 death claims in 1989 reveals that motor accidents were responsible for 26,2% of the death claims in the 25-40 age group, and represented 11,5% of the total number of death claims handled by Old Mutual.

"Each year motor vehicle accidents claim more lives than heart disease in the age group below 40," says Bobbie Jooste, Old Mutual's GM (individual lives) in a Press release.

He adds, however, that heart disease remains the greatest cause of death and is responsible for 46,9% of deaths in all age groups.

Cancer was responsible for 12% of Old Mutual's death claims in 1989.

Govt to look at schools crisis

BDay 9/1/90 GERALD REILLY 250

PRETORIA — Government is expected to give urgent attention to the politically charged black education grievences outlined at a meeting of 1 500 teachers, parents and pupils in Soweto at the weekend.

The meeting was a reaction to the disastrous black school matric results last year. Of 196 000 who wrote the exam 42% (91 000) passed.

The Department of Education and Training (DET) is to make an urgent analysis of the results, which are the worst in years.

The Soweto meeting demanded that the results be nullified and that either papers be re-marked or permission be given for the examination to be rewritten in June.

The issue was believed to have been discussed at a meeting of senior DET officials, called by Director General Bernhard Louw, yesterday.

Highlighted at the Soweto meeting was the claim that most of black education's problems were rooted in the DET's system of "own" education and discrimination in the funding of black education.

A DET spokesman said last night that no immediate statement on the issue would be made.

He said readmission of failed students was a decision that would have to be taken by individual headmasters.

But he stressed that the number of last year's standard 9 pupils, now moving into Standard 10, had increased by about 20% and it would be difficult for failed pupils to be accommodated.

The department had taken into account the possibility of intimidation by "troublemakers" following any refusal to readmit failed matriculants.

About 25 000 of the failures came from DET schools, mostly rural, and the rest from the homelands.

Sapa reports that a new independent education committee formed at the weekend meeting is to set up a school-enrolment monitoring office in Soweto from tomorrow.

The committee's function will be to monitor a back-to-school campaign, to see whether pupils are returning to school, whether they are accepted and, if not, to investigate why, committee member Sheila Sisulu said.

The office will be at Ipelegeng Centre, White City, and will be staffed by volunteers, supported by trained staff from educational organisations.

☐ Our Durban correspondent reports that there was chaos at many black schools in Natal yesterday when thousands of failed matriculation pupils attempted to re-enrol for their classes.

● Comment: Page 4

Workers reluctant to ...

January 90.

Retirement — How much will you need?

300

Money Matters

MAGNUS HEYSTEK

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 costs 32 times more than it does today.

Just think of it: a loaf of bread at R32, a carton of cigarettes R1 152 and the smallest motor car R640 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 that question one needs to look at current expenditure on living and express that in future rands by using the following table.

Annual income adjusted for inflation

EXPECTED RATE OF INFLATION

Years to Retiremente	12%	14%	16%
10................	R 3,11	R 3,71	R 4,41
15................	R 5,47	R 7,14	R 9,27
20................	R 9,65	R13,74	R19,27
25................	R17,00	R24,46	R40,87
30................	R29,86	R50,95	R85,85
35................	R98,10	180,31	R52,80

(Figures courtesy of Sage-Life).

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 25 years, his income on retirement to match his present standard of living is calculated as follows:

Run your eye down the 12 percent inflation column until you come to the 25 year line. The figure is R17,00. Multiply that by 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.

The factor for a 14 percent inflation rate is R24,46 and the total jumps to R733 800 a year to equal the R30 000 needed now. (No allowance is make 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.

AMOUNT TO BE INVESTED TO RETURN R1 000 A YEAR

Rate of return	8%	10%	12%	14%	16%
Amount to Invest	R12 500	R10 000	R8 300	R7 150	R6 250

It is now a simple matter of estimating the amount of return, and multiplying the amount in that column by the annual amount required. This gives the amount to be invested to achieve the target. If inflation stays at 12 percent, with a reasonable rate of return of 16 percent on the R510 000, it is clear that R3 187 500 (6,25 x 510 000) will be needed by retirement age.

To accummulate such a sum is not as impossible as it sounds. The next table shows how much is needed to be invested every year at a given rate of return to grow to the stated amount in a set time

Amount to be Invested Every Year to Return R100 000 at Retirement

YEARS TO RETIREMENT

Compound Rate	40	30	25	20	10
10%.....	R205	R553	R924	R1 587	R5 704
12%.....	R116	R370	R670	R1 239	R5 088
14%.....	R 65	R246	R482	R 964	R4 536
16%.....	R 37	R163	R346	R 747	R4 043
18%.....	R 20	R107	R247	R 578	R3 603
20%.....	R 11	R 71	R177	R 466	R3 210

Now's go back to the problem of trying to acquire R3 187 500 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, endownment policy or unit trust fund. The table shows that R346 needs to be invested every year at 16 percent for each R100 000 required in 25 years time. Thus one way of achieving the objective would be to put R11 028,75 (31,875 x R346) every year into the investment area of your choice.

This works out at under R920 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 R625 a month off his bond, which forms part of his investment requirement. This leaves less than R200 amonth 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

Star 10/1/90 300

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 33 576 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

Star 10/1/90

By Mckeed Kotlolo, 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

Star 10/1/90

Own Correspondent

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 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.

Seaside retirement village to be launched this week

BIDay 10/1/90

Business Day Reporter

PLETTENBERG Bay is to get a new retirement village aimed at active, upmarket over-50s. (300)

The resort — Homestead Village — is only the second retirement home in the area, according to Pam Golding Properties' Alistair Wallis. (288)

"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 R195 000 to R340 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 nostalgia about the old pavilion, which was demolished about 15 years ago.

300

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 25% a year, investors on the top marginal tax rate will receive the equivalent of a pre-tax return of 45% annually.

The new RA is more risky than one containing fixed-interest stock and, in a general market retreat, negative returns are possible.

BILL RUTHERFORD . . . tax-efficient investment

Contributions to the Golden Harvest Personal Equity plan go into a "high-performance equity portfolio" — the Culink equity fund, which consists of blue-chip shares. But money can be transferred into more security-oriented funds.

About 49% of Culink's equities are diamond, gold, platinum, granite and mining-house stocks, and the rest are financials and industrials. The top mining shares are Anglo American, De Beers, Driefontein, GFSA and Rusplats. The top five non-mining counters are Barlows, Rembrandt, Richemont, SA-Brews and Tiger Oats.

Cusaf is one of few composite companies in SA, handling long- and short-term insurance.

Although it writes more than R206-million of long-term business a year, it brings to account only R2-million of taxed profit. That is because the company's articles of association require 95% of life profits to accrue to policyholders and 5% to shareholders.

Formula

"We're only 5% from being a mutual," jokes managing director Bill Rutherford. He says the formula makes for good policyholder returns, which in the long run will benefit shareholders.

Because of the premium war, the "salad days of 1988" are over for the short-term arm and a sharp drop is expected in underwriting profits in the year to December 1989.

In the previous year, underwriting profits peaked at R21,3-million. But in the first half of 1989 Cusaf reported a 20% drop to R8-million.

Mr Rutherford expects the deterioration to have been even worse for the year, but investment income is thought to have risen at least in line with the interim advance of 31%.

If underwriting profit is down by 40% to R12,8-million (R21,3-million) and investment income is up by 30% to R33,9-million (R26,1-million) and only R2-million comes in from the life side, we would be looking at pre-tax income of R48,7-million compared with R43-million in 1988.

In the previous period there were dealing losses of R4,5-million, which were replaced by a profit of R1,4-million at the interim. So it is not unrealistic to expect Cusaf to lift earnings appreciably in spite of hard times on the short-term side.

The entire short-term sector has been marked down heavily because of the war. At 1 600c, Cusaf is only 5,1 times historical earnings. The dividend, covered more than five times, is certain to rise by at least 20%.

Collapse

Judging by the ratings of other life companies, the life arm is worth at least 25 times stated earnings of R2-million. The entire company is capitalised at R160-million, so the short-term side is valued at R110-million — about 3,8 times historical earnings.

Bearing in mind that it would take only one more AA-type collapse to restore discipline to the short-term market and that it is long-term performance that counts, Cusaf shares seem exceedingly cheap.

The thorny problem of unlocking funds to boost housing

BDay 17/1/90

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300

LINDA ENSOR

MAGINATIVE schemes are being devised to unlock the huge investment funds of life offices for investment in the w-income housing market. owever, direct investments of ension and provident funds for is purpose are becoming in- reasingly unpopular among ade unions and life offices like.

Life offices have billions of rands investment funds available annu- lly. But the major proportion goes ito the stock market.

Neither life offices, investing on ehalf of policyholders, nor unions hose pension and provident funds re invested on behalf of their mem- ers, are prepared to accept the ower rates of return from housing roject investments.

Workers, as investors in the funds, aturally wish to receive a maxi- num return, but as recipients of ousing loans from the funds also lesire a subsidised rate of interest.

Geoff Schreiner, national organ- ser of the National Union of Metal- workers of SA (Numsa), in an article n the November issue of Trustee Digest, expressed Numsa's view on the issue, saying: "Numsa does not believe that workers' money in pen- sion and provident funds should be used to subsidise housing needs. The state and employers should subsidise housing. Numsa does, however, ac- cept that a portion of pension and provident fund assets should be in- vested in community projects, pro- vided that such investments do not jeopardise returns to members of the fund."

Numsa, Schreiner says, is consid- ering investing part of the assets of more than R3bn in the funds in which the union is represented. Projects to be considered are investments in the purchase of land for housing, low- cost building activities, rental accommodation and rural develop- ments, and in financial institutions prepared to provide small loans.

"The union will not negotiate fur- ther on individual housing loans from any particular pension and provident fund until a housing allowance (from employers) has been agreed to. This is to ensure that workers are not called upon in any way to subsidise their own homes."

Life offices have been criticised for not using the massive funds at their disposal to assist in solving the housing crisis. Their response that this is not justified by the lower rate of return from such an investment is the same as that of the trade unions.

As Dick Geary-Cooke, executive director of the Life Offices Associ- ation, says: "Life assurers look after the interests of their policy- and pen- sion holders and it is their fiduciary duty to these people to maximise re- turns ... the rates of return from housing projects do not justify the investment.

"The problem is to create a situa- tion in which instruments used to fund low-cost housing give a market- related return and are themselves marketable. And to be marketable they must carry a guarantee that the money will be repaid."

Certain life assurers — Liberty Life, Sanlam and Southern Life — contributed to the establishment last year of the Urban Foundation Loan Guarantee Fund, set up with an ini- tial capital of R20m injected by Western governments, international companies and SA corporations.

The contribution was an interest- free five-year loan, which, while small in relation to total investment funds available to life assurers, re- presented about 10% of the Loan Guarantee Fund (LGF).

Franz Pretorius, the Urban Foun- dation's GM of project finance, says the investment by life offices in the LGF "is a very positive step by that industry. The Urban Foundation's R20m LGF enables the short-term insurance industry to underwrite R350m of R1bn worth of mortgages to be granted by banks and building societies under this scheme."

However, the life offices do not see it as their responsibility to devise such initiatives.

Expanding on union objections to the use of provident funds, Taffy Ad- ler of the Labour and Economic Re- search Centre, in a paper last year to the conference on affordable housing, said: "It has become increasingly common to look to trade unions and their influence over pension and provident funds as a solution."

Adler said it had been suggested that the approximately R65bn under the control of pension and provident funds (the industry now estimates the figure at R100bn), instead of being invested on the stock exchange, could be directed under union pressure to the housing market.

"Workers in some provident funds have agreed to a small loans facility for housing purposes at the 'official' interest rate (of 16%). Given that the fund could have been earning a re- turn on investment of, on average, around 20%, this of course represents a subsidy by the benefit fund to the individual borrower."

He says trade unions are thus be- coming more wary of any attempt to use pension funds for housing, which should, he believes, be subsidised by the state and employers.

"While union trustees should be prepared to use the monies in these funds for socially responsible invest- ment, such investment should not be to the detriment of the members of the fund. Funds will remain willing to invest in the provision of housing, but will now require guarantees in relation to the returns and security of their investments."

Apart from the problem of the gen- eral rate of return on the fund, there is also the question of equity.

This was pointed out by Chris Bö- senberg, senior manager, Group Benefits Evaluations at Sanlam, which has been involved in provident fund housing schemes.

"To do it equitably, one must arrange for the loan to affect only the lending member's benefits, otherwise all members will suffer from receiv- ing a return on the total fund which is lower because the loan to the mem- ber is made at a lower rate of return than that earned on the total fund. That would mean that members were subsidising the loan or that em- ployers would have to do so by mak- ing a greater contribution.

"The fairer way would be to credit the member with the lower rate but this would mean that his total retire- ment benefit would be less. He would eventually be paying for the subsi- disation somewhere else."

Matthew Nell, acting CE of the Urban Foundation's FHA Homes, be- lieves the problem of a reduced bene- fit could be addressed by regarding the house as a source of security and possible revenue for the member who would rejoin the fund after repay- ment of the loan.

Another aspect of the equity ques- tion, Bösenberg adds, is the fact that legislatively only 25% of a provident fund can be made in loans. "The ma- jority of members will be excluded by the restriction."

Bösenberg confirms the trend away from the use of provident funds directly for housing loans, but says another way in which they could be used is by investing an amount in building societies on condition that they make it available to members for housing loans.

"Building societies are quite ame- nable to that solution as it means they have security and it also means the fund earns normal rates of re- turn. The other advantage of this is that there is a rollover of the invest- ment every three years and the fund is free to make a new investment."

Nell says several schemes for channelling life office funds are un- der consideration at the moment.

He says life assurance companies could perhaps adopt the UBS scheme of securitisation of mortgages through the issue of stock on a portfo- lio of mortgage bonds. This step to develop a secondary mortgage bond market was not developed specifical- ly for low cost housing.

The knotty problem persists. The Urban Foundation estimates that 127 000 housing units will have to be built each year over the next 20 years to house black urban families. The current housing backlog stands at about 800 000 units.

Until solutions are found, the in- vestment funds of life offices will continue to find their way onto the stock exchange, while shanty towns mushroom and overcrowding reaches intolerable levels.

Probe planned after nursing strike at home

Cape Times 19/1/90

By CLAUDIA KING

AN investigation into working conditions at New King's Residentia, Kalk Bay, home for the aged has been requested after 11 assistant nurses who went on strike were found guilty of disgraceful conduct by the South African Nursing Council's disciplinary committee yesterday.

They were each given three months' suspension, suspended for one year.

Two of the 15 nurses charged with disgraceful or improper conduct after a four-hour strike on March 8 last year were found not guilty. They are Miss S J Msutu and Miss T C E Vanyasa.

Mrs T B Mona and Miss G J Hlahatsi were found guilty of improper conduct and cautioned and reprimanded.

The nurses went on strike in sympathy with Miss Msutu and Miss Vanyasa who had been dismissed and reinstated into the occupational therapy unit instead of to the wards.

This created a further strain on already overworked nursing staff, said witnesses.

In mitigation of their sentence, defence for the nurses said evidence had shown industrial relations practices at the New King's to be outdated.

Unresolved

In addition, grievances brought to the management of the institution remained unresolved for years and there was salary discrimination on racial grounds. In delivering sentence, the chairman of the committee, Professor W J Kotze, said the nursing profession had an unwritten contract to provide safe and adequate care to their patients and the South African public.

The happiness of the nursing staff and the fulfilment of their career potential was also extremely important, prompting the committee to suggest that a letter requesting that an investigation be conducted into the conditions of employment at the home be sent to the South African Nursing Association, she said.

The 11 nurses are: Ms J N Mthunjwa, Ms B N Dlamini, Ms S N Stemela, Ms N G Geza, Ms N E Geza, Ms N C Peter, Ms L L Ntshauzana, Ms P N Mapundy, Ms C N Roto, Ms C Z Yisa and Ms V N Malasa.

WAITING FOR VERDICT ... These 15 nurses were charged with disgraceful or improper conduct and appeared before the South African Nursing Council's disciplinary committee yesterday.

Picture: ANNE LAING

FM 19/1/90 (300) ([illegible])

HELDERBERG (300)

No silver lining

The growing pains of the retirement village sector continue with the luxurious, R60m Helderberg Village scheme in the western Cape the latest to run into problems.

FM 19/1/90

Cash flow difficulties, resulting in R4,7m of unpaid debts, have caused developer Shemara 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 Baigrie 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 facilities.

Under-capitalisation was also a problem because the development was largely financed by debt. Operating capital was insufficient and the development was excessively reliant on sales revenue to finance building activity. The five-phase scheme is into its fourth phase with approximatley 300 units built and further expansion under consideration.

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 Baigrie, "are unanimous that liquidation will be the most expensive and damaging step for creditors, villagers and investors alike."

Personal Trust, as trustee for certain investors 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 intervene and address the village's deteriorating financial position.

These are anxious times for the 300 families in the village since the scheme's shareblock format means that, if the company goes into liquidation, they, as shareholders rather than owners of title, become concurrent creditors.

Meanwhile, the Silvermine Village retirement scheme near Noordhoek (involving, in common with Helderberg, developer Barry Burton Barbour) also has cash flow problems. Increased levies, or early payment thereof, as well as reduced services are being discussed as ways of addressing the problem. ■

(300)

S|Times 21/1/90

Retirement villagers may lose their life savings

By DAVID CARTE

SEVERAL hundred pensioners could lose their luxury retirement homes if attempts fail to save the cash-short Helderberg retirement village near Somerset West.

Many of the pensioners have paid R300 000 each for their homes.

But because of high mortgage interest rates and declining sales of new units, the shareblock company cannot service its mortgage debt of R5,8-million. The development company, Shemara, with liabilities of nearly R5-million, also cannot meet running expenses.

Unless a rescue can be effected, the retirement villagers stand to lose their outlays — in some case their life savings — because of the workings of the Shareblock Act. More than 300 houses and R50-million are at stake.

The pensioners' harrowing experience is regarded as a test case which could affect the future of shareblock purchase in SA.

The reputations of several big companies are also at stake. Several other shareblock companies are in financial trouble.

The Allied Building Society, together with Personal Trust, the other mortgage creditor, is trying to help save Helberberg.

Norman Alborough, senior general manager of the Allied, explains: "If you pay R300 000 for a house under the Shareblock Act, you are making a loan to the shareblock company, which actually owns the land.

"You do not get title to your house. All you get is the right of occupation. If the shareblock company fails, you become just another creditor."

In the case of Helderberg, the shareblock company lent the money it was receiving from villagers to the developer, Shemara, whose major shareholder was Cape Town attorney Barry Burton Barbour.

Shemara used the funds for further development. When sales flagged because of high rates, both Shemara and the shareblock company ran into cash-flow difficulties.

Most of the Helderberg villagers are content to work with the Allied and Personal Trust on a rescue bid. Dennis Lehmann, a retired villager and chairman of the shareblock company, said Allied and Personal Trust had done more than anyone could have expected of them.

He said the shareblock company, with assets of R62-million, was more than solvent.

"I am confident we can salvage the situation. A large British investor offered rescue terms to Shemara this week but there were too many conditions, so we rejected the offer.

"A number of other prospective investors are standing by."

But a dissenting group of villagers blame the Allied and Personal Trust for the debacle. They say if the logos of these solid institutions had not been prominent on Helderberg's sales literature they would not have bought at Helderberg.

Says Mr Alborough: "The Allied is merely a mortgagee to the shareblock company. We are in no way responsible for what has happened."

Five villagers who have paid for occupation of their houses are locked out. LTA, the Anglo American Corporation-controlled construction giant, has given the Allied a waiver of any lien that might arise.

A lien is the right to keep property until debt on it is discharged. The holder of such a right is a preferential creditor. LTA built the houses and, having been paid by Allied, has passed the lien to Allied, which is owed money by the shareblock company.

All the parties involved agree that the best way to save Helderberg is to complete and sell the 600 houses planned.

DCF, a property development company, has been called in as a consultant. It will submit a report outlining alternatives three weeks from now. The creditors have given the developer a moratorium to February 15 to come up with a rescue scheme.

S/Times 21/1/90

(300)

Retirement villagers may lose their life savings

By DAVID CARTE

SEVERAL hundred pensioners could lose their luxury retirement homes if attempts fail to save the cash-short Helderberg retirement village near Somerset West.

Many of the pensioners have paid R300 000 each for their homes.

But because of high mortgage interest rates and declining sales of new units, the shareblock company cannot service its mortgage debt of R5,8-million. The development company, Shemara, with liabilities of nearly R5-million, also cannot meet running expenses.

Unless a rescue can be effected, the retirement villagers stand to lose their outlays — in some case their life savings — because of the workings of the Shareblock Act. More than 300 houses and R50-million are at stake.

The pensioners' harrowing experience is regarded as a test case which could affect the future of shareblock purchase in SA.

The reputations of several big companies are also at stake. Several other shareblock companies are in financial trouble.

The Allied Building Society, together with Personal Trust, the other mortgage creditor, is trying to help save Helberberg.

Norman Alborough, senior general manager of the Allied, explains: "If you pay R300 000 for a house under the Shareblock Act, you are making a loan to the shareblock company, which actually owns the land.

"You do not get title to your house. All you get is the right of occupation. If the shareblock company fails, you become just another creditor."

In the case of Helderberg, the shareblock company lent the money it was receiving from villagers to the developer, Shemara, whose major shareholder was Cape Town attorney Barry Burton Barbour.

Shemara used the funds for further development. When sales flagged because of high rates, both Shemara and the shareblock company ran into cash-flow difficulties.

Most of the Helderberg villagers are content to work with the Allied and Personal Trust on a rescue bid. Dennis Lehmann, a retired villager and chairman of the shareblock company, said Allied and Personal Trust had done more than anyone could have expected of them.

He said the shareblock company, with assets of R62-million, was more than solvent.

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"A number of other prospective investors are standing by."

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Defence cuts to hit pension fund

300

LINDA ENSOR

THE current account of the civil service pension fund, which has a floating deficit of R23bn, will be hard hit by the retrenchments of staff arising out of the rationalisation of the defence forces.

About 2 300 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 Pension Fund (GSPF) chief director Japie Visser said the terms of the retirement packages 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 which could be claimed would be five years. B/Day 29/1/90

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

□ To Page 2

Defence cuts

B/Day 29/1/90

□ From Page 1

300

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 R19bn, 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 will 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 DP 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 2 300 was a small percentage of the fund's total 600 000 membership.

Shortfall shocks Cabinet

BID cm 29/11/90

ROBERT GENTLE

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 acturarial report will be discussed at the next session of Parliament. I cannot comment further."

There was no formal comment from J A Carsons, 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 Wassenar — inadequate financial support and low investment returns.

"They were doing 9%, maybe 12%, while

☐ To Page 2

300

Sats pension funds

☐ From Page 1

private pension funds were making 20%," the source said. "They have been going backwards."

However, he emphasised the actuarial nature of the deficit and cautioned against viewing it in straight accounting terms.

Actuarially speaking, he said, it was a capitalised, discounted value which summarised the state of the fund if it had to meet all its obligations tomorrow — a highly unlikely scenario.

"For the man in the street, it's going to be a major shock. But the fund is not insolvent. It can meet its immediate needs," he said. BDay 29/11/90

That view was echoed by an assistant GM of a leading bank.

Analysts canvassed for their opinion said that while it was well known the Sats pension fund was in actuarial deficit, a figure of "billions" meant the situation was more serious that previously thought.

"This doesn't augur well for privatisation," one said.

And another said: "There must be a link between privatisation delays and these shortfalls."

Pension fund 'hard hit' by SADF staff cuts

Cape Times 29/1/90

380

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 added 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

B/Day 30/1/90

LESLEY LAMBERT

CAPE TOWN — An interim report released yesterday by the Mouton committee, which is investigating retirement funding in SA, estimates that R2bn 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 Moutons' predecessor, the Meiring 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 had 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.

The committee found that while an annual R2bn was needed to provide for retirement in the informal sector, the unrecorded, unregulated and unorganised 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.

(300)

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 quasi-government 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.

CAPE TIMES 31/1/90. 300

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 SADF and navy personnel, which he said would detrimentally affect the GPSA.

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 R23bn.

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 channelling last year of R1bn to four financial institutions for investment in high-return assets.

Decision soon on saving govt pension fund

300

LINDA ENSOR

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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 SADF 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.

B Day 31/1/90

Existing members were subsidising their pensions. This would mean the fund would eventually have more pensioners than contributors, he said.

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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

BDay 31/1/90 (300)

IN LINE with trends in many Western countries and especially the US, SA senior citizens are increasingly entering the work force as temps, helping to overcome the skills shortage.

Senior Citizens Employment Agency (SCEA) marketing manager Katia Kyriakou says the demand for senior citizens is growing across the board.

Her company specialises in placing people aged 50 and upwards.

She says: "People are never too old to work.

"We have placed people of 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 ones."

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 finacial directors.

Father Christmases were in big demand over the festive season and positions such as caretakers and ground keepers are open for couples.

Kyriakou 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

EmmanuTemp 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 effeciently.

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.

PENSION BENEFITS F/M 2/2/90

Divorce division (300)

Changes to the Divorce Act last year leaves uncertainty over many aspects of the division of pension benefits between ex-spouses.

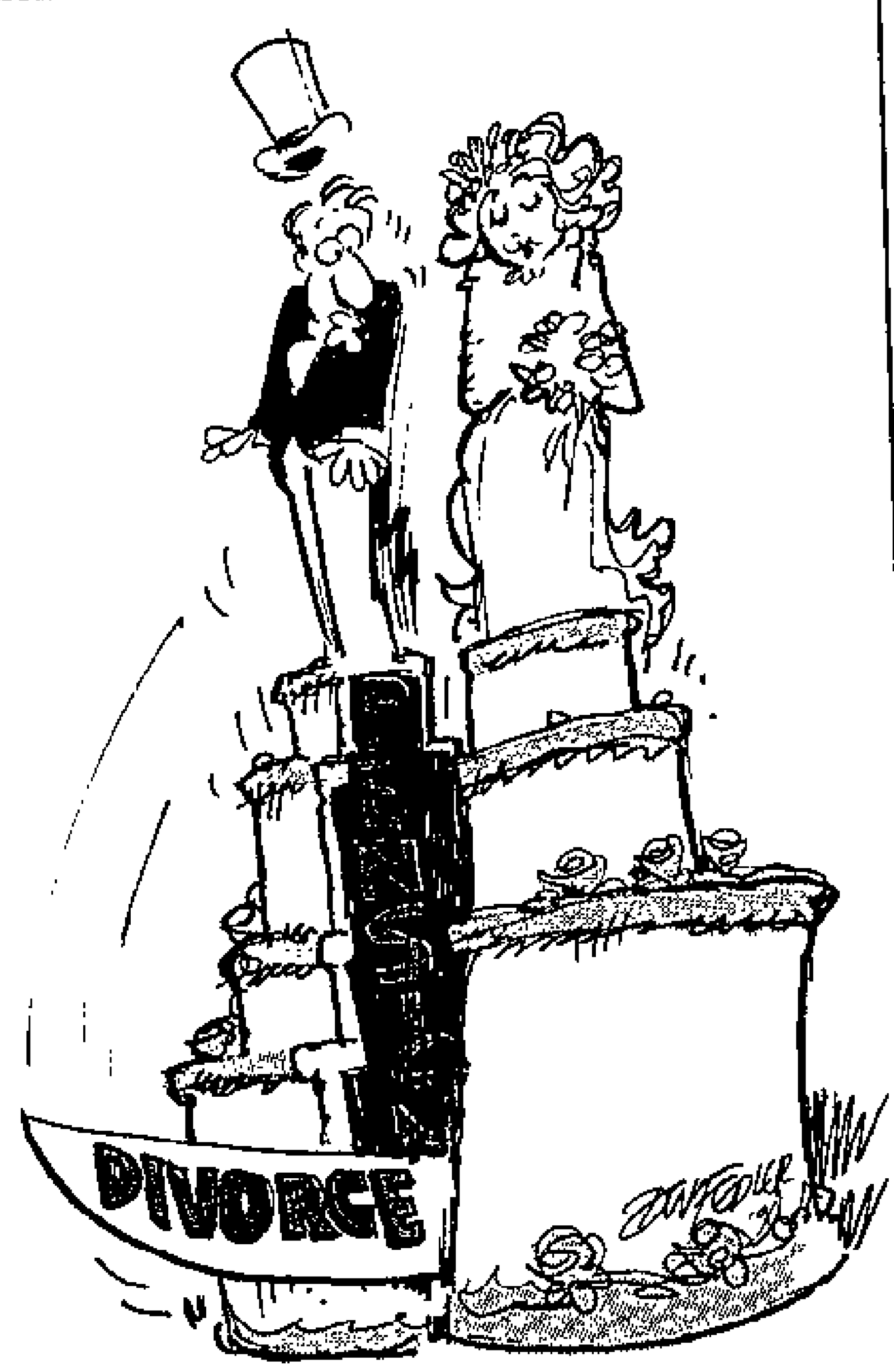
Before the Divorce Amendment Act of August 1 1989, pension expectancy was not part of a person's estate, so spouses had no claim on it in a divorce suit. Now benefits from pension and provident funds, friendly society schemes and retirement annuities are deemed to be assets and are subject to division — unless the marriage took place after November 1 1984, under antenuptial contract (which excludes accrual).

F/M 2/2/90 (300)

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.



F/M 2/2/90 (300)

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." ■

More in assurance than life cover

S Times 4/2/90 (300)

By Anthea Duigan

LIFE assurance plays an important part in personal financial planning, but has its limitations, says financial planner Richard Wharton-Hood, member of the IPC group.

Mr Wharton-Hood says assurance should be used to underpin the essential long-term aspects of such planning by providing life cover, disability benefits and dread disease cover.

"When assessing life assurance as a financial planning tool, four basic facets should be viewed: death, disability, dread disease and investment-maturity benefits.

"The role of life assurance with regard to death benefits has not changed, but the emphasis on benefits has altered. Some advisers regard a 10-year endowment policy as the solution to all problems and never give death, disability or dread disease benefits a thought.

"The ordinary man must have life assurance. Insufficient accent is placed on this cover. Life assurance will provide funds which dependants need should death occur prematurely.

"Disability benefits replace income when the breadwinner is unfit to work.

"Dread disease cover plays the significant role of meeting the exorbitant cost of trauma which includes hospital and medical expenses. For instance, medical-aid schemes are not designed to pay R80 000 for heart surgery."

Mr Wharton-Hood says personal financial planning mistakes often involve misuse of the 10-year endowment contract. The policies should not be sold to pensioners, or 79-year-old widows as a cure-all. Nor should they be sold as income generators. This becomes an unexciting investment tantamount to a 10-year fixed deposit providing an effectively low yield.

"Some financial advisers are blinkered to the sole use of insurance products. They do not use attractive investment options for periods of fewer than 10 years which can be more flexible and appropriate."

Flexible

Other long-term policies are designed to meet specific financial needs, such as provisional tax payments, children's education and mortgage payments or any other continuous financial commitment.

Although less important than the benefits already mentioned, they fulfil a real need in financial planning.

Fedlife general manager Bernie Goldman stresses the importance of increasing life cover annually by paying higher premiums.

"Unfortunately, with double-digit inflation, neither the protection goals nor the long-term saving objectives of the policyholder will be met unless he also keeps increasing his premiums as his income increases," says Mr Goldman.

"With today's universal policies, this kind of automatic increase is simple to arrange. At the same time, you can also arrange to increase the amount you invest towards your retirement each year.

"The only limitation is that the premium increase may not be more than 15% a year if the policy is to remain tax effective."

Mr Wharton-Hood points out the importance of a retirement annuity.

"It is an essential contract, but has been maligned over the years mainly because changes in commission structures make it less attractive than other life products for the salesman.

Logical

"Anyone with sufficient cash should pay the maximum allowable into a retirement annuity to supplement his retirement benefits. Few — if any — pension funds pay sufficient for pensioners to maintain their standard of living.

"For those who do not belong to a pension fund, retirement annuities are the logical alternative form of saving for retirement.

"The subsidy received through the tax deduction makes them an attractive long-term investment."

Shock ahead

• From Page 1

a month before retirement — and fatter pensions for life.

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 50. 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 collars).

The MOPF has three times the assets a member and pensioner of the Sats fund for whites — R59 800 against R20 400. The MEPF has R34 370 a member and pensioner againt the Sats non-white fund's pitiful R8 100.

4/12/90

HOW BIG PENSION FUNDS SHAPE UP

Fund	Total assets (Rm)	No of members	No of pensioners	Assets per member + pensioner (R)	Benefits paid (Rm)	Benefits per pensioner (R)	Employers contrib (Rm)	Members contrib (Rm)	Contrib per pensioner (R)	Operating surplus (Rm)	Surplus per Member + pensioner (R)
Mine Employees*	2 196,1	52 767	11 128	34 370	123,4	11 089	73,3	53,0	2 399	175,8	2 751
Mine Officials*	3 601,9	50 400	9 786	59 800	198,0	20 232	181,2	86,6	5 315	358,9	5 963
SATS	2 370	79 615	36 518	20 400	696,2	19 064	607,2	156,6	9 593	163,2	1 405
SATS Non-White	961	96 019	22 003	8 100	32,6	1 480	173,6	66,2	2 497	284,1	2 407

* Market value

(300)

Because they achieve lower yields, the market value of Sats assets is perhaps 30% 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.

Pensions for domestics

LIFE offices are turning their attention to pensions for domestic workers. (300)

Fedlife requires a minimum contribution of R15 a month, premiums rising by 12% a year. No medical examination is required. S/Times 4/2/90.

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 other lump sums to the employee's pension fund increases the eventual payment.

Dawie to reveal shock pension fund shortfall

(300)

S1 Times 4/2/90

By David Carte

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 privatisation 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 De Villiers.

Sats is already contributing R774-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 buy-backs 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 State pension fund was found by actuaries to be R23-billion short of its liabilities in 1988. If Mr Rupert's figure is right, the State could have R40-billion of liabilities to add to its existing debt of R68-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 underfunded 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 sacking 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 promotion

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JESDAY, FEBRUARY 6 1990
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Sats fund entrusts R1bn with managers

GRETA STEYN

ALMOST R1bn of the Sats pension fund has already been given to private portfolio managers in an effort to reduce the huge actuarial deficit by achieving better returns on investments.

Pension industry sources said the Sats fund had allocated about R400m in cash it had accumulated by the end of the 1988/89 fiscal year as well as its yearly contributions surplus, estimated at about R480m this year. The portfolio managers are Old Mutual, Sanlam, Liberty Life, Southern Life and independent Alan Grey.

Well-placed industry sources see the private management of the Sats fund, with assets of R4bn, as important not only for the corporation's eventual privatisation, but also as a role model for solving the problem of the R23bn shortfall between assets and liabilities in the State pension funds.

(300)

Sats pensions chief Gideon van Zyl said he could not, at this stage, provide information on either the size of the deficit, estimated at R17bn by Rembrandt director Johann Rupert, or on the moves to rectify the situation.

Rupert said yesterday the figure of R17bn was circulating in the merchant banking community and he hoped government would release the official figures soon. BDay 6/2/90

Van Zyl said: "We regard as the main reason for the shortfall the poor returns on investments the fund was compelled to accept. Investment in equities was against the law as we were legally bound to invest in gilts and semi-gilts."

He said a study had been done to show what would have happened had the fund been allowed to invest in equities since 1979, when the last actuarial assessment of

☐ To Page 2

Sats fund

BDay 6/2/90

(300)

☐ From Page 1

the deficit was made.

"Assuming we had achieved the average return of the private funds, we found the deficit problem would have been negligible," Van Zyl said.

The Sats fund, now subject to the investment criteria that replaced prescribed asset requirements last year, can invest heavily in equities as it is currently over-invested in gilts.

LESLEY LAMBERT reports that a Sats Pension Fund Bill tabled in Parliament yesterday proposes the consolidation of Sats' two existing pension funds into one fund.

The purpose of the consolidation is to enhance returns by cutting administrative costs and introducing better investment opportunities.

If enacted, the new legislation will help facilitate Sats' impending privatisation by creating the legal framework and mechanisms to place the existing funds on an equal footing with private sector funds.

The Bill makes provision for the establishment of a new pension fund, the dismantling of the existing funds and the transfer of assets, liabilities, rights and obligations of the existing funds to the new fund. It also provides that the new fund will be actuarially evaluated at least every three years.

Huge pensions shortfall

Cape Times 8/2/90 Political Staff 300

THE buy-back of pensions by civil servants had added a further R296 million shortfall to state pension funds, Auditor-General Mr Peter Wronsley 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 Mocke, 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 Mocke 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 Mocke 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 powers. 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."

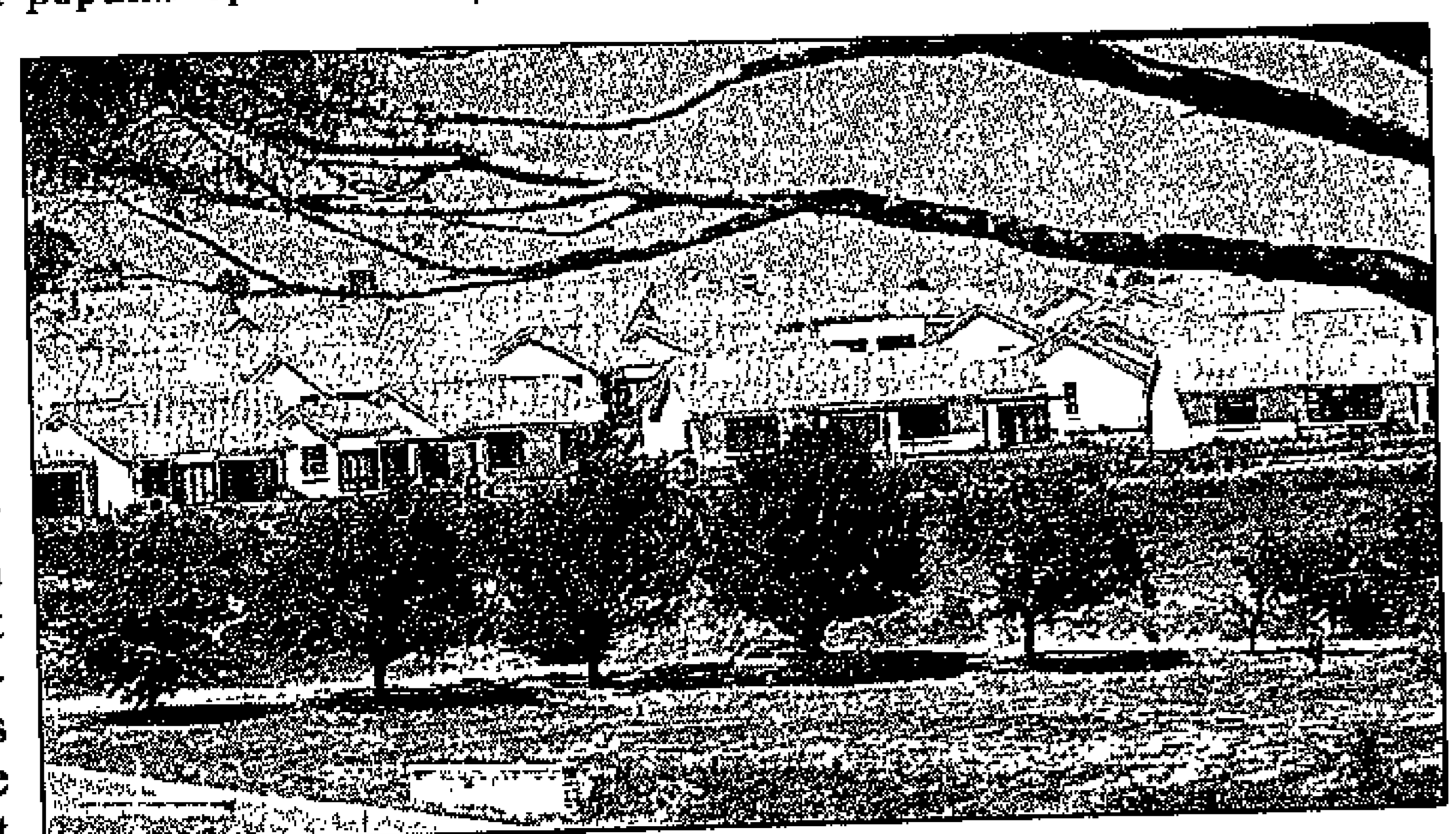
He added he was sure the vast majority of councillors would back a system of fair direct representation where areas were divided into wards and everyone, regardless of colour, was able to vote for the councillor of their choice.

9/2/90 FM 300/ Feb '4-

RETIREMENT VILLAGES — 2

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).



Helderberg ... not as safe as a house

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 mortarium 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;

☐ LTA and Ovcon 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. ■

RETIREMENT VILLAGES — 1 F/M 9|2|90 (300)

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.

Not 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 unit 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 Handelsinstituut 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 undisturbed 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

→ F/M 9|2|90

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. ■

FM 9/2/90 (300)

SATS PENSION FUND FM 9/2/90

Devaluing the assets

Sats pension fund deficits could be a major obstacle to privatisation. Preliminary figures show the replacement value of Sats' total 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.

(300)

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. ■

ST Tues 11/2/90. (300)

By David Carte

R200 for peace of mind in a retirement village

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 Roodt advises on how to avoid the pitfalls in buying into a retirement village.

Mr Roodt 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 Roodt 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 registerable. 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 or even 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 might, like those at Helderberg, have paid R300 000 for occupation, will rank as concurrent creditors in the liquidation.

Typically, a part of the 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.

JOHAN ROODT ... a path through the minefield

Shareholders appoint a board to look after the company's affairs. The board should ensure that the developer sticks to the Share Blocks 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 Roodt 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.

Retirement Annuities

A Star survey

Balancing risk and reward

300

THE DECISION by several life insurance companies, including Liberty Life, to take a contrary view to other life assurers 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.

Star 12/2/90

South African life Assurers 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 assurers no longer have to place 53 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.

Adds 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."

30

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.

300

300

☐ RETIREMENT ANNUITIES

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 R140 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 then "dying too soon". It is essential to plan and save for both and the consequences of failing to provide for retirement as soon as possible can be alarming.

Sage Life Universal RA — R100 pm

Age	Delay years	Value of fund at 65 R	Cost of delay R
40	Nil	876 076	Nil
41	1	731 287	144 789
42	2	609 350	266 726
43	3	506 788	369 288
44	4	420 628	455 448
45	5	348 323	527 753

☐ 15% pa premium increase
☐ 15% portfolio growth (market related)
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.

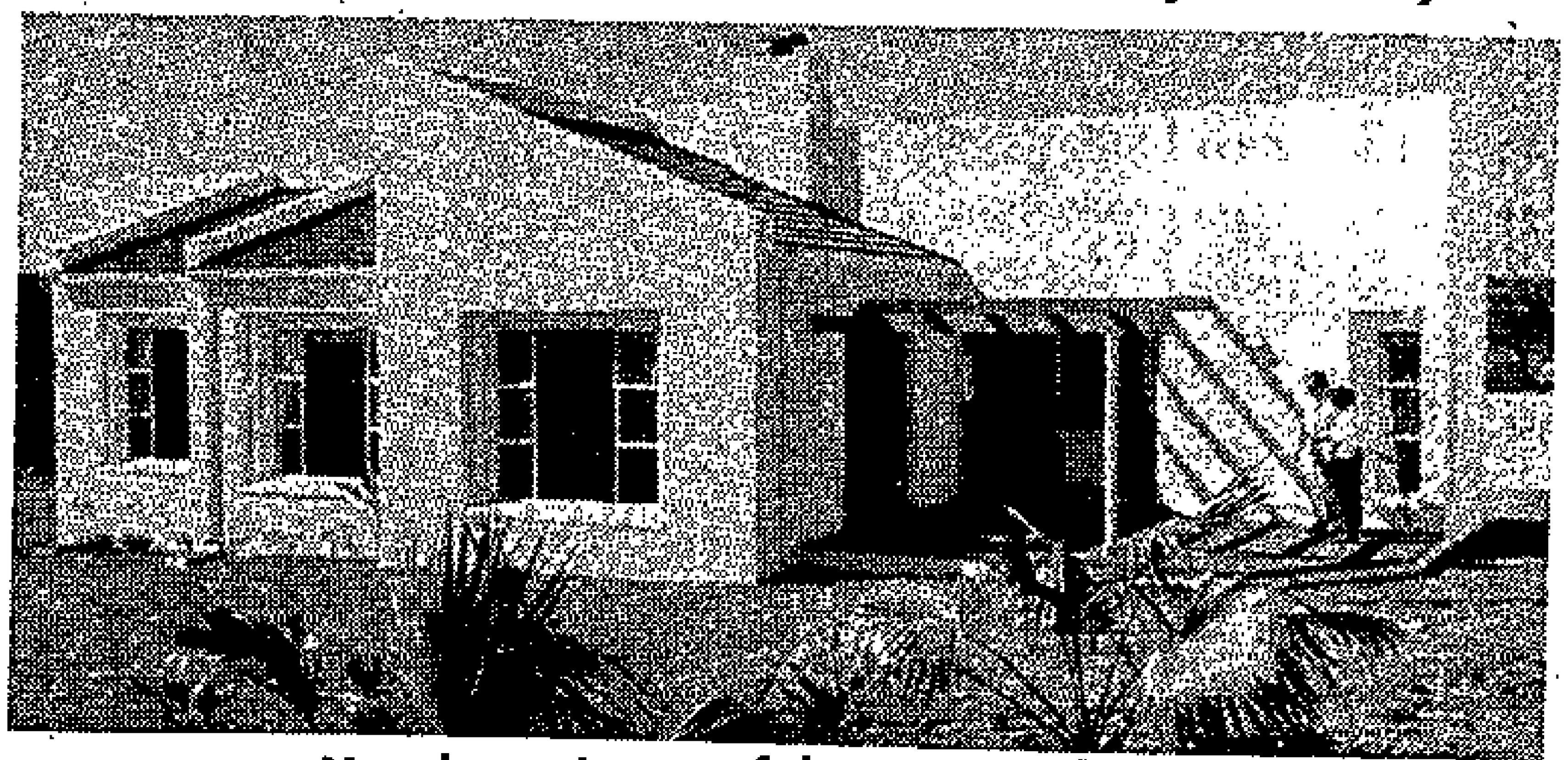
As the table shows, a delay in beginning a retirement plan can be very expensive and adversely affect the end benefit.

For example, a 40-year-old investing R100 a month for 25 years (assuming 15 percent growth and 15 percent contribution increases) would receive R876 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 R144 789. 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

STAR 12/2/90 (300)



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 might 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.

Retirement Annuities

A Star survey

Site offers a number of options

STAR 12/2/90 (300)

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 (RAs) with a maximum deduction of the greatest of:

- 15 percent of her non-pensionable remuneration, or
- R1 750, less her contribution to a pension fund, or
- R875.

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 R1 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 fundcombined with the planning opportunties now offered by the Site legislation, make RA contributions an essential element of a balanced retirement plan.

Managing your retirement annuity

(300)
STAR 12/2/90

During the life of a Retirement Annuity, changes occur in the legal infrastructure 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 when these changes occur in order to make the most of the benefits which are inherent in these retirement funding vehicles.

Generally, there are three phases which are dependent on the age of the life assured:

Age 55	Age 69
PHASE 1 **Premiums: flexible** **Benefits: inflexible**	**PHASE 2** **Premiums: flexible** **Benefits: flexible**

PHASE 3
Premiums: ceased
Benefits: fixed

PHASE 1: FUND BUILDING PHASE

This phase occurs mainly during the life assured's working life time, 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 determines how much 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, the actual maturity date may be brought forward or delayed in order to get the best advantages from 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, lower or no premiums at all, depending on individual circumstances. No charge is levied for any such changes.

On the other hand, 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.

(b) A retirement annuity may be matured in part or in full. This may be a useful tool if a person is receiving other income for a short period after retirement. A typical example of this is for a female whose retirement age is often 60, and whose husband continues working until 65. It may be prudent to mature only part of the wife's retirement annuity at 60 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 portfolios, the more it may be worth as time progresses.

(c) For people whose retirement annuities are invested in unit-linked portfolios such as Performance Profits, funds can be moved to a less risky portfolio. This is especially important when a large proportion of one's retirement capital is tied up in this way, and in order to preserve the capital gains of the retirement annuity, a switch to this fund may be prudent in the final few years before maturity.

(d) The longer one waits before taking the benefits of the retirement annuity, the higher the income becomes. This is because the major part of the benefit is in the form of life annuity; the later this annuity is affected, the shorter one's life expectancy, and therefore the higher the annuity.

The following table shows the difference for a capital lump sum of R100 000 being available to purchase the annuity for a male:

Age	Payable for Life	for Term Certain
55	1 491,08	1 446,31
60	1 560,93	1 482,49
65	1 667,45	1 527,85
69	1 789,95	1 568,22

(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 continued 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 this initial pension can be paid towards a retirement annuity thus deferring the full retirement income in a very tax 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, if not all income during this period is not index-linked (ie there is no provision for annual increases), it is important to re-invest 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.

300
12/2/90

Parliament

CT 14/2/90

300

Call on management of govt pension funds

By BARRY STREEK

THE sooner the investment management of the government pension funds, which had an actuarial deficit of R23 billion in 1988, was transferred to the private sector, the better for the taxpayers of South Africa, the DP's pension expert, Mr Brian Goodall, said yesterday.

Self-administered pension funds had a return of 18,76% in 1987, but the return on state-controlled funds was 9,36%, just over half of the return achieved by the private sector, he said during the mini-budget debate.

"For every rand contributed by a self-administered fund, it generated R1,52 of income.

"For the state controlled funds the figure was 96c."

The difference in investment returns meant that 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 pension fund increases.

"We were told that this was a big improvement because in 1985 it was 32%.

"This is true, but what had happened in actual rand terms? The unfunded deficit had gone up by R2bn."

This situation arose because benefits were increased while no account was being taken of the financial implications of those benefits and the services of professionals, the actuaries, who could have spelt out the implications were dispensed with.

The investments of official funds were restricted to fixed interest investments, and were not linked to inflation.

Allow private sector to invest govt pension funds, DP says

8 Day 14/2/90

Political Staff

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.

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Barend: No need for concern about pension fund shortfalls

STAR 15/3/90 (300)

Government pension funds should be moving in the direction of defined contributions and away from defined benefit systems, and the Government was ironing out problems in this regard, Finance Minister Mr Barend du Plessis said yesterday.

Replying to debate on the Part Appropriation Bill, he said there was no reason for concern about any shortfall in the funding of these funds.

Even in a process of transition from one system to another, adequate provision would be made by the State to ensure that all pension fund members received the benefits due to them.

In thinking about a changeover, 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 effected, the burden of generating the compensatory amount would shift from the exchequer to the investors in the funds, the Minister said. — Sapa.

Commercial Union's new premium income up 48%

COMMERCIAL Union's total new life and pensions premium income soared 48% to R204,5m last year. (468)

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 46,9% was achieved, with new plans up 54,7% and increases up 43%. Individual recurring premiums rose 23,6% on average. (300)

Retirement annuity business was up 52,6%. — Sapa. 610 M 15/2/90

Business Day

SURVEY

Retirement annuities were first introduced in the 60s to fill the gaps in pension planning. Since then their popularity has increased to the extent that industry analysts predict that the current fiscal year could see as much as R2bn flow into RAs. **SUSAN RAMWELL** *reports.*

Increase benefits by adding life cover

ENDOWMENT policies, many of which offer equity-linked growth and good performance, have traditionally outsold RAs.

However, Old Mutual takes the view that with the current revival in RA sales, they are set to steal some of this market share.

The major difference between the endowment policy and the retirement annuity, says Old Mutual GM individual life Bobby Jooste is the question of whether the investor wishes to receive maximum tax benefits now or after the policy matures.

The RA offers an excellent tax hedge immediately in the form of tax deductions on contributions, but the annuity purchased at maturity is fully taxable, albeit at probably the lowest marginal tax rate the investor will have had in the course of a career.

The endowment on the other hand, although it does not offer worthwhile tax savings while premiums are being paid, does offer a totally tax-free lump sum at maturity.

Collateral

Another issue is the ability to call on the value of the investment before maturity. An endowment can act as collateral for a loan in an emergency situation where funds are required.

The RA cannot be used as collateral and is firmly out of bounds until age 50 for women or 55 for men.

It increases the benefits of an RA to build life cover into the policy, says Jooste. "It is worthwhile to include life cover as the premiums are then effectively tax-deductible and the effective cost much lower.

"Both single and monthly premiums are allowed and the term of the policy can be less than 10 years. Premiums are flexible, and lump sums can be paid in at any stage with recurring premiums able to be adjusted at [illegible]"

TOP PERFORMANCE
Average annual growth rate %

	1 Year		5 Years	
	Growth %	Ranking	Growth %	Ranking
General Equity				
Guardbank	32,1	1	21,1	2
Lifegro	24,6	8	—	—
Metboard	19,8	11	—	—
Old Mutual	26,0	6	24,1	1
Sage	28,2	2	20,0	4
Sanlam	15,6	12	15,2	10
Sanlam Index	27,1	4	20,2	3
Standard	25,4	7	19,9	5
Syfrets	23,7	9	—	—
UAL	28,1	3	17,5	6
Mining Trusts				
Guardbank Res	21,9	10	—	—
Old Mutual Min	0,6	24	—	—
Sage Res	8,1	19	—	—
Sanlam Min	8,9	18	16,8	8
Std Gold	-12,8	25	15,9	9
UAL Min & Rests	10,0	16	—	—
Other speciality trusts				
Sanlam Dividend	4,1	23	12,9	11
Sanlam Industrial	26,7	5	17,2	7
UAL Select Opp	13,8	13	—	—
Fixed-interest trusts				
Corbank	6,5	22	—	—
Guardbank Inc	11,8	15	—	—
Senbank	7,5	20	—	—
Senbank Gilt	7,3	21	—	—
Std Extra Inc	13,8	14	10,1	12
UAL Gilt	9,1	17	—	—

VALUABLE SAFEGUARD FOR THE SELF-EMPLOYED PROFFESIONAL

RETIREMENT annuities are said to be the closest thing to a private pension fund available to the self-employed — and since it cannot be attached by creditors, these are a valuable safeguard for either the professional or entrepreneur.

AA Life appears keen to increase penetration of this potentially lucrative market for RAs and has pointed out some particular benefits the independent businessman enjoys from an RA that would be less available to an employee.

Deputy GM marketing Bruce Howard says income tax rules encourage the use of RAs by the self-employed in the sense they will be able to deduct a full 15% of their income, whereas a member of a pension fund has a set maximum amount — the greater of R3 500 minus pension contributions or R1 750.

Howard also says there are benefits to the independent businessman of being locked into a compulsory saving for retirement that can not be attached by creditors in the case of insolvency.

He says AA Life's universal RA has been designed for maximum flexibility, including the ability to vary contributions and benefits. This, he believes, suits the situation where a self-employed person may experience fluctuating circumstances and profit levels.

One way he suggests to achieve flexibility is to include life cover and disability elements into the policy in early years, and remove or reduce these later when the need is lessened.

Another suggestion is that monthly contributions be kept conservative, but be increased at the end of each tax year when pro[illegible] been determined.

New-business boom will break all the old records

RETIREMENT annuities, introduced in the '60s by major life offices to fill the gaps in pension planning — particularly for the self-employed or those who did not have main group pension funds — are more popular than ever.

The major life assurance companies expect markedly increased new business in retirement annuity sales this month with a rush to the tax year-end on February 29.

Old Mutual assistant general manager marketing David Hudson says despite the usual rush for RAs during February, this February should break all records and this will only be the beginning.

If Hudson's predictions are correct — that new RA contributions for this fiscal year will be double the R305m of the previous year, then as much as R2bn could flow into RAs for the current fiscal year.

Old Mutual was the first to announce an "all-share" RA in November but only officially launched its all-equity RA on January 23.

Says Hudson: "We'll see the impact by the end of February but sales will continue in momentum as brokers respond to the new products.

"We've paid great attention to ensuring brokers understand the real place of this product in a retirement planning portfolio. An all-equity product like this could easily be sold with an incorrect approach because the comparative returns might sound too good to be true.

"The risks have to be explained, and it should not be the sole component of a retirement plan. We've discussed the right marketing approach with more than 6 000 brokers."

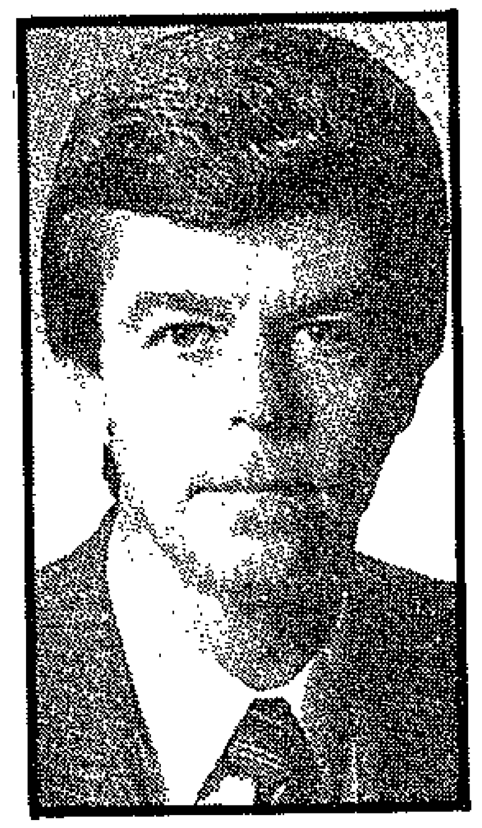
Hudson says South Africans traditionally invest about R1,2bn a year in RAs. He estimates new RA contributions for last year totalled about R305m.

Double

Announcing Old Mutual's all-share FlexiPension in November, he said: "I would expect this new product to double our RA sales in the year ahead. Assuming a number of other life offices follow suit, this could boost investment in new RAs by R300m."

RAs had, in recent years, come to be regarded by brokers as an "unexciting" investment medium. Tax-deductable limits had not been lifted in years and it was felt these were too low.

Many investors with RAs were achieving the maximum tax deduction already, so growth would come largely from new business.


DAVID HUDSON

Then came the changes that brought RAs firmly back into the limelight.

First came additional tax deductions on funds invested in RAs for married women subject to SITE.

Then, in October 1989, came the relaxation of prescribed asset requirements. This created opportunities for new-style RAs that have been hailed as a bonanza for investors.

They have also been described by some as a loophole in income tax law which before long the Minister of Finance may have to review.

The prescribed asset requirement relating to RAs was lifted in October from a minimum amount of 53% to no more than 15%. And, in fact, where a life assurance company offers no guarantees on the RA's maturity value it may invest a full 100% of its RA funds into equities — placing these funds into the high-risk/high-reward investment arena with maximum performance potential.

What makes this additional earning power so exciting is its high return when tax savings are added to the equation.

The tax advantages of an RA are that monthly or annual contributions are purchased with pre-tax earnings and at maturity a lump sum of up to R120 000 can be taken tax-free.

Personal finance advisor and writer Martin Spring calculated a sample investment in an all-share RA with tax savings included and came up with a phenomenal potential return of 50% a year. That is assuming the investor is taxed at the maximum marginal rate of 45%.

His conclusion — that an all-share RA must be the "investment opportunity of the decade" was rapidly taken up by Old Mutual in advertising its new policy.

Fedlife assistant GM marketing John Rigby says this newfound investment freedom and flexibility for RAs "mobilises the investment potential of the RA and opens up the RA market considerably".

He says that historically unit trusts and RAs have been geared to achieve different goals — unit trusts to have a high liquidity for medium-term investment purposes and RAs high security for long-term investment and deferred benefits.

The new breed of nil guarantee 100% equity RAs, however, comes into headlong competition with unit trusts. And, with the RA's considerable tax advantage (a unit trust is purchased with after-tax earnings) there is little doubt that they can outperform unit trusts.

Contrary

But unit trusts are unlikely to lose business through this. On the contrary, at least one new RA fund — the Independent RA — plans to invest almost entirely in a range of unit trusts.

The advantages of a unit trust investment is that risk is spread over a broad base of equities, a regular monthly investment can offer the investor the benefits of rand-cost-averaging (when share prices fall, your money buys more) and the administration costs for the investing RA fund are less.

Investment opportunity with built-in tax advantage

FEDLIFE was one of the first life assurers to officially launch a new 100% equity-based retirement annuity, going for immediate broad awareness with television advertising on January 8.

Assistant GM: marketing John Rigby says FedShare, [illegible] to be invested in "general equities on the JSE".

He says the Life Offices Association had been lobbying for some time to have prescribed asset requirements relaxed and this had received a favourable hearing at government level because it fitted with the spir[illegible]vatisation and "freeing up the market".

"The prescribed asset requirements at their previous level of 53% obviously had a stifling effect on the capital growth potential of an RA fund."

The FedShare portfolio will comprise both ordinary shares and cash and will be managed by the Fedlife investment team.

"It is fair to say that FedShare offers all the investment opportunities of a mutual fund, but has all the tax advantages of a retirement annuity fund. There are some important differences though, such as a mutual fund's higher liquidity content," says Rigby.

"The composition of the FedShare portfolio will vary from time to time. Members may, on giving one calendar month's notice, request Fedlife to cease linking benefits to the FedShare RA portfolio and to switch to any other Fedlife portfolio they prefer."

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 JQ.

Gedeelte 6 ('n gedeelte van Gedeelte 4) van die plaas Border 187 JQ.

Gedeelte 7 ('n gedeelte van Gedeelte 2) van die plaas Border 187 JQ.

Distrik Rustenburg

Restant van Gedeelte 17 van die plaas Klipplaat 77 JQ, 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.

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 JQ.

Portion 6 (a portion of Portion 4) of the farm Border 187 JQ.

Portion 7 (a portion of Portion 2) of the farm Border 187 JQ.

District of Rustenburg

Remainder of Portion 17 of the farm Klipplaat 77 JQ, in extent 749,2093 hectares.

District of Lydenburg

Remainder of the farm Groothoek 139 JS, in extent 786,8501 hectares.

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GOEWERMENTSKENNISGEWINGS

ADMINISTRASIE: RAAD VAN AFGEVAARDIGDES

DEPARTEMENT VAN GESONDHEIDSDIENSTE EN WELSYN

No. R. 255 **16 Februarie 1990**

WET OP MAATSKAPLIKE PENSIOENE, 1973 (WET No. 37 VAN 1973)

WYSIGING VAN REGULASIES

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

BYLAE

Woordomskrywing

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 568 van 5 April 1974, soos gewysig by Goewermentskennisgewings Nos. R. 1454 van 23 Augustus 1974, R. 2365 van 20 Desember 1974, R. 674 van 23 April 1976, R. 1305 van 30 Julie 1976, R. 1774 van 9 September 1977, R. 1179 van 8 Junie 1979, R. 517 van 21 Maart 1980, R. 770 van 23 April 1982, R. 2330 van 29 Oktober 1982, R. 2453 van 12 November 1982, R. 2302 van 21 Oktober 1983, R. 1872 van 23 Augustus 1985, R. 2188 van 24 Oktober 1986, R. 1457 van 7 Julie 1989 en R. 1856 van 1 September 1989.

Wysiging van regulasie 10 van die Regulasies

2. Regulasie 10 van die Regulasies word hierby gewysig deur die uitdrukking "R28 000" deur die uitdrukking "R40 000" te vervang.

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) 300

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), made the regulations in the Schedule.

SCHEDULE

Definition

1. In this Schedule "the Regulations" means the regulations promulgated by Government Notice No. R. 568 of 5 April 1974, as amended by Government Notices Nos. R. 1454 of 23 August 1974, R. 2365 of 20 December 1974, R. 674 of 23 April 1976, R. 1305 of 30 July 1976, R. 1774 of 9 September 1977, R. 1179 of 8 June 1979, R. 517 of 21 March 1980, R. 770 of 23 April 1982, R. 2330 of 29 October 1982, R. 2453 of 12 November 1982, R. 2302 of 21 October 1983, R. 1872 of 23 August 1985, R. 2188 of 24 October 1986, R. 1457 of 7 July 1989 and R. 1856 of 1 September 1989.

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".

HELDERBERG VILLAGE FM 16/2/90

In the melting pot (300)

Voluntary efforts to save the beleaguered Helderberg retirement village have failed.

An interim management board ([redacted]) 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. FM 16/2/90 (300)

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. ([redacted])

However, it is understood the final 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 bandied about was able to provide the financial muscle to haul 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

FM 16/2/90 (300) ([redacted])

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 shareblock 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 shareblock holding company placed under judicial management. This is seen by some as a delaying tactic. The applicant's argument is that the shareblock company is not a trading company and hence has no prospect of trading its way out of trouble. ■

New deal

B/Day 16/2/90

for married couples

(300) (320)

MARRIED couples should review the role of RAs in their retirement portfolios in the light of SITE and the amendments to the Income Tax Act regarding RA deductions.

AA Life legal services manager Retha Roux 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.

300

Professional advice is a must

A RETIREMENT annuity is an investment medium, usually insurance or endowment-based which secures capital for retirement in the form of a lump cash sum amounting to one-third of maturity value taken at a specified retirement age, and an annuity purchased with the remaining two-thirds of that capital to provide the individual with a monthly income or pension for life.

The lump sum commuted to cash is tax-free within a maximum limit of R4 500 times years of service or 120 000, whichever is the greater.

Remainder

Any remainder, along with the remaining two-thirds is taxable at the investor's marginal rate of tax.

Legislation protects the funds placed in an RA from being withdrawn before retirement.

Maturity dates may be set for any age during retirement, at the earliest 55 years for men and 50 for women, and the latest 70 years of age.

Fedlife assistant GM marketing John Rigby says it is a good idea to "take as many as four policies and stagger them for age 55, 60, 65 and 70 to help you in dealing with inflation."

Planning the age at which you wish to take your RA is important as there are late and early retirement penalties should maturity date differ from that stipulated.

Pascale van der Elst of Coopers & Lybrand says early retirement will be granted if the individual is declared physically or mentally unfit based on medical advice.

Legislation also protects the RA from creditors in the case of insolvency as none of the proceeds may go into an individual's estate.

Sanlam marketing actuary Jacques de Villiers says: "On the death of a breadwinner, retirement annuities are devised to provide an income for remaining members of the family.

"Any creditors the estate might have cannot lay claim to any of the proceeds of an RA."

There are different ways of negotiating an RA agreement in terms of the guaranteed period for which the individual wants to ensure he or his family will draw the pension.

The shorter the period of the guarantee, the higher the annuity rate and the greater the monthly income. The usual period of a guarantee is five or 10 years.

Highest

A nil guarantee will give the investor the highest monthly income, but should death occur within a very short time, the rest of the proceeds of the RA would simply remain with the assurer unless certain other conditions had been set, such as a life assurance policy to the value of the annuity done as a back-to-back at time of inception.

It is possible to take a "joint and survivorship" guarantee on the annuity.

This means a lower annuity rate, but guarantees income to the principal annuitant until death and thereafter to the spouse until death.

But Price Waterhouse tax services department's Martin McAusland says after the death of the principal annuitant, the income drops by one-third.

There are critics of RAs who believe the fact that RA proceeds do not enter the estate prejudices the family.

McAusland says: "Life offices say they are repaying both capital and interest on your two thirds capital in the form of your annuity.

"I doubt that. Annuity rates are pretty low, and I personally don't think the investor always gets enough of the capital back."

Fedlife's John Rigby says: "While the rates are offered according to time-tested actuarial formula, it is an open market.

"Rates do vary, and in fact there is a service offered to advise people on which life offices are offering the best annuity rates.

"If we were consciously trying to increase funds under administration at any particular time, we might review our rates weekly."

A retirement annuity is an "untied contract" which essentially comes in two parts — pre and post maturity.

Lump sum

The policy matures and the investor earns his one-third lump sum. He also adds that "people often confuse profits with cash flow for insurance companies".

Sanlam's Jacques De Villiers says there has been some misunderstanding about payment in the event of death before retirement.

He says: "When death occurs before maturity, the maximum cash amount is calculated according to a prescribed formula.

"This determines the maximum cash value as contributions plus 7% interest per annum compounded annually, and one-third of the remaining claim value.

"This means that considerably more than one-third of the total claim value could become available — sometimes even the full amount.

"The remaining money still has to be used to purchase an annuity, usually paid to the surviving spouse."

With the increase in flexibility of how retirement annuities may be structured, as well as the promised increase in performance thanks to the new RA dispensation, many problem areas may now be ironed out.

Certainly, with this flexibility in mind, investors would be well-advised to seek independent professional advice in deciding how to structure the best RA for their individual needs.

Estimate of extra savings to retire at 60 with required income

PERCENTAGE OF INCOME TO BE SAVED ON TOP OF CURRENT CONTRIBUTIONS

TIME TO RETIREMENT ON YEARS	5,0%	6,0%	7,0%	8,0%	9,0%	10,0%	11,0%	12,0%	13,0%	14,0%	15,0%	16,0%
10	7,32	9,1	11,02	12,87	14,71	16,56	18,41	20,26	22,11	23,96	25,81	27,66
11	8,14	10,5	12,25	14,30	16,35	18,41	20,46	22,51	24,56	26,62	28,67	30,72
12	8,98	11,3	13,50	15,76	18,02	20,28	22,54	24,80	27,06	29,32	31,58	33,84
13	9,83	12,3	14,77	17,25	19,72	22,19	24,66	27,13	29,60	32,08	34,55	37,02
14	10,70	13,3	16,07	18,76	21,44	24,13	26,82	29,51	32,19	34,88	37,57	40,25
15	11,58	14,3	17,39	20,30	23,20	26,11	29,01	31,92	34,83	37,73	40,64	43,55
16	12,47	15,0	18,73	21,86	24,99	28,12	31,25	34,38	37,51	40,64	43,77	46,90
17	13,39	16,7	20,10	23,46	26,81	30,17	33,53	36,88	40,24	43,59	46,95	50,31
18	14,32	17,0	21,49	25,08	28,67	32,25	35,84	39,43	43,02	46,61	50,19	53,78
19	15,26	19,8	22,91	26,73	30,55	34;38	38,20	42,02	45,85	49,67	53,49	57,32
20	16,22	20,9	24,35	28,41	32,47	36,54	40,60	44,66	48,73	52,79	56,85	60,92
25	21,30	26,3	31,96	37,28	42,61	47,94	53,27	58,60	63,93	69,26	74,59	79,92
30	26,85	3,56	40,27	46,99	53,70	60,42	67,13	73,85	80,56	87,27	93,99	100,70
35	32,91	4,14	49,37	57,60	65,83	74,06	82,29	90,52	98,76	106,99	115,22	123,45
40	39,55	8,44	59,33	69,22	79,11	89,00	98,89	108,77	118,66	128,55	138,44	148,33

Personal plan which matures in stages

(300)

B/Day 16/2/90

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 SITE 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 assurers have recommended, the investor may have the funds transferred.

"This option to 'de-link' into a more security-orientated 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 49% 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

BDay 16/2/90

(300)

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-retiral 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.

'Independent' aims at high security and maximum flexibility

BDay 16/2/90

(300)

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 be marketed directly to the public through selected financial advisers as well as by Metboard to its clients in a packaged form, is probably the most flexible retirement annuity scheme on offer.

Formally launched only on February 1, it has already achieved R2m 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 assurers."

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 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 RAs — 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 levying 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 17,7% a life office might pay back a net return of 15% — we would pay back 17,2%.

"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 80% 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."

Pension funds' R7bn shortfall

300

Cape Times 17/2/90

By BARRY STREEK
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 R7 049,2 million at the end of March 1988.

The two funds also lost income totalling R2 550,3m between 1980 and 1988 because they were obliged to invest in fixed deposits.

They would have earned the extra R2 550,3mif 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 R30bn to make the official funds actuarially sound."

He said: "The government has an awful lot to answer for to 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 Welgemoed, 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 governnment 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."

RAs now a powerful new investment tool

(300)

By MAGNUS HEYSTEK

RETIREMENT annuities were given a new lease in life during last year's budget when government announced the abolishment of the prescribed asset requirements of life insurance companies.

Life companies were quick to capitalise on this newly found investment freedom and several major insurance companies have recently announced equity-based retirement annuities.

Old Mutual, SA's largest composite insurer was the first to the chip in with its equity-based RA while several other companies, including Federated Life, Sage Life, Commercial Union and one small fund called the Independant Retirement Annuity Fund have since announced similar schemes.

The Independant RA's differs from the other funds in that investments are made in 10 general equity unit trusts rather than in equities directly.

The choice of the unit trust 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 portfolios.

Most other large insurance companies are currently constructing similar equity-based RA's while one or two have indicated no need for such funds.

There is no doubt that these innovative product offer exciting and extremely lucrative new dimensions to investment and retirement planning. In some cases this boils down to a discount of up to 50 percent to invest in blue chip shares. But that, ofcourse, 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 RA's. This is an important factor that should not be overlooked by individuals.

Stock markets, conceivably, can crash just prior to someone retiring. This could seriously effect the eventual commutation as well as the life-long pension.

As a rough rule of thumb I would say that the further one is away from retirement, the bigger the attraction of equity-based RA's. But the closer one gets to the retirement age (in terms of the RA fund) the more I would advise caution and perhaps even advise a switch out of an all share RA into a conventional RA that has a wider spread of risk.

The creation of equity-based RA's were largely brought about by a relaxation of the law governing assets, until now, 53 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 underperformend that of other kinds of investments like equities and properties.

As a result, only up to 47 percent of linked retirement annuity funds could be invested in equities, which obviously had a stifling effect on the 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 RA's 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 funds don't have.

John Rigby Assistant General Manager: Life Marketing at Fedlife, says: "With Fedsure 100 percent of the investment will be placed in general equities on the Johannesburg Stock Exchange. With this we are confident of obtaining higher returns across the board."

Returns

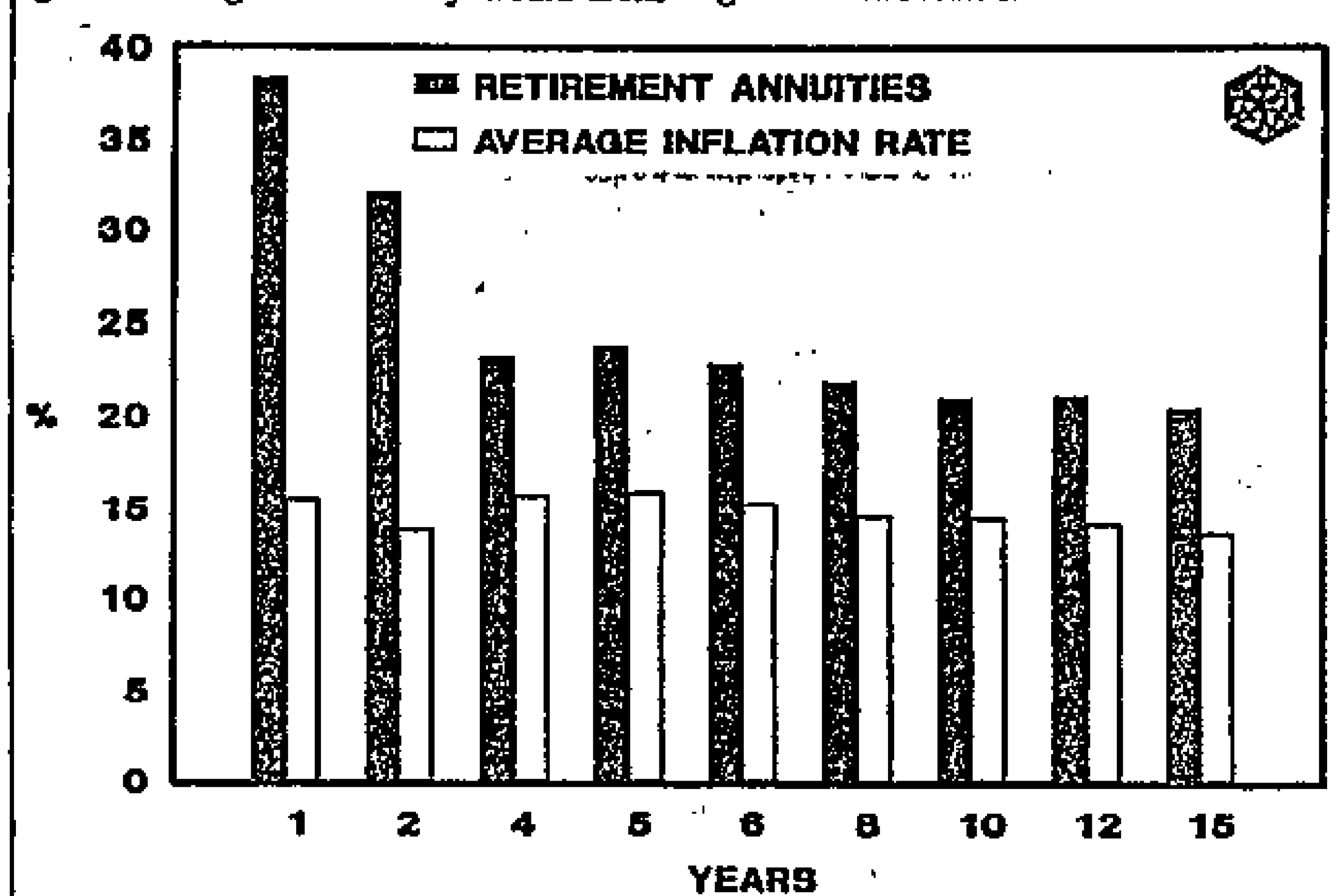
These views are echoed by various other spokesmen for life insurance companies.

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 FPS, a subsidiary of the Sage group, RA's have been better investments than endowment policies during the last decade, with compound growth of 19,7 percent versus 19,1 percent on average.

Retirement annuity contributions, unlike those of mutual funds, are tax deductable. 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 conventional retirement annuities. Over each of 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.

Sats pension fund shortfalls exceed R7bn

LESLEY LAMBERT

CAPE TOWN — Actuarial reports disclosing a shortfall of over R7bn in SA Transport Services (Sats) pension funds at the end of March 1988 confirm the erosive effects on the state-run funds of inflation and limited investment opportunities.

The reports, tabled in Parliament on Friday, show that by the end of March 1988, Sats's New Superannuation Fund and its Railways & Harbours Pension Funds for non-white employees — both of which will be managed by the private sector in the future — had estimated shortfalls of R6,35bn and R697m, respectively on a conservative calculation.

Excess contributions as a result of increased rates of contribution were not enough to meet interest payments on the shortfall. But, on the assumption that contributions would increase in line with pensionable salaries, excess contributions were expected to meet the shortfalls in 23 and 10 years, respectivley. Rates would have to average 34,2% over the next 10 years, 18,8% over the next 20 and 13,7% over the next 30 years to meet the shortfall, according to consulting actuaries, J A Carson & Partners.

The actuaries found an additional R1,8bn in liabilities had been incurred between 1979 and 1988 because pensionable salaries, driven by inflation, had increased by an average 16,6% annually over the nine-year period, whereas the valuation basis had made allowance for 11,5%.

Another debilitating factor, according to DP pensions spokesman, Brian Goodall, was pension buy-backs, based on the salary over a long period while the benefit was based on the salary at retirement.

In addition, between 1980 and 1988 the two funds were estimated to have lost R2,5bn which more market related investments would have earned.

Deputy minister of Public Enterprises Piet Welgemoed said in Parliament on Friday that the shortfall had been properly addressed and there was no cause for concern.

BD 19/2/90

(X 300)

formed by the South African Transport Services that free trains would be made available to take participants in the protest home after the march;

(2) whether any members of the Police prevented protesters from boarding these trains at Cape Town station; if so, (a) why and (b) what was the rank of the policeman in charge? Hansard 20/2/90
B143E

The MINISTER OF LAW AND ORDER:

(1) No.

(2) No.

(a) and (b) Fall away.

Cape Peninsula high schools: textbooks

*29. Mr K M ANDREW asked the Minister of Education:

Whether high schools in the Cape Peninsula had received all the textbooks required to supply their full quota of pupils by the end of the third week of the 1990 school year; if not, (a) why not, (b) which schools had not received all their textbooks and (c) how many (i) pupils and (ii) textbooks were involved?
Hansard 20/2/90 B144E

The MINISTER OF EDUCATION:

Yes.

In explanation it is mentioned that shortages of text books do exist at some schools due to over-registration of pupils above approved *quotas*. Books have been provided according to projections of pupil numbers made by principals in February 1989.

In the Cape Peninsula books have been provided for approximately 300 pupils above the projected number.

Arrangements have been made to have this surplus stock placed at schools where shortages occur. All registered pupils in the Cape Peninsula can therefore be provided with textbooks, except those pupils who have lost their books. New books are not issued to these pupils. They will be able to purchase them from bookshops.

(a), (b) and (c) fall away.

Certain person: offences

*30. Mr A J LEON asked the Minister of Justice:

Whether a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, was at any time convicted of any offences; if so, (a) of which offences, (b) when was each conviction handed down, (c) what sentences were handed down in respect of each such conviction and (d) what is the name of this person?
Hansard 20/2/90 B146E

The MINISTER OF JUSTICE:

The following information was obtained from the record of previous convictions (SAP 69) of the person concerned.

(a), (b) and (c).

(i) Theft of a motor vehicle: 8.11.54; 8 cuts with a cane and placed under the supervision of a probation officer.

(ii) Tamper with a motor vehicle without permission of owner; 10.11.54; Imposition of sentence postponed for 3 years on condition that accused is not found guilty of a similar offence or any offence of which dishonesty is an element.

(iii) Theft of a motor vehicle and theft of a rifle: 27.6.55; Sent to a reform school. Charges taken together for purpose of sentence.

(iv) Theft of a motor vehicle; 27.6.55; Sent to a reform school.

(v) Theft of a motor vehicle and attempted theft of a motor vehicle; 27.6.55; Sent to a reform school. Charges taken together for purpose of sentence.

(vi) Theft of a motor vehicle; 27.6.55; Sent to a reform school.

(vii) Theft of motor spares and theft of a suitcase with clothing; 28.11.60; Imprisonment for corrective training. Charges taken together for purpose of sentence.

(viii) Indecent assault (2 charges); 13.2.79; On each count sentenced to 3 years' imprisonment of which 1 year's imprisonment on each count is sus-

continued p 89 →

pended for 5 years on condition that the accused is not convicted of indecent assault or an attempt thereto committed during the period of suspension.

(d) Cornelius Gerhardus van Rooyen.

Hillbrow: facilities for aged

*31. Mr L FUCHS asked the Minister of National Health and Population Development:

Whether his Department is responsible for any (a) accommodation, (b) feeding, (c) health and (d) recreation facilities for the aged in Hillbrow; if so, what facilities in each case; if not, why not? (300)
Hansard 20/2/90 B148E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(a) to (d) No,

the Department of National Health and Population Development is responsible for the planning, co-ordination and monitoring of national policy regarding health matters, population development and social welfare. Rendering of actual services to the public is not within the line function responsibilities of this Department.

Hillbrow: facilities for street children

*32. Mr L FUCHS asked the Minister of National Health and Population Development:

Whether her Department is responsible for any (a) accommodation, (b) feeding, (c) health and (d) recreational facilities for street children in Hillbrow; if so, what facilities in each case; if not, why not?
B149E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(a) to (d) No, Hansard 20/2/90

the Department of National Health and Population Development is responsible for the planning, co-ordination and monitoring of national policy regarding health matters, population development and social welfare. Rendering of actual services to the public is not within the line function responsibilities of this Department.

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Black teachers in White schools

Mr K M ANDREW asked the Minister of Education and Culture:

Whether his Department is giving consideration to allowing White State schools to employ Black teachers to teach African languages; if so, (a) what consideration and (b) when is a decision in this regard to be made; if not, why not?
Hansard 20/2/90 B208E.INT

The MINISTER OF EDUCATION AND CULTURE: Mr Chairman, the question is whether the Minister of Education and Culture is giving consideration to allowing White State schools to employ Black people to teach African languages.

In the first instance, Sir, I wish to inform the hon member that State schools do not employ teachers. The department employs teachers on the recommendation of the management council, and I have no intention of changing this policy to allow schools themselves to employ teachers. If the hon member wishes to enquire whether my department is contemplating the employment of Black teachers for the purpose of teaching African languages at schools under the jurisdiction of the Department of Education and Culture, my response is that every responsible department of State is continually assessing scenarios for the future and considering different options.

In assessing possible scenarios for educational provision my department is currently seeking to devise models which will take cognisance of the various educational needs as they arise. Obviously, any model relating to the provision of education must be all-embracing and include facets such as curriculum development, teacher training, financing, staffing and the provision of physical facilities, among other factors.

The options regarding the provision and utilisation of staff for various subjects also have to be considered. A decision in this regard will be made only when all options have been care-

PTO →

B|Day 21|2|90 · (300)

FINANCE

Cautious words on rush for RAs

LINDA ENSOR

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

01/07/22/7/91 LESLEY LAMBERT (300)

CAPE TOWN — Members of the troubled Helderberg retirement village yesterday considered an offer by the Allied Group of R7,7m 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.

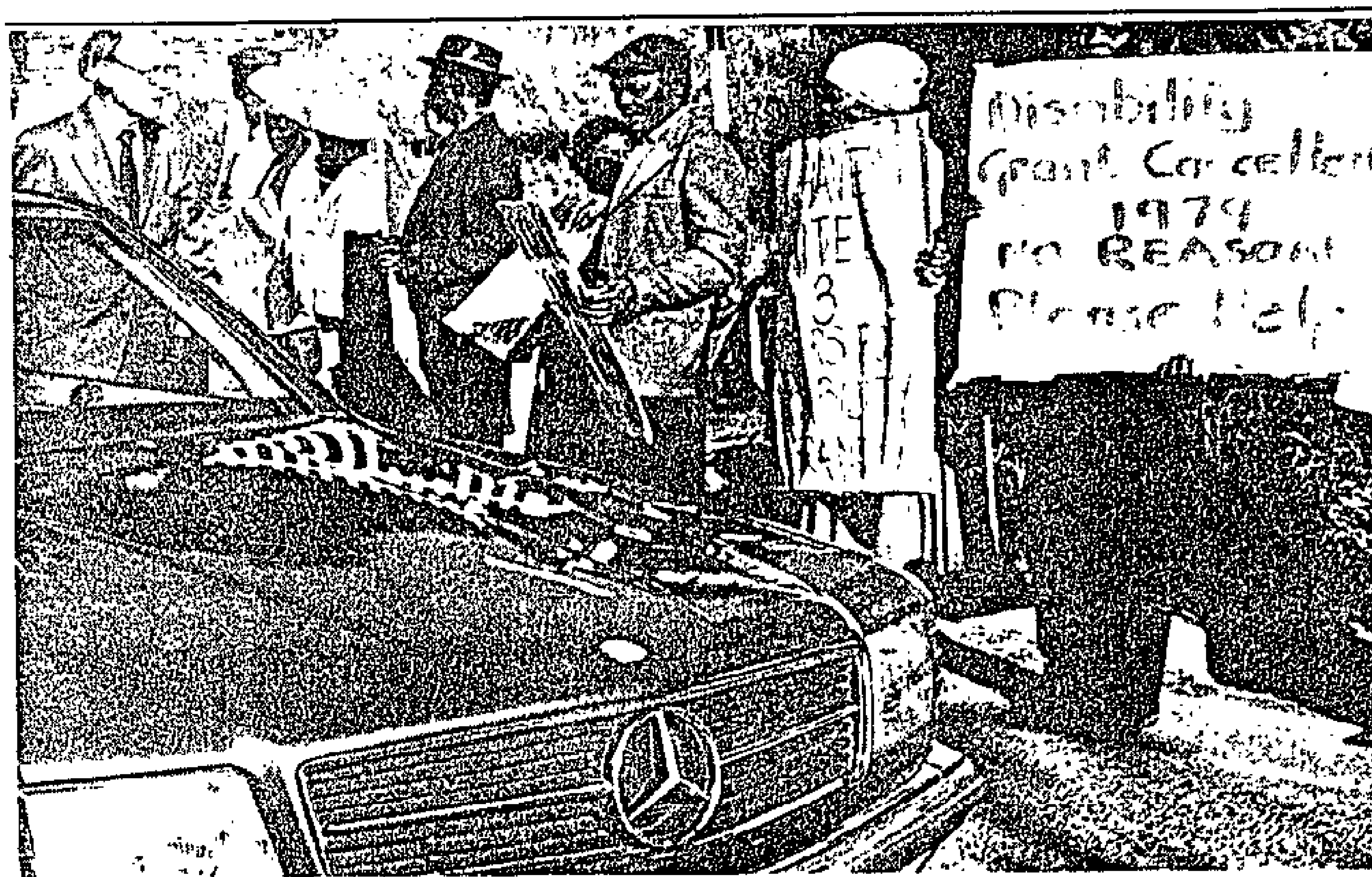
After a board meeting yesterday, Denis Lehmann, chairman of the Helderberg Retirement Village Share Block Company, which has been managing the village since late last year, said there were several issues which the Allied would be asked to clarify before shareholders were asked to approve it.

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.



Pensioners outside the Administrator's tea party PIC: BENNY GOOL

300

Pensioners picket at tea party

South 22/2 - 28/2/90

PENSIONER POWER: Part of the group who protested at a party hosted by the Cape's Administrator this week

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 Adminstrator 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 foulups 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".

HELDERBERG VILLAGE FM 23/2/90

Still no answers (300)

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 queried. 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

FM 23/2/90 (300)

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.

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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. ■

pense of prudence and the quality of our book is as good as ever."

Cusaf lifts final by 25 percent

Star 23/2/90 (300)

Commercial Union Assurance (Cusaf) posted a 24 percent increase in after tax profit to R38,7 million compared with the previous R31,2 million.

Financial results released yesterday show that earnings per share are up from 312,4c to 387,3c and the final dividend has been increased by 25 percent to 65c.

The total dividend for the year is 95c, 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 short term underwriting surplus, which is down from R21,2 million to R11,5 million.

INVESTMENTS

This was, however, more than compensated for from other sources, notably improved investment income which was up 34 percent from R26,1 million to R35,1 million.

Cusaf's long term (life and pensions) operation turned in a good performance with a surge in both new life premiums to R204,5 million and total premium income to R298 million — up 47 percent and 44 percent respectively on the previous year.

Managing director Bill Rutherford describes the results as satisfactory, but says that steps will be taken by the market to remedy the deteriorating claims trend. — Sapa.

Provident funds save

~~25/7/90~~ (300)

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 employes 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 policy 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 premuim 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? Star 24/2/90 (300)

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 Sanlan 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 15,8 percent over the term of the policy.

So, an RA after retirement could be the key to a prosperous second retirement.

to supply water to consumers in the RSA. The water supplied from these possible dams will, however, in the most cases not be exclusively allocated to a specific sector, such as agriculture. Experience has shown that multi-purpose schemes can, in most cases, supply water in the most economic way. The one dam will even have to be operated empty, viz the flood attenuation dam outside Ladysmith in Natal.

(b) The specific dam sites are, for obvious reasons, not made public beforehand. The Water Act, 1956 (Act 54 of 1956) stipulates that a White Paper on a Government water scheme amounting to more than R20 million must, however, be Tabled in Parliament, before the construction thereof may commence. Members of Parliament will thus be informed timeously of proposed schemes. For the information of the honourable member, I wish to mention that of the 13 possible dam sites which I already referred to, the majority under consideration are in the Transvaal and more than half thereof is in turn situated in the Eastern Transvaal region.

I trust that the honourable member, after having studied the Report on Water Resources Management, will have greater clarity in the way in which the utilisation of the water resources of the RSA is planned, developed and managed.

RSA: petrol/diesel produced by Sasol

*22. Dr P J GOUS asked the Minister of Mineral and Energy Affairs and Public Enterprises:†

(1) What percentage of the petrol and diesel consumed in the RSA during the latest specified period of 12 months for which figures are available was produced by Sasol; Hansard 27/2/90

(2) whether at the privatisation of Sasol the State gave guarantees in respect of selling prices of fuel to the new shareholders; if so, what price guarantees;

(3) whether the prices of locally produced fuel products are determined by market factors; if not, why not; if so, what market factors are taken into account?

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The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) Consumption figures of fuel as well as Sasol's production figures are classified information in terms of the Petroleum Products Act, 1977 (Act 120 of 1977). The percentage of petrol and diesel consumed in the country produced by Sasol cannot, therefore, be published.

(2) No. With the privatisation of Sasol additional protection of 3,6 c/l to the 0,9 c/l excise duty rebate was granted to the local industry to bring the total protection to 4,5 c/l. In Sasol's 1979 prospectus it is stated that prices of its fuels will be the same as those manufactured from crude oil.

(3) Yes. In view of the RSA's geographical situation, South African fuel prices are based on quoted international market prices of huge export refineries in Bahrain and Singapore. International supply and demand factors therefore play a role. The landed international market price in South Africa includes freight and local harbour charges. Local manufacturers of fuel, therefore, compete with the price at which products can be imported.

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Housing for senior citizens 300

Mr H J COETZEE asked the Minister of Health Services, Welfare and Housing: Hansard 27/2/90

Whether he intends taking any steps to supplement the shortage of housing for senior citizens at homes for the aged and elsewhere; if not, why not; if so, what steps?

B320E.INT

*The MINISTER OF HEALTH SERVICES, WELFARE AND HOUSING: Mr Speaker, it is not clear what the hon member means when he says among other things that there is a shortage of housing for senior citizens at homes for the aged.

South Africa is one of the Western countries in which the highest percentage of its aged population receives institutional care. A total of 8,7% of the White aged population is cared for in homes for the aged. In most Western countries this figure amounts to between 3% and 6%. In the USA it is 5% and in England 2%.

Institutional care for the aged in South Africa is provided in subsidised homes which are operated by welfare organisations. There are 428 such homes, in which 31 070 aged people receive care. During the past 10 years the number of residents in these homes has increased by 51%. Three hundred and sixty people are accommodated in four homes for the aged and handicapped which are run by the department itself. Five hundred and thirty-four aged people are accommodated in four homes, which are run by a private enterprise on behalf of the State.

One hundred and twenty private homes which are run by individuals, welfare organisations or other institutions provide for 5 760 aged people.

With regard to category B old age homes, it is a pleasure for me to announce that the subsidy per resident has been adjusted upwards by R91,89 per month with effect from 1 October 1989. In co-operation with local authorities, welfare organisations and utility companies, good progress has been made in establishing housing projects for aged people in the sub-economic category in particular.

Four hundred and twelve projects, in which 25 500 aged people can be accommodated, have been approved. That comprises 6,2% of the total projected aged population for 1988. A provision of 10% for such housing projects is the ideal. Consequently we have a backlog that must be eliminated. The ideal, however, is that aged people themselves should be responsible for their housing as far as possible. They must be kept in the community for as long as possible.

The provision of welfare housing for the aged is aimed mainly at the sub-economic aged people in the country. Loans for the building of service centres, housing and old age homes are granted at an interest rate of 1%, repayable over a period of 30 years. Welfare organisations receive large-scale subsidisation for the management of service centres and old age homes. [Time expired.]

*Mr H J COETZEE: Mr Speaker, I take cognisance of what the hon the Minister has told us. I wish to thank him for the subsidies which are being adjusted upwards.

Nevertheless it appears to me that the Government is not aware of the enormous shortage of housing for our senior citizens and State pensioners, the fathers and mothers of our White people. As a result of the hon the Minister's policy of converting old age homes into frail-aged sections in the future, only persons in group three are accommodated. What is the hon the Minister going to do about the immense shortage of housing for senior citizens who qualified for this in the past?

The hon the Minister is cutting off the source of supply from frail-care sections at old age homes. That is already being reflected elsewhere in the Budget. The hon the Minister is not even spending the money for which was budgeted. A considerable amount is being saved on the item care of the aged in the Budget. Why does the hon the Minister not negotiate with his colleague of National Health and Population Development to occupy those empty beds in White hospitals with infirm aged? I am sure the hon the Minister should speak to that hon Minister; she has a very soft spot for the aged in South Africa.

Is the Government aware of where these senior citizens find themselves at present? Allow me to inform hon members. Some of them live in the most terrible conditions imaginable in old, decrepit houses on farms, without transport, without water or electricity. That is where so many of our aged people are murdered. Some of them live in backyards in servants' rooms without ceilings and without essential facilities. I even came upon a group living in an old house which is going to be demolished. They have only a toilet and an old bath, without water. Water has not even been laid on.

Even worse is that if there is a place in a frail-care section for the husband or wife, the two old people are separated. The one who remains behind simply has to make do somehow. Hon members know how traumatic it is when two old people are separated.

P.T.O.

These are the people who are claimed by the NP, election after election, as if the NP alone takes care of their needs. I wish to issue an urgent request to the hon the Minister. Do something superhuman to take care of the housing needs of the aged and the pensioners. The hon the Minister must not tell us what happens overseas. He has a responsibility to the aged in South Africa, not overseas. Amend the policy in respect of old age homes. The hon the Minister should give serious thought to extending existing old age homes and considering the concept of common residential units which can accommodate four, six or eight people. [Time expired.]

Mr C W EGLIN: Mr Speaker, normally the hon Minister shows signs of sensitivity. I say that his reply today shows a lack of appreciation, a lack of sensitivity. It shows a complacency as regards housing and the housing of the aged in particular. It is a shocking contrast because on the same day the hon the Minister of Planning and Provincial Affairs says in the *Cape Times*; "Rising costs put housing out of the reach of most South Africans."

However, we are particularly concerned about elderly South Africans, people who do not have access to capital, and people who are not indigent enough to qualify for basic housing assistance; retired people who were formerly of the middle income group, living on relatively fixed incomes from pensions and savings, who live in flats and rented houses around the country. I must say, as a constituency representative, that as far as accommodation for these people is concerned, the situation is becoming desperate. On the one hand one has inflation eating away at the value of their life savings like a deadly economic cancer threatening their economic security and undermining their living standards, and on the other hand rentals that are shooting sky-high for a number of reasons. The lifting of rent control is removing a certain category of accommodation from the market for these people.

Shareblock schemes and sectional title schemes are changing the capital structure and demanding a higher return. Time-share schemes are taking accommodation off the rental market. The cost of land development, building and finance is putting housing out of the reach of these elderly people. And it means that no more flats are being built for rental purposes. They are only being built for time-share, share-block or schemes of this kind. [Time expired.]

*The MINISTER OF HEALTH SERVICES, WELFARE AND HOUSING: Mr Speaker, I must say I am rather disappointed in the approach of the hon member for Middelburg, because I really thought the last thing that would happen here, would be that we would drag the aged into this debate in order to exploit them for political purposes. [Interjections.]

The hon member maintains, probably with reference to the Additional Appropriation which we are going to discuss in a moment, that funds for the care of the aged were not utilised. What we are discussing here has nothing to do with housing. In that regard funds for the aged refer to pensions. The hon member is dragging that into this debate with facts which are not relevant.

The hon member referred to unutilised beds in hospitals. I can assure him that we are involved in far-reaching investigations into this matter at the moment. He maintained that we were not sensitive in this regard. He said he did not know where the aged were living, but I can tell him that in Roossenekal, in the area in which he lives, we are at present involved in in-depth investigations into the needs of those people. Why did he not say that here? However, he wanted to tell the outside world that the NP had no sympathy with old people. [Interjections.] I think that is an absolutely reprehensible approach which does not belong in debates in which we want to take care of the fortunes of our aged. [Interjections.]

With all due respect, the hon member for Sea Point was talking about matters which have no relevance to the question under discussion. The question concerns housing of the aged in homes. He maintained in this House that I was insensitive to the fortunes of our aged. [Interjections.] He must introduce a motion on that subject, and then we can debate it. [Interjections.]

*Mr SPEAKER: Order!

*The MINISTER: I shall indicate shortly what we are going to do in this connection according to the Additional Appropriation. [Interjections.] [Time expired.]

Continued →

*Mr S P BARNARD: Mr Speaker, I actually felt sorry for the hon the Minister now. [Interjections.] I am a person who never likes bullying anyone else. Consequently I am going to be very lenient in dealing with the hon the Minister. [Interjections.]

What has just happened to the hon the Minister, is what happens to someone whose foot is caught in a trap from which he cannot free himself. [Interjections.] He has walked into the situation of a government which has betrayed and forgotten its aged people for 20 or 30 years. [Interjections.] I feel sorry for him. I have great respect for him, because I can see that he can see that the aged have been left in the lurch, and because he wants to do something about that.

There are the sub-economic schemes in which aged people whom we must take care of live, people who receive meagre salaries from which they have to pay the land-tax in respect of the houses they are living in in certain municipalities. They have to pay for the water, sewerage and lights which they cannot use or afford, because they do not have money, because that town council has a by-law which reads that if electricity has been laid on, they have to pay, regardless of whether it is used. These people do not even have any apparatus with which they can use the electricity. They cannot even put on a light, because they cannot afford a globe. [Interjections.]

The problem is that municipalities . . . [Time expired.]

*Mr A P OOSTHUIZEN: Mr Speaker, our White senior citizens are the people who developed South Africa into a prosperous country under difficult conditions. The prosperity that we in South Africa enjoyed up to a few years ago, which has now been destroyed, is thanks to our senior citizens. Consequently we have a debt of honour to these people, and we must take care of their interests too. It is not only this debt of honour which compels us to devote attention to this, but also our Christian responsibility.

We can comply with these obligations and responsibilities by creating the necessary accommodation for these people. It is a fact that up to the last election, these people voted for the NP in good faith election after election. [Time expired.]

*The MINISTER OF HEALTH SERVICES, WELFARE AND HOUSING: Mr Speaker, I have no problems with what the hon member said and what he regards as our Christian duty in respect of this matter. Perhaps we could talk about this again.

He must merely take a look at what I said in the first part of my reply, because not one of the hon members who spoke on this subject had anything to say about that.

*An HON MEMBER: You spoke too quickly for them.

*The MINISTER: I should like to say that the department is constantly aware of the distress of our aged, and that we view this problem with great sympathy and dedication. [Interjections.] At the end of last year we appointed an interdepartmental committee of inquiry on the aged to investigate and evaluate care of the aged in its entirety. The findings of this committee have been finalised and the report will be handed to me one of these days.

Via our regional offices, we are also taking a look at the problems of our aged in the community and determining what their needs are and how we can meet these needs.

I want to state unequivocally that the Government has its finger on the pulse of the need of our aged, and we shall continue to keep it there, and those hon members need not make politics of that. We see it as our duty and task.

We are examining the results of research and we shall use those results to the advantage of our aged. I indicated that our aged in homes had increased by 51% during the past 10 years, and that funds intended for the management of homes had increased by 422% during the past eight years, and that funds appropriated by the Development and Housing Fund during the past six financial years, amounted to R358 million. Surely these are not the actions of a Government which is unsympathetic with regard to its aged! [Time expired.]

Debate concluded.

1987				
Magisterial district	Total	Fatal	Seriously Injured	Slightly Injured
WATERBERG	312	47	77	188
WONDERBOOM	1 589	130	527	932

1988				
Magisterial district	Total	Fatal	Seriously Injured	Slightly Injured
JOHANNESBURG	15 189	715	4 486	9 988
PIETERSBURG	928	87	324	604
POTGIETERSRUS	696	99	208	353
PRETORIA	5 935	285	1 193	4 457
RANDBURG	2 867	159	591	2 117
WARMBATHS	258	35	51	172
WATERBERG	290	36	77	177
WONDERBOOM	1 893	147	653	1 093

(2) A SUMMARY OF FATAL MINIBUS COLLISIONS ON RURAL ROADS

The following magisterial districts are included: Johannesburg, Randburg, Pretoria, Wonderboom, Waterberg, Potgietersrus, Pietersburg.

1984

* Fatal minibus collisions in the above-mentioned magisterial districts: 14
* Total number of fatal collisions in the above-mentioned magisterial districts: 203
* 6,9% of the total number of fatal collisions were fatal minibus collisions.
* National total of the number of fatal minibus collisions: 524
* National total of the number of fatal collisions: 8 376
* 6,3% of the total number of national fatal collisions were national fatal minibus collisions.

1985

* Fatal minibus collisions in the above-mentioned magisterial districts: 15
* Total number of fatal collisions in the above-mentioned magisterial districts: 209
* 7,2% of the total number of fatal collisions were fatal minibus collisions.
* National total of the number of fatal minibus collisions: 581
* National total of the number of fatal collisions: 7 692
* 7,5% of the total number of national fatal collisions were national fatal minibus collisions.

1986

The 1986 data is not readily available

1987

* Fatal minibus collisions in the above-mentioned magisterial districts: 31
* Total number of fatal collisions in the above-mentioned magisterial districts: 236
* 13,1% of the total number of fatal collisions were fatal minibus collisions.
* National total of the number of fatal minibus collisions: 891
* National total of the number of fatal collisions: 8 431
* 10,5% of the total number of national fatal collisions were national fatal minibus collisions.

continue pp177

1988 Hansard 27/2/90

* Fatal minibus collisions in the above-mentioned magisterial districts: 24
* Total number of fatal collisions in the above-mentioned magisterial districts: 218
* 11,0% of the total number of fatal collisions were fatal minibus collisions.
* National total of the number of fatal minibus collisions: 1 093
* National total of the number of fatal collisions: 9 016
* 12,1% of the total number of national fatal collisions were national fatal minibus collisions.

†Dr W J SNYMAN: Mr Speaker, arising out of the hon the Minister's reply, which evidently indicates that a large number of accidents took place on the road concerned at the particular time, I would like to ask whether the Government foresees that the freeway extension from Middelfontein to Pietersburg will become a reality at an earlier stage.

The MINISTER: Mr Speaker, I would like to inform the hon member that I am aware of the problem but unfortunately owing to a shortage of funds we cannot extend the freeway at this stage. However, I would like to inform him that I shall be going to Pietersburg in the not too distant future to have a discussion on this matter. It is hoped that we will be able to a degree to upgrade the existing road. We are certainly paying attention to the problem.

New questions:

False Bay: licences for trek nets

*1. Mr J H MOMBERG asked the Minister of Environment Affairs:

(1) (a) How many persons currently hold licences to use trek nets in False Bay, (b) how many inspectors are stationed in the False Bay area to monitor the use of such trek nets and (c) in respect of what date is this information furnished;

(2) what is his Department's policy regarding the renewal of a licence on the death of a permit holder?

B136E

†The MINISTER OF ENVIRONMENT AFFAIRS:

(1) (a) 12 permits to 14 persons:

Smitswinkel Bay to Fish Hoek — 5 permits
Muizenberg to Macassar — 2 permits
Kogel Bay to Palmiet River — 5 permits

(b) Since January 1990 eight fishery control officers are available.

(c) The permits were valid for 1989.

(2) Net permits are at present regarded as being heritable.

Social pensions for Blacks 300

*2. Mr R M BURROWS asked the Minister of Planning and Provincial Affairs:

(1) Whether his Department is responsible, through the provincial administrations, for the administration of social pensions for Blacks in certain areas; if so, (a) in which areas and (b) what total number of Black persons is currently receiving such pensions; Hansard 27/2/90

(2) whether there is a backlog in the handling of applications for social pensions in any areas; if so, (a) in which areas, (b) what are the reasons for this backlog and (c) what total number of applications are currently awaiting processing?

B147E

The MINISTER OF PLANNING AND PROVINCIAL AFFAIRS:

Cape Province

(1) Yes

(a) Cape Province

(b) 130 808

(2) No

(a) and (b) fall away

(c) 250

Natal

(1) Yes

(a) Natal (excluding KwaZulu)

(b) 66 431

(2) (a) Yes. All areas in Natal.

continue →

(b) The backlog is due to the shortage of manpower.

(c) 1 050

Transvaal

(1) Yes

(a) In all areas of the Province of Transvaal outside the independent states and the self-governing territories, excluding land of which the South African Development Trust is the registered owner, land which is situated within a released area outside a self-governing territory and land of which a Black person is the registered owner or which is registed in the name of the Minister of Education and Development Aid in trust for a Black person, a Black tribe or a Black community. Although the Department of Development Aid is, according to law, responsible for the administration of social pensions for Blacks who reside there, the Transvaal Provincial Administration acts as agent for that Department. This includes the paying-out of pensions with the exception of the districts of Soshanguve and Moutse.

(b) (i) Transvaal: Provincial Administration — 236 160

(ii) Department of Development Aid — 16 171

(2) No.

(a) Falls away

(b) Falls away

(c) None.

Orange Free State

(1) Yes

(a) Orange Free State and Botshabelo

(b) 89 405

(2) No

(a) Falls away

(b) Falls away

(c) 163

Mr R M BURROWS: Mr Speaker, arising out of the hon the Minister's reply can he give us an indication as to how soon the backlog which exists, particularly in the Natal area, will be abolished?

The MINISTER: Mr Speaker, we are handling this situation to the best of our ability. I do not think that the backlog of 1 000 is something to be too alarmed about, although we feel that we would like to assist these people to receive a pension as soon as possible. However, to appoint more people in order to perform this specific task at the stage where we are trying to cut State expenditure, is not worth it. We are trying to expedite the situation but I cannot tell the hon member that it will be done within a week or two. We hope to be in a better position within a period of three to four weeks.

Mr R M BURROWS: Mr Speaker, further arising out of the hon the Minister's reply it may not be a matter of urgent Government concern but for the 1 000 individuals concerned it is of immediate and very practical concern. Surely it is within the hon Minister's orbit to take on temporary staff for a very short period in order to eliminate this matter?

The MINISTER: Mr Speaker, it is unfortunately not that easy. It is not just a matter of taking people off the street and using them to evaluate pensions for a month or three. We have to make certain that people who receive pensions from the State do qualify for those pensions. We have to ensure that the moneys are paid to people who really need them. I can give the hon member the assurance that we have to have a balance between State expenditure and the services we render. We are doing our best to give urgent attention to this matter.

Mr P G SOAL: Mr Speaker, further arising out of the hon the Minister's reply I want to refer to the pay-out points he mentioned earlier on. Can he tell us whether progress has been made with regard to the number of pay-out points in the areas where Black people live? Has the number of those pay-out points been increased?

The MINISTER: Mr Speaker, the queues have been reduced dramatically over the past year.

One education department: implications

*3. Mr R M BURROWS asked the Minister of National Education:

(1) Whether his Department has taken any action to consider the administrative,

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continued → p181.

financial and educational implications of one education department for South Africa; if so, what action; if not, why not;

(2) whether he will make a statement of the matter? B216E

The MINISTER OF NATIONAL EDUCATION:

(1) No. The management model for education is linked to a specific constitutional dispensation. Considerations on the latter fall beyond the powers of the Department of National Education.

(2) No.

Mr R M BURROWS: Mr Speaker, arising out of the reply of the hon the Minister, he will be aware that his department does have as one of its areas of responsibility the entire question of the financing of education. I would have thought that the consideration of a model that is likely to give rise to better savings in the South African context would have been one of the models that that department was looking at?

†The MINISTER: Mr Speaker, it is not the function of that department to consider constitutional affairs, which in this case forms the basis of the question. Naturally the department is in constant communication with me about, for example, the replies to questions regarding this issue put also by outside bodies, but further, the question is answered as it was answered.

Mr R M BURROWS: Mr Speaker, further arising out of the hon Minister's reply, would the hon the Minister of National Education address a few words to the hon the Minister of Constitutional Development on this issue to find out whether that hon Minister is considering the model that has been referred to here?

The MINISTER: Mr Speaker, they are in constant and very intensive communication with each other! [Interjections.]

SADF: connection to a certain organisation

*4. Mr S S VAN DER MERWE asked the Minister of Defence: Hansard 27/2/90

Whether the South African Defence Force is in any way connected to a certain organisation, the name of which has been furnished to the Defence Force for the purpose of the Minister's reply; if so, (a) what is the connection, (b) what is the brief of this organisation, (c) what are the names of its members, (d) what is the operating structure of the organisation and (e) who is in charge of it?

Hansard 27/2/90 B217E

The DEPUTY MINISTER OF DEFENCE: I refer to my unedited Hansard of 26 February 1990 in the House of Assembly in which I outlined my position regarding the Civil Co-operation Bureau. I appealed to all those who are of the opinion that they can assist with offical investigations, to make such information available to the official investigation mechanisms. I also announced that I will submit an affidavit to the Harms Commission. Consequently, neither I nor the SA Defence Force will react to any direct or indirect questions about the matter forewith. I stand by this point of view because any direct or indirect questions can prejudice the proceedings of official investigations in this regard. (a) to (e) fall away.

†Mr J H VAN DER MERWE: Mr Speaker, arising out of the hon the Deputy Minister's reply, I would like to ask him only one question. Was he, in his capacity as Deputy Minister of Defence, aware of the existence and activities of that organisation?

†The DEPUTY MINISTER: Mr Speaker, the answer is no.

Mr S S VAN DER MERWE: Mr Speaker, further arising out of the reply of the hon the Deputy Minister and in view of the admission regarding the activities of the CCB that he made on behalf of the hon the Minister, can he explain the gross untruth that was contained in a letter, bearing the signature of the hon the Minister, addressed to Adv Jules Braude concerning the incident at Mr Brian Curren's house at the end of last year? In this letter he stated the following: The SA Defence Force has no mandate to investigate the affairs of private citizens.

I ask the hon the Deputy Minister to explain this.

The DEPUTY MINISTER: Mr Speaker, I have nothing to add to the reply I have already given.

Mr S S VAN DER MERWE: Mr Speaker, further arising out the hon the Deputy Minister's reply, can he give an assurance on behalf of the hon the Minister that the men who were found in very suspicious circumstances at Mr Curren's house on that occasion were not members of the

P.T.O. →

Star

Pensioner fined for illegal use of coupon

27/2/91

800

A disability pensioner who receives R251 a month was recently fined R50 by a Johannesburg municipal bus inspector for using a pensioner's concession ticket to which he was not entitled.

Mr Johannes Joubert (58) of Berea, who has been unable to work for the past four years after a car crash, said he was returning from Johannesburg Hospital, where he receives speech and physiotherapy treatment.

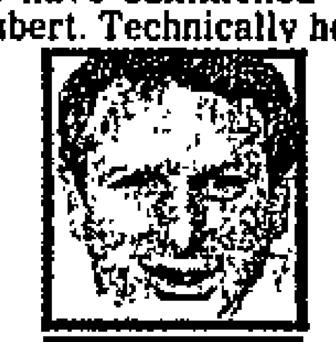
He said after the inspector had torn up his ticket he was asked to get off the bus.

"He said to me 'God help you' if I used the coupon again."

Mr Joubert said after pleading with the public prosecutor at the Johannesburg Magistrate's Court, the fine was reduced to R10.

Mr Gert Tighy, deputy director of transport, said he was sympathetic, adding the incident should have been handled differently.

"The inspector should not have summoned Mr Joubert. Technically he is



Star Line
JOHN MILLER

guilty of an offence. He should have warned him, and taken his address.

"In fact, when one of my employees went to visit him, he felt so bad he gave Mr Joubert R10 worth of bus tickets out of his own pocket."

He explained only people over the age of 70 travelled free on Johannesburg buses, while old age or war veteran pensioners were entitled to a 5c coupon.

"These concessions and free rides cost the ratepayer more than R4 million annually. If you extended the concessions to those who receive disability pensions, it would cost an extra R2 million."

Many disability pensioners worked in sheltered employment and some of these places were granted aid from the council to offset travelling costs.

Mr Tighy said people like Mr Joubert were encouraged to use offpeak tickets. A two-zone monthly ticket would cost R24 compared with the normal price of R45.

However, Mr Joubert said he could not afford the R24.

From March 1988 to December 1989 1 400 people were each fined R50 for illegal use of tickets.

CAPE TIMES 28/2/90

Angry pensioners demand increase

300

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 Uluntu 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 NY7, Guguletu, outlined her modest "essentials" budget which exceeded her pension by nearly R18:

Rent R18,67, electricity R50, telephone R60, chicken (2kg) R11,99, rice (1kg) R3,30, sugar (2,5kg) R3,90, flour (2,5kg) R3,90, yeast 38c, tea (250g) R3,79, coffee (100g) R1,80, potatoes (pocket) R10. Total: R167,73.

She said she was excluding transport costs, vegetables, fruit and toiletries which, conservatively calculated, came to R60.

Another pensioner, Mr David Sebakoa, 64, said: "I don't even know what real meat tastes like anymore."

CPBPO chairman Mr Winnard Zantsi 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 390 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.

FEELING THE PINCH . . . Township pensioners at yesterday's protest meeting held at the Uluntu Centre in Guguletu. Picture: CHRIS BATEMAN

Pensioners who live on R150 a month

Cape Times 28/2/90

300

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 Uluntu 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

● See Pages 4 and 11

Six villagers reject Allied's R7m rescue offer

LESLEY LAMBERT

CAPE TOWN — A decision on the fate of the troubled Helderberg Retirement Village was postponed again yesterday to give the the village's mangement company — the respondent in a provisional liquidation application — time to file new affidavits in an increasingly complex legal battle. B/Day 28/2/90

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. (300)

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.

300

BUSINESS DAY, Wednesday, February 28 1990

Public servants reiterate demand

GERALD REILLY

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 32% 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 9% vacancies in the service, government had been saved R1,9bn.

This alone justified a bigger increase than the announced 10%, it said.

Sapa reports that Herbert Nhleko, general secretary of the 15 000-strong Institute of Public Servants (IPS), has 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%.

Nhleko 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".

● Comment: Page 10

B Day 1/3/90 (300)

Non-pensionable pay plan 'bad'

ADELE BALETA

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 effect 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 Soal (DP Johannesburg North) said yesterday.

Ageing couple homeless after 17 years of loyal service

2/3/90 (300)

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 ablutions 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 McConnel 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."

RETIREMENT BENEFITS FM 2/3/90

Inflation proofing 300

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. 300

The rest must be taken as an annuity. Until now, life offices have invested the

FM 2/3/90 300

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

FM 2/3/90 300

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. ■

Nats laugh off cheap phones for the elderly

(268) (300)

Cape Times 3/3/90

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 amid 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 Charlewood (DP Umbilo) 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

BD 5/3/90 (300)

LINDA ENSOR

SAMCOR is locked in a multi-million-rand legal battle over the Ford SA Pension Fund (FSAPF) which was transferred to the Anglo American Corporation Pension Fund (AACPF) after Ford's amalgamation with Amcar 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 FSAPF, 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 FSAPF 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 FSAPF, had breached their obligations in terms of the FSAPF 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 FSAPF 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

☐ To Page 2

Samcor battle

(300)

☐ From Page 1

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 FSAPF."

He says it is inequitable that the employees who created the assets of FSAPF — which shows an overfunding of at least 21,1% — be transferred to the AAPF.

John Sauls says as Ford's operations were relocated to Pretoria and the FSAPF 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. BDay 5/3/90

He is also applying for the amalgamation of FSAPF with AAGPF to be set aside, and for AAGPF to be ordered to return all assets to FSAPF which had been transferred to AAGPF, minus money paid out to FSAPF members. Finally he has applied for the liquidation of the FSAPF.

The respondents to his application were: FSAPF, Samcor, SA Motor Corporation, AAGPF, Registrar of Pension Funds, Anglo American Corporation and Samcor (Pretoria) Pty Ltd.

Silvermine retirement scheme has cash-flow problems

Own Correspondent

300

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 Poole, said yesterday that city attorney Barry Burton Barbour had resigned from the company's board of trustees last month.

Chairman of the scheme Murray McMillan 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." B/Day 7/3/90

The other resignations or firings had taken place after he had left the board.

He said the residents — who pay less than R400 a month — got good value for their money as it paid for 16 meals, servicing of the cottages, security guards, gardening, insurance and water.

Poole said: "We are well on our way to overcoming our cash-flow problems now," he said.

About 95% of the 200 residents had agreed to help by advancing three months' worth of levies, he said.

March levies were now being collected.

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March to demand cheaper food

South 8/3-14/3/90

300

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.

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FM 9/3/90 (300)

PENSIONS FM 9/3/90 (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 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 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 routed 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. ■

Hansard 13/3/90

would geographically speaking be part of Lesotho should the normal contour of the mountain be followed as the international border as proposed by Lesotho. In terms of the abovementioned agreement the triangle has always been RSA territory.

(b) The difference of opinion will again receive attention as soon as talks can be held with the new Minister of Foreign Affairs of Lesotho to discuss the matter.

(c) The following steps have already been taken or are now envisaged:

(i) On 30 June 1989 a Joint Commission of Enquiry visited the area. After completion of the enquiry the officials involved in the Commission came to the conclusion that the matter would have to be resolved at Government level. Lesotho consequently requested that the matter be referred to me and Colonel Thaabe Letsie of the Military Council of Lesotho for consideration.

(ii) The Department of Foreign Affairs has on various occasions since then tried to further the discussions.

(iii) At the beginning of 1990 it was once again suggested that a meeting be arranged in Lesotho as soon as possible after the opening of the RSA parliament. In February it was proposed to Lesotho that the Deputy Minister of Foreign Affairs visit Lesotho for this purpose on 26 or 28 March 1990. Because of the changes in the Military and Ministers' Councils of Lesotho soon afterwards and specifically the retirement of Colonel Thaabe Letsie as Minister of Foreign Affairs, Lesotho's reaction is at present being awaited as to when a meeting with the new Minister of Foreign Affairs can take place.

(2) Falls away.

Compulsory transferable pension scheme

*11. Mrs C H CHARLEWOOD asked the Minister of National Health and Population Development: Hansard 13/3/90

Whether any consideration has been given to the establishment of a compulsory transferable pension scheme; if so, (a) what consideration, (b) when and (c) with what result; if not, why not? 300

B422E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

Yes,

(a) the matter was investigated by various committees over a number of years,

(b) over the period as from December 1964 to February 1987,

(c) no positive results could be achieved because of opposition to such a scheme from various bodies and/or organisations.

Distribution of free condoms

*12. Mrs C H CHARLEWOOD asked the Minister of National Health and Population Development: 300

(1) Whether funds are allocated by the State for the distribution of free condoms; if not, why not; if so, what funds;

(2) whether there are any (a) surcharges and/or (b) duties on imported condoms; if so, what surcharges and/or duties;

(3) whether, in view of the increasing number of cases of Aids, she will take steps to have such surcharges and/or duties withdrawn; if so, (a) what steps and (b) when; if not, why not?

Hansard 13/3/90 B423E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) Yes, for the purchase of 21 000 000 condoms.

(2) (a) and (b) yes,
— surcharge: 20%
— import duties: 25%

300

— general sales tax: 13%
— provincial handling fee: 8%

(3) (a) and (b) yes, the matter has already been discussed with the State Tender Board and with Customs and Excise of the Department of Finance, but is to be placed on the agenda for discussion again.

Hansard 13/3/90

Robben Island: prisoners on hunger strike

*13. Mr A J LEON asked the Minister of Justice:

Whether any prisoners held on Robben Island have been on a hunger strike since 1 January 1990; if so, (a) how many prisoners are involved, (b) when did they (i) start and (ii) end their hunger strike, (c) what were the stated reasons for the hunger strike and (d) what action was taken by the authorities to end it? Hansard 13/3/90

B424E

The MINISTER OF JUSTICE:

Yes.

(a) The numbers varied from 303 to 344.

(b) (i) 26 February 1990.

(ii) 8 March 1990.

(c) The prisoners offered a large number of complaints and demands as reasons for the hunger strike. These varied from complaints about privileges and classification to demands for release.

(d) The authorities acted consistently in terms of internationally accepted practices. These varied from the application of the Declaration of Tokyo to discussions and my request to the acting Judge-President of the Supreme Court of the Cape of Good Hope, The Honourable Judge M R de Kock, to deal with the complaints of the concerned prisoners. Judge De Kock's report has now been received and is presently being studied. I also refer the honourable member to a press statement issued by my office last night.

Black pupils: technical education

*14. Mr K M ANDREW asked the Minister of Education: Hansard 13/3/90

Whether his Department provides technical education for Black pupils at secondary school level; if not, why not; if so, (a) what technical education, (b) where, (c) how many pupils can be catered for and (d) how many pupils are enrolled for technical education at secondary school level? Hansard 13/3/90

B425E

The MINISTER OF EDUCATION:

(a) Education for the technical field of study. Pupils who follow the technical field of study have to take Technical Drawing as well as at least one technical subject (Woodworking, Welding and Metalwork, Electrician work, Electronics, Fitting and Turning, Motor Mechanics, Motor Body Repairing, Plumbing and Sheeting Metal-working, Bricklaying and Plastering).

(b) At comprehensive schools countrywide located in the different regions as follows:

Diamond Fields	2
Highveld	15
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(c) Workshops are designed to accommodate 100 pupils per field of study. With the existing facilities technical education can be provided to approximately 22 500 pupils at 49 schools.

(d) 9 313 pupils in Std 6–10.

Registrar of Reporting Organizations

*15. Mr D J DALLING asked the Minister of Justice: Hansard 13/3/90

(1) Whether he has appointed a Registrar of Reporting Organizations and Persons in terms of section 2 of the Disclosure of Foreign Funding Act, No 26 of 1989; if so, what (a) is his name and (b) are his qualifications;

(2) whether the Registrar of Reporting Organizations and Persons has submitted a report in terms of section 7(1) of the said Act; if not, (a) why not and (b) when is it anticipated that the report will be completed?

B426E

INVESTMENT

ARGUS 13/3/90 (300)

'Pull-out' cash floods retirement annuities

By David Cumming

JOHANNESBURG. — Triggered by the new all-share contracts and a flood of money from "disinvesting" 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 years to date is up 45 percent."

PROPERTY

Impractical nature of AIDS exclusion clause criticised

300 LINDA ENSOR

THE AIDS exclusion ~~clause in life~~ policies was criticised in a speech delivered by Southern Life GM Paul Truyens in London yesterday.

Speaking at the Second International Life Insurance Conference, Truyens said it was likely the industry would move away from contractual exclusion because it lacked practical effectiveness.

To implement an exclusion clause, Truyens 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.

Truyens 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." B/Day 13/3/90

Hansard 13/3/90

would geographically speaking be part of Lesotho should the normal contour of the mountain be followed as the international border as proposed by Lesotho. In terms of the above-mentioned agreement the triangle has always been RSA territory.

(b) The difference of opinion will again receive attention as soon as talks can be held with the new Minister of Foreign Affairs of Lesotho to discuss the matter.

(c) The following steps have already been taken or are now envisaged:

(i) On 30 June 1989 a Joint Commission of Enquiry visited the area. After completion of the enquiry the officials involved in the Commission came to the conclusion that the matter would have to be resolved at Government level. Lesotho consequently requested that the matter be referred to me and Colonel Thaabe Letsie of the Military Council of Lesotho for consideration.

(ii) The Department of Foreign Affairs has on various occasions since then tried to further the discussions.

(iii) At the beginning of 1990 it was once again suggested that a meeting be arranged in Lesotho as soon as possible after the opening of the RSA parliament. In February it was proposed to Lesotho that the Deputy Minister of Foreign Affairs visit Lesotho for this purpose on 26 or 28 March 1990. Because of the changes in the Military and Ministers' Councils of Lesotho soon afterwards and specifically the retirement of Colonel Thaabe Letsie as Minister of Foreign Affairs, Lesotho's reaction is at present being awaited as to when a meeting with the new Minister of Foreign Affairs can take place.

(2) Falls away.

Compulsory transferable pension scheme

*11. Mrs C H CHARLEWOOD asked the Minister of National Health and Population Development: Hansard 13/3/90.

Whether any consideration has been given to the establishment of a compulsory transferable pension scheme; if so, (a) what consideration, (b) when and (c) with what result; if not, why not? 300

B422E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

Yes,

(a) the matter was investigated by various committees over a number of years,

(b) over the period as from December 1964 to February 1987,

(c) no positive results could be achieved because of opposition to such a scheme from various bodies and/or organisations.

Distribution of free condoms

*12. Mrs C H CHARLEWOOD asked the Minister of National Health and Population Development: 300

(1) Whether funds are allocated by the State for the distribution of free condoms; if not, why not; if so, what funds;

(2) whether there are any (a) surcharges and/or (b) duties on imported condoms; if so, what surcharges and/or duties;

(3) whether, in view of the increasing number of cases of Aids, she will take steps to have such surcharges and/or duties withdrawn; if so, (a) what steps and (b) when; if not, why not?

Hansard 13/3/90 B423E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) Yes, for the purchase of 21 000 000 condoms.

(2) (a) and (b) yes,
— surcharge: 20%
— import duties: 25%

— general sales tax: 13%
— provincial handling fee: 8%

(3) (a) and (b) yes, the matter has already been discussed with the State Tender Board and with Customs and Excise of the Department of Finance, but is to be placed on the agenda for discussion again.

Hansard 13/3/90

Robben Island: prisoners on hunger strike

*13. Mr A J LEON asked the Minister of Justice:

Whether any prisoners held on Robben Island have been on a hunger strike since 1 January 1990; if so, (a) how many prisoners are involved, (b) when did they (i) start and (ii) end their hunger strike, (c) what were the stated reasons for the hunger strike and (d) what action was taken by the authorities to end it? Hansard 13/3/90

B424E

The MINISTER OF JUSTICE:

Yes.

(a) The numbers varied from 303 to 344.

(b) (i) 26 February 1990.

(ii) 8 March 1990.

(c) The prisoners offered a large number of complaints and demands as reasons for the hunger strike. These varied from complaints about privileges and classification to demands for release.

(d) The authorities acted consistently in terms of internationally accepted practices. These varied from the application of the Declaration of Tokyo to discussions and my request to the acting Judge-President of the Supreme Court of the Cape of Good Hope. The Honourable Judge M R de Kock, to deal with the complaints of the concerned prisoners. Judge De Kock's report has now been received and is presently being studied. I also refer the honourable member to a press statement issued by my office last night.

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B426E

Star 15/3/90 (300)

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 Ntatho 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.

"That is why there are classrooms for 300 000 white children standing empty and millions of blacks 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. Handouts 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 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

Star 15/3/90 (300) (100)

By Stan Hlophe and Monica Nicolson

Mr Syd Eckley, the director of the National Council for the Aged, last night said he was disappointed at the R25 across-the-board increase granted to all pensioners following Minister Mr Barend du Plessis' Budget speech in Parliament yesterday.

Mr Eckley 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 R25 increase was too little, taking into consideration the high cost of living.

"Minister du Plessis made a comment about a new South Africa and he should start by giving pensioners of all races the same pay.

"Everybody has to pay the same price for meat, milk and other necessities," he said.

Mr Eckley said he had asked the Minister for higher pensions for over-65s not living in institutions. People who lived on their own should receive more than those who were subsidised.

Black pensioners last night described the 16 percent increase 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 Christinah Langa (65), of Dlamini, Soweto, who has seven children, said it was "too little too late". If it was R250 at least it would make a little difference, she said.

"Pensioners are not exempt from paying GST at most shops and we have to contend with the high cost of living like everybody else."

Mrs Eveyln Maringa (80), of Chiawelo, has six grandchildren dependent on her. Mrs Maringa said the R25 increase would not alleviate the hunger she was facing.

Mrs Veronica Baloyi (69), said there were no black, coloured, or white shops. "They are just shops charging the same prices for all," she said.

White pensioners also expressed their disappointment.

Pensioners interviewed at Jan Hofmeyr council houses in Brixton, Johannesburg, said the Government was not doing enough for old people who relied solely on their pensions and were struggling to survive.

"Pensions have been lagging far behind the inflation rate for so many years. They need to increase pensions far more to bring them into line with the cost of living," said Mrs E Parkinson.

Her neighbour, Mrs E van Zyl, lives on a disability pension and described the increases as useless. "Once you have paid rent, water, electricity and the telephone, there is nothing left - how are we supposed to live?"

Solidarity is unhappy over pensions

300

Sowetan 15/3/90

IT was disappointed that pensioners would be getting an increase of only R25 at a time 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 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 R1000 to R2000 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 special capital fund with an initial deposit of R2 billion were also welcomed.

Retirement probe expected to close in 1991

BDay 15/3/90 (300)

LINDA ENSOR

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.

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.

Pensioner Mrs Lizzy Mekgalane...living from hand to mouth. Pic: MBUZENI ZULU

Black pensioners are angry over increase

Sowetan 15/3/90 (300)

By SY MAKARINGE

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.

"The only person who is working in my family is my youngest daughter.

"I cannot expect her to fend 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.

of resorts — R9,4m; ... was up by R

Pension rises to be paid out from April, says De Beer

SAlt any 16/3/90

MIKE ROBERTSON

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 R58,4m 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 R84 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.

African is-
were going

magnus Malan for his role in Namibia and his many military successes over the years. — Sapa

Cape Times 16/3/90

Increased pensions effective from start of April

social pensioners and 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 R84 a month.

● The MP for Port Elizabeth Central, Mr Eddie Trent, told a public meeting in Port Elizabeth last night that the R25-a-month increase for to social pensioners was "shockingly inadequate and disgraceful".

He said budgets presented so far this year had to a "lesser or a greater extent" reflected the State President's reform policies.

But, he said, there had been a total lack of sympathy and compassion as far as social old-age pensioners were concerned. They were "forgotten people".

Mr Trent said R25 would bring little if any relief — the view that R25 was "disappointing" was a total understatement.

He said the budget would not help the millions of "very poor and destitute", and while it might lay a strong foundation for the future, this did not concern the social pensioner — "their concern is with today, not tomorrow".

Black Sash book on problems of aged

ARGUS 16/3/90 (300)

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 book, *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 book 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

Cape Argus 16/3/90

By SHARON SORŌUR 300
Staff Reporter

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 R175 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.

RETIREMENT VILLAGES (300) FM 16/3/90

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 Helderberg, 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 the ministry knows of no retirement village, opened since the Act came into force in July, which is having financial difficulties.

Nevertheless, he 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 would 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 Helderberg 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-

FM 16/3/90 (300)

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 Shemara and provisional judicial managers of the village. ■

S Times 18/3/90

300

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 auctioneer's hammer.

And in a "highly questionable transaction", a former director of the shareblock company, Cape Town attorney Barry Burton Barbour, gave a R430 000 house in the village to his wife as a divorce settlement, according to evidence in the Supreme Court.

By HAMISH McINDOE

For several months, residents of the financially ailing Helderberg 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 R200 000 for their luxury cottages, nestling at the foot of a Boland mountain range outside Somerset West.

Grim

Tension was at its tautest earlier this month when a Supreme Court judge was asked to decide on the fate of Helderberg Village Share Block Holdings, of which the villagers are all shareholders.

The grimmest possibility was the judicial liquidation of the company.

And it was a collective sigh of relief that followed Mr Justice's 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 propostion or whether it should go under provisional liquidation.

Mr Barbour formed HVSBH and Shamara Holdings in 1987.

He was was also involved in developing the 200-cottage Silvermine retirement village near Noordhoek, which reportedly owes creditors R3-million.

By late last year, Helderberg Village's finances were in dire straits, with its R53-million liabilities exceeding assets by R7-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 R430 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 R200 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 insolvency".

And this was echoed by the villagers themselves.

Sad

"Even so, we will all have to dig deep into our pockets before we can even 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 earnings 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.

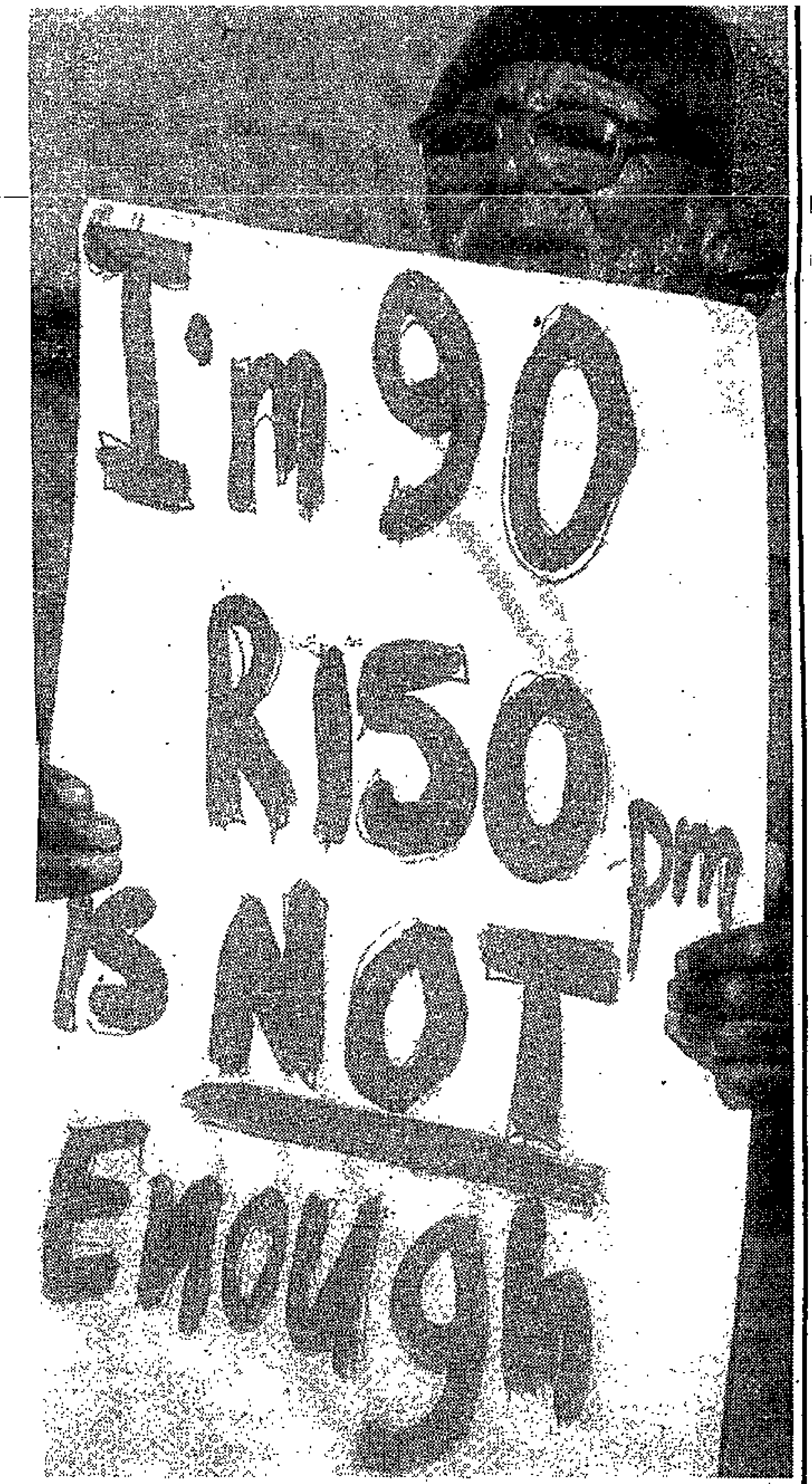
According to the National Council for the Aged, 10 such retirement villages have folded nation-wide during the past two years. It is feared another 20 may go under by 1992.

(300)

Better pension deal for Indians

CHANGES in the means test for Indian social pensioners to bring them into line with whites were announced by the Minister of Health Services and Welfare (House of Delegates), Mr Baldeo Dookie, on Thursday.

Introducing his vote of the 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 080 a year, the same as for whites.



(300)
23/3 - 29/3/90

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 sea-change in South African politics.

As they walked alongside the marchers the traffic policemen wore on their shirtfronts 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 rents and service charges in the township.

Outside the offices, where a brace of policemen stood impassively, the marchers chanted: "Never mind the *boere*, 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, Afrapix

190

BDay 26/3/90

Mobilising retirement funds for low cost housing

300

LINDA ENSOR

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.

Giving 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 redemptions 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 stokvels, 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 Homes GM Guy Leitch said.

B Day 27/3/90

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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. (300)

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.

London reported no panic

Acute need seen for pension schemes for domestic workers

300

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 Oewies, 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 cannnot 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 availible 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.

Star 28/3/90

People must save – Barend

SA can't afford more for aged

Star 28/3/90 (300)

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 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. — Sapa.

Govt has no additional funds for pensioners

300

Sowetan 28/3/90

THE Government was not planning to make any further funds available at this stage to relieve the critical situation of the elderly, the Minister of Finance, Mr Barend du Plessis, said in the House of Assembly yesterday.

Speaking in an interpellation by Mrs Carole Charlewood (DP Umbilo), he said that if the history of social pensions was analysed, it would be seen that the Government, from time to time, had made interim bonus payments to pensioners.

The Government accepted that social pensions were inadequate to support individuals at a reasonable standard of living, and it served no purpose to argue this fact.

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 Charlewood 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 Political Correspondent

Argus 28/3/90 300

THE government's attitude to starving, frightened pensioners battling to survive on inadequate payouts was uncivilised, Democratic Party MP for Umbilo Ms Carole Charlewood 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 Charlewood 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 Charlewood 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 R276 a month, R225 for coloured people and Asians and R175 for blacks, were in a "critical situation".

Commenting today, Ms Charlewood said the government could not ignore the problem and had to provide both 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 Charlewood 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

CAPE TIMES 28/3/90

300

Political Staff

SOUTH AFRICA could not afford to suport 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 Ms Carole Charlewood (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 R14bn on incentives in the Budget to encourage savings.

Mr Brian Goodall (DP Edenvale) said government should have realised years ago that it could not afford to keep paying social penions 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 swopped 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.

March 28 1990

B/Day 28/3/90

No plans to give out more pension funds — Barend

(300)

MIKE ROBERTSON

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 Carole Charlewood (DP Umbilo) who asked whether government planned to make more funds available to relieve the critical situation of SA's elderly.

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"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."

Goodall said it cost SA taxpayers R3,3bn 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 R1,15m. In 10 years time there would be another 800 000 people to provide pensions for.

Urban Foundation chief executive Sam van Coller 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. Picture: ROBERT BOTHA

DP opts for 'convergence strateg

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 Robin 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 arena, is that point to which all the key actors will inevitably move,

Black student

Cape Times 29/3/90 (300)

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 which the new owners will be able to charge.

According to one pensioner, accommodation affordable to people of "modest income" is becoming so rare in Sea Point that, even if they do find alternative flats in the 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 R55 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 said 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 R55 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 Clive 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."

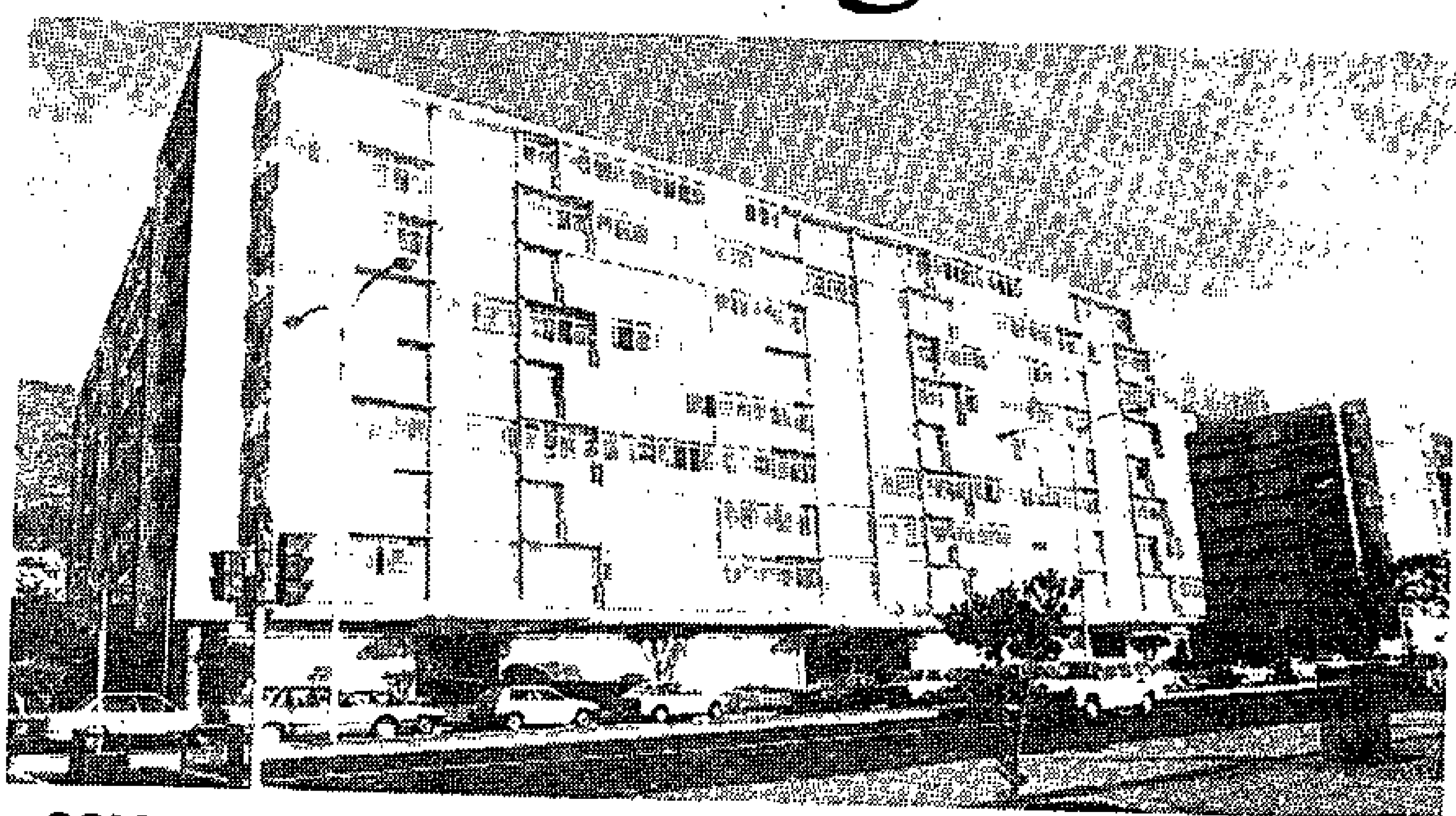
Ghost suburb

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.



SOLD ... Bordeaux, opposite Graaff's Pool in Sea Point, was recently sold for R55 million, which means many of its elderly residents will have to move out of the block. **Below:** Bordeaux residents Mrs Mary Levinson (right), 78, and her sister, Mrs Seina Metter, 85. Mrs Levinson yesterday took ill from worrying over their future. She says Mrs Metter, who has been living with her, will have to go to an old-age home if she has to move to a smaller flat.

CAPE TIMES 29/3/90 (300)

Drastic rise in attacks on old people

Political Staff

THERE had been a 100% increase in the number of attacks on senior citizens in white residential areas and a 150% increase in casualties in February this year compared to February 1987, the Minister of Law and Order, Mr Adriaan Vlok, said last night.

The police's greatest concern about the elderly was the fact that attacks on senior citizens were increasing almost daily.

Mr Vlok, who spoke at a reception in Cape Town where he received a copy of a crime-prevention pamphlet on security for senior citizens from its sponsors, said this trend was not unique to South Africa.

"According to foreign police reports increases in attacks on the elderly have, since the early 1970s, been a very serious problem area in various other countries.

"During the first six months of 1989 there were 183 incidents with 220 victims.

"Between July and December 1989, 225 senior citizens in white residential areas were attacked, murdered, raped, robbed or seriously assaulted, by strangers in their homes.

"This is an increase of 16% in six months.

"What is significant is that in only 18% of these cases entrance was forced into the homes — and 82% of the incidents took place outside the homes or without any signs of force being used."

Mr Vlok said that compared to 15 incidents in February 1987, there had been 47 in February 1990.

"This increase is alarming for us, and took place despite all our efforts."

No police force in the world could physically provide 24-hour protection every day for every senior citizen.

The community and senior citizens themselves had to provide basic security.

"Therefore they must be aware of crime and must be informed on a continuous basis," Mr Vlok said.

Pension deal in Namibia 'kept secret' by Pienaar

30/3/90

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 requests. 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 Institution, Mr Fanie Gous, 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

Cape Times 30/3/90 300

WINDHOEK — Namibia's last Administrator-General, Mr Louis Pienaar, has overruled the Goverment 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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According to a news report, Namibia's former Attorney-General, Mr Estienne Pretorius, 40, received full pension benefits when he resigned last Tuesday, one day before Namibia became independent.

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

30

Staff Reporter ARGUS 30/3/90

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 R276 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 20 — a week after the Budget — National Health and Population Development Minister Dr Rina Venter 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 R1 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."

 (300) FM 30/3/90

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 mesmerised 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 unmoved but the life offices suffered a flood of policy surrenders. Policyholders took fright believing the tax changes — marginal at worst — threatened to make their life cover worthless. The experience has not been wasted on SA's life offices, which goes some way to explaining why their public responses to the 1990 Budget's tax change proposals are muted.

Finance Minister Barend 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.

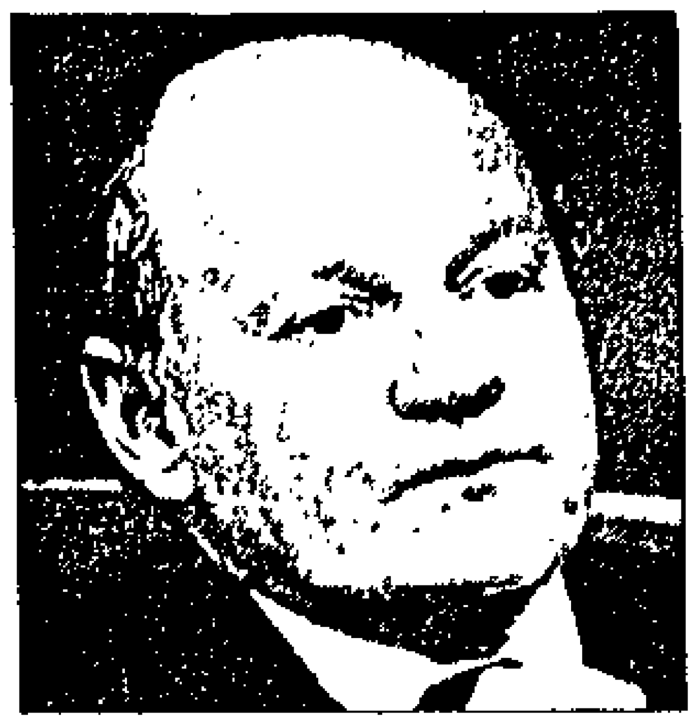
Of course the life office managers are concerned but are reluctant to express their concerns publicly while trying to negotiate better treatment with the finance ministry. Still, that does not mean there is no activity in the boardrooms of Pinelands, Belville, Braamfontein and Newlands.

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 assurers seem to be 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 redynamise a savings industry hampered in its ability to attract funds because of difficulties in offering savers real or inflation-beating returns.

Geary-Cooke



Levett

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 taxable 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 R985m), 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)

	1977	1987	Compound annual growth (%)
1. Financial assets acquired	3 790	24 264	20,4
2. Contractual savings	1 918	19 954	26,4
3. Other financial assets acquired (gross discretionary savings — mainly deposits and investments with banks and building societies)	1 872	4 310	8,7
4. Less: Total borrowings	1 568	18 536	28,0
5. Mortgage loans	633	5 723	24,6
6. All other credit	965	12 813	29,5
7. Equals: Net financial investment	2 222	5 728	9,9
8. Consumer price index (1985 = 100)	36,6	137,7	14,2

Source: Rand Merchant Bank

STATE PENSIONS FM 30/3/90

Payout pressure (300)

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 funds' problem will be temporary. With fewer employees, future State contribu-

FM 30/3/90 (300)

tions will be lower. And the allocated R1,862bn allocated for 1990-1991 is hardly changed from last year's R1,827bn.

To show what each department contributes to the funds, this year's Budget has been restructured. Instead of allocating a lump sum to National Health & Population Development, which administers the funds, each department has its own allocation, depending on the number of its staff. The House of Assembly tops the list with R491m budgeted; Police — R280m; Defence — R255m; and Education & Training — R235m.

The Transnet (previously Sats) pension fund — now R17bn in deficit — will also be under short-term pressure from the almost 6 000 staff who chose the optional retrenchment package. Transnet says it cannot calculate the amount it will have to pay out until it's received all applications. Payments will include members' contributions only. A member with over 13 years' service will also receive interest. However, in the longer term, the fund will not have the liability of full pension payments to these people, which could put it in a better financial position. ■

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) (~~123~~)

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 Guy Leitch said the application of retirement funds for housing had become essential if SA's future was to be safeguarded. S1 Times 1/4/90

"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 office, 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

BID 24/4/90

(300)

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 most 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 18,5%, 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 113 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 profitably 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 suggests 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 load 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

B Day. 2/4/90

(300)

AA LIFE has launched two investment options which, it claims, provide high capital gains and high income.

Known as Easi-Income and Easi-Wealth, the products are low-risk and hedge against erosion of lump sums by inflation, says AA Life broker division assistant GM Luc Orlando.

Easi-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 assurers," says Orlando.

Here the individual invests a capital amount and an income dependent on age is then made payable to the investor.

LUC ORLANDO

Some of the other benefits of the Easi-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 Easi-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?

B/Day 2/4/90 300

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

B/Day 2/4/90 (300)

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 Ilpa 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 events 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% pa over 10 years), a property linked endowment (14,5% pa), the Balanced Portfolio (16,5% pa over three years), the Variable (linked to share market and gilts, returning 24,5% pa since it was launched a year ago).

Although returns are tax-free after 10 years, premiums are no longer tax deductable — 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 returns could be expected:

- At the age of 50 years the policy holder would receive R24 362;
- This jumps up at R57 091 at age 55; and
- At 60 years his payout would rocket further to R122 920.

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 assurer'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.

8/10/90 2/1/90

Pension fund an important investment

300

AN employees'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 Pensions Institute of Southern Africa executive director Willie van Niekerk.

"Based on normal pension fund contributions of 5%-7,5% it takes a working lifetime to build a reasonably good pension."

Relatively few workers know the income tax laws permit them to voluntary contribute R1 800 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.

it in all three Houses. — Sapa.

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.

Replying to the Budget debate he said the increase had to be seen in the total perspective of care of the aged.

Star 3/4/90 300

Treasury loss

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.

CAPE TIMES 3/4/90 (300)

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

300

By SIZAKELE KOOMA

VICKY Zungu thought cleaning up and feeding destitute old women was a casual gesture. She did not think it would trigger a public response that would prompt a community-based project.

We Take Care of the Aged and Disabled - Wetcad - was formed in Meadowlands two years ago when Zungu casually decided to look after a semi-blind and senile woman who had no one to look after her.

"It all began in a low-key manner," Zungu explains. "My husband and I decided we should feed and clean this old woman's house. We also reminded her to collect her money when pension time came. Desperate, and probably having heard about us through the grapevine, other old people started flocking to my home for help."

Neglected by children

She said most of the aged were neglected by their children and some suffered abuse. Some of their kin even forcefully took their money and locked them out of their homes.

"We did a survey and found that many old people lived in filthy houses, most were lonely while others were senile and therefore forgot to fetch their pensions on payout dates.

"We started off at Zone 9. We paid them visits and would clean and feed them," she said.

Her husband Moffat and a local businessman organised a group of people to donate money towards the burial of one old woman whose next of kin could not be traced. This triggered the formation of an organised structure with members paying a fee of R5 each to help during a crisis. Jomo Sono, of Jomo Midas Cosmos, got the project started with a donation of R100.

They drew up a constitution and contacted other groups for help. The Dobsonville Care of the Aged, Kopanong, was very helpful, she said.

WOMAN

Wetcad, which confines its services to those who are disabled and of pensionable age, has a membership of 267. It looks after all the aged in Meadowlands with the help of a social worker who is employed by the National Council of the Aged.

The members, who include former plumbers, glazers and electricians, pool skills for the organisation's self-help projects. Other projects include knitting, handcrafts, shoe-making and baking. Wetcad members meet every Wedenesday at a local church where they work and recreate.

They also hold monthly jumble sale meetings from Zungu's home, where they sell their products to the public. Once a month they buy vegetable rations from the money they make.

Parties and trips are also arranged for entertainment.

Woman of the Week

VICKY ZUNGU

300

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 points 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 Beyi from Kwazakhele 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 busfare 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 pensions 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 300

Tax favours

Are life assurers as badly treated by the taxman as they claim? Two weeks ago we argued life 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 shelved his commitment to the trusteeship principle (*FM* March 30).

Life offices complain that competitive advantage has 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.

FM 13/4/90

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

FM 13/4/90

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.

300

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

FM 13/4/90 300

apportioned by means of the simple formula devised when computers with enormous number crunching power were not available.

Precise apportionment, says a Liberty Life actuary, is what happens. Particularly since the development of unit-linked policies whose guarantees are based on the performance of an underlying managed investment fund. Income from the managed fund is thus allocated directly to different types of policies — taxed or untaxed — and there is little scope for bias in the calculation of tax liability. These days, less than 20% of the current policies issued by a life office such as Liberty are not unit-linked, so there is little bias because of the older ways of calculating tax.

Building societies' next concern is the trusteeship principle — life offices argue that, because they effectively act as a trustee for their policyholders, they should be taxed on the same basis as those policyholders. The assurers would like to be taxed at the average rate applicable to policyholders, not at 45% — a whole percentage point above private individuals' top marginal tax rate.

The argument is reasonable as far as it goes, but tax is levied on income less 55% of expenses. And the building societies point out that private individuals who manage their own portfolios cannot offset any implied management fees against income for tax purposes. Nor can they offset their policy marketing costs and commissions.

So assurers get tax relief which is not available to policyholders and, under those circumstances, the life offices' competitors claim, they should not be allowed to claim some tax-deductible expenses, if the trusteeship principle is to be strictly interpreted for assurers.

Jim Jones

Mutual's man at the helm

W/t Argus 14/4/90

300

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"

He says pension funds give people a joint share of the productive wealth of the country.

In the United States, for instance, pension funds own between 50 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

(See page 2)

Gerhard van Niekerk .. at the insurance forefront.

P.T.O.

Regional Director of Manpower concerning the establishment of conciliation boards were taken to the Supreme Court by aggrieved parties and (b) what legal costs were incurred by his Department in each of these years in respect of Industrial Court decisions that were taken to the Supreme Court on review?
Hansard 17/4/90 B691E

The MINISTER OF MANPOWER:

Financial year*	Amount
(a) 1986/87	R 252,20
1987/88	R 7 071,60
1988/89*	R 21 664,00
(b) 1986/87	R 1 956,60
1987/88	R 1 799,50
1988/89*	R106 493,00

*NOTE: The Department only has the information requested available per financial year and not per calendar year.

Strikes

267. Mr P J PAULUS asked the Minister of Manpower:† Hansard 17/4/90

(1) (a) How many strikes occurred in the Republic during the period 1 January to 31 December 1989 and (b) how many (i) Blacks, (ii) Whites, (iii) Coloureds and (iv) Indians took part in them;

(2) (a) how many man-days were lost as a result of these strikes and (b) what was the average duration of each such strike;

(3) how many of these strikes in which only (a) Blacks, (b) Whites, (c) Coloureds and (d) Indians took part were illegal?
B703E

The MINISTER OF MANPOWER:

(1) (a) 783

(b) (i) 135 714

(ii) 1 245

(iii) 19 103

(iv) 5 437

(2) (a) 1 189 262

(b) 7,4 man-days

(3) (a) to (d) The Department of Manpower does not have this information available.

Note: The figures are for the period 1 November 1988 until 31 October 1989. The figures as requested will only be available during the debate on the Manpower Budget Vote on 27 April 1990. Please see paragraph 1.36 on page 30 of the Department's Annual Report for 1989 as well as the replies to questions 109 and 110 by Mr P H P Gastrow.
Hansard 17/4/90

Posts in mining: certificates of competency

268. Mr P J PAULUS asked the Minister of Mineral and Energy Affairs and Public Enterprises:† Hansard 17/4/90

(a) How many applications were received by the Department of Mineral and Energy Affairs during the period 1 January to 31 December 1989 from Whites, Blacks, Coloureds and Indians, respectively, in respect of the obtaining of certificates of competency in the categories of (i) blasting, (ii) banksman, (iii) onsetter, (iv) locomotive driver, (v) hoist driver, (vi) mine captain and (vii) mine manager and (b) how many applicants in each of these categories obtained certificates?
B704E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

Applications received and certificates issued during the period 1 January to 31 December 1989:

	Applications (a)	Issued (b)
(i) *Blasting Certificate*		
Whites	1 901	1 451
Blacks	644	402
Coloureds	50	46
Indians	4	4
Total	1 599	1 903
(ii) *Banksman and* (iii) *Onsetter Certificate*		
Whites	919	733
Blacks	229	156
Coloureds	30	14
Indians	3	2
Total	1 181	905

NB. The onsetter's certificate is valid for both onsetters and banksmen.

	Applications (a)	Issued (b)
(iv) *Locomotive Drivers Certificate*		
Whites	2	2
Blacks	0	0
Coloureds	0	0
Indians	0	0
Total	2	2
(v) *Hoist Driver Certificate*		
Whites	143	122
Blacks	0	0
Coloureds	4	3
Indians	0	0
Total	147	125
(vi) *Mine Captain Certificate*		
Whites	1 570	733
Blacks	0	0
Coloureds	0	0
Indians	0	0
Total	1 570	234
(vii) *Mine Managers Certificate*		
Whites	710	94
Blacks	1	1
Coloureds	0	0
Indians	0	0
Total	711	95

While every effort has been made to ensure the accuracy of the figures quoted above the application forms for examination do not make provision for the race or colour of the applicant to be disclosed and no formal record is kept of the race or colour of the recipient of a certificate.

SATS: retirement package offer

270. Adv J J S PRINSLOO asked the Minister of Mineral and Energy Affairs and Public Enterprises:† Hansard 17/4/90

(a) How many (i) White, (ii) Black, (iii) Coloured and (iv) Indian employees have retired voluntarily in terms of the retirement package offer of the South African Transport Services from 1 February 1990 up to and including the expiry date of the offer and (b) what total amount was paid out in each of these categories to the employees in terms of the said offer? 300
B712E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

	(a)	(b) (R million)
(i)	5 3[illegible]	95,6
(ii)	1 0[illegible]	7,4
(iii)	37[illegible]	2,2
(iv)	[illegible]	0,25

Labour bureaux: registrations

282. Mr P H P GASTROW asked the Minister of Manpower: Hansard 17/4/90

How many males and females, respectively, were registered at labour bureaux as work-seekers in terms of the Guidance and Placement Act, No 62 of 1981, as at the end of each month in 1989?
B727E

The MINISTER OF MANPOWER:

Month	*Male*	*Female*
January	75 531	37 637
February	96 843	50 365
March	88 729	45 079
April	87 001	42 451
May	86 772	41 311
June	90 254	41 530
July	88 231	40 823
August	90 082	41 964
September	88 279	39 195
October	83 396	36 008
November	90 850	37 626
December	77 951	31 229

Work-seekers registered

283. Mr P H P GASTROW asked the Minister of Manpower: Hansard 17/4/90

How many Black males and females, respectively, were registered as work-seekers in the Republic in each month of 1989?
B728E

The MINISTER OF MANPOWER:

Month	*Male*	*Female*
January	49 947	16 909
February	65 071	23 980
March	56 741	19 349
April	55 541	16 550
May	56 221	16 213
June	59 080	16 941
July	58 118	17 172
August	59 535	17 570
September	61 062	16 946
October	57 219	15 824
November	64 638	17 620
December	54 922	13 340

1	South West Africa	Rhodes
1	Zimbabwe	Rhodes
3	Lesotho	Rhodes
1	Swaziland	Rhodes
1	Transkei	Pretoria
3	Bophuthatswana	Pretoria
1	South West Africa	Pretoria
1	Malawi	Pretoria
1	Other African Countries	Pretoria
8	Transkei	Stellenbosch
3	Venda	Stellenbosch
4	Ciskei	Stellenbosch
2	South West Africa	Stellenbosch
1	Zimbabwe	Stellenbosch
1	Lesotho	Stellenbosch
1	Swaziland	Stellenbosch
2	Malawi	Stellenbosch
17	Transkei	Cape Town
7	Bophuthatswana	Cape Town
2	Venda	Cape Town
3	Ciskei	Cape Town
2	Zimbabwe	Cape Town
13	Lesotho	Cape Town
3	Botswana	Cape Town
11	Swaziland	Cape Town
1	Countries in Europe	Cape Town
37	Transkei	Witwatersrand
71	Bophuthatswana	Witwatersrand
25	Venda	Witwatersrand
3	Ciskei	Witwatersrand
3	Zimbabwe	Witwatersrand
25	Lesotho	Witwatersrand
5	Botswana	Witwatersrand
15	Swaziland	Witwatersrand
2	Malawi	Witwatersrand
11	Other African Countries	Witwatersrand

This information is in respect of 1988

Language medium in schools

105. Mr R R HULLEY asked the Minister of Education and Culture:

What was the number of pupils taught through each language medium in all standards in each province in 1989? Hansard 17/4/90

B679E

The MINISTER OF EDUCATION AND CULTURE:

	CAPE			NATAL		
	Afrikaans	*English*	*Other* *	*Afrikaans*	*English*	*Other* *
Gr 1	12 251	7 441	9	2 677	5 911	34
Gr 2	10 901	7 054	6	2 442	5 803	29
Std 1	10 576	6 648	7	2 365	5 373	23
Std 2	10 356	6 393	6	2 271	5 257	26
Std 3	10 428	6 396	5	2 249	5 120	0
Std 4	10 361	6 354	8	2 391	5 258	0
Std 5	10 791	6 510	0	2 374	5 418	0
Std 6	11 140	6 896	0	2 517	5 523	0
Std 7	11 395	7 232	0	2 596	5 949	0
Std 8	11 356	7 412	0	2 609	6 247	0
Std 9	10 958	7 272	0	2 350	6 303	0
Std 10	10 404	6 956	0	2 136	5 869	0
	ORANGE FREE STATE			TRANSVAAL		
Gr 1	6 143	625		32 629	13 394	
Gr 2	5 658	599		29 261	12 502	
Std 1	5 261	610		28 147	12 029	
Std 2	5 243	609		26 860	11 601	
Std 3	5 147	626		26 930	11 411	
Std 4	5 254	530		27 500	11 530	
Std 5	5 128	600		27 821	11 945	
Std 6	5 446	749		30 246	13 003	
Std 7	5 350	743		30 001	13 301	
Std 8	5 094	707		28 326	12 709	
Std 9	4 914	607		25 791	12 411	
Std 10	4 682	569		24 499	11 176	

*German

HOUSE OF REPRESENTATIVES

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

300

Own Affairs:

Pension increases

Mr J A RABIE asked the Minister of Health Services and Welfare:†

(1) Whether he announced pension increases of approximately R36 million in the past; if so, when is it expected that these increases will be paid out to pensioners; if not, what steps are envisaged by him in this regard;

(2) whether he will make a statement on the matter?

C74E.INT

*The MINISTER OF HEALTH SERVICES AND WELFARE: Mr Chairman, the answer to both parts of that question is no.

I was to have made the following press statement on 21 March 1988:

> In terms of a Ministers' Council Resolution, approval has been granted for the elimination of disparity in social pensions and grants, of which the first phase was implemented with effect from 1 October 1986.
>
> The second phase of the parity programme will be implemented with effect from 1 May 1988 when a further additional amount of R12,00 per month in respect of old age pensions, pensions for the blind, disability grants, single care grants and parent allowances/grants (maintenance grants) will be payable. Foster parent grants will be increased by R20,00 per month per foster child whilst the children's allowance (maintenance grants) will increase by R4,00 per month per child (up to a maximum of four children). The said increases will be payable during July 1988 on the respective dates of payment.

That is what I was to have said. This was to be the second phase of the parity programme to narrow the gap between the amounts payable in respect of White and Coloured beneficiaries. An additional amount of R36,6 million was allocated for that year, and increases of R12 per month in respect of old age pensions, pensions for the blind, disability allowances, single care allowances and the parent section of maintenance allowances were to have come into operation with effect from 1 May 1988, because this had been budgeted for and approved.

On 21 March 1988, the morning before I was to have made the announcement, a report appeared in the *Cape Times* under the heading "Pensions up—not for Whites". The report read:

> Monthly increases for Coloured and Indian social pensioners are to be announced this week in addition to a R60 one-off bonus in October but there will be no increases for White pensioners. This is likely to spark a bitter debate . . .

[Time expired.]

*Mr J A RABIE: Mr Chairman, the hon the Minister is confusing me. I really thought he would give an answer which would do away with the controversy surrounding the R36,6 million once and for all.

*Mr J C OOSTHUIZEN: You are two years too late.

*Mr J A RABIE: I am pleased the hon member thinks so. It is true that an article appeared in the *Cape Times*, but articles also appeared in *Die Burger* in terms of which the hon the Minister had made this announcement from the platform at a public meeting in the Bokkeveld constituency. This gladdened our hearts, because it brought us to a point where we could place the equalisation of pensions under the microscope and find a solution. Now, however, the hon the Minister says he made no such announcement. In that case *Die Burger* should be rapped over the knuckles for publishing a report that the hon the Minister had made an announcement in the Cold Bokkeveld. [Interjections.]

This thing bothers us. Hon members will remember that the hon the Minister of Finance said clearly in his reply in front of hon Ministers the other day that no discussion had been entered into with him with regard to the budget in the past three years. That bothers one. [Interjections.] It must be denied. There is an opportunity to deny these things. That is what the hon the Minister said in front of these hon Ministers in the Chamber of Parliament. That bothers one, because the R36,6 million came to nothing as a result of a lack of negotiation, in that the hon the Minister of Finance withdrew the amount.

When I spoke to the hon the Minister the other day, some hon members said to me across the floor: "Tell him about the R36 million he stole." This was the amount to which they were referring. If we did not negotiate these amounts of money, we should not leak out things which create expectations among struggling pensioners and the recipients of maintenance allowances, because that confuses them. I want to tell the hon the Minister that I shall do everything in my power to ensure parity. I think we should get together somewhere, however, and try to see eye to eye on the true state of affairs. Then the hon the Chief Whip need not shout at me that I am confused . . . [Time expired.]

*Mr P W SAAIMAN: Mr Chairman, these reports created great expectations and we cannot get away from that, because our aged people took cognisance of the prospect of a better dispensation for them in this political climate. I am sure our elderly people put these questions to hon members when they were in their constituencies during the recess. That is why these questions must be put here and why we must get an answer with regard to what the hon the Minister and the negotiation team intend to do to redress the situation. Will a bonus be paid again this year? Would it not be better to pay twice as much and then announce a monthly increase of approximately R10 or R15? If it is done retrospectively, at least the R25 will be supplemented by R15. We sincerely hope that the hon the Minister will get the R36,6 million he needs for pensions to comply with the means test. The question, however, is whether this will meet the expectations of the public.

Our elderly people and our pensioners are really amazed, because even if we get the new dispensation about which so much has been said, an allowance creates the impression that the aged are not entitled to it. This does not change anything because, due to the apartheid structure, our people did not have the employment opportunities, nor did they earn enough to join a recognised pension scheme. At present we are fighting for the farm workers, for example—a large group—who do not have a pension scheme. We can forget about that, because very soon those farm workers will be pensioners. [Time expired.]

*The MINISTER OF HEALTH SERVICES AND WELFARE: Mr Chairman, I want to come back to the report that appeared in the *Cape Times* of 21 March 1988. I read to hon members what it said. Very well, I did not read the entire report, but I did read the section which says: "It is likely to spark a bitter debate with the Government coming under attack from the CP."

†That was the crux of the matter.

*As a result, however, on 21 March the hon the Minister of Finance . . . I was just going to read it. I do not know whether the hon member can remember. I do not know whether or not he was present that day. I was just going to read it, when I received a message that the hon the Chairman of the Ministers' Council had received a letter from the hon the Minister of Finance. He indicated in a letter that he had instructed the Treasury in terms of section 8(1) of the Exchequer and Audit Act of 1975 to suspend an amount of R36,6 million on the 1988-89 budget of the Administration: House of Representatives. [Interjections.]

My department and the Ministers' Council constantly strive for the elimination of disparities in social pensions and allowances. I want to tell the hon member that I have a list. He must see how much is needed every year. It is worked out by my department. It is given to the department of the hon the Minister of the Budget and they negotiate these matters with the hon the Minister of Finance. I shall give hon members the information. I can single out a year, for example, . . . [Time expired.]

Mr G H J THOMAS: Mr Chairman, the issue regarding old age pensions has been riddled to such an extent that to ask more questions will only add to the string of unanswered questions. [Interjections.]

The CHAIRMAN OF THE HOUSE: Order! The hon member for Matroosfontein may continue.

Mr G H J THOMAS: I want to ask the hon the Minister of Health Services and Welfare whether the R36,6 million had been requested again in order to bring pensions closer to parity. The other day in the main Chamber of Parliament the hon the Minister of Finance pointed out that for three years the hon the Chairman of the Ministers' Council did not come forward to ask for financial assistance. Can it now be assumed that the hon the Minister of Health Services and Welfare did not make the request again? When I recall his speech I give credit to the hon the Minister . . . [Time expired.]

*Mr J A RABIE: Mr Chairman, I merely want to react to the last statement made by the hon the Minister. I was not trying to indicate that the hon the Ministers were not doing their work in trying to effect this parity. My problem is the question of negotiation. It is all very well to place prepared documents in an official's hand so that he can negotiate. The official, however, will not state the case with the same feeling and in the same spirit contained in those prepared documents which must be given to the treasurer. I propose that the hon the Minister consider suspending the business of this House at some stage so that they can conduct an urgent interview with the hon the Minister of Finance in respect of these matters, so that we can get this sorted out and do not constantly go for one another across the floor, whether we do so unknowingly or deliberately. This matter must receive attention now, because those old people deserve it. [Interjections.]

*The MINISTER OF HEALTH SERVICES AND WELFARE: Mr Chairman, I can assure the hon member for Reigerpark that we began the negotiations when we got a new hon State President. [Interjections.] Hon members know that the previous State President was angry with us.

*The DEPUTY MINISTER OF EDUCATION AND CULTURE: That was because of the swimming, as hon members know. [Interjections.]

*The MINISTER: There were problems with the previous State President. Since the present hon State President has taken over, the matter has been brought to his attention. I can assure the hon member that the hon the Chairman of the Ministers' Council sent the hon the State President a letter in order to initiate discussions on this matter once again, and we received very favourable reaction this morning.

Debate concluded.

QUESTIONS

† Indicates translated version.

For oral reply:

Own Affairs:

Riverlea Extension 1: development

*1. Mr T R GEORGE asked the Minister of Housing: Hansard 17/4/90

(1) Whether any recommendations for the development of houses for Riverlea Extension 1 were made to his Department; if so, by whom;

(2) whether his Department refused to pass the plans submitted for these houses; if not, why not; if so, for what reasons;

(3) whether he will make a statement on the matter?

C46E

The MINISTER OF LOCAL GOVERNMENT AND AGRICULTURE (for the Minister of Housing):

(1) Yes. The City Council of Johannesburg.

(2) Yes. The Housing Board did not approve the project, but recommended that an assisted self-help project or privatisation be considered in view of the fact that the estimated building costs for the erection of the dwellings by conventional methods would be above the limit determined to be affordable by the lower income group.

(3) No.

Riverlea Extensions 1 and 2

*2. Mr T R GEORGE asked the Minister of Housing:

(1) Whether K1 and K2 projects were envisaged for Riverlea Extensions 1 and 2; if so,

(2) whether he intends proceeding with these projects; if not, why not;

(2) whether he or his Department has investigated the (a) economic and (b) juridical implications of these steps; if not, why not; if so, what are these implications, in each case? B718E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) No. A final decision regarding the granting of mining rights will be taken after the completion and evaluation of the environmental impact assessment which is presently being undertaken.

(a) and (b) Fall away.

(2) Falls away.

*20. Mr R M BURROWS—Administration and Economic Co-ordination. [Question standing over.]

GST on prescribed medicines: revenue

*21. Mr M J ELLIS asked the Minister of Finance: Hansard 17/4/90

What was the total amount of revenue received by the Government from general sales tax on prescribed medicines for the 1988-89 financial year? B738E

The MINISTER OF FINANCE:

Inland Revenue does not require registered vendors to furnish the particulars of sales tax collected on each type of commodity as this would place an unreasonable administrative burden on the business sector. For this reason separate statistics of collections on prescribed medicines are not available. The Pharmaceutical Society of South Africa has estimated that the sales of prescribed medicines for the 1989 calendar year amounted to R1 040 million. If one assumes that sales tax was payable on the whole of this amount the revenue collected would amount to R120 million. These figures exclude prescribed medicines supplied by medical practitioners and hospitals.

GST on prescribed medicines: abolition

*22. Mr M J ELLIS asked the Minister of Finance: Hansard 17/4/90

Whether consideration is being given to abolishing general sales tax on prescribed medicines; if not, why not? B739E

The MINISTER OF FINANCE: Hansard 17/4/90

No. Representations have on numerous occasions been made for prescribed medicines to be exempted from general sales tax and careful consideration has been given to the matter. It is, however, essential, particularly in the case of an indirect tax such as sales tax, for the base to be as wide as possible. If an exemption was granted in respect of prescribed medicines it would not only open the door for exemptions in respect of other equally meritorious cases, but would mean that the loss of tax would have to be recovered by an increase in the rate of tax.

Colonel Bob Denard: residence permit

*23. Mr L FUCHS asked the Minister of Home Affairs: Hansard 17/4/90

(1) Whether a temporary or permanent residence permit has been issued to Colonel Bob Denard; if so, (a) for how long and (b) why;

(2) what is the total anticipated cost to the State of providing refuge to Colonel Denard;

(3) whether he will furnish details on the present whereabouts of this person; if not, why not; if so, (a) where is he residing at present and (b) at whose expense is he residing there? B740E

The MINISTER OF HOME AFFAIRS:

(1) A temporary residence permit has been issued to him. An extention will be required from 1 May 1990. Colonel Denard's residence in South Africa must be seen against the background of the turbulances which occurred in the Comores in December 1989. On occasion my colleague, the Minister of Foreign Affairs, has made public statements on the events. It boils down to the fact that both the former government of the Comores and the French Government have requested South Africa to accommodate Colonel Denard. The South African Government was initially not in favour thereof, but after repeated appeals by the two aforementioned governments, the government, for the promotion of peace and quiet in the Comores, agreed to be of assistance. In the meantime discussions with the French Government regarding Colonel Denard's position and future are being conducted.

(2) None. Hansard 17/4/90

(3) No. He is being housed privately and it is not deemed expedient to furnish details.

Mr Lennox Sebe in SA

*24. Mr L FUCHS asked the Minister of Foreign Affairs:

(1) Whether Mr Lennox Sebe is currently residing in South Africa; if so, (a) under what conditions has he been granted permission to do so and (b) at what total anticipated cost to the State;

(2) whether he is to be granted political asylum; if not, why not; if so, for what reasons?

Hansard 17/4/90 B741E

The MINISTER OF FOREIGN AFFAIRS:

(1) Yes.

(a) Under circumstances where he left his country as Head of State and where a coup d'état was carried out in his country during his absence. He was not unwilling to return to the Ciskei. After consultation with the South African Embassy in the Ciskei and the National Council of the Ciskei, he was advised not to return to the Ciskei for the time being in the interest of the promotion of peace and quiet in the Ciskei, which is at the same time in the interest of South Africa. Further, Mr Sebe is receiving medical treatment in South Africa.

(b) He and his spouse are being accommodated in a house which was available. He pays for their upkeep himself.

(2) No request for political asylum has been received.

Retirement annuity funds: extension of retirement age

Hansard 17/4/90

*25. Mr H H SCHWARZ asked the Minister of Finance: 300

Whether any consideration has been given to extending the age of retirement in respect of retirement annuity funds beyond 70; if so, what conclusion has been arrived at; if not, why not? Hansard 17/4/90 B743E

The MINISTER OF FINANCE: 300

Yes. It was concluded that the age limit should not be extended as the purpose of allowing a deduction in respect of contributions to retirement annuity funds is to permit a person to defer tax on a portion of his income during his productive years until after his retirement. Very few people remain productive after attaining the age of 70 years, and it appears that any raising of the age limit would mainly benefit those senior citizens fortunate enough to have more than sufficient income to meet their needs, and who merely wish to further defer the payment of tax.

Durban prison at Westville: emergency detainees

*26. Mr R M BURROWS asked the Minister of Law and Order:

(1) Whether any persons are being detained in terms of the state of emergency at the Durban Prison in Westville; if so, how many; Hansard 17/4/90

(2) whether he will make a statement on the matter? B744E

The MINISTER OF LAW AND ORDER:

(1) Yes, 18 persons on 17 April 1990.

(2) The detention of these persons is as a result of the conflict situation in Natal and is in the interests of the maintenance of law and order, the public safety and the termination of the statement of emergency.

Minister/Mandela: meetings outside prison

*27. Adv S C JACOBS asked the Minister of Justice:† Hansard 17/4/90

(1) (a) On how many occasions did he meet Mr Nelson Mandela outside prison premises and (b) (i) where and (ii) when did each such meeting take place;

(2) whether he was accompanied by any other Cabinet Ministers at these meetings; if so, by what Ministers;

(3) whether the constitutional future of South Africa was under discussion at any of these meetings; if so, at which meetings? B752E

The MINISTER OF JUSTICE:

(1) (a) Ten (10)

(b) (i) and (ii)

Volks Hospital	: 17 November 1985
My residence in Cape Town	: 20 and 21 July 1986 and 10 October 1986
Tygerberg Hospital	: 17 August 1988
Constantiaberg Medi-Clinic	: 4 September 1988
Tuynhuys	: 5 July 1989, 13 December 1989 and 9 February 1990
My office in Cape Town	: 25 January 1990.

(2) The Minister of Constitutional Development was present at the meetings on 13 December 1989 and 9 February 1990.

(3) No, in this regard the honourable member is referred to my reply of 20 March 1990 on interpellation number 1.

Minister/Mandela: meetings in prison

*28. Adv S C JACOBS asked the Minister of Justice:†

(1) Whether he met Mr Nelson Mandela in a prison during the period 1 January 1987 to 31 January 1990; if so, (a) (i) for what purpose, (ii) when and (iii) where did these meetings take place and (b) how many such meetings were there;

(2) whether he will make a statement on the matter?

B753E

The MINISTER OF JUSTICE:

(1) Yes.

(a) (i) The Honourable Member is referred to the interpellations of 20 and 27 March 1990.

(ii) and (iii) and (b)
I met Mr Mandela on three occasions at Pollsmoor Prison and on nine occasions at Victor Verster Prison during the period mentioned.

(2) No, this issue has been dealt with in detail on various occasions and I consider further statements in this regard unnecessary.

Margate/Durban and Durban/Empangeni: traffic counts

*29. Mr J A JORDAAN asked the Minister of Transport:†

(1) Whether traffic counts are held on a continuous basis on the N2 route between (a) Margate and Durban and (b) Durban and Empangeni; if not, why not; if so, how do these traffic counts compare;

(2) how many accidents occurred on the N2 route between (a) Durban and Empangeni and (b) Durban and Margate in 1989?

B767E

The MINISTER OF TRANSPORT:

(1) (a) and (b) Yes; the permanent counting station at Turton indicates that an average of 7 737 vehicles use the route between Margate and Durban, and the permanent counting station at Tongaat indicates that an average of 8 889 vehicles use the route between Durban and Empangeni, daily;

(2) during the period 1 July 1988 to 30 June 1989 (a) 684 road traffic collisions between Durban and Empangeni and (b) 466 road traffic collisions between Durban and Margate, were recorded.

Murders/robberies on trains/at stations

*30. Mr R V CARLISLE asked the Minister of Mineral and Energy Affairs and Public Enterprises: Hansard 17/4/90

(1) How many persons were (a) murdered and/or (b) robbed or otherwise assaulted on trains or at stations during the latest specified period of 12 months for which information is available;

(2) what action has been taken to ensure the protection of the lives and property of members of the public on trains or at stations?

B769E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES: Hansard 17/4/90

(1) Particulars are not readily available and it will take much time and expense to gather such information.

(2) Monthly meetings are held with the Regional Commissioners of the S.A. Police in the relevant regions. During such meetings problem areas are identified after which preventative actions are conducted. Trains are also frequently accompanied by the S.A. Police.

Spoornet is presently in the process of establishing its own security unit who will also see to the safety of passengers.

Political violence: deaths

*31. Mr R V CARLISLE asked the Minister of Law and Order: Hansard 17/4/90

(a) How many persons have died in or as a result of political violence since 1 January 1990 and (b) how many such persons were members of the South African Police Force?

B770E

The MINISTER OF LAW AND ORDER:

(a) 1 January 1990 until 31 March 1990 — 574 persons.

(b) 14.

Military disability pensions

*32. Mr B B GOODALL asked the Minister of National Health and Population Development:

(a) How many person were in receipt of military disability pensions, and (b) what amount had been paid out in such pensions, as at 31 March 1990? 300

Hansard 17/4/90 B771E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(a) 11 371 widows included,

(b) the amount in respect of military disability pensions, only, is not readily available. A total amount of R46 539 035,49 was paid out in respect of all military pensions for the financial year ending 31 March 1990.

INTERPELLATION

The sign * indicates a translation. The sign †, where it occurs subsequently in the same interpellation, indicates the original language.

Own Affairs:

Redundancies/retrenchments in White schools

Mr K M ANDREW asked the Minister of Education and Culture:

Whether, in view of his announcement on 23 March 1990 relating to the opening of schools to all races, he will consider postponing decisions on further redundancies and retrenchments of teachers in White schools; if not, why not?

Hansard 17/4/90 B772E.INT

The MINISTER OF EDUCATION AND CULTURE: Mr Speaker, the Department has always attempted to handle every facet of its rationalisation programme which embraces, *inter alia*, the disposal of redundant buildings and the possible retrenchment of teaching personnel with great care. Decisions on rationalisation are only taken after thorough research; the study of demographic projections, intensive consultation with all the parties concerned, and taking into account all the relevant factors.

Some of the most important factors which influence the decision whether or not to rationalise are the wishes of the community. It has happened that a community itself has requested a school to be closed. Others are the area in which the school is situated, the accessibility of other schools, the possibility of amalgamation rather than closure, the viability of maintaining good educational standards with the present pupil enrolment, the possibility of presenting an adequate curriculum and satisfactory alternative arrangements.

Obviously, my announcement in this House on 23 March of two possible further models for educational provision which have now been referred to the statutorily recognised advisory bodies for comment, will have a bearing on any future rationalisation programme. In our planning, cognisance will be taken of the implications of the acceptance of one or more of the models or of any other model which might be decided upon, and also of the outcome of any decision which is to be taken by parent bodies in this regard.

For written reply:

General Affairs:

Hout Bay: sewage

194. Mr C W EGLIN asked the Minister of Water Affairs:

(1) Whether an exemption permit has been granted to the Cape Western Regional Services Council to allow the discharge of sewage into the sea at Hout Bay; if so, when was it granted;

(2) whether, prior to the granting of the permit, his Department required a feasibility study of an alternative land-based sewage disposal scheme to be undertaken; if not, why not; if so,

(3) whether he will make public the results of such a study; if not, why not? B474E

The MINISTER OF WATER AFFAIRS:

(1) Yes, on 2 May 1986.

(2) No. Local authorities and/or other institutions, normally appoint professionally qualified specialist consultants to investigate sewage disposal alternatives and to make recommendations regarding the best possible means of disposal. Upon receipt of the report by the specialist, it is studied by the Department of Water Affairs to determine whether the resultant discharge would be acceptable. There is no statutory provision for compulsory investigation of alternative sewage disposal schemes but the Department can, and has in the past, in some cases requested that such schemes be investigated.

(3) Falls away.

Originally it was the policy of the Department of Water Affairs to eliminate the disposal of raw sewage into the sea as far as possible. This policy was adopted at that time because there was then little knowledge about the effects of raw sewage discharge on the marine environment and little expertise was available for the proper design of marine outfall pipelines.

The Department of Water Affairs has a duty to review and adapt its water quality management policies continuously in the light of changing social, economic and technological circumstances, to ensure that the quality of the country's marine and fresh water resources is adequately protected. During the last decade sea water quality criteria were developed for beneficial use of the marine environment. Expertise on investigating the impact of marine disposal of effluents on beneficial use of the marine environment and on the design, construction and monitoring of marine outfalls was developed. The Department of Water Affairs' assessment is that these technological developments have now reached such a state that the same policies for effluent disposal in both the marine and fresh water environments can be adopted and subsequently a new policy was formulated.

In terms of the new policy the Department of Water Affairs will grant an exemption for the disposal of screened, macerated raw sewage into the marine environment if:

(a) It is neither justified nor practically feasible, in terms of water demand and supply considerations, to return the effluent to its source of origin or to utilise it as a source for re-use;

(b) the disposal of the effluent will not result in the deterioration of the marine environment to such an extent that it interferes with its beneficial use; and

(c) public opinion has been taken into consideration.

In terms of the above policy, the Department of Water Affairs, after receiving the application for an exemption from the said Regional Services Council, satisfied itself that it was neither practically nor economically feasible to require the treated sewage effluent be returned to its source or to be re-used. I may also add that a detailed investigation of the impact of the proposed marine outfall pipeline at Hout Bay on the marine environment was carried out during 1985 by the CSIR according to the guidelines set by Report No 94 of the South African Scientific Programmes (Water Quality Criteria for the South African Coastal Zone). On the basis of this investigation the Department decided that the marine disposal of sewage under the conditions listed in the exemption issued would adequately protect the beneficial use of the marine environment at Hout Bay.

The present policy does not require an applicant to carry out a detailed and exhaustive comparison of alternative options for the disposal of effluent. I am also satisfied that at the time public opinion was taken into account and that it was not against the marine disposal of the effluent. It seems that since the time the exemption was granted public opinion has changed and turned against the marine disposal of sewage. If I now have to withdraw the exemption, it would result in fruitless expenditure by the Regional Services Council. As the exemption, when it was issued, met all the Department of Water Affairs' policy requirements, the said exemption remains valid and will not be reconsidered at this stage.

Civil pensioners

201. Mr K M ANDREW asked the Minister of National Health and Population Development:

(1) How many civil pensioners are there who retired (a) before 1960 and (b) during the period (i) 1960 to 1965, (ii) 1966 to 1970, (iii) 1971 to 1975 and (iv) 1976 to 1980;

(2) what is the average monthly pension paid to pensioners in each of these categories? B481E

Hansard 17/4/90 (300)

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) (a) Before 1960 — 785

(b) (i) 1960-1965 — 1 373
(ii) 1966-1970 — 3 204
(iii) 1971-1975 — 8 590
(iv) 1976-1980 — 15 970

(2) (a) Before 1960 — R1 077,90

(b) (i) 1960-1965 — R1 094,72
(ii) 1966-1970 — R1 000,39
(iii) 1971-1975 — R 988,55
(iv) 1976-1980 — R 899,57

(300)

Bed occupancy rate at hospitals

212. Mr M J ELLIS asked the Minister of National Health and Population Development:

What was the average bed occupancy rate in 1989 in each specific hospital falling under the provincial administrations? B495E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

PERCENTAGE BED OCCUPANCY: PROVINCIAL HOSPITALS Hansard 17/4/90

The average percentage bed occupancy for provincial hospitals during 1989 is not readily available. The average percentage bed occupancy for provincial hospitals during 1988 was as follows:

	No of Hospitals	No of Beds	Ave % Occupancy
Cape Province	83	17 476	76,18
Natal	26	11 015	77,13
OFS	27	4 650	78,59
Transvaal	65	21 762	66,49

Labour Relations Act: wage regulating machinery

219. Mr P H P GASTROW asked the Minister of Manpower: Hansard 17/4/90

(1) How many (a) industrial council agreements, (b) conciliation board agreements, (c) arbitration awards, (d) Wage Board determinations and (e) orders in terms of the Labour Relations Act, No 28 of 1956, were in force as at 31 December 1989;

(2) how many (a) Whites, (b) Coloureds, (c) Indians and (d) Blacks were affected by each of the above five categories of wage regulating machinery as at that date? B547E

The MINISTER OF MANPOWER:

(1) (a) 147

(b) None

(c) 5

(d) 46

(e) 5

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 1 300 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

Argus 18/4/90 300

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 rands 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.

300

Sowetan 18/4/90

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.

SOWETAN Wednesday April 18 1990

300

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 ambushed 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.

By PHANGISILE MTSHALI

"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 kans vat, ons soek geld' (Don't take a chance, we want money). When he realised 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

Star 18/4/90 300

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."

Hansard

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Nature conservation as a subject

12. The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of National Education:

(1) How many educational institutions in the Republic offered nature conservation as a subject in 1989;

(2) how many (a) White, (b) Coloured, (c) Indian and (d) Black students (i) applied for admission to, and (ii) were enrolled at, each specified institution offering nature conservation as a subject in 1989? C36E

The MINISTER OF NATIONAL EDUCATION:

(1) Nature Conservation as a specific subject is not offered by public ordinary schools or technical colleges, but they do offer subjects that are related to nature conservation or that include elements of nature conservation.

Public ordinary school subjects such as Environmental Studies, Health Education, Geography, General Science, Biology, Agricultural Science, Field Husbandry, Youth Preparedness, Practical Agriculture and Animal Husbandry, address the principle of conservation which includes nature conservation.

Four technikons offer the National Diploma: Nature Conservation as well as other closely related programmes.

The Minister of National Education does not control the syllabuses of university programmes. The information concerning these institutions should be obtained from the various Ministers of Departments of State responsible for education.

(2) Becuse the returns for 1989 have not yet been submitted, only the 1988 figures are given.

	Whites	Coloureds	Indians	Blacks	Total
Environmental Studies Health Education Geography Std 2-4 General Science Std 2-4	These subjects are compulsory for all pupils at some stage during the junior and senior primary phase. The Department of National Education does not have the exact numbers of pupils at it's disposal				
Youth Preparedness Gr 1-Std 4	Compulsory, no numbers available	—	—	—	—
General Science Std 5-7	179 361	62 287	198 507	255 212	695 367
Geography Std 5-10	247 395	165 205	85 195	286 295	784 090
Biology Std 8-10	121 378	41 660	87 238	154 837	405 113
Agricultural Science Std 5-10	6 986	48	735	74 127	81 896
Field Husbandry Std 8-10	651	—	—	—	651
Youth Preparedness Std 5-10	131 399	—	—	—	131 399
Practical Agricultural Science Std 6-10	937	—	—	—	937
Animal Husbandry Std 8-10	857	—	—	—	857

Hansard 19/4/90

At technikons 80 students obtained the qualifications mentioned under (1). The vast majority of these were Whites.

Subsidized transport for pensioners

18. Mr T R GEORGE asked the Minister of Transport: 300

(1) Whether his Department pays subsidies to the Johannesburg City Council in respect of pensioners using transport services provided by the City Council; if so, what amounts are allocated in respect of (a) White, (b) Coloured, (c) Indian and (d) Black pensioners;

(2) whether he will furnish the routes to which these subsidies apply; if not, why not; if so, what are the (a) routes and (b) suburbs involved;

(3) whether he will make a statement on the matter? C51E

Hansard 19/4/90

The MINISTER OF TRANSPORT:

(1) No,

(a); (b); (c) and (d) fall away.

(2) falls away;

(3) no.

Certain teacher training colleges: students/staff

23. Mr T ABRAHAMS asked the Minister of National Education:

(1) Whether he will furnish information on the (a) Durbanse Onderwyskollege, (b) Edgewood Teacher Training College and (c) Bechet Training College; if not, why not; if so, what is the (i) student capacity, (ii) staff establishment and (iii) current enrolment of each of these colleges;

(2) whether current students and staff members of the Bechet Training College will be accepted at the other two colleges; if not, why not; if so, (a) when and (b) at which of these colleges;

(3) whether he will make a statement on the matter? C64E

The MINISTER OF NATIONAL EDUCATION: Hansard 19/4/90

(1) No. As Minister of National Education I am responsible for determining general policy in certain fields of education and have no responsibilities regarding particular educational institutions. The last mentioned fall under the jurisdiction of the various Ministers of Departments of State responsible for education.

(2) Falls away.

(3) Falls away.

RETIREMENT VILLAGES (300) (1)

Trouble in paradise

FM 20/4/90

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*. ■

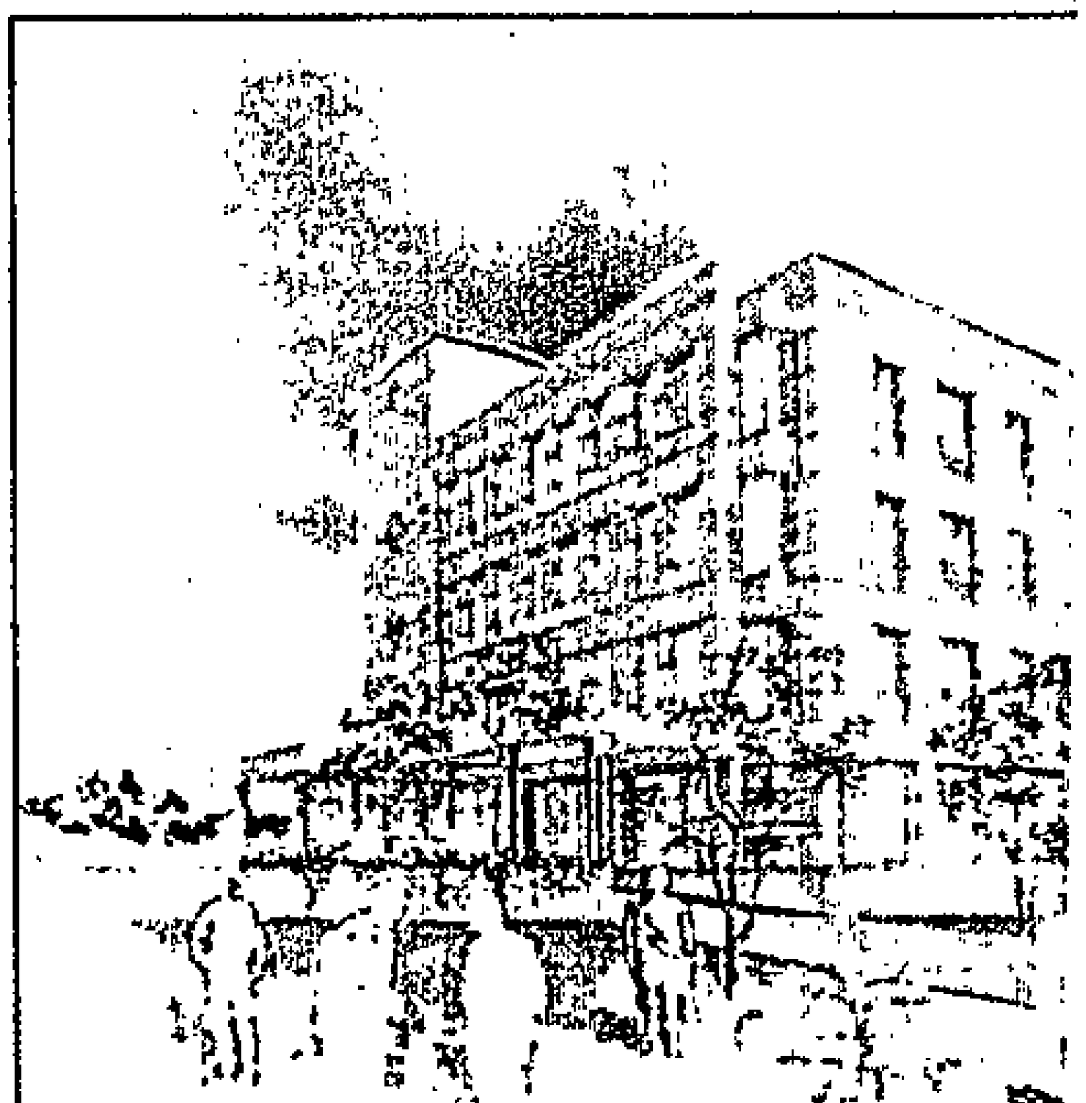
TOWN PLANNING FM 20/4/90

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

Work is about to start on Standard General Insurance's new R7m 4 024 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.



HELDERBERG VILLAGE (300)

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.

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. FM 20/4/90

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.

FM 20/4/90 (300)

Helderberg's big day will be May 8 when the managers return to court to make recommendations on the village's future. "Before then we hope to meet members of the shareblock company on May 2. At this stage it seems we are likely to advise the continuation of judicial management of the scheme as the most practical method of turning Helderberg back into a winning village."

The other judicial manager, Rob Walters, says he is scrutinising Helderberg's budgets and levies at present. "While there is a long way to go one thing is obvious, there will have to be an increase in levies because the levy structure is low.

"There is no doubt that the village's problems can be resolved, but it will cost money and eventually the villagers will have to put their hands in their pockets. We have to minimise that as much as possible by way of bringing in a developer who can share in the profit for the remaining development." This, he believes, will in turn offset some of the liabilities villagers would otherwise have to pick up. ■

Life assurers to comment on valuation

Bday 20/4/90

300 LINDA ENSOR

THE State Actuary has distributed draft regulations for the valuation of the assets and liabilities of life assurers to the industry for comment. 20/4/90

Formulated in part by the financial soundness committee of the Actuarial Society of SA, the regulations — when in final form — will append the new Insurance Bill. It is thought unlikely that they will have a material effect on the balance sheets of life assurers.

State Actuary Piet Robbertze 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, the investment policies of the assurer evaluated and the expense ratio examined.

Another key change is to broaden the regulations to cover equity-linked and universal policies, uncovered 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

21 Day 20.4.90

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. (300)

This was one of the main points made yesterday by Japie Jacobs, special economic adviser to Finance Minister Barend du Plessis, who delivered the keynote address to the Pensions Institute of Southern Africa congress.

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 unsound 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 guidlines

Star 10/4/90 300

By Sven Lünsche and David Canning

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.

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.

AVERAGE TOTAL RETURNS (% P.A.)
1960 - 1989

Sector	10 Years 60 - 69 (%)	10 Years 70 - 79 (%)	10 Years 80 - 89 (%)	30 Years 60 - 89 (%)
Shares*	17,8	21,0	27,3	22,0
LT Gilts	4,5	6,8	11,8	7,7
Cash	4,4	8,1	14,6	9,0
Inflation	2,6	10,1	14,6	9,1

* Assume 25% JSE Mining Producer, 25% JSE Mining Finance, 50% JSE Financial & Industrial.

A senior Old Mutual official at the conference called for the scrapping of all investment regulations as they apply to life insurances and pension funds.

Dr Johannes van der Horst, GM investments, said: "Although the cutback 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 7,7 percent by gilts 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 R5 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 scrap the 65 percent limit on equities, while perhaps retaining the 85 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.

300

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 backdated 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 stiffer; 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 hammering people about it," he said.

Making most of pension funds

E/Press
22/4/90

(300)

AFTER working for the Standard Bank for nine years, Joseph Mafora thought he was being cheated when he got only R1 500 back from the bank's pension fund.

Like other big pension funds, the Standard Bank Group only pays some of the pension on resignation. The rest is paid when the person reaches 65.

Mafora worked as a driver and a cleaner at the Zeerust branch of the Standard from 1978 to 1987, but only joined the pension fund in 1982.

With the Standard Bank Pension Fund member's own contributions are paid back three months after the person resigns.

Contributions paid in by the company are paid out in one of three ways:

- It could be transferred – at its current value of about R7 000 – to the pension fund at his new job;
- It could be transferred into a retirement annuity scheme; or
- Left in the Standard Bank pension fund until the maturity date in the year 2005, and then paid as a pension of about R150 per month.

Standard Bank Group Pension Fund manager Theo Heydenrych advised Mr Mafora to take up the second option and put his pension in a retirement annuity with an insurance company.

This will ensure Mr Mafora and his dependents get the money and it gives a better return than it would if left in the pension fund.

Danger lurks in pension fund guidelines

By Ian Smith

300

THE prescribed investment guidelines, hailed as the vehicle to launch pension funds into a new era when they came into effect last October, are seriously flawed and should be scrapped as soon as possible.

Old Mutual general manager, investments, Johannes van der Horst shocked fellow insurers with a strong attack on the guidelines this week.

He told the annual congress of the Pensions Institute in Durban that the intention of the "so-called prudent investment guidelines" was sound.

"It envisages prudent management, a proper spread of risk and appropriateness of fund assets in relation to liabilities covered.

Johannes van der Horst ... good intentions in new rules, but there are flaws

"Ironically, the stipulated set of numbers is unlikely to achieve the desired objectives and may perversely encourage people to do things with the assets that could be bad for the fund and its members.

"The regulations are looking for safety in numbers which, inherently, contain no safety."

Dr Van der Horst told Business Times after the speech: "I was not taking a negative swipe at the authorities. I was merely trying to point out that the new rules place unfair demands on fund managers and trustees."

In the audience as he made his attack were Japie Jacobs, special economic adviser to the Minister of Finance, and Registrar of Pension Funds Piet Badenhorst.

Dr Jacobs reminded fund managers that the Government had asked for insurers' views about the new regulations for a review which would take place after they had been in operation for a year.

Illustrating his fears, Dr Van der Horst used the case of a fund close to the 65% of fund value limit in equities.

ISSUE OF THE MOMENT

"It may find itself over the limit if the market value of its equity portfolio rises.

"The fund manager now has to decide to correct the position by selling shares or to approach the Registrar for approval. I suspect most fund managers will not want to sell shares.

"This is because of the transaction costs involved, the difficulty in an illiquid market of buying back shares when equity exposure moves back to below the 65% level and the bias towards equity exposure as a result of the superior returns historically achieved in shares."

Dr Van der Horst says that over time pension funds may want, with good reason, to gravitate to positions over, rather than under, 65% of fund value.

"If one takes the 65% limit seriously, the inflation-conscious fund manager may still want to achieve the maximum of 85% in equities plus property.

"However, the target of 20% in property seems unrealistically high against current exposure of the order of 10%."

Institutional cash flow for investment is R25-billion a year. If 20% flows into property, it implies that R5-billion will be looking for property every year — and the amount will grow.

Dr Van der Horst says: "It is little comfort to add JSE-listed property trusts and loan stock issues, which qualify as property under the regulations.

"These vehicles are already heavily owned by pension funds. Their total market capitalisation is only 1% of the JSE and total turnover in units in 1989 was less that R500-million."

Dr Van der Horst warns that the new regulations may lead to a lowering of standards in acquiring property and could encourage speculative development.

"I believe the only sensible way to go would be to scrap the 65% limit on equities while, perhaps, retaining the 85% limit on equities plus property."

The third example of concern cited by Dr Van der Horst is the 10% of fund value limit in the shares of any one company listed on the JSE.

"This implies that it is better to have 20 holdings of 1% each in potentially low-quality, high-risk companies, rather than one 20% holding in Anglo, with its widely diversified business and its immensely powerful balance sheet.

"While I have a very positive attitude to small and new companies, there will be times when it is more desirable for a pension fund to hold 20% in Anglo rather than in 20 small, low-quality holdings."

Dr Van der Horst says a final flaw is the assumption in the regulations that one can cut up the investment universe into equities and property and interest-bearing instruments.

"The lines between market segments are getting increasingly blurred through the presence of hybrid instruments like convertible debentures and loan stock units, and the rapid growth of derivative instruments like Elfi stocks, options and futures.

"I am convinced that aggressive and imaginative use of these instruments can make nonsense of the stipulated percentages and create a nightmare for the regulatory authorities."

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Hansard 23/4/90

Pensions: civil/military

13. Mr C B HERANDIEN asked the Minister of National Health and Population Development:

How many persons of each population group were in receipt of each specified category of (a) civil and (b) military pensions as at the lastest specified date for which figures are available? 300 C37E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(a) and (b)

Population Group	Civil Pensions	Military Pensions
Whites	88 265	9 713
Coloureds	9 769	1 126
Indians	2 594	44
Blacks	40 752	643
Total	141 380	11 526

Bethelsdorp constituency: telephones

17. Mr W J DIETRICH asked the Minister of Mineral and Energy Affairs and Public Enterprises: Hansard 23/4/90

(1) How many (a) private and (b) public telephones were there in (i) Bethelsdorp Extension (aa) 27A, (bb) 27B, (cc) 27C, (dd) 23, (ee) 24, (ff) 26 and (ii) Booysens Park in the Bethelsdorp constituency, as at 31 December 1989;

(2) whether there was a shortage of telephones in any of these suburbs as at 31 December 1989; if so, (a) how many applications were outstanding at that date and (b) when is it anticipated that the shortage will be eliminated in each case? C44E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

The required information is not readily available as at 31 December 1989 and what follows reflects the position as at 27 March 1990:

(1) (a) (i) (aa) 3
(bb) 62
(cc) 118
(dd) 239
(ee) 306
(ff) 128
(ii) 856
(b) (i) (aa) 0
(bb) 0
(cc) 0
(dd) 0 See Note
(ee) 0
(ff) 0
(ii) 7;

Note

Steps have been taken to provide a public telephone in Bethelsdorp Extension 23 and it is expected that the service will be installed during April 1990.

(2) yes,

(a) 24, 7 and 12 in Bethelsdorp Extension 27A, Booysens Park and Bethelsdorp Extension 24 respectively;

(b) the applicants will be provided with telephone service as follows:

Bethelsdorp Extension 27A: By June 1990 if nothing unforeseen occurs.

Booysens Park: After the completion of a cable project during the last quarter of 1990.

Bethelsdorp Extension 24: As soon as the applicants provide conduit pipes for the Department's cabling.

In cases where, owing to aesthetic or other reasons, local authorities require that all cabling be laid underground, it is the client's responsibility to arrange for the provision of a conduit pipe from the boundary of his premises to his house at his own expense. This requirement was introduced in view of the vast difference in costs between an overhead access line and the considerably more expensive underground connection.

Hansard (300)

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Military pensioners: allowances

208. Mr R M BURROWS asked the Minister of National Health and Population Development:

(1) (a) How many military pensioners are in receipt of allowances paid to persons suffering from serious disability and (b)(i) what are the amounts currently paid per individual in respect of each specified category of serious disability and (ii) in respect of what date is this information furnished;

(2) what total amount was paid in respect of each of the above categories in the latest specified financial year for which information is available?

B489E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) (a) 98 Military pensioners are receiving allowances in respect of serious disability.

(b) (i) monthly amounts paid per individual in respect of each specified category are as follows:

Category: 12,5% serious disability

Degree of disablement	*Pension and Allowance*	*Qualification* Degree	*Matric*	*Lower*
100%	Pension	R1 265,00	R948,75	R759,00
	Allowance	158,12	118,59	94,87
	Total	R1 423,12	R1 067,34	R853,87
90%	Pension	R1 138,00	R853,88	R683,10
	Allowance	142,25	106,73	85,39
	Total	R1 280,25	R960,61	R768,49
80%	Pension	R1 012,00	R759,00	R607,20
	Allowance	126,50	94,87	75,90
	Total	R1 138,50	R853,87	R683,10

Category: 25% serious disability

Degree of disablement	*Pension and Allowance*	*Qualification* Degree	*Matric*	*Lower*
100%	Pension	R1 265,00	R948,75	R759,00
	Allowance	316,25	237,19	189,75
	Total	R1 581,25	R1 185,94	R948,75
90%	Pension	R1 138,00	R853,88	R683,10
	Allowance	284,50	213,47	170,76
	Total	R1 422,50	R1 067,35	R853,86
80%	Pension	R1 012,00	R759,00	R607,20
	Allowance	253,00	189,75	151,80
	Total	R1 265,00	R948,75	R759,00

Note:

The amounts do not include pensions for dependants.

(b) (ii) 15 March 1990.

(2) Particulars as required are not readily available.

Total monthly amount for March 1990 in respect of each of the categories under 1(b)(i) is made up as follows:

12,5% Serious disability

Code 21 (Graduates)

Percentage	*Number*	*Amount*
100%	5	R7 748,15
90%	0	0.00
80%	0	0.00

Code 22 (Matriculants)

Percentage	*Number*	*Amount*
100%	27	R32 233,82
90%	0	0.00
80%	1	955,08

Code 23 (Lower than matric)

Percentage	*Number*	*Amount*
100%	25	R24 031,31
90%	2	1 650,83
80%	3	2 422,48

25% Serious disability

Code 21 (Graduates)

Percentage	*Number*	*Amount*
100%	3	R4 743,75
90%	0	0.00
80%	0	0.00

Code 22 (Matriculants)

Percentage	*Number*	*Amount*
100%	21	R24 983,79
90%	0	0.00
80%	0	0.00

Code 23 (Lower than matric)

Percentage	*Number*	*Amount*
100%	11	R11 179,44
90%	0	0.00
80%	0	0.00
Total		R109 948,65

Military pensions

209. Mr R M BURROWS asked the Minister of National Health and Population Development:

(1) Whether her Department administers the payment of military pensions to persons injured whilst in military service; if so, (a) what number of persons receiving military pensions falls into each specified category of payment and (b) what total amount was paid out to persons falling into each such category;

(2) whether these categories of payment are based on the educational qualifications of the pensioners concerned; if so,

(3) whether her Department has been involved in discussions regarding the abolition of the educational categorisation of military pensioners; if not, why not; if so, what was the outcome of the discussions?
B490E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) Yes,

(a) persons with;

— a university degree or equivalent	337
— matric or equivalent	964
— lower than matric	6 555
protected cases (previous dispensation)	84

(b) information regarding each category is not readily available. An amount of R3 985 338,28 was paid out in January 1990 in respect of all military pensioners, including widows and other dependants,

(2) yes, except for the 84 protected cases,

(3) yes, a committee has been appointed to investigate the basis on which military pensions are determined. The committee's investigation is still in progress.

Hospitals

211. Mr M J ELLIS asked the Minister of National Health and Population Development:

Which hospitals fall under the control of (a) her Department, (b) own affairs ministries, (c) the provincial administrations and (d) any other specified controlling bodies in South Africa?
Hansard 23/4/90 B494E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

Hospitals (except private hospitals) under the control of:

(a) Department of National Health and Population Development: none,

(b) own affairs administrations:

— Administration: House of Assembly

Transvaal:

Andrew McColm
Bloemhof
Delareyville
Duiwelskloof
Evander
Elsie Ballot
Groblersdal
Hendrik van der Bijl
Kempton Park
Paardekraal
Pretoria West
South Rand
Ventersdorp
Far East Rand
Warmbaths
Willem Cruywagen
Bernice Samuel
Brits
Discoverers Memorial
Edenvale
F H Odendaal
General De La Rey Memorial
H A Grové
J G Strydom
Louis Trichardt Memorial
Phalaborwa
Sybrand van Niekerk
Van Velden Memorial
Vereeniging
Voortrekker (Potgietersrus)
Waterval Boven

Orange Free State:
Bethlehem Prov Hospital
Jagersfontein
Sasolburg
Voortrekker (Kroonstad)
Zastron

Cape Province:
Port Elizabeth
Volks Hospital (Cape Town)
Walvis Bay
William Slater

Natal:
Hillcrest
Greys
Greytown

— Administration: House of Delegates

none,

— Administration: House of Representatives

Lentegeur Hospital
Mitchells Plain Hospital
Dental and Oral Hospital of the University of the Western Cape,

(c) provincial administrations:

Subsidised Hospitals: Cape Province

Booth Cape Town
Maitland Cottage
Sarah Fox (Athlone)
Uniondale
Moorreesburg
Clanwilliam
Laingsburg
Vosburg
Brandvlei
Williston
Hopetown
Richmond
Kenhardt
Warrenton (Prov)
Harmonie Kimberley
Olifantshoek Nursing Home
Stella
Lady Grey
Aliwal-North
Indwe
Komga
Martjie Venter (Mem)
Molteno
Adelaide
Aberdeen
Willowmore
St Monica's (Cape Town)
St Joseph's Philippi
Villiersdorp
De Doorns
Radie Kotze
Fraserburg
Prince Albert
Murraysburg
Loeriesfontein
Carnavon
Britstown
Keimoes
Pofadder
Jan Kemp
Helen Bishop (Kimberley)
Bray
Piet Plessis
Jamestown
Dordrecht Memorial
Maclear
Stutterheim
Sterkstroom
Newhaven (East London)
Kirkwood
Jansenville
Kareedouw

Provincial Hospitals: Cape Province

South Peninsula Hosp Group
Somerset
Groote Schuur (Oat Ward)
Peninsula Mat (Groote Schuur)
Redcross
Conradie
Karl Bremmer
Somerset West
Caledon
Bredasdorp
Knysna
Mosselbaai
Oudtshoorn
Worcester
Robertson Prov
Malmesbury
Vredenburg
Citrusdal
Springbok (Dr Van Niekerk)
Beaufort West Prov
Calvinia (Voortrekker)
Prieska (Bill Pickard)
Colesberg Prov

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resentatives (namely that members did not perform their normal duties).

(2) Yes.

(a) Grievances in connection with alleged discrimination in respect of work; living quarters; social and outdoor activities; facilities on prison grounds as well as allegations that the existing communication channel does not function effectively and that Commanding Officers are not accessible enough to hear members' grievances.

(b) In order to put these allegations into perspective, I wish to direct the Honourable member's attention to the fact that the dealing with the complaints and grievances of personnel is a continuous process. Specific grievances have come to attention recently. Although certain grievances do have substance, there are others with little or no substance and are attributable to wrong/distorted perceptions which have already been rectified/are in the process of being rectified.

The Prisons Service is currently compiling a handling strategy which will provide Commanding Officers with guidelines to solve the grievances which have not yet been resolved, as far as possible to the satisfaction of all parties.

One of the stumbling blocks, namely the provision of medical benefits to dependents of Black members, have recently been resolved. The decision to provide this service to members was taken in April 1989, but funds only became available on 1 April 1990.

Other stumbling blocks such as the establishing of better quality housing; establishment and upgrading of sports and recreational facilities; the provision of state transport between home and place of work where no public transport is available, are given ongoing attention, but are coupled to financial realities and will not occur overnight.

For purposes of complaints and grievances by members of the South African Prisons Service, a communication channel exists which provides that complaints and grievances may be forwarded to the highest level. All members are aware of this communication channel and it has always been the policy of the South African Prisons Service to deal actively with complaints and grievances brought to its attention.

Inland Revenue employees: remuneration

*7. Mr D J DALLING asked the Minister of Finance: Hansard 24/4/90

Whether any employees in the Finance Division: Inland Revenue are remunerated on a commission or revenue-collected basis; if so, what total amount was paid out on this basis in 1989; if not, (a) what is the basis of remuneration for these employees and (b) what total amount was paid out on this basis in the said year? B766E

The MINISTER OF FINANCE:

No — No personnel of Inland Revenue is remunerated on a commission basis or on the basis of tax collected. It follows that no remuneration was paid on this basis during the 1989/90 or any other financial year.

(a) The basis of remuneration is according to fixed salary scales as prescribed by the Commission for Administration.

(b) The total amount paid on this basis during the 1989/90 financial year amounts to R188 099 690. In addition to this, an amount of R1 457 015 was paid during the 1989/90 financial year in terms of a production bonus system to officials in the office of the Receiver of Revenue, Johannesburg.

The reason for the introduction of a bonus system is that a serious staff shortage is continually experienced at that office and the existing staff have to work that much harder to keep the work up to date. The remuneration is paid monthly on the basis of the production of all the officials of the office for the relevant month. It is in no

way related to the collection efforts of individual officials. Hansard 24/4/90

Transferability of pensions

*8. Mr P J PAULUS asked the Minister of National Health and Population Development:†

Whether the transferability of pensions is being investigated at present; if not, why not; if so, when is it expected that a report on this investigation will be available? Hansard 24/4/90 300 B774E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

Yes, transferability of pensions already exists between State controlled pension funds mutually, as well as between such funds and certain other pension funds. Investigation into the transferability of pensions generally, forms part of the terms of reference of the Mouton Committee of Investigation into a Retirement Provision System for South Africa, appointed by the Minister of Finance.

Police investigation into death of Mr Thikitha

*9. Mr L FUCHS asked the Minister of Law and Order: Hansard 24/4/90

Whether, with reference to the reply by the Minister of Justice to Question No 20 on 20 March 1990, the Police investigation into the death of Mr Thomas Mavimbela Thikitha near Heidelberg, Transvaal, on 13 February 1990 has been completed; if not, (a) why not and (b) when is it anticipated that the investigation will be completed; if so, what were the findings? B796E

The MINISTER OF LAW AND ORDER:

Yes, however the results of the tissue tests are still being awaited before the docket can be submitted to the Attorney-General for his decision.

(a) and (b) Fall away.

International School in Bophuthatswana: money from SA government

*10. Mr M J ELLIS asked the Minister of Foreign Affairs: Hansard 24/4/90

(1) Whether he gave an undertaking that the South African Government would give a sum of money to the International School in Bophuthatswana; if so, what are the relevant details; Hansard 24/4/90

(2) whether he has made any arrangements for this sum of money to be given to the said school; if not, why not; if so, (a) what arrangements, (b)(i) what is the amount involved and (ii) why was it promised and/or given and (c) for whom does this school cater? B798E

The MINISTER OF FOREIGN AFFAIRS:

(1) Yes. South Africa will provide, in the form of a loan, 50% of the costs of the construction of the school building.

(2) Yes.

(a) In terms of a loan agreement signed on 28 November 1989, Bophuthatswana may make drawings on the loan amount.

(b) (i) R3 850 000,00.

(ii) The RSA decision to assist financially in the construction of the school was based on various considerations including a study undertaken by the Department of Education and Culture and the Cape Director of Education.

(c) There are at present 176 enrolled students, of whom 43 are citizens of Bophuthatswana and the rest are representative of 22 nationalities.

*11. Mr J VAN ECK—Law and Order. [Question standing over.]

Third party insurance: compulsory

*12. Mr M J ELLIS asked the Minister of Transport:

Whether the Government intends making the balance of third party insurance on motor vehicles compulsory; if not, why not; if so, when? Hansard 24/4/90 B801E

The MINISTER OF TRANSPORT:

No. This matter has been considered on many occasions by among others the Grosskopf Commission (appointed in 1981) and the Ad-

'You're 300 dead, no South 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 because 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 information 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*

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KaNgwane	13 779
KwaNdebele	9 050

SADF pensions: widows

280. Lt-Gen R H D ROGERS asked the Minister of National Health and Population Development: Hansard 26/4/90

(1) What percentage does the widow of a deceased pensioner of the south African Defence Force receive of the pension paid to her late husband;

(2) whether consideration has been given to raising the pension of such a widow to 75 per cent of the original pension; if not, why not; if so, with what result?

300 B725E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) Fifty per cent;

(2) yes, in view of the considerable financial implications and the difficulties in finan cing such a consession,the matter is still under consideration.

Durban/Empangeni, Durban/Margate: upgrading of N2

26/4/90

297. Mr J A JORDAAN asked the Minister of Transport:†

(1) Whether it is the intention to upgrade the N2 route between (a) Durban and Empangeni and (b) Durban and Margate; if so, (i) from what sources of financing, (ii) at what cost, and (iii) over what period, in each case;

(2) whether any assurances on the (a) sources of financing and (b) dates of completion of these two sections of road were given in the past; if so, what assurances;

(3) whether these assurances are being or will be departed from; if so, what are the relevant details, in each case?

Hansard 26/4/90 B768E

The MINISTER OF TRANSPORT:

(1) (a) Yes, specifically the section between Umdloti and Mariedal (north of Empangeni), which is situated between Durban and Empangeni;

(b) yes, specifically the section between Hibberdene and Southbroom, which is situated between Durban and Margate;

(i) from the National Road Fund and capital market loans,

(ii) at the estimated cost:
Umdloti to Mariedal — R550 million.
Hibberdene to Southbroom — R300 million, and

(iii) over the period of construction:
Umdloti to Mariedal — 1990 to 1999*
Hibberdene to Southbroom — 1990 to 1998,
but subject to the availability of funds;

(2) (a) no.

(b) no, construction programmes are always subject to the availability of funds;

(3) falls away.

* Construction of the new road sections is planned to be completed by 1996 and the

Hansard 26/4/90 construction of the second carriageway of the existing Ballito- New Guelderland section by 1999.

Sandton constituency: telephone services

312. Mr D J DALLING asked the Minister of Mineral and Energy Affairs and Public Enterprises:

(1) How many applications for telephone services were outstanding in respect of (a) the exchanges of (i) Bryanston, (ii) Randburg, (iii) Benmore Gardens, (iv) Kelvin, (v) Bramley, (vi) Rosebank and (vii) Sunninghill Park, and (b) any other exchanges serving the Sandton constituency, as at 31 December 1989;

(2) when is it anticipated that the backlog in respect of each exchange will be eliminated;

(3) what steps are being taken to satisfy the demand for telephones in respect of each such exchange?

B792E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) (a) (i) 112,

(ii) 132,

(iii) 166,

(iv) 59,

(v) 80,

(vi) 200,

(vii) 100; and

(b) Farmall 14,
Fourways 148,
Olivedale 52,
Diepsloot 7,
Bromhof 89,
Crowthorne 52;

(2) and (3)

Bryanston, Bramley, Farmall, Diepsloot and Crowthorne — All the waiting applicants in these exchange areas have since been provided with telephone service.

Hansard 26/4/90

Randburg, Benmore Gardens, Kelvin, Rosebank, Sunninghill Park, Fourways, Olivedale and Bromhof — The majority of waiting applicants in these exchange areas have in the interim been provided with service and only the following numbers in the exchange areas indicated are still waiting for service.

Randburg	1
Benmore Gardens	1
Kelvin	1
Rosebank	5
Sunninghill Park	6
Fourways	3
Olivedale	1
Bromhof	6

If everything proceeds according to plan, these applicants will be provided with telephone service within the next two months on completion of the necessary cable works.

Sandton: post offices/postal services

315. Mr D J DALLING asked the Minister of Mineral and Energy Affairs and Public Enterprises:

Whether it is the intention to provide any additional (a) post offices and (b) postal services in the Sandton area in 1990; if so, (i) where, (ii) what services, and (iii) when, in each case?

B800E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(a) Yes;

(i) In Kelvin;

(ii) a post office; and

(iii) September/October 1990. The establishment of the proposed post office has been postponed as a result of a delay with the extension to the shopping centre complex in which it will be accommodated.

(b) Yes;

Star 26/4/90

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 7 000 refugees — the bulk of whom were scattered in 15 camps in Edendale's "Valley of Death" — were fast running out of money and hope.

While more than 5 000 of the 12 000 people who fled to makeshift camps at the height of the March-April violence had returned home, 7 000 remained in church halls and the open veld without any means at all.

Most had lost breadwinners, houses and possessions and were wholly reliant on donations. Widows stood 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 as political strife crept into schools.
- 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 Hernus 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 Rive 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 R 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."

Cape Times 27/4/90

Typo members bid to liquidate funds

300

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 a 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.

HOUSE OF REPRESENTATIVES

QUESTIONS

† Indicates translated version.

For written reply:

General Affairs:

Pensions 300

3. Mr W J DIETRICH asked the Minister of Planning and Provincial Affairs:

(1) (a) What amounts are paid to Blacks in (i) old-age pensions, (ii) any other specified social pensions, (iii) disability grants and (iv) any other specified grants or allowances and (b) in respect of what date is this information furnished;

(2) whether it is the intention to increase these amounts; if not, why not; if so, (a) when, and (b) by how much, in each case;

(3) whether his Department and/or the provincial administrations have received any complaints in regard to recipients of such pensions, grants or allowances having to wait in queues for payment for a long time; if so, what steps have been and/or are to be taken in this regard;

(4) whether he will make a statement on the matter?

C7E

The MINISTER OF PLANNING AND PROVINCIAL AFFAIRS:

(1) (a) (i) R150 per month. (Maximum)
(ii) War Veterans pension: R266 per month.
(iii) Pensions for the Blind: R150 per month. (Maximum)
Disability grant: R150 per month.
(iv) Maintenance Grant:
Parent's Grant: R150 per month. (Maximum)
Children's allowance: R41 per child per month.
Foster parent grant: R102 per month per child (to a maximum of four children).

(b) 31 January 1990.

(2) The Minister of Finance has already made an announcement in this regard.

(3) No complaints have recently been received. The following steps have, however, been taken to improve conditions at paypoints —

(a) Payment of benefits into banking accounts where possible.

(b) Reduction in the waiting time at payout points.

(c) The provision of sheltered amenities and seating where possible.

(4) No.

INTERPELLATIONS UNDER NAME OF MEMBER

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.

Star 27/4/90 (30(4))

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 R3 billion trust fund created by the Government.

Dr Worrall . . . SA must keep holding world's attention.

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.

F/M 27/4/90 300

F/M 27/4/90

RETIREMENT VILLAGES F/M 27/4/90

A matter of principle

Both the developer and village management committee of Edenvale's Leisure View shareblock retirement village have reacted angrily to what they claim is unwarranted criticism of their village by a vociferous minority (*Property* April 20). 300

Nevertheless, the village's management committee says it respects the right of buyers to have the terms of the original contracts they signed honoured. The row between villagers erupted because a few understandably aggrieved unit owners don't believe they are ultimately getting what they paid for in respect of their accommodation.

They claim co-developer Andre Bouwer of SA Property Sales (developing jointly with Johannesburg Credit Corp) wants to change the original contractual commitment in the sale agreements to provide frail care facilities at the village. In order to achieve this, they say he is trying to persuade unit owners to sign new contracts.

Furthermore, those opposing his proposals claim they have not been issued with their share certificates, though those who subsequently signed new contracts have.

However, Bouwer's proposals seem to have won the confidence of most residents. There are now only six objectors compared with 16 when the changes were first mooted — and the village management committee believes some of them are on the verge of signing.

Bouwer is quick to point out that the "dissidents" represent only 5% of the residents. "Our policy will always be to develop the village for all and not a small minority. During the development and marketing of the village it has been our policy to refund purchasers their money if they change their minds about the development."

However, Bouwer does not seem to concede that asking residents to sign new contracts involves him, rather than the residents, shifting position. He does not say whether he is willing to stand by the original agreements signed. Nor does he answer allegations that those who have refused to switch contracts have not yet received share certificates.

He simply spells out details of his refund offer to disgruntled residents, which takes no account of the appreciation in the value of the property or the inconvenience suffered as a result of what are ostensibly his arbitrary changes. The compensation offer includes a full refund of all capital amounts paid to date, money spent on extras in a particular cottage, a refund of all levies, interest at prevailing bank/building society rates on all money paid during the purchase and occupation, and the cost of transportation to move their furniture to any part of SA.

Leisure View's management committee chairman Warren Gadd stresses there was never a commitment from the developer to provide frail care. He concedes there was a commitment to provide a live-in, qualified nursing sister, additional nursing staff, doctors' consulting and examination rooms, a sick bay with six beds, and 14 private wards/bachelor units with 28 beds. This was excluded from the new contract.

He adds that no final decision has yet been made to drop these proposals, but an alternative has been placed on the table which deserves consideration. All residents will be invited to vote on the issue in about a fortnight's time. The developer's contractual commitment, he claims, could be overridden if more than 75% of villagers select the second option.

However, other developers consulted by the *FM* disagree. One points out that if just one resident decides to stick to the original agreement then the owners of the village (the developer or the share block company) must meet that commitment within a reasonable length of time.

But Gadd believes the contractual changes and the medical facilities dispute are two separate issues. "The alternative contract is simply a much better document than the original."

The original document, he says, does not:

☐ Comply with the Shareblock Control Act; or

☐ Offer residents the same degree of protection as the new contract.

"The contract is simply a legal issue between the dissident owners and the developer. We can proceed with whichever medical option the villagers accept, irrespective of which contract individuals have signed."

Explaining the new frail care alternative, he says: "A management subcommittee, which included two nurses and the retired MD of one of the country's largest medical aid firms, carried out an in-depth study of the frail care and the costs involved.

"The bottom line is that it would cost the villagers between R1,5m and R2m to establish genuine frail care facilities. But fewer than 4%-6% of residents will actually make use of them. Further, the high running cost would push monthly levies up unacceptably."

The proposed development costs, plus high frail care running costs, tally with the findings of other developers.

Gadd adds that in the event of a patient using frail care facilities continuously for more than three months, the village management committee would be entitled to transfer the patient to a special home and his or her retirement home would be sold to cover costs. He said it seemed, therefore, to be in the interests of the residents to consider alternatives. 300

Just what is the alternative? Gadd says Rand Aid is developing, at a cost of more than R50m, an Edenvale-based frail care centre known as Elfin Lodge. It is due for completion in November. Leisure View would have the right to reserve 10 beds at the hospital for an up-front payment of R300 000, which Bouwer will pay. Individual residents could then reserve beds for a R25/month/cottage charge. It would be up to each individual to decide whether to participate in the scheme.

Gadd says Bouwer would build and sell "two or three" retirement units on the proposed medical site at Leisure View. This would provide the bulk of the R300 000, but he would have to find the balance of between R60 000 and R70 000 from other sources. ■

Drawbacks for those who rely only on RAs

300

St Times 29/4/90

By RAY ESKINAZI, a partner at Ernst & Young

LIFE-assurance agents and brokers extol 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 affords 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).

[redacted]

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 longest-running pension, provident or retirement annuity fund is free of tax, 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.

[redacted]

The advantages of a regular contribution to unit trusts, as an alternative, or as a supplement to an RA, should not be overlooked. Although there is no tax relief for contributions to these funds the entire capital is available to the retiree.

Two-thirds of the capital available in an RA is converted on retirement into a fully taxable annuity.

The capital appreciation is, at present, under normal circumstances, entirely tax free in the hands of both the unit trust and the investor. In addition, unit trusts are easily liquidated and may be used as collateral security.

The fact that the benefit payable under an RA may not be withdrawn until the member attains the age of 55 (unless on earlier disability) and, in the event of insolvency, may not be attached or appropriated by creditors of the insolvent estate, has the consequent disadvantage that the member's capital is locked in for a considerable time.

[redacted]

He or she may not surrender, assign or cede an RA outright or as security for a loan during the subsistence of the policy, thereby reducing financial flexibility.

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 overemphasised.

They should be viewed for what they really are — an ingredient of a complete retirement recipe.

Partbonds fill the coffers

ST Times 29/4/90.

By Anthea Duigan

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 without 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 when reading the interest tables that the 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 payable. It is possible to obtain a fluctuating rate with a built-in "floor rate" as a safeguard.

For instance, Masterbond Trust offers citizens over 60 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 20%, the fixed rate is less attractive than the variable one. (300)

Collateral

Mr Wharton-Hood advises acceptance of the fluctuating rate because he does not think interest rates will drop below 15% — certainly not in the next three years.

Should the Minister of Finance implement the proposed changes in taxation of interest rates, MPBs 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 into either the independent retirement annuity fund or the incentive pension fund where it becomes a tax-deductible contribution.

It's never too late to start

S Times 29/4/90 (300)

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 remain in. 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 schoolgoing age.

The level of income to the household begins to exceed expenditure. Where before there was always too much month left at the end of the 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.

Business Times Feature April 29, 1990

A longer haul for the woman who works

300

By Julie Walker

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 annuitites and endowment policies.

Women should insist on the cession of an 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.

Cohabiting 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

300

S Times 29/4/90

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.

Whatever 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 do you benefit from paying lower tax, but endowments have proved to be inflation beaters.

The tax benefits extend to when you retire. Currently R30 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 employee'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 cede it to you, 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 square pensions deal

(300)

A SERVICE to prospective pensioners is provided by Computerised Pension Bureau, established by pensioner Wally Pope.

Lump-sum payouts from pension funds and those from retirement annuities are often left with the same insurance company because the pensioner is unaware the he or she is at liberty to 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. S/Times 29/4/90

"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 elsehere," says Mr Pope.

Tough talk ahead at historic meeting with ANC

3049

S/Times 29/4/90


F W DE KLERK


NELSON MANDELA

EYEBALL TO EYEBALL!

By LESTER VENTER and KURT SWART

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 audacious, reforming State President — will sit down with erstwhile 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 lead the Government team and the ANC will be headed by its deputy president, Mr Nelson Mandela.

A pact to end violence will be at the top of the agenda — but both sides yesterday acknowledged that it would be hard to achieve.

Top members of both teams told the Sunday Times that violence was the central issue to be resolved before constitutional talks could get under way.

Struggle

Dr Stoffel van der Merwe, one of

The hug worth a million rands

Sylvia finds it, Sylvia keeps it!

By ALAN DUGGAN and GWEN GILL

THIS was the moment when dreams turned to reality for the Sunday Times Finders Keepers R1-million winner — mother-of-three Sylvia Jacobson from Kew, Johannesburg.

Husband Arnold hugged her and said: "No more worries for us. They're not dreams any more!" The couple were in Matjiesfontein, Cape, the picturesque village where the "treasure" for this year's contest was hidden.

Sylvia, a 37-year-old promotions supervisor, ceremo- ... -ved an en raved

SOLUTION PLUS MORE

By LESTER VENTER
and KURT SWART

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Struggle

Dr Stoffel 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 preconditions — of which the state of emergency is the major unresolved element.

Questioned on speculation that the Government would lift the state of emergency if violence abated 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 on 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 unbanning of restricted organisations, the removal of troops from the townships, the lifting of the state of emergency and the cessation of political trials and executions.

Of those, only the troops in townships and the state of emergency remain.

Nevertheless, both sides are carefully playing down expectations.

Flexible

Observers close to the process say both sides need time to "feel each other out".

The talks will take place at a well-protected Government venue in Cape Town and are scheduled to last until Friday.

A Government source emphasised that the encounter would constitute "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 this week's discussions only the first.

Diplomatic sources said the ANC had shown flexibility behind the scenes on a demand parallel to the Harare Declaration — the release of political prisoners.

The Government and the ANC disagree on the definition, even though many have already been freed. However, the ANC is said to accept that those convicted of deeds causing death will not be released at this stage.

The Government is also said to be flexible on how an ANC renunciation of the armed struggle is framed.

The ANC is the only major group that has not yet fully committed itself to peaceful negotiations, so it may face strong international and domestic pressure to lay down arms.

In Cape Town, the ANC's talks team — many of whom have been exiled for up to 30 years — prepared for a mass rally at Mitchell's Plain today.

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CLUTCHING her

Webst

THE former Johannesbu security official who th week named Dr David We ster's alleged killer is to l questioned by police invest gating the murder.

Meanwhile, police hold o little hope of tracing the my tery assassin, named as Pa de Swardt, and apparently member of the SADF sinister Civil Co-operati Bureau.

Nujon

Sunday Times R

NAMIBIAN President Sam mally asked South Africa men allegedly implicated ders in his country.

The South African Ju said yesterday the reque sonally to President F W d considered once othe received.

Although the departme the men, Civil Co-operati Staal Burger and Leon are wanted in Namibia t

Investment for the over-40s

Endowment policy with a difference

300

S/Times 29/4/90

By Anthea Duigan

THE purchase of an endowment has some disadvantages, one being the locked-in 10-year aspect of the commitment.

Should the buyer be retrenched, go bankrupt or wish to emigrate and have to terminate the agreement within the first three or four years, he virtually forfeits his payments because all the costs of an endowment are loaded up-front.

These costs include administration charges and commission. Unfortunately, this factor is seldom explained to those buying an endowment. Some of these people bleat that they have been fleeced by the assurance company when they have to pull out of the contract for financial reasons.

Acknowledging that this is a common problem, Randburg life assurance broker David Hoddinott has designed an endowment policy with a special cost structure.

Structure

It allows the policyholder to at least receive his premiums should he have to terminate the policy in the early stages. After only two years, the policyholder will receive growth plus the money he has invested.

An endowment, by and large, should be used for specific purposes — to generate cash for the payment of provisional tax, for tri-annual school fees and even bond repayments.

Under these circumstances, the endowment is an ideal investment vehicle, easy to cede or use as collateral.

Shelter

However, the additional advantage of an endowment is that it is a tax shelter. For those with endowments at the age of 50 years with retirement looming in 10 or 15 years, they will generate cash for tax while building up a shelter opportunity.

For instance, an investment of R1 000 a month — escalating at 15% a year — will generate R10 000 a year for provisional tax purposes, but come retirement, the investor will have built up a R500 000 tax-shelter opportunity.

Thus the investor will have put aside savings for his or her tax liability and on retirement will have a tax shelter for provident fund, pension lump sum or retirement annuity lump sums.

Mr Hoddinott quotes as an example an engineer who never acquired financial or investment expertise, but is faced at retirement with the problem of investing the considerable capital sums accruing from his retirement package.

Expertise

By creating the investment opportunity for this capital in his endowment contract he provides himself with expert financial management and tax-effective access to the investment growth on that capital.

Mr Hoddinott sees the endowment as having an important place in the long-term disciplined savings environment; in the liquidation of cash obligations; and ending with a tax shelter.

He says that in times of inflation, bond repayment rates may be high whereas the investment growth rate is generally even higher than the bond. He recommends paying off the bond early through an endowment contract, saying it is not only beneficial today, but will provide important future tax advantages.

Long-term disciplined investment it is a good idea in a country which is notoriously low on savings.

However, endowment policies should not be marketed as a short-term means of getting rich quickly.

A 25-year-old should be encouraged to use the 10-year endowment as a savings vehicle. In 10 years' time, he will have the wherewithall to enlarge his house, pay for his children's education or establish his own business.

Education

Otherwise it should be a cash generator through a disciplined form of saving which automatically provides cash to meet given liabilities and in the end provides the tax shelter.

He says: "An investor must seek to build up as much as he can for retirement, pay the minimum legal tax on the lump sum and receive some means to reinvest his capital as tax effectively as possible."