SOCIAL SECURITY — PENSIONS & CARE OF THE AGED

1991

SEPT. — DEC.

2 000 Pepkor workers begin strike over pay

B1Day 3/9/91

VERA VON LIERES

MORE than 2 000 workers at Pep and Ackermans' stores countrywide have been on a pay strike since Saturday, the SA Commercial, Catering, and Allied Workers' Union (Saccawu) said yesterday.

Saccawu assistant general secretary Kaiser Thibedi said in a statement a conciliation board meeting late last month failed to resolve the dispute.

Workers are demanding an across-the-board increase of R150 and a minimum monthly wage of R700. The union also wants annual bonuses of up to 75% of monthly salary and the company to commit itself to negotiating non-wage issues after the signing of a 1991 agreement.

Saccawu said employers were offering a R139 across-the-board increase for workers with at least one year service and a minimum salary of R650 for employees with one or more year of service. Employers were also offering annual bonuses of 50% of monthly salary.

Thibedi said the companies had not agreed to negotiate secondary issues including a parental rights agreement, medical aid and a national provident fund scheme.

"Pepkor is one of the richest retail companies and yet it pays the lowest wage rates among the retail giants," Thibedi said. He said management's refusal to meet workers' legitimate demands had provoked the strike.

Pepkor management could not be reached for comment yesterday.

Transport workers to get retirement benefits

VERA VON LIERES

B1Day 3/9/91

THOUSANDS of road transport workers stand to benefit from a new provident fund, recently agreed to after protracted negotiations between employers and four trade unions.

Witwatersrand Motor Transport Industrial Council spokesman A M Serrano said yesterday the fund would provide retirement benefits to workers employed by about 350 businesses in the Witwatersrand area.

Another 200 hauliers and cartage concerns in the Witwatersrand which did not have staff retirement arrangements would have the option of joining the industry's "umbrella fund".

Serrano said in a statement new employees who joined those businesses would automatically become members of the fund. Existing employees had 12 months to decide whether to join.

Accumulated retirement benefits in the fund would not be affected by job changes within the industry," Serrano said.

Unions party to the agreement are the Transport and General Workers Union, Motor Transport Union, the SA Transport Workers' Union and the Professional Transport Workers' Union of SA.

New plan to pay off bond in quick time

Star
17/9/91 FINANCE STAFF 300

TIMELIFE Insurance, whose interest-saving bond redemption plan has scored among homeowners, has now tailored a new scheme enabling members of pension or provident funds to pay off their bonds in double-quick time.

The plan involves investment in what Timelife's Bill Els believes to be a much-under-used available facility provided for under the Income Tax Act.

This permits fund members to invest up to R1 800 a year in additional voluntary subsriptions to enhance the value of their pensions.

Under Timelife's new Retirement Enhancement Fund, pension or provident fund members can take out annual loans against this investment to finance additional capital redemption payments on their bonds in addition to regular bond repayments.

Using as an example a man of 45 years with a R100 000 bond, Mr Els says that by making maximum use of the Retirement Enhancement Fund facility, he could wipe out the bond in 14 years, instead of 20 years.

Timelife expects its Retirement Enhancement Fund, marking the company's debut in the employee benefits market, to have particular appeal to pension or provident fund members in the older age groups.

"A great number of people have large bonds which they will probably not have fully paid off by the time they retire.

"This scheme will be of particular appeal to them. For a very small annual investment they can have the satisfaction of knowing that their bonds will be paid off by retirement."

Timelife has discussed the scheme with a number of employers — "and we have had a very good reaction, since it provides a valuable additional employee benefit."

The taxing questions of the future

W/Mail 13/9 - 19/9/91.

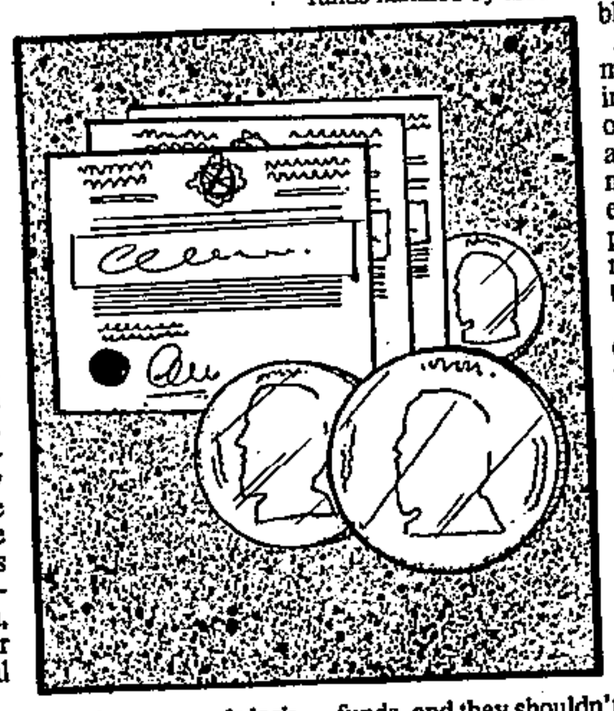
How the 'new' South Africa is taxed could affect your savings and retirement plans. **REG RUMNEY** looks at the best ways to protect your money

TAX is an important element in judging the merits of various vehicles for investment, including those which make provision for retirement.

In the fluid economic circumstances of South Africa now, it is also an area of uncertainty.

What tax regime will exist in the "new" South Africa? What view might a future government take on the tax breaks available with certain investments?

The tax regime will be affected not only by political pressures for redistribution, but by world trends.



There isn't really any way of predicting with absolute accuracy what will happen — but there a few pointers.

Judging from what has been written and said so far, the African National Congress favours a progressive tax system (the more you earn, the more you pay) which penalises the rich to give to the poor — rather than a move towards a flat rate. Along with this, it favours a range of new taxes aimed at the middle and upper classes. While the world trend militates against top tax rates being moved up too high, there is precedent for taxes such as a capital gains tax.

A capital gains tax will change the way people look at hard assets as investments.

Buying one's own house, for instance, has been considered a good investment for two reasons. One is that money which would otherwise have vanished in rent is converted over time into a capital investment. The other is that the profit on resale is a capital gain and so it is not taxed.

Subsidised mortgage payments, now tax neutral, have also made housing attractive and distorted the market.

Buying houses speculatively for future resale and profit has, on the other hand, been risky, and renting hasn't been highly profitable (except, one suspects, that small-time landlords have tended not to declare the income from their properties).

A capital gains tax would strengthen a trend away from bigger houses towards smaller ones, or make renting more attractive, particularly if it went hand in hand with progressive property taxes.

It would take the shine off a range of hard assets, from Krugerrands to Persian carpets.

A future government might also look anew at the tax breaks available on vehicles such as retirement annuities, on the grounds that they favour the rich rather than the poor, who rely on company pensions and provident funds.

Now, contributions to retirement annuities, as to pension funds, are tax deductible up to certain defined limits.

Those who have pinned their retirement hopes on annuities are probably a minority, but any substantial change will be strenuously resisted by that minority of individuals who have already invested in them, on the grounds of the unfairness of the move.

It would also be argued that the more the state encourages people to provide for their own old age, the fewer the burdens on the state's coffers through social pensions.

Removing the benefits of retirement annuities would cause more people to take out life insurance which includes a portion of investment.

The life insurance or contractual saving industry is likely to come under pressure to divert some of the billions it handles towards "productive" investment rather than pushing up the prices of blue-chip shares on the Johannesburg Stock Exchange. This may take the form of channeling a percentage of the funds handled by assurers towards socially desirable investments.

Any tax moves that might affect the money invested by the holders of life insurance policies and by pension fund members will be resisted by the assurers, and presumably by the numerous policy holders themselves.

The life insurance industry has already come under fire from some in the banks and building societies (now treated equally as "Deposit Taking Institutions") for receiving unfair tax advantage.

The life insurance industry's argument has been that life assurers are merely the trustees of the policy holders' funds, and they shouldn't be taxed any more than they are already.

Whether the present government has accepted that argument entirely is moot. However, the pressure seems to be off the life assurers for the moment.

In an annexure to the last Budget, special economic advisor Japie Jacobs exonerated contractual savings institutions from many of the charges that had been laid against them. He found "there is no evidence that their funds are utilised unproductively, that personal saving is metamorphosed into consumption spending (apart from pension payments used in this way), or that their activities harm the financial market".

It remains to be seen whether a future government will allow dividends paid by companies to remain tax free. This now favours unit trusts, a good portion of whose payout derives from dividends, and so making them taxable will detract from this investment to some extent.

What else will happen? The world fashion has been to promote tax "neutrality" by cutting down on tax incentives, repairing holes in the tax net, as well as lowering personal income tax.

But as Hofmeyr van der Merwe senior partner Henry Vorster argued at a recent seminar, the need for fiscal neutrality is not universally accepted and is not easy to achieve.

He noted the Eighties had seen the best efforts of politicians and tax administrators to eliminate distortions and to simplify the income tax framework. "The results ... are deeply disappointing and the difficulties in the way of real fiscal neutrality virtually intractable."

This is not to say any future government will not, eventually anyway, be swayed by world trends. But it does show that cleaning up all the distortions of the tax system won't happen overnight — and some new ones may well be introduced. Similarly, South Africa is following a world trend in being on the way to a top marginal tax rate of 40 percent — but it's not there yet and there's no guarantee the marginal rate will not be raised again.

Whatever happens to the tax regime in future, the key to successful financial planning is to keep a close eye on changes in the tax structure and take advantage of them wherever possible.

Pension shortfalls require supplementing

Wmail 13/9/91 - 19/9/91 (300)

A pension is still a good investment for retirement — but it is not within everyone's reach. **REG RUMNEY** looks into providing for one's retirement

PENSIONS can provide a reasonable standard of living for retired people.

But job mobility in today's world puts a big question mark against a pension being adequate for retirement for everyone.

Increasingly, people don't stick in one job for their working lives.

Each time people change jobs they forfeit a portion of their potential pension benefits, particularly if their period of service is relatively short.

"Ideally, an employee should work for the same employer for something like 45 years. If the rules of the fund stipulated that a member will receive a pension equivalent to two percent of final salary for every year of service, he or she will be able to retire on 90 percent of final salary (two percent x 45 years of service = 90 percent)," notes JH Jordaan in his book *Retirement Planning*, published by Don Nelson.

"Typically job hopping can mean a reduction of qualifying years of service by anything up to 20 years, with a corresponding reduction of pension by between 30 percent and 40 percent of final salary," notes Jordaan

Provident funds are a similar type of employee benefit but a lump sum, rather than a pension, is paid out on retirement.

A recipient of a pension depends on the willingness of the fund to raise the pensions often enough and high enough to counter the eroding effects of inflation.

Until recently it seemed pension payouts were not being adjusted adequately, and that pensioners were being taken for a ride. Last year the Actuarial Society called on its members and all involved in pension funds to strive to give reasonable increases to pensioners.

Consulting actuaries Alexander Forbes Shipley & Fitchett note in their recent survey of major employers' benefit programmes that trustees are becoming increasingly aware of how inflation destroys pension values. Of the 52 funds surveyed, 42 gave an increase of at least 12 percent during at least one of the last five years, while 14 granted an increase of at least 15 percent during at least one of the last five years.

Withdrawal benefits — ie the amount paid out to members who leave — also improved.

"Employers have become increasingly aware of the need to provide a market-related interest rate on contributions for early leavers and to preserve pension benefits for longer-serving members."

However good the withdrawal benefits, they leave the newly departed employee without provision for his retirement.

Attempts at making pensions compulsorily transferable have been put on hold, for the moment.

And not all employers allow newly joined employees to buy back years of service. Few schemes provide for the transfer of full accumulated benefits from a previous employer's scheme.

There are various ways you can supplement a company pension. They include retirement annuities, endowment insurance and unit trusts.

Retirement annuities have certain benefits in terms of income tax and they are fully protected against creditors, even in insolvency. Contributions can be deducted from taxable income (so reducing the amount of tax you actually pay), up to a maximum of the greatest of:

- 15 percent of taxable income
- R3 500 (less permitted pension fund contributions) or,
- R1 750.

The retirement annuity provides that when you retire you are entitled to a maximum of one-third of the accumulated value of your retirement annuity fund, in cash, as a lump sum. The tax-free portion of this lump sum is the greater of R120 000, or R4 500 multiplied by the number of years for which you have been contributing to the fund. The remainder of the cash is taxable at the average rate of tax applicable to your other income for the year.

Unit trusts have their own attractions — namely the promise of a big return on your investment, if you are prepared to hold them for at least five years.

They are not a short-term investment. The reason is that the returns go up and down with the movements of the stock exchange. Over five years or more you can be assured that the level of share prices on the stock exchange will be higher than when you invested in your units. But in the short term, they will fluctuate and might well be lower.

For the moment, unit trusts benefit from share dividends being exempt from tax. Generally, investors in unit trusts are not looking for quick profits (they could be terribly disappointed if they are) so the resale of units is unlikely to attract tax.

'Granny bonds' are hot favourites again

By REG RUMNEY W\Mail 13/9- 19/9/91

SOUTH AFRICA'S "granny bonds", participation mortgage bonds, have come into their own again.

For years low and even negative interest rates — that is, lower than inflation — made interest-bearing investments unattractive.

It just didn't pay to save money when the interest earned was below inflation. This is still so for ordinary savings accounts.

But part bonds, as they are known, give a high rate of return with a good deal of security. (The security aspect earned them the name of granny bonds before the government introduced special fixed interest investments for senior citizens. High interest rates have made these less attractive than they were.)

Part bond rates are now around 19 percent.

Aiken & Peat consultant Brett Dawson says the rate on part bonds is 3,7 percent higher than the average deposit rate for comparable term investment.

Interest rates on part bonds float in tandem with interest rates. When interest rates go down, they drop, when interest rates rise, so does the part bond interest rate.

Dawson points out, too, that most part bond scheme managers offer a minimum floor rate, below which the interest rate cannot fall for the fixed period of the bond.

With a participation mortgage bond, the money invested goes to make up a bond for a commercial or industrial property development, but is managed by a part bond scheme manager, who actually makes the payments to the investor.

The money has to be invested for a minimum of five years. After that the investor can withdraw his or her money with only three months' notice.

This makes it particularly attractive to older investors, who might need to have reasonably quick access to their capital, for example for major surgery.

YOUR PERSONAL FINANCIAL PLANNING: THE KEY IS TO ACT NOW

Personal financial planning has never been more important. **REG RUMNEY** reports

A RECENT Liberty Life advertisement said it eloquently: there are big advantages to living in a welfare state.

Those advantages many of us, if we are middle-class South Africans, are unlikely to see.

If things pan out as socially conscious South Africans want, and nothing goes awry, the poor will get a better shake in the "new" South Africa.

South African social pensions, for instance, are likely to become more equal — but are unlikely to afford any real degree of comfort for those used to anything more than the bare basics.

Ditto for health-care and education. After years of inequality, the trend seems to be to level down the standard that whites have come to expect, and upgrade black standards.

Those levels of social spending are likely to be low in comparison with First World countries like Sweden and Britain.

What this means is the planning for pensions, future health care, and the education of one's children should be receiving urgent attention by those of us in the middle class fortunate enough to have spare cash to put aside.

For the very poor the State will have to provide in future: the very rich can pay for superb advice on how to preserve their wealth, and they do.

So what should ordinary South Africans do?

The first thing to remember, as clichéd as it sounds, is to act now.

While it is (almost) never too late to start making provision for the future, it is certainly never too early.

We have devoted this Smart Money/ Your guide to Personal Finance entirely to demystifying the subject of "personal finance" for the ordinary reader rather than the specialist.

A ground-breaking first for *The Weekly Mail*, we look at among other things, life insurance jargon, health care insurance, the future cost of education, Value Added Tax, and using credit to your advantage.

AIDS poses threat to pension benefits

300

Star 14/9/91.

DEREK TOMMEY

AIDS is threatening the contractual savings of every one in this country, warns a group of experts from Southern Life.

They said that if the incidence of AIDS was not checked, payouts by pension fund will be reduced and life insurance will become far more costly — not just for new policy holders but for existing policy holders as well.

They also said that few policy holders were aware that for the past six years insurance companies had the right to increase life insurance premiums should circumstances warrant this.

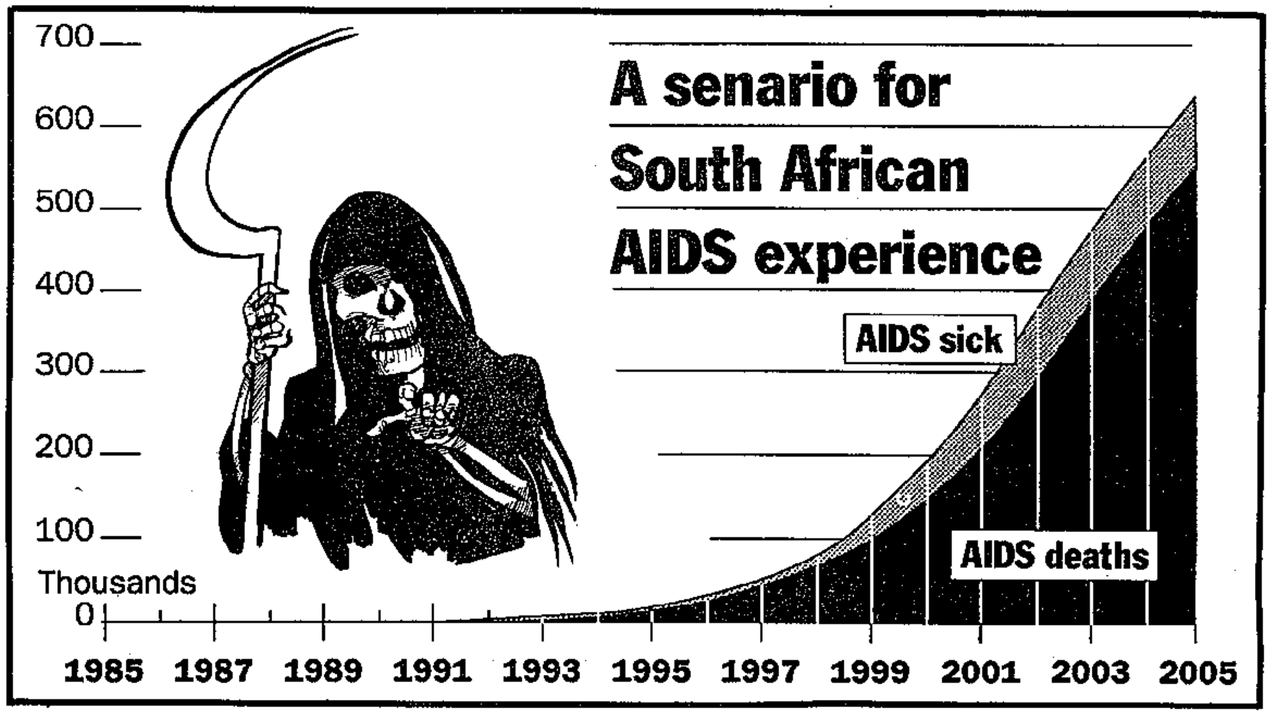
As more people die from AIDS and change mortality estimates, it is certain that policy holders will be asked to pay higher premiums.

Limited time

The experts made clear that the spread of AIDS could still be stopped if people changed their sexual habits. But as AIDS was spreading rapidly the amount of time left was limited.

So far only 818 AIDS cases have been reported in the country. But for a variety of reasons research experts believe the actual figure is five to 10 times this number, said Adrian Pinington senior manager (corporate actuarial) Southern Life.

But AIDS sick cases were only the tip of the iceberg. Projections based on an anonymous testing survey of antenatal clinic patients in October and November last year indicated that the actual prevalence of AIDS carriers — that is people who are HIV positive — may be about 1,5 percent of the total population or about 200 000.



Under current conditions the number of AIDS carriers in the country is expected to reach one million by 1995. However, total deaths from AIDS are expected to be relatively insignificant for the next few years, amounting to around 20 000 a year by 1995 of which only about 4 000 are likely to be reported if current trends continue.

Mr Pinington said that current models indicate that eventually one out of every four adults will be an AIDS carrier which, when compared with what is happening in central African countries, is not seen as unrealistic.

AIDS carriers do not die immediately and experience to date suggests that death can take as long as 12 years, according to the amount of support available.

Therefore to make things equitable a 35-year-old person infected with HIV three years ago should be charged 35 times the risk premium for an uninfected person. For someone infected 10 years ago the relative charge should be about 60 times that of an uninfected person.

Mr Pinington said the mortality rate for people infected with the HIV virus was similar to that of an average 72 year old.

But progression to death in Africa was expected to be much quicker owing to the endemic levels of other diseases such as TB and malaria.

Don Brown (senior manager, employee benefits) said that on current projections for AIDS sickness and deaths, the average costs of death benefits to a company providing these will have risen four-fold by the year 2000. The cost of disability claims is also expected to quadruple by them.

This increased cost of death benefits will mean that companies will have to reallocate funds from retirement benefits resulting in smaller pensions — unless employers paid more money into the pension funds.

But apart from having to pay out more in death benefits, AIDS will also affect companies' expenses and markets. This will lead to reduced profits and presumably declines in share prices which will affect the value of a fund's assets.

Although the impact of AIDS is still speculative at this stage, it is estimated that it will reduce the GNP by about five percent over the next 10 to 15 years.

And while employers might try to screen out HIV positive applicants for jobs and exclude people ill or dying from AIDS from benefits, Mr Brown said he doubted whether such schemes would work in practice.

Pariah attitude

He said this treatment propagated the "pariah" attitude to AIDS as something morally repugnant that justifies punishment. It also raised the question why people with AIDS should be treated differently from those with other self-inflicted diseases such as lung cancer through smoking.

The employer may also find that his moral responsibility is not lessened because the sick employee has AIDS. And this attitude may encourage employees to commit suicide or engineer an accident to try to avoid the AIDS exclusion and provide for their dependants.

Mr Brown said that the increasing incidence of AIDS-related claims in the future will require careful determination of premiums. "The Southern's approach will be to apply the minimum conditions but charge the correct premiums for the risk.

"Our greatest challenge will be to increase premiums quickly enough to meet the worsening experience on a highly competitive market".

Aged will have to dig deeper into pockets

ARG 20/9/91

The Argus Correspondent

PRETORIA. — Services rendered by homes for the aged will not be exempt from VAT and pensioners will have to dig deeper into their wallets to cover increased boarding costs.

But several millions of rands were pre-allocated in March this year to increase subsidies of old-age homes and homes for the disabled.

This should alleviate the financial hardship of pensioners living in subsidised homes.

Mr Trevor van Heerden of the Department of Finance said an across-the-board pension increase of R10 was also made during the current financial year, and this should compensate for the increase of pensioner's lodging costs.

"This applies to 2,4 million pensioners in South Africa, and was beneficial to a much larger number of pensioners than those residing in homes for the aged," he said.

Mr Van Heerden said he was not aware of any proposals to further increase the subsidies of old-age homes to compensate for VAT.

A spokesman for the Department of Health Services and Welfare said the majority of old-age homes are substantially subsidised by government.

Pensioners' boarding costs at homes for the aged are subsidised on a sliding scale of two thirds of their income, she said, adding that elderly people who had no previous income could apply for old age pensions from government.

The concessionary tariffs on post and telecommunication services that apply to social and certain other pensioners will also be adjusted.

No delay, but Barend makes some concessions

ARG 20/9/91

THE Minister of Finance, Mr Barend du Plessis, emphasised this week that the imposition of VAT will not be delayed.

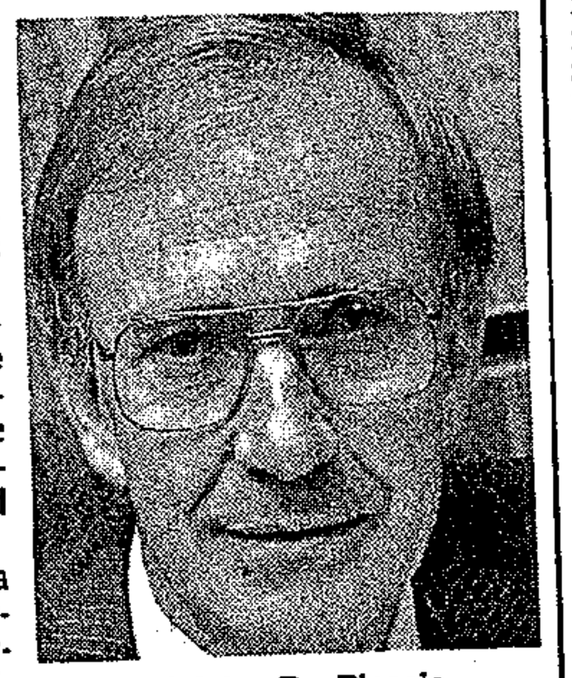
But he is making several concessions including proposals to subsidise various basic foods for "at least a year".

The new tax has been strongly criticised by mainly trade union groupings. They have demanded a zero-rating for basic foods, medical services, medicines, water and lights and trade union subscriptions.

But Mr Du Plessis said in a statement that instead of giving food a zero-rating, the government was prepared to susidise certain foods at 10 percent of the retail price for at least a year.

The foods included milk powder — both full-cream and skim — and crushed wheat. Subsidies could also be considered for dried beans and lentils, depending on their availability.

"According to the best available information, the subsidising of these foods will negate any negative effects that VAT will have on low-income families," Mr Du Plessis said.



Minister Du Plessis

The government would also make arrangements to ensure the subsidies were passed on to consumers, and were not negated through price increases.

The minister also offered additional finance to the watchdog body, Vatwatch, if necessary, so it could carry out its job of educating South Africans about the new tax. — Sapa.

'Be ready to live smarter, more frugally'

ARG 20/9/91

THE introduction of VAT will add fuel to the already raging fire that is melting the purchasing power of South Africans, says Mr Martin McAusland, personal financial planning manager of Price Waterhouse Meyernel.

"VAT is going to add considerable pain to the scorching effects of high inflation, high personal taxation and fiscal drag," he said.

"Companies have been planning for and learning about VAT for several months, but most individuals have done nothing.

"Regardless of their incomes, all South Africans should budget for VAT and be prepared to live smarter or more frugally."

The drain on disposable incomes will be felt through telephone accounts, short-term insurance premiums, electricity, water and sewerage charges, fruit and vegetables, fresh meat and fish and medical services.

The simple exercise of adding 12 percent to July's costs for items to be covered by VAT would enable people to ascertain the approximate effect on their October budgets excluding inflation, he said.

"People who are already living to the hilt of their incomes will have to cut back somewhere," he said.

ARE YOU READY FOR VAT?

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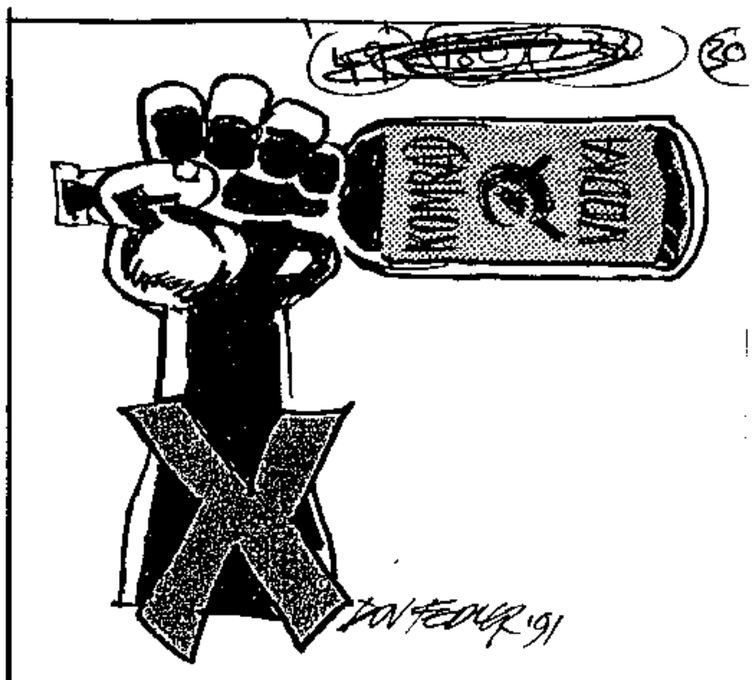
TWO GREAT SCOTCHES AT GREAT



pale-blue chips which might be acceptable to their portfolios.

Yet, earlier, Ramaphosa had adroitly sidestepped the issue of nationalisation of pensions and provident funds. He also expressed some views that broadly agreed with those which Finance Minister Barend du Plessis was delivering to a Cape Town conference of the Cape Assurance Industry Liaison Committee. Du Plessis was urging pension fund managers to be innovative and channel funds towards projects that would create jobs. Specifically, he suggested outlets such as the Small Business Development Corporation, the Development Bank of Southern Africa and the Independent Development Trust.

Du Plessis seemed unimpressed by steps the life industry has taken to free retirement funds for home building. "More needs to be done to tap the resources available to finance socio-economic projects." He trod the non-interventionist line nimbly by adding that no funds should be invested in such a manner that the interests of fund members were prejudiced.

No such niceties constrained Ramaphosa. "We believe that we should develop strategies that can unlock (capital) and help us create a new SA. The money is there and we argue that, instead of the money going towards the building of fancy office blocks, the money should be put to productive use.

"We would argue that such investments should not go into companies that are trade union bashers, companies that do not recognise trade unions, companies that do not have a good trade union or industrial relations record. We would also argue that such investments should not be invested in overseas companies. We would also argue that those investments should not go to companies that are privatised, the Iscors of this world . . . where the trade union movement believes that privatisation should not take place, we think it is immoral for the monies of the workers to be used to go against the very principles that they stand for."

Retirement funds, Ramaphosa emphasised, could productively be channelled to housing, education and job creation. The question would arise, he conceded, that the investment returns would not be as high as investment in "a glass building somewhere."

He needs to sell the idea to a larger audience than Alexander Forbes provided: "We would conceive that the returns might well be minimal but, if a strategy is pursued that will ensure that we have a fairly good mix between investments that bring in a fairly good return and investments that bring a good return or, possibly, the best return in the long term, we can find a way out."

Before coolly arrogating his followers' retirement prospects, Ramaphosa did at least appear to rule out nationalisation of the retirement industry. He believed that question should be addressed to ANC president Nelson Mandela but added: "I am also a member of a pension fund so I have a direct interest in this matter and I would like the ANC to tell us whether they are going to nationalise pension funds or not because, if they do, I also lose."

Presumably, Ramaphosa's pension fund may also invest in liquor and tobacco shares. ■

PENSIONS FM 20/9/91 300

ANC guidelines

Liquor and tobacco shares will be banned from retirement fund portfolios if ANC secretary-general Cyril Ramaphosa has his way. In an off-the-cuff speech, at a seminar arranged by consultants and actuaries Alexander Forbes, he reeled off a list of "proscribed assets" which also includes any company that has sinned against the trade unions.

His audience in Sandton last week, mainly actuaries and investment fund managers, alternated between laughter and disbelief as Ramaphosa rammed home his views. "You might know that the trade union movement is committed to a smokeless SA and believes that people should be healthy and should smoke as little as possible."

After Ramaphosa had added to the list any company that had bashed unions, the fund managers mentally tallied the score of

Ramaphosa . . . *no beer or baccy in the new SA*

FM 20/9/91 ECONOMY & FINANCE 300

State spending on the aged up 780 percent in a decade

300 ARG 28/9/91

Weekend Argus Business Staff

GOVERNMENT spending on subsidies for old age homes has increased by more than 780 percent in the last 10 years — and frail care aid schemes by insurance companies have now become necessary in helping to relieve pressure on state funds.

This was stated by a spokesman for the Ministry of the Budget, Welfare, Housing and Works in response to the emergence of a new type of specialised insurance policy designed to protect the aged from crippling post-retirement medical bills.

"The introduction of aid schemes by life insurance companies, in order to provide the means for care and treatment of the elderly, is a healthy and necessary development in a market-related economy," the ministry statement said.

"This would eventually alleviate the pressure on the state to provide funds for frail care."

Timelife Insurance claims to be the first life assurer in the country to launch a specialised Frail Care policy to provide in advance for medical expenses which could otherwise destroy a retired couple' s carefully saved "nest egg".

The ministry comment echoed President De Klerk's statement earlier this month that every citizen had the responsibility to provide for his or her old age, since South Africa was unlikely to become a welfare state.

The availability of funds was of prime importance for any realistic planning for future social welfare services.

As an example, the statement cited the 1991/92 financial year allocation of 67,4 percent of the total welfare budget of the department towards care for the aged.

In 1981/82, expenditure on subsidies for homes for the aged amounted to R26,2 million. In 1991/92 the amount allocated had reached R230,7 million, an increase of 780,5 percent.

Elderly urged to be independent

Star 21/10/97 300

By Shirley Woodgate

South Africa's 1,5 million senior citizens have been urged to take control of their lives and strive to be independent for as long as possible.

Speaking yesterday — designated by the United Nations General Assembly as the first International Day for the Elderly — South African National Council for the Aged director Syd Eckley appealed to the public to take stock of the talents, knowledge and experience of elderly people.

"It is time to recognise the role and contributions of our aged, and to use this power as a source of change," he urged.

"The increasing number of elderly people, and their growing inner psycho-social power, has led to the rise of 'grey power', which is the collective identity of older people who are able to institute action in shaping their position as a group.

"If all senior citizens unite, they can use their time, experience, skills and other resources as a mighty socio-political sword."

Measures suggested by the council to motivate the elderly include remaining active and interested in life, becoming involved in community activities and serving other people, being positive and retaining a sense of humour.

Mr Eckley also suggested that it was vital for elderly people to believe in themselves, stay in contact with people and remember the children.

He urged senior citizens to insist on the recognition of their rights and support other elderly people in their fight for change.

VAT puts a squeeze on homes for the elderly

ST Times 6/10/91.

PENSIONERS living in old age homes are feeling the pinch of VAT — and it hurts.

Once exempt of GST, old age homes are now being taxed at 6,8 percent VAT. and face extra expenses of up to R30 000 a month each.

Inland Revenue considers their services to be board and lodging rather than rent, and has levied the tax accordingly.

By RYAN CRESSWELL

The standard VAT rate of 10 percent has been cut by a complicated series of allowances, but this is not enough, said Mr Leon Ghavalas of the SA Association of Homes for the Aged, which is campaigning for zero-rating.

Mr Ghavalas, chairman of the association's VAT sub-committee, said: "People in an old age home often pay 90 percent of their income to the welfare organisations. Some of them only get a pension of R300 a month."

Many welfare organisations were barely able to survive on donations and subsidies, he said, and VAT could "send some of them to the wall".

"The finance minister gave an undertaking that welfare organisations would be no worse off under VAT than GST, but at present this is not the case," he said.

"Despite approaches to the minister there has been no reaction."

A spokesman for the VAT section of Inland Revenue said his office had considered welfare issues carefully.

Shielded

He said the Minister for National Health, Dr Rina Venter, was looking at relief for health care and that welfare organisations could apply for help from the R220-million Nutritional Development Fund.

The acting director of the Association for the Aged in Natal, Mr Merrill Pike, said: "A lot of our people are very poor and they were shielded from GST because our services were not taxed.

"Our organisation is trying to absorb VAT while we lobby for zero-rating. We think we can do it for the next two months at a cost of R20 000 a month."

Mr Ken Richardson, director of the Village of Happiness on the South Coast, said 600 of his residents would write letters to Finance Minister Barend du Plessis.

He said that until the minister relented, the home would have to pay R30 000 a month in VAT.

"Many of our clients earn less than R450 and pay up to a maximum of 90 percent of their incomes. We just can't ask them to pay VAT as well."

A PLAGUE ON OUR HOMES . . . Durban pensioners show what they think of Barend du Plessis's VAT Picture: HORACE POTTER

Pensions stopped if not reviewed

CT 15/10/91

Staff Reporter

BLACK pensioners who do not contact the Cape Provincial Administration about the review of their allowances by the end of next month will have their pensions cancelled.

This was announced yesterday by Mr T W Nyati of the Welfare Services division, who said it was a final warning to pensioners who had been notified in May of the need to have their pensions reviewed.

Backlog

The CPA started reviewing a backlog of 38 000 disability and maintenance grants in May 1991, when a notice was handed to all beneficiaries informing them that their pensions had to be reviewed and would be cancelled if this was not done by June 30.

Logistical problems had not allowed the review backlog to be completed by June, he said, as pensioners had to support their claims by a medical certificate from a state medical practitioner.

"The vast majority of beneficiaries promptly followed up the notice and their reviews have been completed. A number of beneficiaries have, however, not yet come to the fore," the statement said.

Domestic workers under the spotlight

PENSIONS for domestic workers are coming under the spotlight.

Government is considering incorporating the domestic worker sector under the Labour Relations Act and the Basic Conditions of Employment Act.

The financial services sector has presented several schemes to cater for retirement benefits for domestic workers, says First Bowring Consulting & Actuarial Services alternate director Deneys Mann.

Avoid

"But they all seem to avoid comment on the impact the benefits — pensions or lump sums from provident funds — will have on the state's old age pensions," he says.

Most domestic workers — coloureds and blacks — receive state pensions of R265 and R225 a month.

The state-run old age scheme is funded from taxes, some having been paid by the domestic worker's employer.

Any other pension, or lump sum, is taken into account in the means test and may reduce the amount of the state pension.

"If the employer makes provision for a domestic worker's retirement he may feel he has doubly funded his employee's pension through taxes and contributions."

The first-glance response might be not to bother, because the privately funded benefits would be cancelled out, partly or completely, by the means test.

Alternatively, eventual benefits should be so much better that the state offer is disregarded as an option.

However, Mann says the problem lies in the anomalies of the means test.

Penalised

"At the lower end of the personal finances hierarchy, prudent savings for old age is penalised — as are many other acts of prudence, such as taxation of interest on savings.

"Government should be encouraged to relax the means test to the point where employers will want to give just reward to what is often a lifetime of loyal commitment by a domestic worker," he says.

Employee needs will have to be recognised

EMPLOYERS will have to take greater account of the needs of different employee groups for pensions funds to reach their full potential, say employee benefits specialists.

Absa Consultants & Actuaries MD Ben Solomon says employers' paternalistic views on pension and provident funds are not acceptable to employees.

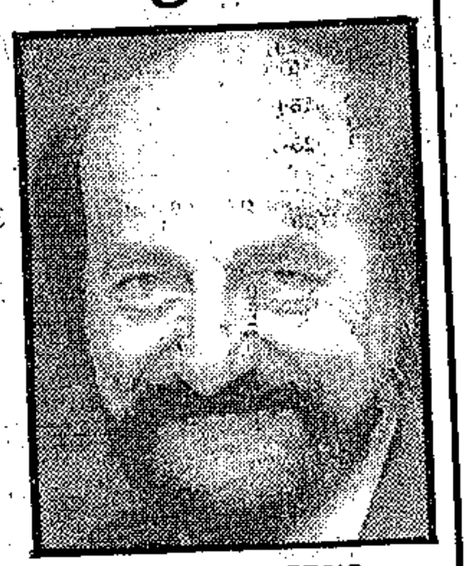
"Some employees want to have greater control of their own affairs, especially younger employees who could find the money purchase (fixed contribution) fund more acceptable."

While some complex issues are involved, the greatest would appear to be the lump sum available to the employee when he/she stops working, says Berns Block MD Arnold Berns.

Many employers fail to realise black retirees tend to go back to rural areas where postal and banking services are not available.

Contrary to belief, they do not squander lump sums on luxury goods but are traditionally settled and responsible.

Having been bred in poverty they have learnt the savings ethic and most have stable savings accounts and are not job hoppers like whites.



ARNOLD BERNS

Berns says it makes sense for employers to channel their black employees' retirement money into a provident fund.

Moreover, a provident fund should be tailored to meet the requirements of the black workers.

Berns says the objectives should be to:

- ☐ Make withdrawal benefits as large as possible;
- ☐ Achieve the maximum degree of flexibility — provision could even be made in certain circumstances for retirement before the age of 55;
- ☐ Foster a desire to stay on the job for as many years as possible;
- ☐ Structure the fund's investment portfolio in such as way that it would benefit the blacks of SA.

Business Day SURVEY

Legislation to simplify and codify the present Pensions Act is under consideration and will be tabled early next year. Draft proposals call for measures to prevent the misappropriation of contributions by intermediaries and the adoption of a set of rules applicable to all funds. ***LYNN CARLISLE*** *reports.*

Amendments to regulations can improve returns

300

BD Bday 16/10/91

AMENDMENTS to the retirement industry's investment regulations should enable pension and provident fund administrators to improve returns for members and sponsors of funds.

Describing the new regulations as providing greater investment freedom, Life Officers Association pensions, legal and technical sub-committee chairman Chris Newell says funds now have greater exposure to growth assets.

Increase

Funds may increase their equity holdings from 65% to 75%, while exposure to property has been reduced from 30% to 25%.

Of further significance is that the changes allow funds more opportunity to build up growth asset exposures in an illiquid Johannesburg Stock Exchange.

This is made possible as funds may also invest up to 15% of their assets in equities with a market capitalisation in excess of R2bn.

It is noteworthy, however, that no mention has been made of regulating exposure in new generation investment instruments such as options and futures.

Old Mutual GM, employee benefits, Garth Griffin says the most significant aspect of the amendments is the greater measure on investment flexibility allowed.

"Although retirement funds can now invest in assets to match the nature of their liabilities more effectively, with this greater freedom of investment discretion comes the responsibility not to take hasty decisions."

Sage Life, employee benefits, executive director Colin Tomsett says pension fund trustees and managers have become more sensitive to the investment performance of their funds over the years.

"Our role as fund managers is to provide superior investment performance over the longer term and to aim at making investments grow faster than inflation."

COLIN TOMSETT

According to an independent survey published by First Bowring, all 11 funds sampled produced inflation-beating return over the 10 years to March 31, 1991.

The lowest return was 18,7% while the highest — Sage Managed Fund — was 22,2%, with inflation at 13,01%.

'SOCIALLY USEFUL' SCHEMES WILL NOT FIND VOLUNTEERS

CALLS for retirement funds to be channeled into "socially useful investments" would find little voluntary favour from life assurers and fund trustees.

This response follows an appeal by ANC secretary general Cyril Ramaphosa at a recent Alexander Forbes seminar for assets held in retirement funds to be mobilised for the advantage of members of those funds.

It would place the emphasis away from maximising returns to maximising job opportunities, housing development and promoting education, says Alexander Forbes Negotiated Benefit Consultants joint MD Peter McCulloch.

"No assurer wants to be the first to introduce an element of socially useful investment into the high profile portfolios, the returns on which are highly publicised."

Lower

Social investments are likely to generate lower-than-average rewards and it thus seems unlikely that, without legislative impetus, the views would be taken up by investment managers.

Apart from Ramaphosa, Finance Minister Barend du Plessis has also suggested pension funds consider job creation investments via the Small Business Development Corporation, the Development Bank of Southern Africa and the Independent Development Trust.

Fedlife Industrial Pensions GM Dick Otto says pension fund trustees are wary of advancing money where — due to growing lawlessness, bond boycotts and unrest — they may have to repossess many houses.

However, McCulloch says before legislation is passed to compel assurers and other investment managers to invest in socially desirable areas, a trend may emerge from one part of the pension industry.

Standards

"Those few pension/provident funds with employee trustees on their boards could set the standards for future investment policy.

"In particular, provident funds implemented by negotiation between unions and management could find themselves leaders and innovators in investment management.

He says the emergence of these funds has already had an impact on the way employers view their employee benefit arrangements.

"Similarly, we will begin to see a shift from investing purely to maximise returns.

"Instead, investment managers will be told to place some funds in areas which will benefit society at large by improving living standards for the majority.

While overall investments may fall, McCullugh says members of those funds could be happy to contribute in this way to the wellbeing of the community.

Need to nominate beneficiaries

IN VIEW of a recent change to the Pension Funds Act, fund members should update their beneficiary nominations for the day death benefits are paid out from their schemes.

The need to nominate a beneficiary applies to all pension, provident and retirement annuity (RA) funds.

Berns Block employee benefits manager Steve Mangold says this is important where a pension fund member has no dependents.

Failure to update could result in pension benefits becoming payable to an estate, with benefits likely to be lower than those payable to dependents or nominated beneficiaries.

"It is important to nominate dependents as beneficiaries in specified proportions, if the appointed fund manager is not allowed to decide on the split of the benefits.

"If you have dependents, but elect a nominee as a beneficiary, your dependents will share in the benefits regardless of your nomination," he says.

Financial Services Board deputy executive officer André Swanepoel says a proposed 1992 amendment is that the benefit due to a nominee may also be paid to a trustee on the nominee's behalf.

Mangold says while a fund member is free to nominate anyone as a beneficiary, his/her dependents take priority.

A dependent is defined as:

☐ A person whom the member is legally liable to maintain;

☐ The spouse of a member and a person whom the member is not legally liable to maintain, but who is dependent on him/her for support;

☐ Anyone the member would have been liable to support had he/she not died.

Thus, dependents include an ex-wife receiving maintenance and their children, as well as children borne out of wedlock for whom the member has paid maintenance, and an unborn child.

STEVE MANGOLD

Mangold says where a member has dependents, but has designated a nominee to receive death benefits from his fund, they will automatically be distributed to both the dependents and the nominee.

Pension fund industry

Revised Act will improve control of retirement funds

B/Day 16/10/91.

PENSION fund members stand to benefit from improved administrative and management control of retirement funds after the submission of a fifth draft Bill for a revised Pensions Fund Act in 1992.

These proposals stem from the combined findings of the Mouton commission and the new Pensions Advisory Committee, while more could flow from individual fund administrators and trustees.

Financial Services Board (FSB) director Piet Badenhorst says legislation to simplify and codify the Pensions Act is under consideration and will be tabled early next year.

Among other issues, draft proposals call for measures to prevent the misappropriation of contributions by intermediaries and the adoption of a set of rules applicable to all funds.

He says one also needs to distinguish between retirement annuity (RA) funds and other funds in order to prescribe a more effective way for the remittance of members' and employees' contributions.

CHRIS NEWALL

The proposal also brings transfer values within a seven-day period for payment from one fund to another and makes provision for reporting non-compliance by the principal officer of the fund.

From an industry perspective, Life Officers' Association pension and legal sub-committee chairman Chris Newell says some of the key features of the fifth draft include the need to:

- ☐ Clearly define the role of a professional fund administrator;
- ☐ Prescribe what rules pension and provident funds must follow.

"As there are concerns about controls following instances where money from funds has been misappropriated, the Registrar of Pensions has seen a need for all fund administrators to be approved by the Financial Services Board," says Newell.

FSB deputy executive officer André Swanepoel says provision has been made for the registration of two types of fund administrators — benefit administrators and investment administrators.

"It will be an offence to carry on the business of an administrator if not so registered."

Swanepoel says some other objectives of the proposed 1992 amendments include the need to remove the distinction between various categories of funds and establish only one kind of fund.

It is also necessary to limit to three the possible exemptions from the Act that may be given to funds.

In determining the value of members' benefit for transfer to another pension fund, or the liquidation of a fund, it is important reasonable benefit expectations be taken into account.

"These amendments endeavour to protect the vested benefits of members in cases of amendments to rules, amalgamations, acquisitions and the dissolution of funds — either voluntary or through court action.

"More and more case of asset stripping of funds by employers occur and the present Act does not provide adequate protection to the vested rights of members," says Swanepoel.

Spread of AIDS will impact on costs and payouts

B/Day 16/10/91

AIDS is spreading rapidly and will impact on pension/provident funds and assurance policies as the disease changes mortality estimates.

Set to threaten the contractual savings of everyone, payouts by pension funds may be reduced and life assurance become more costly.

The problem could apply equally to existing fund members and policy holders, whose fund contributions and premiums stand to be increased, as well as to people taking out new cover.

Old Mutual assistant GM, employee benefits, Chris Newell says the effects of widespread AIDS on pensions could bring about a reduced cost in the retirement benefits offered by the fund.

"On the other hand, the cost of death cover would go up, while there may have to be some restructuring of these benefits."

Newell, who chairs the pensions and legal subcommittees of the Life Officers' Association and Institute of Retirement Funds, says it may be better to convert a lump-sum benefit into a widow's benefit.

"This meets the needs of the widows and could give a lower cost."

The widow of a man who dies of AIDS may have a shorter life expectancy as she may have contracted the HIV virus from him.

Impacts

Meanwhile, current models indicate that 10 years from now one in four adults could be an AIDS carrier.

Fedlife Industrial Pensions (FIP) actuary Vivian Cohen says if AIDS impacts as heavily as suggested, many now in the sexually most active 20 to 40 age group may not enter their pension years.

"Pension fund managers may face cost escalations and some anti-selection as those who realise they are infected enter an industry to get the protection of their group benefit schemes."

First Bowring Consulting & Actuarial Services alternate director Deneys Mann says many employers require a negative HIV test as a pre-condition to entering their employ.

"Pension and provident funds may follow suit."

Southern Life, employee benefits, senior manager Don Brown says the increasing incidence of AIDS-related claims in future would require careful determination of premiums.

"On current projections for AIDS sickness and deaths, the average cost of death benefits to a company providing these would have risen four-fold by the year 2000."

The cost of disability claims is also be expected to quadruple by then, says Brown.

"This increased cost of death benefits will mean companies must reallocate funds from retirement benefits, resulting in smaller pensions — unless employers pay more into pension funds."

Deregulation threat to industrial councils

300

THE South African economic deregulation process could adversely affect the pensions role performed by many industrial councils, says a leading insurer.

Fedlife Industrial Pensions (FIP) division GM Dick Otto says deregulation could weaken the present council pension system.

"Deregulation will result in a weakening of the negotiating forum between the employer organisations and trade unions that make up industrial councils, with the possible consequence of retirement funds even being ignored to the employees' detriment." Bidas 16/10/91.

He says industrial councils probably provide the only viable system for making adequate provision for an itinerant work-force.

Fedlife's concern stems from having done business with more than 30 industrial councils over the past 50 years and because it makes monthly payments to well over 10 000 pensioners.

"If the present system is weakened it may be difficult to ensure provision of adequate pensions for future pensioners," he says.

Retirement provisions need to be calculated

LOOK hard at your retirement provisions to ensure you know what they will be worth, say experts.

Liberty Life, group benefits, assistant marketing manager Steven Wright says it is possible to use the proceeds of a provident fund to buy a pension which is only partly taxable.

However, regular payouts from a pension fund are taxed in full.

"Those in favour of pension funds say they are superior because employee contributions of up to 7,5% of salary receive income tax relief while contributions to a provident fund attract no tax relief."

But this lack of tax relief has to be weighed up against the benefit of receiving a large cash lump sum.

Further, the Receiver will allow such employee contributions as an equivalent increase in the tax-free portion of the cash retirement benefit.

Insists

Wright says employers should not be unduly concerned that their employees might squander their cash retirement benefits.

"One may include in the rules of a provident fund a clause which insists a retiring member's benefit be used to purchase a pension."

The greatest factor favouring a pension fund, however, is the pensioner is assured a guaranteed income, payable at regular intervals, for life.

"The rule allowing only one-third of the benefit to be commuted for cash prevents an undisciplined pensioner from squandering his/her nestegg, possibly leaving the individual reliant on the state."

Consider also that pension and provident fund contributions and subsequent retirement benefits are based on salaries and certain cash earnings alone.

They exclude bonuses and perks, says Pride Financial Planning joint MD Bryan Hirsch.

Long-term goals need planning

THE time has come to re-examine the long-term purpose and preservation of retirement benefits.

Hoskens Employee Benefits MD Rob Davey says employers, employees and trade unions and government need to establish a modus operandi to ensure goals are attained and to reconsider compulsory preservation of pension benefits.

This is despite the failure of similar attempts 10 years ago due to mistrust by blacks of motives for withholding their funds.

"Since then, hundreds of millions of rands have been refunded to individuals which should have been retained for their retirement years."

Davey says when people join pension or provident funds they are generally unaware that they are embarking on potentially the most important long-term savings programme they will undertake.

"But the trend towards high staff turnover is causing this particular form of personal wealth to dissipate at an early stage of an individual's career.

Missing (300) 8 | Days 16/10/91

"Very often, one deals with more mature employees who realise too late that the contributions they used in earlier years for short-term needs are missing from their retirement programme."

Despite the fact that refunds from pension and provident funds are taxed, individuals are prepared to pay this penalty in order to have ready cash.

He says there is a need for all parties to refocus their attention on why retirement planning is so necessary, and to seek alternatives to the release of portions of the capital during the individual's working lifetime.

Davey says there are a number of options where proceeds are untaxed and may be fully preserved.

In most instances, employees can transfer their pension or provident fund proceeds to another employer when changing jobs.

Alternatively, individual retirement annuities (RAs) can accept single premium payments.

Finally, they may leave the funds with the original pension fund as a "paid up" benefit.

Traditional plans are in need of a re-think

Business Day 16/1-10/91 (300)

DYNAMIC re-thinking of traditional pension plans is required as modern employees expect more in return for their contributions.

For too long, the traditional pension benefit attached to employment has been accepted without too much forward thinking or examination.

However, Dewar Rand Life & Pensions director Tim Wain says these schemes are being put under the microscope and employees today expect:

☐ More withdrawal benefits;

☐ Greater flexibility in the way retirement benefits are paid;

☐ An option to defer their retirement funding in favour of direct remuneration for more pressing needs;

☐ Employers contributions that form part of their remuneration package

Absa Consultants & Actuaries MD Ben Solomon says not only is there a tendency amongst pension funds to convert pension funding from provident funds, but companies are changing their retirement benefits.

Pension funds are changing the 'final salary' benefit — the so-called fixed benefit basis — to the money purchase or 'fixed contribution' basis.

"This trend is expected to strengthen," says Solomon.

Wain says retirement planning will continue to experience changes as modern and productive concepts take hold.

Pensioners demand pay

Sowetan 17/10/91. (300)

DOZENS of pensioners yesterday protested outside the offices of the TPA in Johannesburg and on the East Rand following non-payment of their R225 monthly grants.

The protest took place outside the TPA offices in Albert Street, Johannesburg.

By IKE MOTSAPI

The pensioners - some in wheelchairs - gathered at the offices as early as 10am. They were angry because their monthly social pensions had been suspended without their knowledge.

In Wattville and Daveyton on the East Rand angry pensioners went to the offices of the TPA to demand an explanation of why "they were not paid their money," according to Mrs Gertrude Ntaka, of the Wattville and Daveyton Advice Centre.

The assistant director general in charge of social pensions, Mrs S Berg, confirmed there "were problems at some of the TPA offices yesterday."

"I want to make it clear that this was not done intentionally. The problem is that some people are still using the old ID documents which causes a lot of problems when we process the payouts."

Pensioners warned on their ages

By IKE MOTSAPI

Sowetan

PEOPLE who qualify for old-age pension grants should make sure their date of births are reflected correctly in their ID documents, a TPA consultant warned yesterday (300)

Mr Nigel Mandy said people, whose ages are incorrectly reflected as "being young" although qualifying for pension, will have their grants suspended.

Mandy's warning comes amid widespread complaints and dissatisfaction by pensioners who have had their grants suspended because they were regarded as "being young." 21/10/91

On Wednesday, dozens of angry pension protested outside TPA offices to demand clarification on why their grants had been terminated.

Mandy explained that the problem had been caused by the introduction of the new identity documents.

'Elderly must provide for increased medical aid costs'

BPay 2/11/91 · LINDA ENSOR 300

CAPE TOWN — Sanlam has predicted that older people, particularly pensioners, will be paying far more for medical aid cover in future and need to take precautionary financial steps now.

Sanlam senior group benefits GM Walter Scheffler said subsidisation of older members of medical aid schemes by younger members would become a thing of the past when medical aid societies began introducing differentiated rates.

Speaking at an Institute of Life and Pension Advisors function at the weekend, Scheffler said: "I think it is very likely that this will happen because of the high cost spiral which will create an unwillingness among employers to continue paying high medical aid rates.

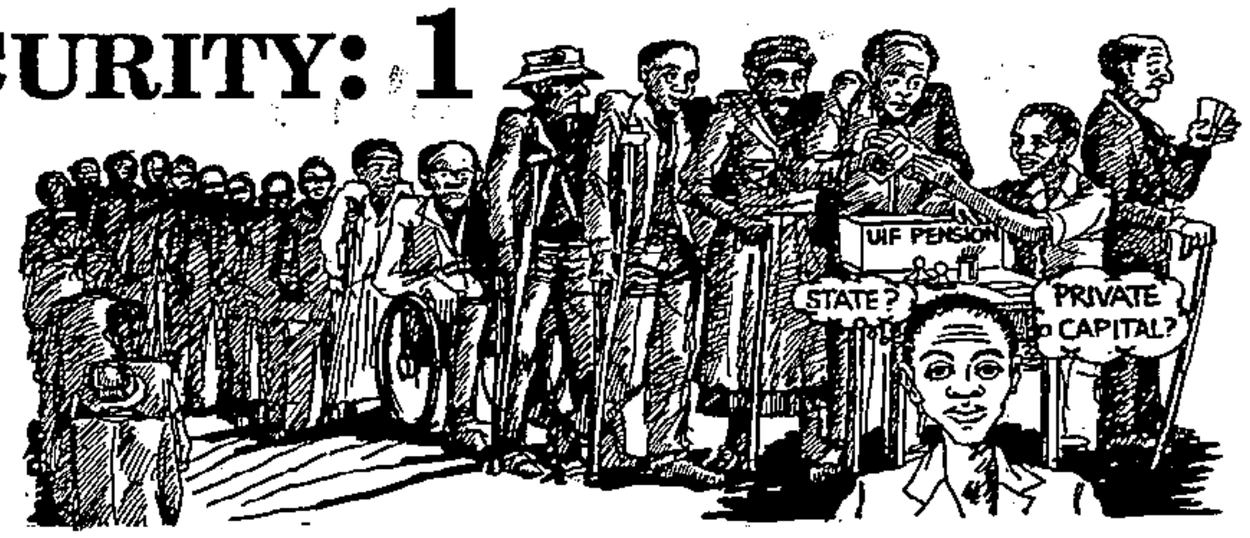
"Economic reality will dictate the introduction of differentiated rates ..."

Medical aid societies offering differentiated and, therefore, lower rates for younger people would tend to attract the cream of the medical aid scheme membership, leaving other societies with the burden of covering the old and sick.

Legislative changes in 1989 made provision for differentiated rates, he said.

POLICY

Social Security: 1



New Nation (heavy Nation)

Social Security For All!

25/10 – 31/10/91. (300)

Mass organisations are seeing a need to take up struggles around social security issues like unemployment and retirement. This is not a sudden development. In 1983 workers embarked on spontaneous strikes in many areas over the government's proposal to freeze pension fund contributions. This would have meant that workers who lost their jobs would not get refunds of their contributions until they reached retirement age. But workers argued that most of them do not reach retirement age - only 1% of black workers actually reach retirement age. The strikers also argued that is when they are unemployed that they actually need the money most. The retirement money is also too little to live on anyway. Finally, the state withdrew this proposal.

Current Social Security Demands

A the moment workers' organisations like Cosatu are making their own proposals. They have demanded that a Living Pension should be paid by the state to everyone. At Cosatu's recent Fourth Congress they called for the state old-age pension to be equalised immediately on a non-racial basis. Here are some of the other calls Cosatu has made around social security:

* We oppose the decentralisation of state old-age pensions to bantustan governments. There should be one single scheme for all South Africans.
* We call for better access for pensioners to receive their pensions, and more information to be available to everyone to help people claim their state old-age pensions.
* All state employees should receive the same benefits. Presently higher-paid workers have much better schemes. Usually it is white, coloured and Indian public servants who are given these benefits, at the expense of the mass of lower-paid workers and black taxpayers who provide most of the money.
* People with temporary jobs should get the same benefits as permanent workers.
* We call for one national provident fund in each industry, rather than separate funds in companies. Most workers only keep their jobs between four and seven years so they never build up enough reserves in any one fund to make up a sufficient pension.

These national funds should be controlled by workers because most of the money comes from workers' contributions. Workers want to be able to invest this huge pool of money in worker colleges or whatever their social needs might be. There was an estimated R7 528 million just in contributions in 1986; about R4 386 million was paid out.

Workers are also calling for a **Living Unemployment Insurance Fund** benefit. This would then provide for households where the breadwinners have no job and are too young to qualify for pensions. The state should extend the existing programmes of public works e.g. building roads.

Other benefits include illness, maternity, dependants' and adoption benefits.

This fund covers less than 46% of the population. Domestic workers, casual workers and farmworkers are among those excluded. (This figure does not include the bantustans or it would be lower still.)

The number of workers employed in state job creation schemes is dropping: from 30 121 in 1985/86 to 10 988 in 1987/88.

Other, similarly administered, state benefits which you can claim include a blind pension, a war veteran's pension, a disability grant, a parents' grant, a foster-care grant and a children's grant.

The demand for a Living Unemployment Fund looks at the more than six million people who are unemployed, or about 43% of the economically active population. Most of these people are young, including work seekers who have never had a job. This unemployment rate is rising at the rate of one million every three years. So, we can see that the economy is going to have to change very radically to provide all the jobs that are needed.

It is also very difficult to claim Unemployment Insurance Fund when you lose your job. There are many forms. Claimants have to wait at least two months and the money is less than half of what you were earning when you had a job. You will only receive one week's pay for every six weeks you worked, up to a maximum of six months. You also have to prove that you are looking for a job.

Current Old-Age Pension Schemes

Mass based organisations are presently struggling against a system where the state old-age pension is different for Africans, coloureds, Indians, and whites. For black pensioners, claiming pension money is hard. People have died waiting in pension queues outside in the cold or the heat or the rain. Pensioners are robbed. Clerks defraud pensioners. Most banks and building societies will not open accounts for pensioners, because pensioners are forced to withdraw their money almost immediately. For most white pensioners, the money is paid into accounts or sent to the post office.

There are also huge race-based differences in the provision of other facilities for housing and feeding the old, ill or the young.

State Policy

From the time of the tricameral Parliament in 1983, the state has responded to its ongoing fiscal crisis by trying to shed responsibility for pensions and unemployment benefits. It has called for the private sector and individuals to take over responsibility for providing for retirement. The government says that private agencies should take over social welfare programmes such as feeding schemes and creches for children. The state wants social security schemes to be privatised.

The state is also persisting in dividing people by race. Pensions and unemployment benefits are different, and administered differently, according to the race to which you are alleged to belong. More recently the state has been saying that each community must provide for its own, according to their accepted standards. This comes to the same thing: the old and workless in squatter townships will suffer compared to those in retirement villas or drawing civil service pensions in the suburbs.

Even after February 1990, when De Klerk's government pledged itself to pay R2 billion to schemes to share out the country's wealth, nothing has changed. Again, as the state puts the squeeze on workers through the new 1 October Value Added Tax (VAT) on most goods and services, the state is promising to "redistribute" more money to the poor. Recent estimates say this would come to about R2,25 per household per month, or barely enough to buy two loaves of bread. This is if the money even reaches most poor township families.

The Minister of Finance said in his Budget speech last year that 40% of the Budget would be devoted social services like education, health, housing and welfare. Where did it go?

Businesses are not accepting this handover of state responsibility. Many bosses refuse to negotiate provident funds. In the chemical industry, workers in some companies have fought strikes of over two months long without winning a national industry-based fund. Most bosses are rejecting the right of workers to fight together on a national level, and bargain for social security benefits centrally. Employers are also rejecting industry level funds which would cover the unorganised.

Instead the majority of bosses are attacking workers daily through retrenchments to keep their profits up. We also know that bosses are retrenching workers to keep their profits up.

Who does the state care for?

You try answer this question based on your daily experience. You might like to think about how Workmen's Compensation works. The laws largely operate to protect bosses; e.g. by preventing workers from taking legal cases against their employers when they are injured on duty. Racial discrimination on social security benefits is built into the laws. The laws also penalise most workers e.g. unemployment and Workmen's Compensation benefits are never enough because they are directly linked to incomes and therefore for most black workers they are calculated on less than half of already low wages. Under this system of apartheid capitalism, we have a situation in 1987 where the Africans who were 74% of the population earned 27% of the income, while the whites who were 14% of the population earned 62% of the income. We think we need a system where benefits are the same for everyone and are linked to the cost of living. What do you think? We will have more on Social Security next week.

Grannies didn't get a cent

By LULAMA LUTI Cipres 27/10/91

MORE than 500 pensioners in Wattville near Benoni stand to have a miserable and penniless Christmas after their pension funds were suspended two weeks ago, without prior notice.

Following a decision by the local office of the Transvaal Provincial Administration, most of the grannies were sent back home without a cent because their IDs were said to have been faulty. 300

The IDs allegedly reflect wrong ages and therefore most of them do not qualify for the monthly state pension of R265.

Daveyton/Wattville Advice Centre chairman Getty Ntaka confirmed almost half of the 1 600 pensioners in Wattville were turned away from pay points because their IDs reflected wrong ages.

"The grannies were not told earlier that they had to rectify the ages in their IDs. Their monies were simply suspended without notice."

TPA assistant-director for pensions Jalette Steinberg was not available for comment.

Wassenaar's last blast on State pension funds

S/Times (Buss) 27/10/91. 300

THE death of former Sanlam chairman Andreas Wassenaar saved Finance Minister Barend du Plessis from further criticism of Government pension funds' deficits.

Dr Wassenaar died while drafting a second letter to Mr Du Plessis. Business Times has a copy of the half-completed letter which Mr Du Plessis did not receive.

In February this year, Dr Wassenaar wrote to Mr Du Plessis, asking him why the multibillion-rand actuarial deficits on the State pension funds were not included in published State debt.

He also asked for a list of the Members of Parliament and Office Bearers Fund set up under Act 112 of 1984, together with details of each member's salary and other particulars. He had been unable to obtain such a list from a former Health Minister or from G P C de Kock, secretary for Parliament.

Acceptable

The fund for MPs and office bearers is completely unfunded. Benefits are paid directly by taxpayers. Members qualify for pensions after only 12 years' service. The number of persons qualifying is thought to be expanding rapidly as homelands, provincial and city councils have launched similar schemes.

Mr Du Plessis replied on April 30 that the internationally acceptable definition of State debt did not include actuarial shortfalls on pension funds.

He said the State pension funds were being brought into line with those in the private sector and that a committee of experts would advise the Government.

Mr Du Plessis declined to give a list of members of the MPs pension fund, but said that article 3 of the Act defined members. He added that members of the executive committees of the provinces were also included.

Business Times Reporter

Mr Du Plessis said only the Speaker of Parliament had the prerogative of disclosing MPs' salaries.

The Government was investigating its pension funds with the consulting actuary and this would take some time.

In his second — unposted — letter Dr Wassenaar asked to be excused for his critical comments.

He wrote: "To publish the State debt and to omit the shortfall on pension funds gives a wrong impression of the State's financial position."

Useful

His question about members of the MPs pension fund had been misinterpreted. The definition of office-bearers did not help.

"My point is that somewhere a list must appear which gives the particulars about each member — his name, date of birth, date of election or appointment and present salary. The correspondence which I have already had implies that no such record exists."

Dr Wassenaar said self-governing states had passed legislation entitling their members of parliament and office-bearers to pension rights similar to those of the SA Parliament. In one state, tribal chiefs had successfully claimed inclusion.

"The financial obligations thus being built up will have to be met by future taxpayers."

Dr Wassenaar said the actuarial investigation proposed by Mr Du Plessis would be useful only if the consulting actuary was instructed to estimate the liabilities incurred under schemes set up under Act 112 of 1984 and similar legislation.

"Excuse my comments on the appointment of a committee of experts. A person who is not a qualified actuary cannot be regarded as an expert on pension funds. In the committee there are only four experts and two should not have been appointed.

"One is a public servant with a personal interest and the other one is the consulting actuary. He works for the State in his advisory capacity ... By his appointment on the committee, he compromises himself as consulting actuary.

"The other members of the committee are apparently experts in many areas in which I am ignorant, but are not trained to make authoritative decisions about pension funds."

Dr Wassenaar complained about the legacy of pensions for city councillors left by former minister Chris Heunis. He said that with the exception of mayors, councillors worked part time. Their pensions were calculated on income that was not taxable because it was intended to compensate councillors for costs. Councillors' pensions should also be subjected to actuarial evaluation.

Crusade

"To give you an idea of the possible financial implications of the schemes, I examined the city of Cape Town's pensions for existing councillors' past service. The council approved pensions for past service which, according to them, would cost the ratepayers of Cape Town R1,7-million.

"According to my calculations, the cost to the Cape Town ratepayer will be more than R20-million if their so-called non-taxable salaries and pensions rise at 15% a year."

Dr Wassenaar's death brought to an abrupt halt his one-man crusade to get the funds into line with those of the private sector.

Because of excessive benefits — notably public servants' ability to buy back notional service — and inadequate contributions and returns on their investments in gilt paper, the Government Service Pension Fund's actuarial liabilities exceeded its assets by R23-billion in 1988.

In addition, the Sats pension fund was R6,3-billion short of its liabilities and that of the Pension Fund for Associated Services R3-billion — a total R32,2-billion.

Dr Wassenaar estimated the deficits had grown to R42,6-billion by March this year in spite of two ad hoc contributions of R1-billion each in Mr Du Plessis' 1990 and 1991 Budgets.

Defence

Dr Wassenaar's strident criticism forced the Government to deal with the issue.

The State's major reform has been to increase amounts paid by taxpayers into the funds. Although most private-sector employers contribute 12% of an employee's salary, the State pays 21%. Taxpayers' contributions have risen by R2-billion to R8,5-billion annually in the past two year.

Contributions to State pension funds rank not far behind education, defence and interest as a cost to taxpayers.

The State has also reduced buy-back benefits and authorised trustees to buy shares and property to improve yields.

IDC sheds Sasol portion to state pension fund

(300)

ET 1/11/91

By BRENT VON MELVILLE

JOHANNESBURG. — The Industrial Development Corporation (IDC) has formally announced the disposal of one-third of its holding in oil and chemical group Sasol to the Government Service Pension Fund for about R950m.

The disposal, effective yesterday, sees the pension fund acquire 56-million shares in Sasol, or 10% of the issued share capital, for an effective R17 a share. Sasol closed yesterday down 75c at R19,25.

IDC senior GM Malcolm MacDonald said yesterday the sale would unlock funds for use in other project developments, as estimated cash flow alone for the coming year would not be enough to fund planned projects. The IDC has committed itself to investing R10bn over the next five years to projects worth about R30bn.

MacDonald said the IDC had been sensitive to the expectation by existing Sasol shareholders that the stake would be sold through a rights offer.

"At the time of the issue of the Sasol prospectus in 1979, it was envisaged that Sasol might have to create and issue additional share capital to the IDC in order to acquire the state's 50% holding in Sasol II and III.

"In terms of the prospectus such shares would have had to be sold by the IDC via rights offers," MacDonald said.

"But since Sasol purchased Sasol II shares by way of a rights issue out of its then existing unissued authorised share capital, and the purchase of Sasol III without the further issue of its own shares, there is no obligation to the IDC to sell by way of rights issues."

Finance Minister Barend du Plessis said government was confident that this was an excellent deal for all parties concerned.

MacDonald said further sales of the IDC's remaining 114-million Sasol shares would be made in line with its capital requirements, and would probably be hived off in a similar manner.

Other holdings include a 16% stake in Iscor, lesser holdings in Sappi and Sentrachem, and controlling stakes in both Industrial Selections (Indsel) and National Selections (Natsel).

Megabuck projects

Proceeds from the sale would go towards six multibillion-rand projects in the pipeline.

They included the R2,5bn Columbus stainless steel venture, for which the IDC would provide about R1bn financing, the new Alusaf aluminium smelter for about R1,5bn, the R4,5bn "cracker" plant to be built at Mossgas, Foskor's new R1,5bn potash project to produce alumina, and financing for the Sappi expansion at Saiccor.

About R160m would also go towards Sasol's recently announced acrylic fibre plant, and MacDonald alluded to another project under consideration — a joint venture involving paper producers Sappi and Mondi.

RETIREMENT SCHEMES

Moving to St James

With Masterbond's collapse, leisure property has almost certainly edged ahead of retirement villages to the top of the public's negative perception list of questionable investments. This may have an indirect effect of rehabilitating the industry's battered image after fiascos like the virtual collapse of the Helderberg and Silvermine retirement schemes (*Property* March 16 1990).

There is apparently strong demand for retirement property — but very little coming on stream at present. Part of the problem is the development and financing constraints imposed by the 1990 Housing Development Schemes for Retired Persons Amendment Act which knocked so many potential developers out of the market.

Carl Scheppening, Cape Town-based executive director of Russell Marriott & Boyd Trust (RMBT), says a developer needs financial muscle to meet the Act's conditions. Purchasers' funds could previously be used to finance development, but must now be paid into a trust account and can only be drawn down if guaranteed by a financial institution.

The restrictions and bad publicity appear to have improved the quality of new schemes and focused developers' minds on the identification and elimination of possible pitfalls.

Scheppening says this is the approach at RMBT's current retirement development at St James on the False Bay coast. Called simply "The St James", it is being established in a renovated hotel of that name and seems destined to be one of the most upmarket schemes of its sort in SA.

In essence, it will be like a luxury residential hotel in which the guests own their suites. Prices for the 61 units range from R85 000 to R375 000. Levies are high — R1 300 to R3 600 a month — but include all meals and full daily servicing of the suites. There is also a fully equipped frail care centre and trained nursing staff. The development is clearly aimed at a particular type of purchaser — wealthy people who want pampering and companionship — and an investment with good resale value.

Scheppening says two of the main problems facing developers of retirement schemes have been carefully addressed. These are the capital structure and levies.

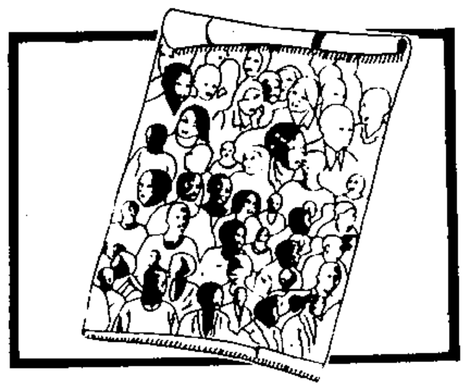
The property was bought for R3,2m last year by a group of investors headed by RMBT and then syndicated. It is unbonded. Renovations costing about R3m have been financed by a bank loan which will be fully repaid when 14 of the units are sold. The shareblock company set up independently of the development company has no debt.

The units will be sold on shareblock mainly to get the project on to the market as quickly as possible. With the majority support of shareholders it can be converted to sectional title.

To stabilise levies, the developer will pay R60 000 into the shareblock company's levy fund as a reserve for the first year and will underwrite shortfalls in the first two years. In fact, Scheppening says these are unlikely. The R1,4m annual levy budget is based on detailed calculations. In addition, 25% of profit on resales must be paid into the levy fund.

He agrees that the timing of the development may appear bad because of the state of the economy and negative perceptions of the industry. This is reflected in the careful consideration potential buyers are giving to their decisions. But Scheppening says the product is good and has appeal for a relatively small market segment. ■

POLICY DEBATES



SOCIAL SECURITY 2

New Nation (Learning Nation) 1/11-7/11/91 300

Last week we looked at all the problems related to social security in this country. This week we are going to look at some of the demands that are being made to change the situation. We also need to think about how we make sure these demands are part of the new South Africa.

The present South African government expects the capitalists and the private sector to sort out the crisis around social security. The state-appointed Meiring Commission, largely supported by the present commission in progress, the Mouton Commission, sets out six principles for a South African pension system;

- The state must reduce its liability to provide old age pensions, except for people who are totally unable to provide for themselves.
- The private sector must expand its role.
- Individuals and their employers must be encouraged to become "self-reliant" and make retirement provisions for themselves.
- People should have a number of options from which to choose when they retire.
- Individuals should be encouraged to "preserve their interests" in pension funds, i.e. to voluntarily freeze their benefits.
- The state should provide a minimum pension.

The commission concludes that the burden of providing pensions should fall on the private sector.

We can see very clearly that the six options that the state are offering will not help that majority of people. Only people who can afford to put money aside for their own retirement might be secure but they are also threatened by economic policies leading to a fast-rising cost of living. The state's programme of public works, in the way it is presently planned and carried out, has not helped the problem of unemployment.

WHAT ARE THE MASS ORGANISATIONS SAYING?

Mass political organisations are calling for a different approach:

- The **ANC's 1952 Freedom Charter** says:

"The rights of the people shall be the same regardless of race..."
"The state shall recognise the right and duty of all to work, and to draw full unemployment benefits."
"The aged, the orphans, the disabled and the sick shall be cared for by the state."

- The **ANC's draft Constitutional Guidelines** say:

"...the state shall have the duty to protect the right to work and guarantee the right to ... social security."
"The private sector of the economy shall be obliged to co-operate with the state in realising the objectives of the Freedom Charter in promoting social well-being."

- The **SACP's draft Workers' Charter** says:

"Every adult person has a right and duty to work and to receive remuneration according to his/her contribution. The new state shall, as a matter of priority, work to create economic conditions in which jobs are available to all. Until this is achieved the state shall ensure that social support is provided for the unemployed and the members of their families."
"All workers shall be entitled to unemployment benefits, which will take into account all the basic needs of the worker and
his/her family. Unemployed workers shall be the responsibility of the state and will be fully supported."

- The now-defunct **SACTU's draft Workers' Charter** said:

"Unemployed workers shall be entitled to unemployment benefits, which will take into account all the basic needs of the worker and his/her family. Unemployed workers shall be the responsibility of the state and will be fully supported."
"Pensioners shall be the responsibility of the state. Male workers shall be eligible for pension at the age of 60. Those doing strenuous work shall be eligible for pension at 55."
"Families of those injured at work and injured workers themselves shall be fully compensated."
"Women workers shall enjoy equal rights as full participants in the economy of our country."
"Childcare shall be available for the children of working parents."

These positions and others form the background to the main positions in the mass movement today.

(**COSATU** and **NACTU** also have positions and resolutions on many areas of social security. It is important that you ask your union office for a copy of the resolutions in order to study them. You will then be able to give your opinion in your local or branch structure.)

WHAT IS HAPPENING IN OTHER COUNTRIES?

The state's proposals on social security are similar to patterns developing in other countries. For example, in Britain there is a shift away from state social security as a right to receiving benefits only if individuals can prove they have no other means of support. Increases in state pensions once linked to either the price of goods or wages, whichever had gone up the most, are now determined solely by the state. Fewer people are eligible for benefits as new rules make these more difficult and time consuming to claim.

If we look at comparative rates of benefits, we see that in South Africa unemployment benefits are totally inadequate. Those who do receive benefits get at most 45% of their earnings for six months but most don't qualify at all. For example, if you haven't worked 13 weeks in the last 12 months, you don't qualify. This includes people who have never worked, like people just out of school.

Currently, all the benefit money which workers can claim comes out of their UIF contributions, ie out of their own pockets - and now the state is intending to reduce their contribution to the national fund altogether!

But in other countries this is different:

- in Chile, the unemployment benefit is 75% of the wage the worker was earning. This can be for up to 12 months. The government bears the entire cost of the benefits.
- in Australia, the state also pays. The unemployment benefits are adjusted twice a year to allow for price increases.
- in Brazil, the unemployed get benefits amounting to 80% of the legal minimum wage. Benefits are paid for six months. Benefits are paid by trade unions out of members' subscriptions.
- in Hong Kong the state pays the entire cost of the unemployment benefits. The benefits increase according to family size.

People need to organise themselves to fight for their needs. If the working class here wants the options outlined as part of a Workers' Charter, it will have to fight for the right to organise freely (especially in the bantustans), the right to mass solidarity action e.g. strikes, pickets, marches and protests, and the right of access to the media to popularise demands.

WHAT DO WE DO NOW?

Most organisations supported by the masses see social security as the responsibility of the state. We tend to all agree with this position but we need to take the idea further. Perhaps by answering the following questions in your organisations you can develop a clearer position around what sort of social security policy you want.

- What sort of state do we need that will provide the kinds of social security needs we are asking for?
- Will this state have to nationalise particular sectors of the economy?
- Who will this state be controlled by?
- How will the economy be planned and who will it be planned by?

POLICY DEBATES

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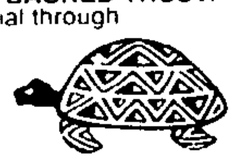


THE ECONOMY 2

New Nation (Learning Nation) 1/11-7/11/91.

This is our second article on economic policy. Last week we looked at the importance and effects of economic policy in our struggle. We also looked at the causes of this crisis. We went further and looked at how the ruling class is responding to the economic crisis.

In this article we will look at the options facing the working class and its organisations.

THE CONTEXT OF THE PRESENT DEBATES

During the 1970 and 1980 many working class organisations believed that the only solution to the crisis in the South African economy was socialism. At its congress in 1987 the National Union of Mine workers captured this view in a large banner which read: "Socialism means freedom."

After the collapse of the Stalinist regimes in Eastern Europe and the crisis in the Soviet Union there have been heated debates about whether socialism has failed or not. **The ruling class and its media have used the collapse of Stalinism in Eastern Europe and the crisis in the Soviet Union as an excuse to attack and discredit socialism.**

Another aspect of the present context is the **economic crisis** that is effecting the capitalist world including South Africa. Large scale unemployment, inflation, homelessness and falling living standards are affecting workers all over the world. These two aspects of the present context must be taken into account when we debate economic policy.

THREE VIEWS ON THE ECONOMY

The current context within which economic policy is being debated has led to the emergence of three different views on the future economic.

- There are the views held by the government and big business, who argue for a **capitalist economy** with little state intervention in the economy.
- Secondly, there are those who argue for a **mixed economy**, which is a capitalist economy but the state also protects the living standards of the working class.
- Thirdly, there are those who argue for **socialism**. In this case private ownership will be phased out and a democratically-planned economy will be built. These three approaches differ on many aspects of economic policy, but all of them have to answer some questions.

Let's now look at some of these questions.

THE OWNERSHIP OF PROPERTY

The key question in the formation of economic policy is that of **ownership** of the factories, mines and farms, sometimes known as the means of production. The question of ownership of property is important because it will determine in whose interests the economy is run. For instance in South Africa the means of production are owned by the capitalists and as a result the economy is geared towards producing profits for the capitalists. "How will we ensure that the way property is owned and controlled will benefit the majority of people"? is a question raised by many workers. Many people have raised the idea of **nationalising** the big monopolies, mines and banks as a way of ensuring that the economy will serve the interests of the working class and other oppressed people. But the experience of Eastern Europe and the Soviet Union has shown that nationalisation is not enough. The question that we need to answer is who will **control these industries** and in whose benefit will they be controlled?

RELATIONSHIP TO THE WORLD ECONOMY

One of the important issues that face us now is South Africa's relationship to the world economy. At the moment although South Africa has got some manufacturing industry, it is still primarily an **exporter of raw materials**. South Africa **imports most of its machinery** from the big capitalist countries. The big capitalist countries, also known as the imperialist countries, like America, Japan and Europe dominate the world economy. They make lots of profits from the Third World countries but do not develop the economy or undertake investment that benefits workers. South Africa also acts like an imperialist country in Southern Africa.

Here are some important questions that need to be debated:

- How will our economic policy ensure that South Africa breaks out of the dependence on the imperialist countries?
- How will we ensure that South Africa does not exploit and oppress the peoples of other countries in Southern Africa?
- How will we ensure that we are able to resist imperialist pressure?
- What alliances with other workers' movements will we built in order to counter the imperialist countries?

WORKERS' CONTROL OF PRODUCTION

Another issue in the debate on economic policy is that of the **role of the masses of people in the economy**. At the moment the workers do not participate in the major economic decisions that affect their lives. They do not influence decisions about where the companies invest profits and when the bosses decide to retrench.

- In what way will the new economic system ensure that workers have control over the economic decisions that affect the country and their lives?
- Through which organisations will the workers ensure control over production? The issue of workers' control also raises the question of the nature of the government and the state. From the current debates it is clear that the capitalists want a government that will protect their interests and entrench private property. It therefore becomes important for us to discuss how we will ensure that the new government will serve the interests of the majority. **In order for workers to be able to control production they must also control the state.**

SOCIAL SECURITY AND THE ROLE OF THE STATE

In South Africa apartheid capitalism has produced deep inequalities between the working class and other oppressed people and the ruling class. Many of the struggles fought over the past 20 years have been over issues like health, housing, pensions, unemployment benefits and other effects of low wages and bad living conditions.

- Clearly one of the key questions in the economic policy debate is what kind of economy will be able to solve these problems? The ruling class wants to privatise all the industries that provide these important needs, like hospitals, schools, houses and so on. But at present we already see how the search for profits makes the capitalists neglect these goods.

The role of the state in providing social needs goes beyond what the state will itself provide. An important question that is related to the state's responsibility is:

- What laws must the state pass in order to ensure that the bosses contribute to the social welfare of workers?
- Must the state pass laws on a living wage that all bosses must pay?
- What kind of tax system must the new workers' government adopt in order to raise money for its programme of providing social needs. At the moment the ruling class is implementing a tax system, for example VAT, that favours the bosses.
- How will the new government raise money in a way that does not lead to the deterioration of the living standards of the working class?

THE CURRENT STRUGGLE

It is important that the discussion of our position on the economy clearly spells out a programme of action of how to counter the deterioration in the working class' living standards now. For example, COSATU has called on the government to start a massive house building programme as a way of solving the housing crisis and at the same time provide jobs.

- What other demands must we put forward as a way of beginning to struggle for our view of the economy?

The link between economic policy and current struggles is important because by drawing this link at all times we are able to make it possible for the people to participate in the debate on economic policy. We must always remember that discussion alone cannot bring clarification of our policy; this can only happen in and through struggle.

Whites vulnerable targets

RECENT research by the Human Sciences Research Council, which examined attitudes, experiences and perceptions of more than 2 000 elderly people throughout the Cape Peninsula, revealed that old men and women cower behind locked doors for fear of becoming victims of criminals.

The divisional chief researcher, Dr L Glanz, presented the report at a workshop at Valkenberg hospital this week.

She found that the white aged considered the impact of crime to have had the greatest effect on the lives of other people. Police "preoccupation" with political unrest and the lack of attention to ordinary crime were also referred to in interviews, she said. The most common type of crime reported by all respondents was theft.

Dr Glanz found that 16 of every 1 000 elderly whites were likely to become victims of violent crime, compared with 26 in the coloured community and 52 in the black community. Bus stops and terminuses, railway stations and subways were mentioned by respondents as being dangerous areas for elderly people. And collecting pensions was an extremely hazardous exercise because of the threat of robbery.

In my opinion, the government exacerbated the already serious position this year by unwisely releasing 57 000 hardened criminals — who had, inter alia, committed and attempted murders, rapes, larceny and mugging — under an amnesty, with the most serious results imaginable.

For example, a few weeks after the amnesty was applied, a local newspaper reported that 121 of the aforementioned criminals had already been arrested for new crimes. Imagine how many more have committed new crimes and will continue to do so until they are arrested.

I was shocked to read in a local newspaper this week that a former Dale College pupil, aged 18, was released after serving less than four months in jail for murder. Lawyers for Human Rights described it as another demonstration of the "surprisingly uneven manner" of South African justice. All I can say is "God help us". — **OLD-TIMER, Cape Town.**

Huge deficit for Transnet pension fund

Business Staff

JOHANNESBURG. — Transnet, the former SA Transport Services, has set aside R10,4 billion to make up part of the shortfall in its pension fund.

Transnet chairman Dr Marius de Waal said at a press conference presenting the group's 1990/1 annual report yesterday that at the beginning of April last year the total deficit of the pension fund totalled R17,18 billion.

As a result of the shortfall, the "current state of the balance sheet is not sound and any possible privatisation of Transnet will be severely impeded".

The provisions adversely affected Transnet's maiden financial results for the year to April, which showed a taxed loss of R1 billion.

Net profit, however, totalled R515 million — of which R500 million is being paid to the State in the form of dividends — on turnover of R11,58 billion and operating profit of R1,55 billion.

MD Dr Anton Moolman said the huge shortfall of the pension fund was largely due to massive retrenchment of staff over the past few years, which had seen the complement fall from 280 000 in 1982 to just over 172 000 this year.

Furthermore, Transnet was forced to invest its funds in government and semi-government stock, which yielded far less over the years than investments in shares.

Since the amendment to the Pension Fund Act, Transnet had placed its investment portfolio with private investment managers, Dr Moolman said.

Transnet campaign to plump up pension fund

CT 7/11/91

Own Correspondent

JOHANNESBURG. — Transnet is to launch a three-pronged campaign to haul its pension fund back into the black within 10 years. The deficit currently stands at more than R17bn.

Issuing the diversified transport group's debut results as a commercialised parastatal yesterday, the directors made clear the urgent priority they attach to reducing and eventually cancelling out the fund deficit.

The board decided not to try to fund the deficit in full. The company plans to trim the pension fund deficit gradually by issuing more loan stock, by allocating profits from the component divisions and by raising the company's pension fund contribution rate to 12% from 9%. Employees' pension fund contributions are to remain at 7,5%.

The group has set aside R5,9bn as a provision for the pension fund deficit — a reduction from the R10,4bn provision on the books when Transnet was commercialised in April last year.

Chairman Marius de Waal blamed the deficit on the fund's past investments in government and semi-government bonds with the Public Investment Commissioner (PIC). PIC returns had been lower than those prevailing in growth assets such as shares and property.

The Pension Funds Act had since been amended and the Transnet fund was currently investing in such growth assets.

Pension fund executive manager Gideon van Zyl said the rise in the company's pension fund contribution rate merely brought Transnet into line with the typical contribution rate in the private sector.

Van Zyl was confident the objective of cancelling the pension fund deficit would be accomplished ahead of schedule.

"After these measures are effected we expect that the rest of the pension fund shortfall will be paid back over 10 years. In fact we expect to make up the shortfall within 10 years."

Analysts said the Transnet plan to make good its pension fund deficit was part of the group's conversion to private sector status. They noted that private sector companies had to notify the registrar of pension funds if a deficit existed on their pension funds, and had to specify plans to rectify such a deficit.

As a full parastatal in its 80 years of operation before commercialisation last year, the group would have been under no obligation to ensure its pension fund was fully financed.

Cancellation of the pension fund deficit was also an important precursor to the possible future privatisation of the various component parts of Transnet, it was noted.

Analysts also speculated that property development could be a sizeable contributor to the Transnet profits that are expected to help defray the pension fund deficit.

Transnet announced yesterday that it had established a property business arm Propnet to house and develop surplus property holdings. Propnet CE Fuzz Loubser said the returns from these developments would also be used to assist Transnet in servicing the fund deficit. Preliminary estimates peg the value of the group's surplus property holdings at about R1bn.

MD Anton Moolman noted in his annual report that the group owned "underutilised" assets and had launched a nationwide drive to identify them. The objective was to develop and sell the assets so that their value could be realised.

Moolman cited the Victoria and Alfred Waterfront project on Cape Town's foreshore as an example of asset development. Analysts thought other property holdings close to the central business districts of urban areas could be similarly exploited for profit.

R515m profit in first year of trade

JOHANNESBURG. — Government's multibillion-rand transport group Transnet — converted to a public company last April — has posted a R515m net profit from a turnover of R11,5bn for its first trading year ended March.

MD Anton Moolman said tough operating conditions resulted in four operating divisions reporting lower traffic volumes for the trading year.

Spoornet showed an 8% decline, Autonet 25%, Portnet 5% drop and SAA 8% in domestic passengers and 4,5% in international passenger volumes.

The group's fuel pipeline division Petronet reflected a 4,7% increase in product volume for the year.

The group reported operating income of R1,5bn and investment income of R881m for the year. As a result, Transnet's total income before interest charges amounted to R2,4bn.

However, finance costs of over R2bn, including a R112m loss incurred through foreign exchange transactions, reduced profit before abnormal and extraordinary items to R405m.

A R451m special provision to the pension fund was offset by a R561m inflow from a one-off capital saving on the settlement of a long-term debt. As a result, net profit came in at R515m of which R500m was declared a dividend to government.

Moolman said Transnet has created a new as yet unnamed company to house future offshore activities.

PENSIONS

Showcase trial?

Life offices and pension administrators are wrestling with the Financial Services Board (FSB) circular PF74, which seeks to enforce timeous payment of employers' pension contributions. While they study its intricacies, at least one prosecution, involving a JSE-quoted company, is expected.

According to the FSB, all reported cases of late payment are referred to the Attorney-General for possible prosecution under section 13A of the Pension Funds Act, but no cases have yet come to court.

Penalties can be heavy: even if no criminality is established, a fine of R200 for every individual contribution can be imposed — so R200 000 in the case of a 1 000-member fund. But what is not clear is whether every report of late payment, involving the same employer, will be treated as a separate issue; this would involve multiple prosecutions.

Institute of Life & Pension Advisers president Joe Gates says the regulations are complex but the prosecution of a wilful offender, to make an example, "would, in a broad sense, have a salutary effect on employers and trustees who need to be reminded of their responsibilities."

Taken together, S13A and PF74 make confusing reading. Institute of Retirement Funds executive director Ben Burger says he, together with the Life Offices Association, has raised a number of queries. The FSB's written response was being considered at a joint meeting on Wednesday, while a senior official of the board was due to hold talks at Old Mutual on Thursday this week.

Essentially, PF74 tightens procedures for passing on pension contributions. It instructs administrators of pension, provident and RA funds to report late payments. Underwriters and principal officers are required to report any payments which are overdue more than seven days; the report to be made within two months of due date. The object is to protect the investment income to which members are entitled. The onus for payment rests with the employer or his intermediary.

Points which the industry has asked to be clarified include whether arrangements can be made by an employer to pay off arrears over a number of months.

PF74 is designed to give immediate teeth to S13A. In the latest draft of the proposed Pension Funds Amendment Bill there are provisions to certify contribution payments and to establish that payments were made on time. Old Mutual says this will require more data in future. "Though the industry will go out of its way to ensure that any new requirement is not only practical but also cost-effective, member records may have to be expanded and updated substantially." ■

Pensioners' hopes crumble with Zimdollar

DI CAELERS
Weekend Argus Reporter

300

ARG 9/11/94

ZIMBABWEAN pensioners in South Africa, dealt a major blow when they saw more than half their income wiped out with the crash of the Zimbabwean dollar, intend banding together to draw attention to their plight.

Just two years ago pensioners, with the exchange rate in their favour, were collecting about R1,30 for their dollar. Now they are down to about 56c.

"Added to the high rate of inflation in South Africa, many Zimbabwean pensioners face untold hardships. Indications are that there are a lot of elderly people trying to come out on R300 a month or less," said Mr Nigel Lea-Cox, Western Cape representative for the Zimbabwe Railways Pensioners' Association.

In an effort to collect facts and figures, he has called a meeting of pensioners in Fish Hoek library hall on November 15 at 8pm.

Mr Lea-Cox said: "My intention is to provide them with information I have gathered to advise them on ways to balance their budgets here and what to do if they need medical treatment.

"I'm looking for feedback on the amount of hardship already being encountered so I can take it up with the relevant authorities in Zimbabwe."

Mr Stan Emerton, a Zimbabwe Railways pensioner and executive member of the Fish Hoek Association of Retired Persons and Pensioners, said several other factors were resulting in an "extremely serious situation".

According to Zimbabwe Railways pension fund regulations pensioners were to receive increases whenever increases were granted to employees. The Reserve Bank in Harare had failed to pay increases to pensioners since 1989 in spite of a court order.

"In addition, whenever pensioners out of Zimbabwe get sick they are paid at Zimbabwean tariffs for medication, doctors and hospital fees. This will affect them severely now that the dollar is virtually valueless," Mr Emerton said.

Further, thousands of expatriates "were forced to leave their capital in Zimbabwe in four percent, 12-year government bonds when they left the country. These regulations say that in the seventh year of the bonds one sixth of the capital will be refunded.

"The seventh year has just arrived for me and for many hundreds of others. I got my cheque on the due date, but of course it was reduced by about a third because of the devaluation of the dollar."

Since the crash of the dollar his monthly pension had been reduced by more than R200.

"I had 32 years' service in Zimbabwe and now I am having my livelihood cut away from under my feet.

"My life is coming to an end and I no longer have any earning ability," Mr Emerton said.

Mr Lea-Cox said that if the first meeting of pensioners proved successful he would talk to smaller groups in other parts of the Western Cape.

Commitment on pensions parity

Blpay 11/11/91

PRETORIA — To achieve immediate parity in pensions, government would have to put aside R2bn from the 1992/3 Budget and this was not possible, National Health and Welfare Minister Dr Rina Venter said at the weekend. (300)

Replying to a resolution at the Transvaal National Party congress in Pretoria, she said government had, however, expressed its commitment to parity in pensions for blacks and whites over a period of time.

She said government was investigating the effectiveness of SA's social support system.

A new approach and a new programme would be necessary to meet the needs of the population.

She said the department had the necessary commitment and expertise to resolve this problem. — Sapa.

Report recommends freeing up of govt pension funds

B/Day 12/11/91

ANDREW GILL

THE liberalisation of a large portion of government pension funds (worth about R42bn) was apparently recommended in the Korsten report handed to Finance Minister Barend du Plessis last month.

Sources said yesterday the report recommended privatisation of at least some of the R42bn under the control of the Public Investment Commissioner (PIC).

The source said the ultimate intention would be to register the funds as private pension funds.

The recommendations are in line with Du Plessis' stated intention of getting the funds onto a sounder financial footing and more in line with the actuarial requirements of private funds.

The PIC can invest only in the fixed interest securities of government and semi-government, and 75% must be invested in central government stock. Exceptions can be granted by Du Plessis, as was the case in the recent purchase of just less than R1bn of Sasol shares from the Industrial Development Corporation.

Current investment in government stock added up to about R31bn, which was unlikely to be sold off, the source said.

The funds would slowly move away from financing a major part of government's deficit before borrowing and begin acquiring equities and other instruments.

Finance Department deputy director-general Estiaan Calitz said yesterday it was too early to speculate on the report, other than saying the funds needed to find profitable investment outlets.

The PIC apparently agreed to fund R7,2bn of government's deficit borrowing this year. If this fell away and new fund managers chose not to take up government stock, there could be huge excess supply on the market, analysts said.

However, the size of the funds was such that a continued investment in government stock was likely to remain prudent from the point of view of optimal portfolio management, an analyst said.

The only legislative constraint on the privatised funds would be that of the prudential guidelines on private pension funds, which impose a 75% constraint on investment in equities.

The report apparently recommends who should sit on the funds' board of trustees, which is likely to determine what sort of investment policy will be followed.

Du Plessis is said to have recommended the funds' transition be handled "very carefully" and that the funds not "go rushing" into equities.

Black Sash slams CPA for plight of pensioners

DI CAELERS
Weekend Argus Reporter

THE Black Sash has lashed out at the Cape Provincial Administration for bureaucratic delays in payouts to black pensioners which the Sash says causes untold misery.

Pensioners had to "eke out an existence" on just R235 a month. Added to that, they were at the mercy of a "hopelessly inadequate system" which had officials sending them away to wait another month for their payout, often three times in a row.

The Black Sash said that in other cases, pensioners were simply told they were registered dead and that they needed to apply for a "survival certificate" to have their pension reinstated.

The Sash's Mowbray advice office co-ordinator, Mrs Sue van der Merwe, said: "Often the people receiving these funds are feeding many more than themselves due to the social system, unemployment, and other problems.

"Many pensioners are bearing the brunt of the family set-up and it's mind-boggling to think what happens when that R235 is taken away."

The Black Sash's renewed attack on the CPA follows the death last month of Mr Yeye Mbane, whose pension payouts stopped in April this year when he was prematurely proclaimed "dead".

After months of fighting by both the Black Sash and the Legal Resources Centre, his pension was reinstated last week.

But, it was too late.

"He was to receive R1 110 in November and a further R660 in December, as well as his normal pension of R235 a month," the advice office's Mrs R N Robb wrote in a letter to the Press.

This was at least the fourth case brought to the attention of the Black Sash where pensioners were declared prematurely dead and by the time their pension was reinstated, they had died.

Mrs Van der Merwe said her office saw between 150 and 250 people each month, of which about half were recipients of some kind of grant like a social pension, disability grant or maintenance grant.

"For nearly two years now we have been dealing consistently with pension problems. We've had meetings with the Administrator and meetings with officials, but the system remains hopelessly inadequate."

Mrs Robb described the situation as very serious: "A R235 pension is little enough, but if you don't get it what on earth do you live on?"

However, Mr Jimmy Genis, director of Community Administration for the CPA, said he "firmly believed great strides had been made to improve the administration of black social pensions since this service was taken over by this administration"

Steps taken included:

- Updating of computer programmes;
- Introduction of a mechanised system of the payment of pensions and allowances;
- Improving the manpower situation; and
- Training programmes.

He said the CPA administered the pensions and allowances of 142 000 beneficiaries and problems did arise.

These were aggravated by a high illiteracy rate, the increase in the numbers of people qualifying for allowances, the concentration of people in informal settlements, identification problems and immobility of people.

The Black Sash said delays in payouts of disability grants were adding a further burden to their advice office.

Mrs Robb explained that in May this year disability grants were cancelled and the recipients told they would have to reapply.

"The problem here is that a lot of these applications seem to have gone missing and we get no joy when we contact the CPA for information."

Former advice office worker Ms Bastienne Klein said that what shocked the Black Sash was the number of affected people they never saw.

"Every day, two or three pensioners seek help at the advice office, but there is no doubt that these are only a tiny percentage of the whole.

"The only way out is for the CPA to employ sufficient people," she said.

(500) ARG 16/11/91

Christmas a little early for pensioners

Sowetan 18/11/91 (300)

CHRISTMAS will come a little early for pensioners at Orange Farm.

By BULI SIWANI

The Orange Farm Community Development Committee, a non-profit making organisation, and *Sowetan* have organised a treat for them on December 7.

"By organising a Day of the Aged we want to highlight their plight. They are the forgotten people," said the committee's Mr Vusi Mvakali.

"People tend to forget that the aged are the ones who contributed to the development of Johannesburg and the economy. We want to honour them for that contribution."

Mvakali added that these people were workers in their heyday and after having contributed so much to the growth of the economy, they were now left to fend for themselves.

"We are organising this function for the second time this year and we plan to make it an annual event," he said.

The pensioners will be treated to gospel music, cultural dance, drama and a feast.

However, more donations are still needed to make the day a success. Mvakali said the cash donations received from local businessmen and street collections were not enough. He appealed for more donations in cash or kind.

* Donations can be directed to Mr Mzwandile Khumalo at 855-9724.

A Filipino reporter takes a closer look at 1 220 pairs of shoes of former Philippine First Lady Imelda Marcos during a rare photo session at Malacanang Palace Museum. The shoes are being considered for auction to raise funds for the victims of Mount Pinatubo's eruption.

Rural town falls into bureaucratic limbo

Star 19/11/91.

Now that the SA Development trust has been abolished, nobody knows where Hartbeesfontein is going, reports JO-ANNE COLLINGE.

POLITICAL change has left the people of Hartbeesfontein near Rustenburg in a kind of bureaucratic limbo.

Nobody in the dusty settlement — not even its manager, P J Opperman — knows who will administer the town of some 20 000 people in months to come.

Nobody without official standing knows for sure that Hartbeesfontein will not go the way of its neighbouring farms — into Bophuthatswana.

In the meantime the housing shortage grows, no new development occurs and the social services of the area remain rudimentary. And the political temperature climbs — through marches, mass meetings, unanswered memoranda, stayaways and land occupations.

"It is not yet possible to indicate which authority will eventually be responsible for the administration of Hartbeesfontein. The matter is at present being investigated by the Commission for Administration," said Department of Development Aid spokesman Willie van Heerden.

Hartbeesfontein at the moment is still owned by the South African Development Trust (SADT). Although the trust was abolished when the Land Acts were repealed in June, there is a legal device for it to exercise its powers beyond the grave.

Wandering into this rural town, I found myself stepping among desperate pensioners and following in the wake of the impatient homeless.

On November 4, during the widely supported VAT-strike, residents activated a "land invasion", settling the 64 homeless families on vacant land on the edge of Hartbeesfontein.

The families were unsure whether they had migrated involuntarily to Bophuthatswana, as five days earlier three farms adjacent to Hartbeesfontein — Welgevonden, Roolwal and Kafferskraal — were ceded to Bophuthatswana. In the process Pretoria had given away the Moordhoek police camp, where its recruits from the former Nambian special force, Koevoet, are based.

"The land we are standing on could be the farm Kafferskraal. We don't know," commented Hartsbeesfontein Civic Association executive member Max Mokgakabi.

"We actually followed the official waiting list and families who applied for stands in 1986 and '87 are being settled first."

Rebecca Motswe is one of these people. "I was left alone because my children got married so I had to see to a place. This is my first home of my own, as you see me standing here," she said, hoe in hand, busy clearing the stand. "I came to Hartbeesfontein in 1987 and for four years I was forced to stay with my uncle."

It appears that fears of "straying" into Bophuthatswana are groundless. Development Aid's Mr van Heerden said Hartbeesfontein had been "newly consolidated" and fell entirely within South Africa. As to whether it would remain that way, "an agreement has been reached beween the RSA and Bophuthatswana and ... a formal announcement will be made in the near future".

The unauthorised occupation of vacant land would be dealt with "in terms of applicable legislation", said Mr van Heerden. This could include the Prevention of Illegal Squatting Act, which allows landowners to evict without a court order.

The battle between residents and officials extends to "soft" services. In a mass march in late October, residents complained about policing, the absence of State labour regulation services and "maladministration in the health and welfare sectors".

On pension day the queue winds round the tiny brick administration block and pensioners wait for hours in the blazing sun. The sudden interruption of a large number of pensions has caused bitter resentment.

As I arrived, I found about 40 old and disabled people clustered in a patch of shade waiting to lodge their complaints with an official dispatched from Rustenburg.

Goga Maleya held out his fingerless hands and pulled off a shoe to reveal a swollen and suppurating foot. Two months ago his disability pension had been halted without warning, he said. A hospital certificate disclosed that leprosy was destroying his hands and feet.

Paulina Sebataladi had her pension cancelled because the Department of Home Affairs subtracted 13 years from her age when issuing her new no-race identity document. Civic leaders were hopeful that payment would be restored that day.

Elizabeth Maseko, disabled since birth, had received State grants all her life. Last month the money ceased — at the point where the old-age pension should have replaced a disability grant. "The clerk told her to go and find a husband," said Mr Mokgakabi. "When we complained, they said the stoppage was an error."

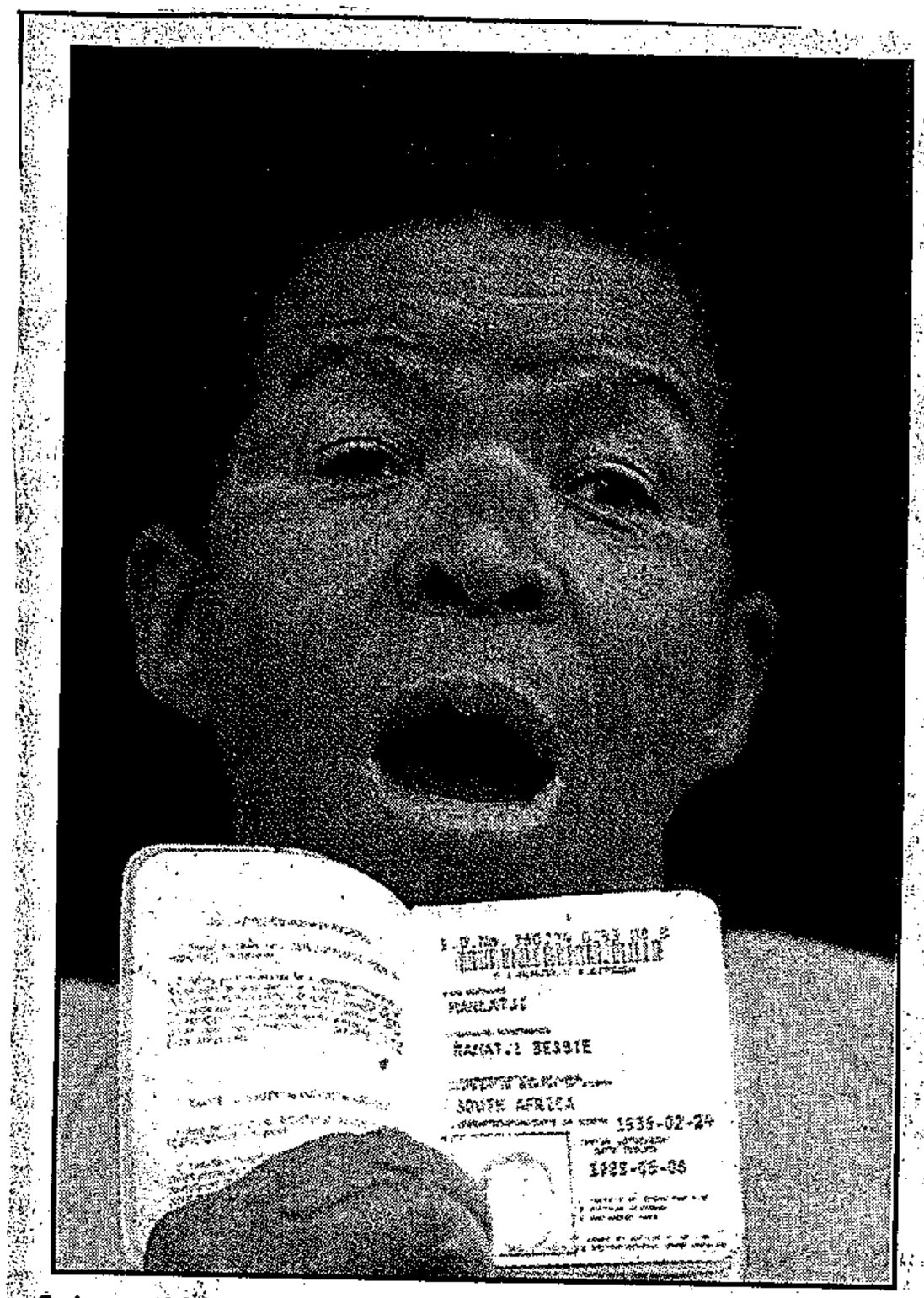
Jalette Steynberg, deputy director of social security for the TPA, has been involved in the Hartbeesfontein pension issue. She pointed out that all social pensions were reviewed annually, with the recipient getting six months' warning. Nobody — no matter how seriously disabled — was exempt, "because it's a grant, not a right."

Mrs Steynberg added: "In the past, reviews were not being applied as strictly as at present." But the cost of social security was rocketing and her department was under pressure from above to ensure nobody who ceased to qualify received a grant.

When it came to face-to-face dealings with pensioners, clerks had varying attitudes and "we do experience a lot of problems", she conceded.

Hartbeesfontein is one of many out-of-sight communities affected by the abolition of the SADT. In Hartbeesfontein, change has had the contradictory effect of inducing developmental paralysis — and spurring social conflict. Is it unique in this? □

Find a husband . . . that was the advice a clerk gave Elizabeth Maseko (reclining), who has been disabled since birth, when her pension stopped.



Only porridge and spinach . . . Ramatji Bessie Mahlatji's ID shows her as too young for a pension. Picture: Alf Kumalo

ID book error costs pensioner her grant

Star 21/11/91

By Thabo Leshilo (300)

A Tembisa pensioner has had her monthly pension suspended because her new identity book says she is too young to claim old-age benefits.

According to the identity document, issued in 1988, Ramatji Bessie Mahlatji was born in 1936. She insists she was born in 1922. Her new ID book makes her 14 years younger, and now she has lost her pension.

In terms of the law, women qualify for pensions at 60.

Mrs Mahlatji has five dependants. Since her meagre monthly grant of R235 was suspended, Mrs Mahlatji, her two unemployed children and her granddaughter have survived on a diet of mainly porridge and spinach. Her two other children, who are also dependent on her, live in rural Pietersburg.

"Nobody likes old age, but who would like being younger when it robs you of the only source of income you have?" she asked.

TPA deputy director of pensions J A Steynberg advised Mrs Mahlatji, and others in the same predicament, to visit their nearest Home Affairs office to correct the error in their identity documents.

She said a number of beneficiaries were informed last month that their grants had been suspended "because their age disqualified them".

This had been so because of discrepancies in their age as reflected in their old reference books and those in the new identity documents introduced for black people in 1986.

Although it was the policy of the TPA that "no back pay is awarded where the grant has been suspended due to failure on the part of the beneficiaries to comply with the regulations ... exceptions are made in deserving cases".

Mrs Steynberg said arrangements had been made with the Department of Home Affairs to handle with the "highest priority" the applications of those people whose grants had been suspended because of errors in their identity documents.

"Unfortunately, there is nothing that can be done (in this case) to assist unless Mrs Mahlatji can furnish adequate documentary proof that she was in fact born before 1936."

4 000 pensioners face a bleak Christmas

(300)

MORE than 4 000 pensioners on the Reef face a bleak Christmas after their old age and disability grants were suspended because of "discrepancies with their ages".

The pensioners were informed of this at pay points last month.

More than 3 000 pensioners in the Vaal Triangle, about 200 in Dobsonville and more than 1 000 on the East Rand have been affected.

A committee comprising representatives of welfare bodies, volunteer community workers and advice office workers was appointed in Johannesburg on Wednesday to meet National Health Minister Dr Rina Venter and Home Affairs Minister Mr Gene Louw to discuss the problem.

This was done at a meeting attended by 90 community workers and organised by the South African National Council for the Aged.

Sowetan 22/11/91.

The committee will ask the Ministers to ensure that payments were continued while the errors were being rectified.

The five-member committee was mandated to consider legal action against the Transvaal Provincial Administration.

It would also approach political and other community organisations with a view to organising "mass protest" to put pressure on the Government.

"It's surprising that people who have been on pension for more than 10 years should have their grants suddenly stopped because someone has made a great discovery that they were too young," committee convener Pinkie Madlala said.

Welfare bodies, advice offices and the Legal Resources Centre have been inundated with complaints from pensioners since November 1.

Lobby backs 'too young' pensioners

Star 22/11/91

300

By Thabo Leshilo

The plight of thousands of black Transvaal pensioners, who face a bleak Christmas after their old-age and disability grants were suspended, is to be brought to the urgent attention of the Government.

The pensioners were informed at pay points last month that their age disqualified them. Some had allegedly failed to have their pensions reviewed.

This had come about as a result of discrepancies in their age as given in their old reference books and in the new identity documents introduced for blacks in 1986.

So far, more than 3 000 pensioners in the Vaal Triangle, about 200 in Dobsonville and more than a thousand on the East Rand have been affected.

A committee comprising representatives of welfare bodies, volunteer community workers and advice office staff was appointed in Johannesburg on Wednesday to meet National Health Minister Dr Rina Venter and Home Affairs Minister Gene Louw to discuss the problem.

The committee was formed at a meeting attended by about 90 community workers, organised by the SA National Council for the Aged.

The committee will, among other things, ask the ministers to ensure that payments are continued while any errors are set right.

The five-member committee was authorised to consider legal action against the TPA.

It will also approach political and community organisations with a view to organising a mass protest to put pressure on the State.

Welfare bodies, advice offices and the Legal Resources Centre have been inundated with pensioners' complaints since the beginning of this month.

Bleak Christmas looms

By SOPHIE TEMA Pren 29/11/91. 300

THE festive season will bring no joy to thousands of black pensioners whose old-age and disability grants have been suspended.

Community workers say more than 5 000 pensioners throughout Soweto, Dobsonville, the Vaal Triangle and the East Rand are to face a bleak festive season as some have already been told they will only be paid out some time next year. Many of the pensioners are already in dire straits.

Nigel Mandy, chief consultant of the Transvaal Provincial Administration, told City Press "errors with their ages" was the reason for the suspensions.

This week the plight of the pensioners was highlighted by the South African National Council for the Aged which organised representatives of welfare bodies, advice office workers and volunteer community workers to discuss the matter.

A committee appointed by the council will request the errors are rectified.

When expensive is made to look cheap

STAR 26/11/91

300

Diagonal Street

ANN CROTTY

It may have eased back a bit over the past 10 days, but the industrial index is still looking very pricey.

In theory, with an average dividend yield from the industrial holding sector of a mere 2 percent, a lot more money should be going into the gilt market where yields of around 16 percent are the order of the day.

That this is not happening reflects investors perception that the low dividend yield is adequately compensated for by the very high capital appreciation offered by equities. By contrast there is little capital appreciation offered by gilts and the 16 percent yield hardly covers inflation.

But the expectation of capital appreciation from equities feeds on itself and becomes self-fulfilling — institutional investors pour money into blue chip industrial shares expecting these returns; the very process of pouring money in, ensures that these returns are achieved. Only the bravest of fund managers would remain outside the market because it looked too expensive. Instead most are willing to alter their definition of expensive.

It takes a major crack in Wall Street to threaten this whole process.

Partial explanation for the recent strength in the JSE is the actual and expected inflow of funds from the Post Office and Telkom pension funds.

State funds

In addition the whole position of the government pension funds has become more fluid.

To date 100 percent of this money has been invested in government and semi-government stock — a situation which has inevitably led to the view that the State pension funds are financing state spending. The more so since the relaxation of prescribed asset requirements three years ago which saw private pension funds reducing their gilt exposure in favour of a higher equity exposure.

Although there is no chance of this State pension money being poured into the equity market, the thought of the Board of Trustees (which has yet to be set up to replace the Public Investment Commissioner) just nibbling at equities could be sufficient justification for even lower dividend yields and higher price/earnings ratings.

One way of relieving pressure on the local equity market would be to allow local institutional investors to invest overseas. Another way would be to re-introduce prescribed asset requirements.

Given the current political situation there might be considerable reservations about the former. Given the socio-political demands on government spending there could be considerable support for the latter.

If all pension funds — government and private — were placed on an equal footing in terms of percentage exposure to equities, gilts, property etc. then the government pension funds would not be such crucial contributors to government financing requirements. And their inflow to the equity market would be countered to some extent by private pension funds increasing their exposure to gilts.

Open market economy

Institution and government sources are emphatic that under the present government there will be no undoing of advances made three years ago to take SA towards a more open, market-related economy.

Perhaps more significant is the fact that under current market conditions government is well able to finance its funding requirements. It seems that the removal of prescribed asset requirements had little if any impact of the cost of financing government expenditure.

This partly reflects government's market-making skills in the gilt market. But having a captive audience in the form of state pension funds obviously helps.

It may be that as the economy picks up and blue chip companies take advantage of their excellent ratings to fund investment and growth, the equity market will not look so uncomfortably expensive.

But right now, when the requirement to invest in productive assets appears limited, it is difficult to feel comfortable about a JSE paper-chase in which the beneficiaries are relatively limited.

Pensioners still waiting for suspended grants

STAR 29/11/91 (300)

The thousands of Transvaal pensioners, whose pension grants had been suspended because of errors in their identity documents, will have to wait until their next pay day — in December — to know if they will actually be paid.

TPA deputy director of pensions A J Steynberg said yesterday that the provincial government's decision to reinstate the pensions did not mean that people could claim their payments before their respective pay days.

The beneficiaries would have to first apply to their nearest TPA pensions office with documentary proof of their age.

Those whose pensions were withheld because they had failed to have their pension reviewed have been given until April 30 to rectify the situation.

Mrs Steynberg said although it was not the policy of the TPA to award backpay, the affected pensioners would get paid all the money owed to them.

She could not say how many of the aggrieved pensioners would have their grants reinstated. — Staff Reporter.

ID mixup halts pensions

By SOPHIE TEMA

THOUSANDS of pensioners could have an unhappy Christmas because their old age pensions have been suspended until they can show proof of their dates of birth.

The problem arose because their identity document numbers – which include dates of birth – did not show they were old enough to receive pensions.

The suspension of pensions is already causing hardship to hundreds who are battling to make ends meet.

To help speed up their applications for correct identity documents, pensioners have been asked to supply sworn affidavits, or birth or baptismal certificates.

The Transvaal Provincial Administration says the pensioners' problems will only be solved once they can produce documentary proof of their correct age at their nearest TPA pension office.

The TPA said it was aware it would take time before many of the affected 4 000 pensioners received their correct identity numbers so the suspension would be lifted if those affected produced proof of their birth dates.

This week the TPA said the problem was a direct result of incorrect identity documents.

The following documents will be accepted as proof of a pensioner's correct age:

- An abridged birth certificate issued by the Department of Home Affairs, or a certified copy.
- An authentic baptismal certificate or a certified copy.
- A sworn declaration by a registered medical doctor and confirmation of the Department of Home Affairs that the estimated age of the person concerned is correct.
- A sworn affidavit with regard to the person's age by somebody – with documentary proof of his or her age, older than the applicant – who has known the applicant for a reasonable period of time.

Aged soft targets for robbers

Imprisoned in their homes by fear, the elderly are easy prey for robbers, rapists and murderers. The pickings from pensioned victims may be slim, but attackers know their target is likely to be too frail to resist. BRONWYN WILKINSON reports.

WE ARE prisoners in our own homes, says Ethel Cohen (80), who has been mugged wice and says she is too terfied to venture into the street lone.

In the most recent attack a ew months ago, robbers mashed Mrs Cohen's arm and g when they shoved her to the round and wrestled her for her andbag, "which hardly had nything in it anyway," she ays.

Mrs Cohen, who lives in Soper oad, Berea, now refuses to alk the two blocks to the Senior Citizens' Centre run by the ohannesburg Association for he Aged (Jafta).

"No, they (Jafta) have to send driver for me. I am not going o walk anywhere on my own," he says.

Her friend at the centre, Harry Joss (83), was stabbed by obbers in the foyer of his Hillrow flat building a few years go.

"They cut my whole arm up," e says. "But I was younger hen, so I gave them a good ight."

Jean Isaacs (65) was mugged ast week outside the Jafta cen re. When she went to the bank he next day to draw cash, she inned her identity book and the noney inside her clothes so she lid not need to take a handbag.

"I was robbed two weeks beore that," she says, "and I cannot carry a handbag anymore ecause they take it before you an look around."

The centre's organiser, Doreen Gerassi, says staff members are trying to help senior citizens prevent attacks. "We tell them not to carry handbags or wear jewellery," she says.

"But what kind of life can you have when you are living in fear all the time?"

The elderly are "such a soft target, and they are usually too terrified to help a police investigation," she says.

It is not only the elderly residents of Johannesburg's flatland who live in terror.

One woman in a townhouse in Rosebank says she had been terrified to move since she had heard about the rape of a 68-year-old woman in her Norwood home last week.

The 76-year-old Rosebank woman, who wished to be identified only as Sheila, says the townhouse complex has security guards on duty 24 hours a day, but this does not diminish her terror.

Too afraid to walk in the street, Sheila says she asked her son to do her weekly shopping for her.

Statistics released by the South African police last week show the elderly have good reason to be terrified of leaving their homes. But they were not safe inside their own houses either, the statistics indicate.

Commissioner of Police General Johan van der Merwe said there were 621 serious attacks on the elderly between January and October.

The figures comprised 102 murders, 441 robberies, 29 rapes and 93 serious assaults.

General van der Merwe said in at least 60 percent of the cases, there was no forced entry and senior citizens should be extremely wary of who they let into their homes.

Some of the most recent attacks include:

● Mary Thompson (71), the caretaker at an Illovo, Johannesburg, block of flats, who was beaten up by men with knobkeries outside Hurlingham Court on Thursday night.

● A 68-year-old woman, alone in her bedroom in a Norwood, Johannesburg, home was raped after being assaulted early last Monday morning.

● On Tuesday November 19, robbers bound 87-year-old Cecile Dermau and her daughter-in-law Anette (57) with rags while they ransacked the women's home in White River.

● A 79-year-old woman was raped while walking from the tea-room to her old-age home in Lombardy East in Johannesburg on the afternoon of Saturday November 16. The woman was walking through the veld when a man accosted her and then raped her.

● A former mayor of Amersfoort in the south-eastern Transvaal was found murdered in his home on Tuesday November 12. Du Pre Campbell Crozier (78) had been stabbed several times and strangled.

● An elderly couple was terrorised by two men who broke into their Benoni home early on Thursday October 31. Alex Anderson (77) was beaten unconscious with an axe handle and his wife Sylvia (68) was stabbed in the throat.

● A gang of robbers beat and terrorised an 80-year-old Ventersdorp woman while her son, whom they stabbed, lay dying just outside the room. Nettie Botha was taken to hospital for injuries sustained during the attack on Thursday November 7 in which her son Ockie (42) died. □

Prisoners . . . Harry Joss (83) and 80-year-old Ethel Cohen will not leave their homes alone.
Picture: Herbert Mabuza

STAR 2/12/91 300

Pienaar denies claim on gratuities

Political Staff

THE Conservative Party allegation that the pension gratuities of retiring university personnel would not be paid after January 1992 was totally untrue and irresponsible, the Minister of National Education, Mr Louis Pienaar, said yesterday.

The CP's candidate in the Potchefstroom, Mr Andries Beyers, who is also the party's general-secretary, claimed on Thursday to have reliable information that the government would scrap the gratuities at the end of January 1992.

However, Mr Pienaar said the allegation "can only be seen for what it is — a ploy by the Conservative Party with a view to the by-election in Potchefstroom.

"The possibility of such a step was never discussed in any official circles and was certainly not discussed by the Committee of University Principals," he said.

IDs caused pension cuts

By JOE MDHLELA

The Department of Home Affairs was partly responsible for the problems encountered by the non-payment of old-age pension grants, a spokesman for the Transvaal Provincial Administration, said.

The spokesman, Ms Lacticia De Villiers, said the problem pensioners encountered was a direct result of incorrect identity documents which refle-cted wrong birth dates.

She said the dates reflected on the documents often made the pensioners younger than their actual ages.

"During the October pay period, a number of beneficiaries were informed in writing and at the paypoints that their grants had been suspended because their ages disqualified them," she said.

The TPA would lift the suspension of the grants only on the production of documentary proof of their age.

A sworn declaration by a medical doctor and a confirmation by the Department of Home Affairs that the estimated age of a pensioners was correct would also be required.

Referring to the suspension of the disability grants, the spokesman said such cases only meant that the individuals had failed to submit themselves for a review.

"Often the circumstances of disabled people change, either for worse or better. Where a person was certified to have overcome a deficiency, they would obviously have to forgo their grants.

"But we are having situations where people fail to submit themselves for a review. This not only creates problems for themselves, but we also do not have information to act on," the spokesman said.

Dealing with the suspension of the payment of foster-care allowances for black foster parents for November, the TPA said: "The suspension of the payment was not due to a computer error, but in fact to the carelessness of foster parents who neglected to submit their annual review documents."

Heartbreak of the hungry pensioners

Sowetan 12/12/91 (300)

MR Johannes Maishoane (67) of Soweto had been getting an old-age grant for two years.

Last month he went to municipal offices for his pension and was told it had been discontinued. Reason - he was still too young.

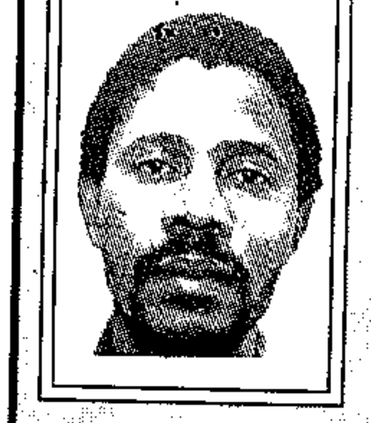
His was not the only case. Pensioners and disabled people have recently had their grants suspended.

The Transvaal Provincial Administration blamed the Department of Home Affairs for failing to correct misinformation on new identity documents. The Department of Home Affairs blamed inadequacy of documentation.

TPA spokesman Ms Lactitia de Villiers said incorrect birth dates were put on many new identity documents.

She said: "The present problems encountered by a number of beneficiaries of old-age pensions in the Transvaal are a direct result of incorrect identity documents.

"During the October pay period a number of beneficiaries were informed that their grants had been suspended because their age disqualified them."



Getting a pension is still a nightmare for blacks as *Sowetan* staffer JOE MDHLELA has found. In this article he describes a new problem facing our elderly people.

She said she was aware that there were discrepancies about the actual age of the pensioners and those that appeared on their new identity documents.

Grants provided

"That was for the Department of Home Affairs to correct," she said.

As the TPA was aware that it would take time before the pensioners received their correct identity documents from the Department of Home Affairs, the administration would lift the suspension of their grants provided they produced the following:

An abridged birth certificate, or a certified copy;

A baptismal certificate or a certified copy;

A sworn declaration by a registered medical doctor;

A confirmation by the Department of Home Affairs of the person's age; or

since 1987, but this had now been cancelled.

"No reason for the cancellation was given except to say that my case would be reviewed," he said.

Mr Shadrack Phukoane (68) is a Soweto pensioner. He has not received his grant this year.

No money

"It is a miracle that I have been able to survive. Every time I arrive at the pay-point I am told that there is no money for me. I am afraid I can no longer eat other people's food without making any contribution," he said.

Mrs Stephina Sehloho of Katlehong expressed disgust at the way in which blacks are treated, even in this day of the so-called new South Africa.

Her 23-year-old son Keith is mentally retarded and has been getting a disability grant since he was 16.

She sad she felt numb when she was told by the TPA officials that her son would no longer get the grant as there was nothing wrong with him.

"He is well and should get a job," she was told.

"When they said my son was fit to work I sobbed. I asked myself how can these people be so insensitive. I concluded by thinking that they do not have feelings for other people's plight," Sehloho said.

"I am afraid I can no longer eat other people's food"

She said she was going to take up the matter with social workers.

"How can they say a mentally retarded child must look for work?" she asked.

Speeded up

A senior social worker in charge of the Vosloorus Society for the Care of the Aged, Mrs Faith Rankhumise, said her impression about the pay-out situation in Vosloorus for December was that most pensioners had received their grants.

She said the exceptions were mainly in the category of people who received disability grants.

"The physically disabled will still need to submit their review forms so that the process will be speeded up and they will receive their grants," she said.

Mr Sandile Ntwasa said if the matter of pensioners was not quickly resolved, they would hand over the matter to the Legal Resources Centre.

Reasonable time

An affidavit by somebody older than the applicant, who has known the applicant for a reasonable time.

This explanation has, however, found little sympathy with the pensioners themselves. The above procedures, they argue, would take so long that some would die before they got their pensions.

"I am disappointed at the manner in which officials treat pensioners," said Maishoane. "In my old age I am not given the opportunity to enjoy the remaining years of my life."

Mr Milton Dhlakavu was also turned down for a pension. Although he claimed he was born in 1922, his new book of life classified him as being born in 1925.

"Even if we were to accept that I was born in 1925, I would still be in the age category that would entitle me to an old-age pension grant," he said.

Disability grant

His grant was suspended a few months ago and he was told by officials that he would have to submit himself for review.

"Whatever that review means," he said.

Mr Ishmael Msuntwana of Soweto had been receiving his disability grant since 1964. He is 55 and had an arm amputated in a train accident in 1959.

"The reason I got for the discontinuation of the grant was that I needed to avail myself for a review," he said.

He said he could not understand the need for the review as nothing on earth can restore his limb.

Mr Peter Kodise, also of Soweto, is an epileptic who was born in 1949. He said he had been getting a disability grant

Leeufontein pensioners still wait for the payouts

Sowetan 12/12/91 (300

By KENOSI MODISANE

THE controversy surrounding the incorporation of Leeuwfontein into Bophuthatswana which has left schools closed, pensions unpaid and other social services suspended since 1988, has still not been resolved.

Concern is also mounting in the tiny Western Transvaal village that schools will still be empty in the new year.

There is also concern that pensioners will enter their fourth year without payment from the government.

The area was incorporated into Bophuthatswana in 1988 - leaving thousands of children unable to attend due to the closure of schools.

Leeuwfontein - together with another neighbouring area, Braaklaagte - was included in a 1985 agreement in the Government's proposed consolidation of "black spots" into Bophuthatswana.

These proposals resulted in many South African's losing their citizenship.

The community then took President FW de Klerk to the Supreme Court to challenge his decision to incorporate the area into Bophuthatswana.

Application

The case between the 15 000-strong community of this village in Zeerust against the South African Government was filed in 1989.

The application was made by community leader Mr Dadelik Majafa, who asked the President to set aside the incorporation of the area into Bophuthatswana

In court papers, Majafa asked that the farm, incorporated into Bophuthatswana on December 31 1988, be declared part of South African territory.

He said the Bahurutshe ba ga Moilwa tribe had been living on the farm since 1906 and the majority were South African citizens opposed to incorporation.

The Supreme Court in Pretoria postponed the matter indefinitely after the case was referred for oral evidence.

By agreement between the two parties, oral evidence was to be heard in August this year.

However, shortly before the hearing an agreement was reached that negotiations would be entered into between the community and the SA Government with a view to resolving the issues in an out of court settlement and to postpone the hearing.

A statement released by lawyers representing the community of Leeuwfontein yesterday accused the South African Government of reneging on its promise to resolve the issue "once and for all".

"The South African Government has reneged on an out-of-court undertaking to negotiate with representatives of the Leeuwfontein community," the statement read.

The issues to be resolved as a matter of urgency consist of the reopening of schools, the payment of pensions, the safe return of exiles and re-incorporation into South Africa.

Granting the postponement earlier this year, the Deputy Judge-President said: "As negotiations were underway between the two parties, it was not required for the trial to go ahead for the time being."

This has caused concern that there might not be schooling in the new year.

The SA Government's failure to negotiate also means pensioners, who have not received pensions since incorporation, will continue to live in poverty.

Hundreds of other community members have been living in exile since incorporation. They all claim to have been harassed by the homeland security police when they attempted to go back home.

"Members of the SA Government, including De Klerk and Pik Botha, have been aware since 1989 that these issues need to be resolved urgently.

Urgent

"But the SA Government has dragged its feet despite being aware that the matter is urgent.

"Representation has been made by the legal team on behalf of the community and the response from the Government has not been enthusiastic," the statement read.

The Leeuwfontein community has been extremely anxious that negotiations should commence well before the first school term commences in 1992.

'Pensioners' old before their time

WILSON ZWANE

PEOPLE bent on qualifying for old-age pensions have lied about their ages in the past, and the Department of Home Affairs has discovered many cases of deception in the process of issuing new non-racial ID documents.

In recent weeks many black old-age "pensioners" have complained that new ID books have taken years off their ages and their payouts have been suspended.

A Transvaal Provincial Administration (TPA) spokesman recently admitted that dates in new documents sometimes made pensioners "younger".

"In October a number of beneficiaries were informed in writing and at pay-points that their grants had been suspended because their ages disqualified them," the spokesman said.

Home Affairs Department spokesman Chris Pretorius said in a statement yesterday that if people had complaints about dates of birth in their documents, they could apply for them to be corrected.

"It seems, however, that a recent check of personal particulars of pensioners by the provincial authorities has revealed some discrepancies between the information supplied by applicants and that contained in identity documents."

There had been a tendency for some time now for people to "lay claim to a date of birth prior and up to 1930, in cases where births were not officially registered". "The department believes that this is done in order to qualify for a pension," Pretorius said.

Umkhonto to train its members in India

TIM COHEN

THE ANC's armed wing Umkhonto we Sizwe would send members to India for training in conventional warfare, its chief of staff Chris Hani said yesterday.

Hani made the announcement at a news conference held to announce a series of nationwide Umkhonto meetings to mark its 30th anniversary.

ANC national executive committee member Winnie Mandela will speak at two of the 13 meetings, all of which, except one, will be held on Monday.

The focus of the celebrations will be a meeting planned for Orlando Stadium in Soweto, which will be addressed by ANC president Nelson Mandela, the organisation's chairman Oliver Tambo and Umkhonto commander Joe Modise.

Welfare head Winnie Mandela will join Hani on the podium at a rally in Umtata on Saturday, while one of the celebratory meetings will also be held in an Umkhonto camp in Uganda.

Umkhonto will also hold a special commemoration service for member Mashaek Maponya at Kagiso Heroes Acre on Sunday. Maponya was killed when the bomb he was carrying exploded near the Sterland shopping centre in Pretoria in 1988.

Maponya's brother Japie was allegedly killed by SAP members Almond Nofemela and Dirk Coetzee after interrogation at Vlakplaas.

The anniversary celebrations are intended to mark the first bomb blasts of the "Sabotage Campaign" and the launching of Umkhonto on December 16 1961 — also the anniversary of the Voortrekker victory over Dingaan at the Battle of Blood River.

In a statement, Umkhonto said it would continue to recruit and train its members for a future army. "We will not disarm or disband before our goal of achieving a non-racial, non-sexist, democratic and united SA is achieved.

"Umkhonto is neither a private army nor the army of a political party," the statement said, describing it as a "people's army".

Sapa reports that Soweto police commissioner Maj-Gen Kobus Malan said additional police and defence force troops were being moved into Soweto to monitor Umkhonto's Orlando Stadium rally on Monday.

England's coldest in 10

Picture: AP

said his company welcome
the action group in a pu

People 'lied about their age' to get pensions (300)

Own Correspondent CT 14/12/91

JOHANNESBURG. — In the process of issuing new non-racial ID documents, the Department of Home Affairs has discovered many cases of people who lied about their age to qualify for old-age pensions, it was claimed this week.

Recently many black old-age pensioners have complained that new ID books have taken years off their ages and that their payouts have stopped.

A Transvaal Provincial Administration spokesman has admitted that dates in new documents sometimes made pensioners "younger". He said a recent check had shown some discrepancies between ages given by applicants and their ID documents.

Fingerprinting is the ID for the aged

By CHIARA CARTER 300

BLACK pensioners in Cape Town are still being identified through fingerprints irrespective of whether they have identity documents or are able to sign their names.

Black Sash spokesman Sue van der Merwe said fingerprinting is widespread even though it is often not necessary.

Van der Merwe said pensioners who had identity documents and were able to sign did not have to be fingerprinted, however this was often not explained to them.

"Pensioners are treated like sheep. Nobody takes the time to explain the system. The counter service is bureaucratic rather than helpful," Van der Merwe commented.

One pensioner who is outraged at the pension payout system is Gemina Mota of Gugulethu.

"There is no reason to take fingerprints if you can sign your name. Surely there are forms one can fill in," Mota said.

Mota is also upset at having to collect the pension personally. "While I was ill in Groote Schuur hospital, I missed out on my pension and I struggled to get the arrears. Last month I collapsed in the queue," Mota said.

"I can't understand why black pensioners can't collect their pensions from the post office like whites do."

Van der Merwe said computerisation at the Cape Provincial Administration had improved matters, but there were only six paypoints in Cape Town. Pensioners spent an entire day queuing.

They Black Sash has published an extensive report on problems faced by black pensioners. Together with other community groups the organisation is demanding pension parity.

SHORT-CHANGED . . . Gemina Mota collapses in the pension queue. ■ Pic: EVANS MBOWENI

Pensioners may go to court over grants

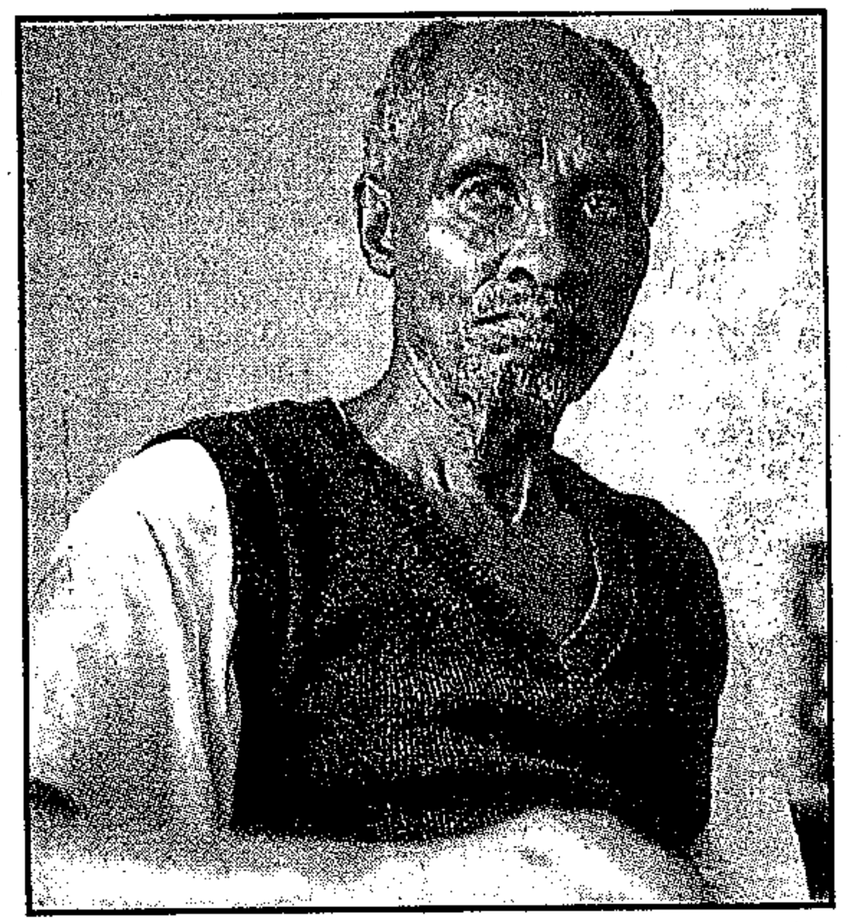
STAR 16/12/91.

By Thabo Leshilo (300)

The plight of thousands of black pensioners, whose grants have been suspended since October, could be brought before the Supreme Court this week.

The Legal Resources Centre (LRC), one of the bodies helping the pensioners, has given the Transvaal Provincial Administration an ultimatum to promise to pay the pensioners by the end of next month or face court action.

Their grants were suspended because their new identity documents, issued by the Department of Home Affairs, show that they are "too young" to qualify for an old-age pension.



Pitso Mohalane . . . given a younger woman's name. Picture: Herbert Mabuza

Many were allegedly told to go and look for work by rude TPA officials at pay points.

"We believe that unnecessary hardship has been imposed on all our clients. Our clients are being penalised for circumstances beyond their control," LRC attorney Thandi Orleyn said in a letter to the TPA.

The TPA says the grants would only be reinstated and the payments backdated if the beneficiaries could prove they were indeed old enough for old-age pensions — even though they had been receiving the money for years.

They would have to first supply their nearest TPA pension office with documentary proof of their age.

The following documents will be accepted as proof of age:

- An abridged birth certificate issued by the Home Affairs Department (or certified copy).
- A baptismal certificate (or certified copy).
- A sworn declaration by a registered medical doctor, confirmed by the Department of Home Affairs, that the beneficiary has correctly estimated his or her age.
- A sworn statement on the beneficiary's age by a person able to prove he or she is older than the beneficiary. This person must have known the beneficiary for a reasonable period of time.

The letter says some of the pensioners who have satisfied the "proof of identity" requirements have still not been paid.

- Selina Msimango was born on May 28 1927 and married in 1943. However, the new identity document shows that she was born in 1944 — the same year her daughter Sibongile was born.

A copy of Mrs Msimango's birth certificate in the possession of The Star shows that she married in 1943. The new document, issued in 1988, therefore implies that she married a year before she was born.

- Pitso Mohalane was born in 1920, according to his baptismal certificate issued by the Methodist Church. The new document, issued in 1987, says he was born in 1927.

Since then, Mr Mohalane has been receiving his pension using the name of a woman, Nozibuza Nthlathi, to whom the new identity number apparently belongs. The woman's name, he claims, was given to him by a TPA clerk who wrote it in his document at the payout point.

- Andries Rapolo Mlangeni was 24 when he married in 1947, according to his marriage certificate. However, his new identity book shows that he was born 1928.

The old man was so shocked that he fainted when a clerk at the pay point told him: "You are too young for pension. Go and look for work," said advice office and welfare worker Getty Ntaka, who witnessed the incident.

Social Security - Pensions + care of the Aged.

1992

JANUARY — APRIL

RETIREMENT BENEFITS FM 3/1/92 300

Revenue's salami tactics

Under the Income Tax Act a complex formula sets out the maximum deduction for contributions to a retirement annuity (RA) fund. A taxpayer may deduct up to the following maxima, whichever is the greatest:

☐ 15% of income after the deduction of all allowed expenses (excluding RA and pension fund deductions themselves, medical expenses and some other specialised categories). Income for this purpose excludes income from "retirement-funding employment" as defined (effectively, pensionable emoluments);

☐ R3 500, less deductions allowed for current contributions to pension funds; or

☐ R1 750.

The Commissioner for Inland Revenue is now asking government to amend the Act to delete the second and third bases of this formula, with effect from the 1997 tax year. The proposal has caused concern among long-term assurers, an important part of whose business is the management and marketing of RAs. Revenue argues that the second and third bases were inserted only as transitional provisions at the time of introduction of the first basis — the 15% option.

Liberty Life's Gavin Came explains that when RAs were introduced in the Sixties their focus was to provide an individual pension for the self-employed. Initially, a fixed rand amount was allowed for deduction of contributions. This was steadily increased until 1979 when the 15% rule was introduced. This was ideal for the self-employed, as it was automatically linked to increases in income. The older "fixed amount" allowance was kept to protect the rights of people who had relied on it.

Revenue says these two bases complicate their calculations and are now an unnecessary concession.

Came says the Life Offices Association (LOA) has problems with this approach, which generates instability in tax legislation and suggests that Revenue does not sufficiently recognise the RA's role in augmenting pensions, especially where there is no compulsory preservation of them.

Revenue argues the fixed amount options are unreasonably generous because of the combined deductibility of pension fund contributions by employer and employee. At present, employees may deduct up to 7,5% of their retirement-funding income, and the employer up to 20%.

Old Mutual's Abri Meiring argues that the three bases of the formula should be reviewed concurrently.

Above an income threshold of R11 667 a year for nonretirement funding (and taxable) income, the 15% basis leg is sufficient. If an LOA proposal, outlined below, for increasing the 15% basis were adopted, this threshold would fall, softening the impact of removing the remaining bases in 1997.

Independently of this consideration, the LOA feels that the 15% basis should be improved, for several reasons:

☐ The principle of "horizontal equity" demands that salaried and self-employed people should enjoy similar fiscal incentives — combined deductible contributions by employee and employer now total up to 27,5%;

☐ The real value of the 15% deduction has been eroded for some by the 1990 exemption of dividend income. Before this, gross dividend income formed part of the taxable base on which the 15% could be calculated. This (possibly unforeseen) consequence can be rectified by raising the 15% factor;

☐ All these considerations apply even more to older taxpayers who have less time to provide for retirement (and also rely more heavily on dividend income); and

☐ It is important to protect vested rights. The LOA accepts that the long deferral of the date suggested for introducing the proposed amendment acknowledges this. But no taxpayer who entered into a long-term RA contract should ever be disadvantaged by a retroactive change to the tax regime.

The LOA now proposes that the 15% limit should be lifted to at least 20% for taxpayers under the age of 50 with effect from the 1992 tax year; and that this be further increased by one percentage point for every year over the age of 50 to a maximum of 30% at age 60. Alternatively, a flat rate of 25% could be considered for all ages.

Further, the R1 800 limit for deduction of reinstatement contributions to RA funds and pension funds should be increased to at least R3 600 a year with effect from 1992. This type of payment arises when a member makes up arrear contributions to either a pension fund or RA or buys past service.

The LOA wants the upper age limit of 70 years for retirement from an RA fund abolished, or at least raised to 75.

Lastly, RA contracts entered before March 1 1992 should be protected against any future abolition of the fixed amount bases by specifically excluding them from the proposed amendment.

There are reservations at Revenue about an increase in the 15% basis:

☐ It would give a major benefit to exceptionally high earners who do not need any more assistance to save for retirement; and

☐ It might mean significant loss of revenue.

Of course, it would be easy to cap the 15% basis in monetary terms, from year to year, to adjust for inflation.

AA Life MD Joe Gates points out that numerous commissions of inquiry have emphasised the importance of providing sufficient retirement funding. Yet Revenue often displays tunnel vision when it comes to the risk of even limited loss of tax proceeds.

The LOA proposals (with one exception) seem not only right but overdue. In particular, taxpayers in the professions are often still fighting fit at 70, and not nearly ready to retire.

The exception concerns dividend income. There never was much logic in allowing this category to fund contributions to an RA, as the income will not be affected at all by retirement from work. Here, the LOA argument seems self-serving. ■

LRC fights for pension money

STAR 9/11/92

Staff Reporter (300)

A 28-year-old paraplegic who spent the festive season without his disability pension is to be paid this week, but hundreds of Transvaal pensioners are still waiting for their money.

Fuzile Meshack Mathayo of Wadeville will receive his pension today, his mother said.

The Legal Resources Centre, acting for several pensioners, said the TPA insists disability pensions would not be issued unless pensioners furnish new medical reports.

Old-age pensioners, whose pensions were stopped when new identity documents showed they were "too young", would have to submit proof.

The LRC threatened to bring an urgent application in the Supreme Court.

8 May 10/11/92

Pension age Bill 300

A BILL making it easier to gradually increase the qualifying age from 60 to 65 for women's old age pensions was published yesterday.

A memorandum on the Social Assistance Bill said the measure proposed the qualifying age for old people be prescribed by regulation to make the gradual increase possible.

Pension deficit at R17bn

CAPE TOWN — Transnet had a deficit of R17,180bn in its pension fund in April 1990, its first annual report since becoming a public company said yesterday.

The shortfall arose because the pension fund had invested surplus money in government and semi-government bonds which had yielded a lower return than growth assets.

As the Pension Fund Act had been amended in 1991, the fund could now invest in growth assets such as shares and property.

Transnet's board decided to rectify the deficit in the pension fund through partial funding by issuing shares, increasing the company's contribution rate from 9% to 12% and by allocating profits to it.

Due to Transnet's sensitivity to market fluctuations the balance sheet was not sound, which would impede any privatisation.

Transnet MD Anton Moolman said Spoornet traffic volumes were down 8% over the previous financial year. The decrease was more marked in the general sector than in bulk traffic.

"The poor performance of the agricultural sector contributed to the decline."

Portnet handled 5,4% less traffic through its eight harbours although container tonnage increased 1,9%.

SAA had fewer travellers and higher fuel costs.

Domestic passenger bookings decreased 7,9% while international passenger numbers decreased 4,5%.

Autonet was also affected by the reduced demand for transport and showed a 25,8% decrease during the financial year.

"To alleviate the management cutback on costs at all levels a programme of natural employee attenuation was implemented," the annual report said, adding the staff complement had been cut by 4,8% by March 15 last year compared with the same date in 1990. — Sapa.

Thousands may lose pensions

STAR 31/11/97 (300)

By Carina le Grange

Hundreds of thousands of social pensioners stand to lose their rights to a Government pension if the Social Assistance Bill, due to be presented to Parliament during this session, is passed.

The deputy national director of the Legal Resources Centre, Geoff Budlender, told The Star today that the Bill — which will replace, among others, the Social Pensions Act and the War Veterans Act — would remove the statutory right to a pension of many indigent and disabled people as well as war veterans.

More significantly, Mr Budlender said, the controversial Bill introduced the requirement that an applicant for social assistance or pension should be a South African citizen. This would exclude TBVC citizens living and working in South Africa.

These people do not qualify for pensions in the TBVC states, because they live and work in South Africa.

Mr Budlender described the Bill as "frankly outrageous", and said: "Hundreds of thousands of people will be affected."

And Sheena Duncan of the Black Sash said the Bill was "an iniquitous piece of legislation" which should be withdrawn by National Health Minister Dr Rina Venter without delay.

"It removes the legal right to a social pension. To do something as radical as this as we are moving into a new South Africa and having negotiations is astonishing."

"There are thousands of people who are lawfully residents in South Africa who have contributed through their work to the country's revenue and who would not qualify elsewhere for a pension," she said.

Mr Budlender said: "The Bill introduces a fundamental change of principle, and will also have a major impact upon persons claiming State pensions. The Bill provides that the Director-General of the Department of National Health and Population Development could, 'at his discretion', grant social grants.

"At his discretion he may also authorise the removal of relevant social assistance. The Social Pensions Act, which will be removed, provides that an applicant must either be a South African citizen or have resided in the country for a substantial period."

Dr Venter's comments could not be obtained by the time of going to press.

Tax liability on RA's vary

Money Matters

MAGNUS HEYSTEK

AS we found out last week, income tax is a headache for investors and makes financial planning an absolute misery for most people.

But, I'm told, our tax system is relatively simple when compared with those in many other countries such as France and Belgium.

The question of retirement annuities and tax liability creates a lot of confusion and this was particularly evident this week on Financially Speaking, my radio show on Radio 702.

Despite the fact that hundreds of thousands of people contribute to retirement amnnuities or derive an income from this type of investment, the level of ignorance is astounding.

And once again one can only blame the large life assurance companies who market these products. They might think they are doing a good job educating the public about these products, but the simple truth is that they are not.

With that off my chest we can now discuss RA's and income tax. This article deals with the income tax-element after maturation of an RA. By now, hopefully, the tax benefits of RA contributions are well known.

There are two types of RA-purchases, one compulsary and one voluntary.

Compulsary retirement annuities (CPA's) have to be made when someone, who has been contributing to an RA-fund retires, which is anytime between the age of 55 and 69. One third of the capital value at retirement can be taken in cash, tax-free up to R120 000 (the rest is taxed at the taxpayers' average rate of tax) while the other two-thirds has to be used to purchase an annuity.

An important point to remember is that the annuitant (the person who takes out the annuity) is under no obligation to purchase an annuity with the life company where the capital resides. Its an open market and one should shop around for the best possible annuity.

Most people seem to think that all life companies are the same when it comes to purchasing an annuity. This is definitely not the case and sometimes the difference can be as much as 20 percent.

The income from a compulsary purchased annuity is fully taxable. As Trevor Williams, director of Willis Faber Enthoven and my guest on Radio 702 said: "You might postpone your tax liability with RA's but you never escape it totally".

The income tax on CPA's has to be deducted by the life companies according to the official Employee's Tax Deduction Tables, for which the annuitant will receive an IRP5 certificate indicating the amount of tax paid.

Voluntarily purchased annuities (VPA's), on the other hand, are treated somewhat differently for tax purposes. VPA's are made when, in return for a lump-sum investment, the insurance company undertakes to pay an income at fixed intervals at a fixed rate of interest.

As the annuity comprises a repayment of interest as well as capital, the capital portion of the repayment is exempt from tax. This is calculated in terms of a rather complicated formula, which fortunately for most, is done by the financial company.

But the life company only deducts tax based on the income you receive from them. In many cases this could mean an underpayment if there is other taxable incomeand often causes a nasty surprise. Don't let it happen to you.

● Next week: Income tax and life assurance products.

VALUE FOR YOUR MONEY

The road to R4m

ST Times (Buss) 2/2/92

By HENRIQUE ODENDAAL, a Fellow of the Institute of Life and Pension Fund Advisors, and senior manager, sales development, at Sage Life

CLIENTS often ask if they can gain greater personal benefit from business profits and reduce the tax burden on their companies or close corporations.

Tax deductibility can be maximised in several ways on contributions to deferred compensation and pension, provident and retirement annuity (RA) funds.

The best combination depends on the situation and objectives of the client. But the ultimate personal benefit to the business owners and the increased tax deduction can be dramatic.

Example

To illustrate the advantages of using these life-assurance retirement plans (the benefits are payable any time after age 55), I give the example of two directors of a small manufacturing company. They live comfortably and each has an annual taxable income of R80 000. The company has a sustainable annual profit of about R100 000.

They do not like their "annual donation" (their words) of R48 000 company tax. They want suggestions about how to reduce their company tax but leave their taxable incomes at the present R80 000. They have no retirement funds.

The first thing they can do is use RAs.

"But we want to remain on R80 000 taxable income — it's the company tax we want to reduce," they say.

They can reduce the company's taxable profit by increasing their individual taxable incomes by the amount of the RA contributions. This leaves the R80 000 intact (in fact, none of the proposals reduces their take-home pay by a cent — see table). But they want more.

Next, the company can contribute up to 10% of their increased remuneration to a deferred compensation plan for them and deduct the contribution for tax purposes.

They can also take advantage of a non-contributory provident fund, the company contributing 20% of their salaries.

Steps

The clients look contented. But one asks: "I don't suppose there is any chance of getting more?"

Of course there is — that is why FILPA can also stand for Fellow who Institutes Life and Pension Funds Admirably. Many little steps may be taken to achieve the big objective (totally misquoting Neil Armstrong).

They can introduce a contributory pension fund with no company contributions and add a further annual personal payment of R1 800 for past service. Their salaries will be increased by the amount of these contributions, as was done with the RA.

The clients look bewildered — each step has to be explained carefully. Eventually they smile, knowing that a tax-deductible total of R74 842 (R37 421 each) is being invested for them.

With 20 years to go to retirement, the clients ask what they will receive then. Their smiles grow broader when told that even without increasing contributions and assuming 15% growth a year, they would each have a fund of about R4-million.

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Right to pension may be scrapped

By SOPHIE TEMA

BAD days are looming for thousands of pensioners as the State has threatened to remove their right to claim pensions.

If a Bill published by the government becomes law, and the legal right to an old age pension is scrapped, then people who have not been able to provide for their old age may have to starve to death.

The Social Assistance Bill, published by National Health Minister Dr Rina Venter, will be going through the first stage of the parliamentary process next week.

The Bill aims to remove the legally enforcable right to a pension, leaving the granting of a pension up to the discretion of the Director General of the Department of National Health and Population Development.

If the Bill becomes law it will most likely affect disabled people.

BATTLING ... Pensioners have enough troubles. Now they may starve.

CPress 2/2/92

LINEUP ... Many of these old people may soon lose their pensions if a bill now before government become law. The disabled may also be affected.

(300)

Until now, a social pension was one of the very few legal rights that people in dire poverty have in this country. Pensioners are heavily dependent on the small cash income.

Community and Church leaders claim that if the Bill becomes law the government will be able to save money by cutting down on the number of pensions paid

It also means that many people from neighbouring and TBVC countries, who are regarded by the government as foreigners but live legally in South Africa, will no longer be able to receive pensions.

Deputy national director of the Legal Resources Centre, Geoff Budlender, described the explanatory memorandum to the bill as "at best misleading and at worst deliberately dishonest".

The memorandum from the government stated that the principle aim of the Bill was to "embody laws relating to social aid schemes in one Act".

Pension paranoia

FINANCE MINISTER Barend du Plessis this week denied the government had decided to tax public servants' retirement gratuities.

The statement did not come a moment too soon: scores of officials have already opted for early retirement merely on the basis of rumours that the tax was on the government's agenda.

Signs of the dawning new South Africa — public service paranoia.

Sitting 2/12/92

New pension policy for domestics

ST Times (Cape) 2/12/92

A NEW policy called the Domestic Retirement Plan has been introduced by Seeff Trust of Cape Town and the Domestic Workers Association of Green Point and Sea Point.

Its aim is to provide a meaningful reward for a domestic servant's loyalty.

For a monthly premium of between R35 and R65 the servant will receive a lump sum on retirement depending on the length of time she has contributed.

For a minimum premium of R35 a month, R2 791 will be paid out immediately on natural death, while in the case of accidental death twice this amount is paid.

In the case of accidental injury, R2 791 (the same as natural death) is paid for those contributing the minimum premiun.

The benefits are increased with higher monthly premiums.

The chairperson of the 18 000 strong Domestic Workers Association of Green Point and Sea Point, Maggie Oewies, was the moving force behind the plan.

She said the policy allowed for a suspension of premiums should the worker be unemployed or take leave of absence due to illness or pregnancy. It would also be unaffected if the employee changed jobs.

She said the scheme was not confined to members of the Domestic Workers Association and could be extended to farmworkers (at present there is no retirement provision for farm labourers).

Sats pension fund shortfall in billions

CT 2/4/92

By BARRY STREEK (300)
Political Staff

ACTUARIES found that the shortfall in the former South African Transport Services' two pension funds was more than R7bn in March 1988, the Auditor-General, Peter Wronsley, said yesterday.

In their evaluation, the actuaries found the funds in the two pension schemes were "inadequate to provide for the funds' commitments in respect of completed service at that date", he said in his report on the Sats accounts for the 1989/90 financial year.

"The calculated shortfalls as at 31 March 1988 were R6 352,4m in the case of the Railways and Harbours Superannuation Fund and R696,8m in the case of the Railways and Harbours Pension Fund for Non-White employees.

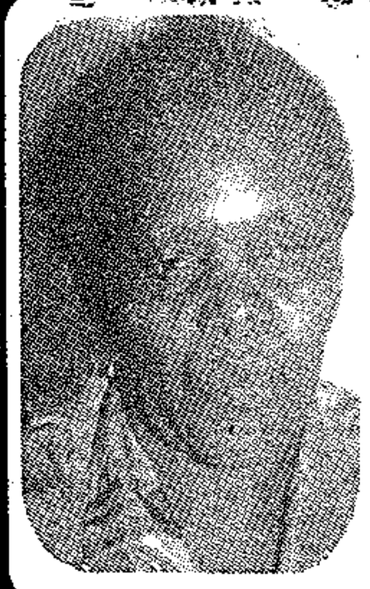
"This brought the funding levels of the relative pension funds at 31 March 1988 to 26,5% and 50,8% respectively.

"It was also found that the Sats' commitments as at 31 March 1988 in respect of pensions which have already been increased above the statutory increase of 2% per annum, with a provision for future increases 5,5% per annum, in the case of the Railways and Harbours Superannuation Fund amounted to R6 471m and in the case of the Railways and Harbours Pension Fund for Non-white Employees to R600,2m."

Wronsley said Sats paid out R39,2m to pensions during the year under review as well as R21,8m for annuities and gratuities.

Mum from Mercy cares for the aged

Sowetan 3/2/92 (300)



Woman of the week

GLADYS SETENANE

GLADYS Setenane was hardly 30 years old when she began devoting her life to the welfare of the aged.

By SIZAKELE KOOMA

As a member of the YWCA in her hometown village Queen's Mercy, near Matatiele, Setenane and other women in the movement attends to the needs of the aged and destitute by providing clothes and food bought with the funds raised from big companies and the community.

This commitment grew on a bigger scale more than 10 years later, when this Duduza mother of nine left her teaching job because of ill-health.

Setenane suffered a heart disease following her policeman husband's sudden death.

"I started by handing out soup and bread at pension payout points and I ended up helping the aged with some of their problems," Setenane said.

"In 1978, with the help of city council social workers, we formed a luncheon club and called it Sozama. We were operating from the local hall.

I was teaching the pensioners handcrafts on Tuesdays and giving exercise lessons on Fridays," she said.

Teachers

Today the club, which started out with 10 pensioners, has 122 regular members who still meet on the same days with Setenane working as teacher and organiser.

Sozama, which works hand in hand with the South African National Council for the Aged, boasts an award presented to it for the best exhibition of handcrafts in the East Rand in 1983.

In 1990, the club was also involved in a project called *"Pretty things for little things"* where various self-help organisations countrywide were sewing clothes for orphaned children.

The club consits of a committee of the sick, which Setenane takes care of those members who, because of ill-health, could not attend meetings. It operates on profits from the sale of their goods. It also pay for the members' entertainment and educational trips.

The latest will be to a Cornish hen farm in Qwa-Qwa, where the aged will be taught efficient ways to rear chickens.

Sozama also has a youth wing, formed by Setenane to "bring life into the club" and to entertain the aged on days when they have celebrations.

Formed in 1981, the club has a drum majorette and a traditional dancers. The latter recorded 10 songs with Radio Se-sotho the same year it was launched.

Although she is fully committed to Sozama, Setenane has other community responsibilities which fill every free minute she gets from club duties.

She also has time to work as a foster mother, a community responsibility she assumed in the mid-'80s, the beginning of the squatter boom.

"The local police station was being flooded with lost children they did not know where to keep them.

They would bring them to me while they tracked down their parents," she said. Her services to the community are offered voluntarily.

"I get my reward from seeing the aged, and all the people I work with, happy. Nothing makes me happier than helping them solve problems that worry them.

"Voluntary work is not something that you are forced to do, so you do it out of love which makes it even more fulfilling."

Setenane's work has not gone unnoticed.

She has been rewarded with awards, twice by the South African National Council for the Aged.

Bill will restrict pensions

Sowetan 3/2/92.

ISMAIL LAGARDIEN
Political Correspondent

300

THE Government has tabled a Bill in Parliament that could severly restrict and drastically adjust social pensions.

The Bill proposes - among other things - that the qualifying age for women pensioners be lifted from 60 to 65, and that all people who are not South African citizens be exempted from pensions paid by the Government.

The proposed legislation, if passed, will effectively disqualify women over the aged of 60 and under the age of 65, who are presently receiving social pensions and without any source of income.

It also means that people who, under apartheid laws, were moved from the urban areas to "homelands", will be left without any source of income.

And it also means that people who are classified as aliens under the legislation that actually provides for these "independent homelands", but still live in South Africa's townships, would be without social pensions.

'Misleading'

The Bill explains that "only South African citizens will be entitled to social grants, that is, benefits payable to aged and disabled persons and to war veterans".

Legal specialists have criticised the Bill as "misleading" and "deliberately dishonest".

The Social Assistance Bill tabled in Parliament by the Minister of National Health, Dr Rina Venter, places the powers of discretion over who qualifies and who does not qualify for pensions in the hands of a director general.

Any person who presently earns a pension, will also forfeit his or her benefits if this person chooses to reside outside the borders of South Africa, according to the proposed legislation.

Scrap pensions Bill, clergymen urge Minister

STAR 4/2/92

By Carina le Grange (300)

The controversial Social Assistance Bill, currently under consideration, is "in keeping with apartheid legislation", Methodist Church leaders said in a letter to National Health Minister Dr Rina Venter yesterday.

The letter, signed by the presiding bishop of the Methodist Church, Dr Stanley Mogoba, and the general-secretary of the Christian Citizenship Department, the Rev Demetris Palos, urges Dr Venter to drop the Bill.

"While appearing to be harmless, the Bill introduces fundamental changes of principle."

The Star reported last week that the Bill, if passed, could result in hundreds of thousands of pensioners losing their rights to a Government pension.

The church leaders said the Bill cancelled the fundamental statutory right to a pension for indigent, aged and disabled people, as well as war veterans, as set out in the Social Pensions Act of 1973 and the Social Aid Act of 1989.

Currently, any person meeting the qualifications for a social pension has a legally enforceable right to a pension, they said.

The two Acts mentioned would be replaced by the new Act, should the Bill be passed.

The Bill proposes that a person would be granted a pension only if the director-general of the Department of Health approved it at his discretion, Dr Mogoba and Mr Palos wrote.

"The Bill is in keeping with apartheid legislation. It bars citizens of the so-called independent homelands from receiving a South African pension (and) we observe that many people currently receiving a South African pension will no longer qualify for any pension.

"They will be denied what they are entitled to and currently receiving.

"We are at a loss to understand why, when the Government has declared on the one hand that it is dismantling apartheid, it is attempting on the other hand to install legislation that is a clear throwback to the days of Grand Apartheid," they said.

(2) whether she will make a statement on the matter? B26E

The MINISTER OF NATIONAL HEALTH:

(1) The Department of National Health and Population Development has developed a model for the restructuring of health services in co-operation with the various role-players. The key aspects of the model constitute the following:

- Devolvement of primary health care services to local authorities. This implies that the functions rendered by the six authorities be rationalised to one authority.
- Granting of maximal management autonomy to academic hospital complexes.
- Transfer of academic hospitals to the Department of National Health and Population Development. This implies the financial and administrative consolidation of the function which at present vests with five authorities, under the control of the Department of National Health and Population Development.

Meaningful progress has already been made with the implementation of the new health dispensation.

Discussions are presently being conducted in respect of the rationalisation of the functioning of the Department and own affairs administrations within the terms of the Republic of South Africa Constitution Act, 1983 (Act 110 of 1983). It is envisaged that a model will be established within the near future;

(2) various statements relating to the new health dispensation have already been made by the Minister.

Aids: free air-time

*9. Mr M J ELLIS asked the Minister of National Health: Hansard 4/2/92

(1) Whether she has approached the Minister of Home Affairs with a request for free air-time on radio and television for anti-Aids advertisements of any form and/or Aids information or education programmes; if so, what was the response; if not,

(2) whether she intends making such a request; if not, why not? Hansard 4/2/92 B27E

The MINISTER OF NATIONAL HEALTH:

(1) No,

(2) an Interdepartmental AIDS Committee was established at the beginning of 1991 and consists of departments that are directly or indirectly involved in AIDS prevention. These departments are contributing to the National Strategy for AIDS Prevention, as well as to internal AIDS prevention activities within their respective departments. Each department was requested to indicate via the Interdepartmental AIDS Committee in what ways departments will utilise resources at their disposal in the prevention of AIDS.

The SABC is outonomous and decides for itself on its advertisement policy. The AIDS Unit approached the SABC for free transmissions but the request was not granted.

Van den Heever Commission: report

*10. Lt-Gen R H D ROGERS asked the Minister of Education and Training:

(1) Whether, with reference to his reply to Question No 28 on 20 February 1991, the fourth report of the Van den Heever Commission has been received; if so, when;

(2) whether any action is contemplated against persons named in that report; if so, (a) what action and (b) against whom? B34E

The MINISTER OF EDUCATION AND TRAINING:

(1) The Fourth Report of the Van den Heever Commission, dated November 1991, was submitted to the Government and is at present being studied.

(2) (a) and (b) fall away.

Pensions: widows of SADF members

*11. Lt-Gen R H D ROGERS asked the Minister of Finance: 300

Whether, with reference to the reply by the Minister of National Health and Population Development to Question No 280 on 26 April 1990 and his reply to Question No 140 on 13 March 1991, further consideration has been given to raising the pension of a widow of a deceased member of the South African Defence Force to 75 per cent of the pension paid to her late husband; if not, why not; if so, with what result? Hansard 4/2/92 B35E

The MINISTER OF FINANCE:

No. As previously stated such a step is not affordable.

Police recruits

*12. Mr P H P GASTROW asked the Minister of Law and Order:

(1) Whether, in comparison with 1991, there is to be any reduction during 1992 in the number of recruits being trained for the South African Police at police training colleges in the Republic of South Africa; if so, (a) why and (b) how many police recruits (i) will the South African Police train at such colleges during 1992 and (ii) were so trained in 1991;

(2) whether he will make a statement on the matter? Hansard 4/2/92 B36E

The MINISTER OF LAW AND ORDER:

(1) (a) and (b) (i)

It is not possible to reply to the question at this stage, as the number of students to be trained during 1992 depends on the amount of money approved to the post of Law and Order in the Main Budget by Parliament.

(b) (ii)

6 442 students were trained during 1991.

(2) No.

Additional teaching posts: Cape Peninsula

*13. Mr K M ANDREW asked the Minister of Education and Training:

Whether any additional teaching posts have been created at primary and secondary schools in the Cape Peninsula in 1992; if not, why not; if so, (a) how many were created at such (i) primary and (ii) secondary schools and (b) what are the names of the schools involved? B41E

The MINISTER OF EDUCATION AND TRAINING: Hansard 4/2/92

Yes.

(a) (i) 70

(ii) 43

(b)

Primary	*Posts*
Nkazimlo	1 Principal 1 Head of Department 10 Teachers
Chuma	1 Principal 1 Head of Department 10 Teachers
Ilifa	1 Principal 3 Teachers
Sosebenza	1 Deputy Principal
Emithini	1 Deputy Principal 1 Teacher
Ebulumkweni	7 Teachers
Kukhanyile	2 Teachers
Ntwasahlobo	1 Teacher
Vuzamanzi	1 Teacher
Sobambisana	1 Teacher
Mkhangeli	1 Deputy Principal 10 Teachers
Hlengisa	1 Head of Department 1 Teacher
Mfuleni	1 Head of Department 4 Teachers
Linge	1 Teacher
Langabuya	4 Teachers
Mkhanyiseli	1 Teacher
Walter Teka	3 Teachers

Secondary	*Posts*
Intlanganiso	1 Principal 1 Head of Department 17 Teachers (new school)
Mvuzemvuze	2 Heads of Department 5 Teachers
Masiyile	1 Head of Department 1 Teacher
Luhlaza	1 Teacher
Malizo	1 Teacher
Thandokulu	1 Teacher

Government funds show R40-b shortfall

Taxpayers will shore up pensions shortfall

Sowetan 5/2/92

300

TAXPAYERS would continue paying billions for past Government incompetence in handling public pension funds, Mr Brian Goodall MP, Democratic Party spokesman on pensions, said yesterday.

He predicted that taxpayers' money would have to continue bailing out the troubled funds for 15 to 18 years.

Goodall was responding to a report tabled yesterday by the Auditor-General on SA Transport Services, which disclosed actuarial shortfalls of more than R7 billion at March 31 1988 in the Railways and Harbours funds.

The report said this meant that the Railways and Harbours Superannuation Fund with a R6,3 billion projected shortfall would only be able to meet 26,5 percent of its obligations, and the Railways and Harbours Pension Fund for Non-White Employees (R696-million) only 50,8 percent of its requirement.

Goodall, who has for years been raising alarms and criticising Government management of the vast public pension funds, said: "We sit with a situation which reflects incompetence of the past.

BRIAN GOODALL

"If you got yourself into this position, you didn't know what you were doing, or you were unbelievably greedy or stupid, or both."

He said the Government pension funds were in the same state as, or worse than the transport funds, which had amalgamated since 1988.

The transport funds struck trouble because of buy-back schemes which had been very expensive and inflicted tremendous liabilities. A second reason was that the funds had been used to subsidise housing, resulting in a very poor return on investments.

Actuaries had found that the shortfall would have been very small indeed if the money had been invested properly, earning good investment returns.

"You had bureaucrats running pension funds," he said, "upping benefits without any figures to measure the consequences of their actions.

"What we did with pension funds was like a company paying out dividends without having had any annual accounts done for 10 or 12 years."

When one tried to engineer a pension fund to meet social goals, there was no free lunch. Somebody, somewhere, had to pay.

He said the "state's contribution" in these pension funds was a euphemism for taxpayers' money - the state earned none. That contribution was extremely high, about 23 percent in government pension funds.

And in the last two years, R1 billion had been taken from the budget to keep the funds afloat.

Goodall noted, however, that Transport Services were the first to take corrective measures to extricate themselves from the mess.

They were taking appropriate steps, stopping buy-back and allowing private managers to invest pension funds for them in a whole spectrum of areas beyond fixed-interest areas, such as equities and property.

"They are doing better than other government pension funds. The steps they are taking are basically the only steps one can take."

The transport pension funds should reach the actuarial state they should be in beyond the year 2000.

"Although it's going to take time, we think they are moving in the right direction."

He said other government funds showed actuarial shortfalls totalling roughly R40-billion.

"It's just going to take a lot of time to rectify the situation. These pension funds are going to have to be monitored incredibly closely in future."

Pension right threat seen

Political Staff

THE proposed Social Assistance Bill would disqualify a substantial number of people from receiving a social pension and they would not qualify to receive a pension elsewhere, according to the Western Province Council of Churches. (300)

"The bill introduces the most fundamental change of principle imaginable, namely to remove the statutory right to a pension for indigent aged and disabled people and war veterans," the WPCC said in a statement issued by its organising secretary, the Rev Bennie Witbooi, at the weekend. CT 10/2/92

in, (d) failed, and (e) obtained (i) A, (ii) B, (iii) C, (iv) D and (v) E aggregates in, his Department's 1991 Senior Certificate examinations? B38E

The MINISTER OF EDUCATION AND TRAINING:

(a) 81 021

(b) 31 439

(c) 7 837

(d) 49 582

(e) (i) 7, (ii) 68, (iii) 489, (iv) 3 514 and (v) 5 400.

Senior Certificate examinations: Other schools

19. Mr K M ANDREW asked the Minister of Education and Training:

How many pupils at schools not falling under the control of his Department (a) wrote, (b) passed, (c) obtained matriculation exemption in, (d) failed, and (e) obtained (i) A, (ii) B, (iii) C, (iv) D and (v) E aggregates in, his Department's 1991 Senior Certificate examinations? B39E

The MINISTER OF EDUCATION AND TRAINING:

(a) 203 659

(b) 81 738

(c) 21 892

(d) 121 921

(e) (i) 13, (ii) 139, (iii) 1 167, (iv) 8 964 and (v) 14 428.

Places of safety: number of children

22. Mr R M BURROWS asked the Minister of National Health:

(1) (a) How many places of safety other than police cells and prisons were there in South Africa for children of each race group, and (b) what was the total number of children who (i) could be accommodated and (ii) were being held in each of these places of safety, as at the latest specified date for which information is available;

(2) whether her Department has statistics on the number of children of each race group being held in police cells as places of safety; if so, (a) what are the relevant statistics and (b) in respect of what date is this information furnished? B47E

The MINISTER OF NATIONAL HEALTH:

(1)

Population group	(a) *Number of places*	(b) (i) *Accommodation available*	(ii) *Number of children*
Indians	2	200	84
Whites	7	505	447
Blacks	12	1 645	1 188
Coloureds	8	715	610

Information as at 29 January 1992 in respect of Whites and Indians, 31 December 1991 in respect of Coloureds and 30 May 1991 in respect of Blacks;

(2) no,
(a) and (b) fall away.

Teacher/pupil ratio

23. Mr R M BURROWS asked the Minister of Education and Training:

(1) (a) What is the teacher/pupil ratio in his Department for (i) primary and (ii) secondary schools and (b) in respect of what date is this information furnished;

(2) whether his Department has statistics on the teacher/pupil ratio in the education departments of the self-governing territories; if so, what are the relevant ratios? B48E

The MINISTER OF EDUCATION AND TRAINING:

(1) (a) (i) Primary schools: 1:41,00

(ii) Secondary schools: 1:35,76

Total: 1:39,41

(b) 5 March 1991

(2) Yes

	Primary	*Secondary*
QwaQwa	1:33,66	1:31,39
Lebowa	1:40,42	1:33,84
Gazankulu	1:43,02	1:33,73
KwaZulu	1:53,50	1:41,29
KwaNdebele	1:39,85	1:36,69
KaNgwane	1:40,33	1:35,63

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

State pension funds: contributions

11. Mr B B GOODALL asked the Minister of Finance:

(a) What amount of money is there in each specified State pension fund, (b) what percentage of each pension contribution is made by the (i) individual and (ii) State and (c) in respect of what date is this information furnished? B28E

The MINISTER OF FINANCE:

(a)

Government Service Pensions Fund	R29 703 729 988
Associated Institutions Pension Fund	R 4 656 510 176
Temporary Employees Pension Fund	R 3 059 436 695
Associated Institutions Provident Fund	R 11 144 252
Pension Fund for Persons in Authorities' Service	R 3 362 126 205
Superannuation Fund for Persons in Authorities' Service	R 170 012 929

(b)

(i) Government Service Pension Fund	26,68
Associated Institutions Pension Fund	32,89
Temporary Employees Pension Fund	33,33
Associated Institutions Provident Fund	40,00
Pension Fund for Persons in Authorities' Service	32,89
Superannuation Fund for Persons in Authorities' Service	43,48
(ii) Government Service Pension Fund	73,32
Associated Institutions Pension Fund	67,11
Temporary Employees Pension Fund	66,67
Associated Institutions Provident Fund	60,00
Pension Fund for Persons in Authorities' Service	67,11
Superannuation Fund for Persons in Authorities Service	56,52

(c) 31 March 1991.

State pension schemes: number/value of assets

12. Mr B B GOODALL asked the Minister of Finance:

(a) How many State pension schemes were there as at the latest specified date for which information is available, (b) what are their names and (c) what was the (i) State's contribution in respect of, and (ii) total value of the assets held by, each of these schemes as at that date? B29E

The MINISTER OF FINANCE:

(a) Three as at 31 December 1991.

(b) Members of Parliament and Political Office-Bearers Pension Scheme.
Members of Statutory Bodies Pension Scheme
Military Pension Scheme

(c) As benefits payable by the schemes are financed from the State Revenue Fund, no employer contributions are made by the State.
The amounts mentioned hereafter therefore present the total expenditure of the benefits paid out of Revenue for the 1990/91 financial year.

(i) Pension Scheme for Members of Parliament and Political Office-Bearers	R57 150 777
Pension Scheme for members of Statutory Bodies	R 461 984
Military Pension Scheme	R51 250 792
(ii) Nil.	

Withdraw pensions Bill, urges Winnie

By Carina le Grange

The ANC yesterday called for the immediate withdrawal of the controversial Social Assistance Bill recently introduced by Minister of National Health and Population Development Dr Rina Venter.

ANC social welfare department head Winnie Mandela said at a press conference in Johannesburg that the Bill would remove the legally enforceable right to social assistance.

This right would be replaced with a system which was based entirely on the discretion of the director-general of Dr Venter's department.

A second "injustice" was that the Bill introduced the requirement of South African citizenship before any person could qualify for social assistance, Mrs Mandela said.

"This would automatically exclude 'citizens' of the so-called TBVC countries even though they may have lived in South Africa all their lives and may never have set foot in these territories ...

"TBVC legislation requires residence in those territories for people to qualify for pensions," she said.

Thus these people would not qualify for pensions in South Africa or the TBVC states.

"Although the present system of social pensions is far from perfect, it has hitherto been accepted that there is a legally enforceable right to such pen sions.

"It is both surprising and unacceptable for the present regime to seek to take away one of the few rights enjoyed by the disadvantaged and economically vulnerable section of our society. This must be rejected," Mrs Mandela said.

The ANC had requested an urgent meeting with Dr Venter on the Bill, which could also be attended by other interested parties. The meeting would also deal with the possibility of setting up a Codesa-style forum on welfare, she said.

● The Black Sash, the Methodist Church, the SA Legion and the Anglican Bishop of Johannesburg, Bishop Duncan Buchanan, have already appealed to Dr Venter to scrap the Bill.

Pension payouts total R57,1-m

The State Revenue Fund paid out R57,1 million in benefits to the Pension Scheme for Members of Parliament and Political Office Bearers in the 1990/91 financial year, Finance Minister Barend du Plessis said in the House of Assembly yesterday.

In a written reply to a question by Brian Goodall (DP Edenvale), Mr du Plessis said the other two State pensions schemes as at the end of 1991 were the Pension Scheme for Members of Statutory Bodies and the Military Pension Scheme.

Mr du Plessis also said there was R29,7 billion in the Government Service Pension Fund.

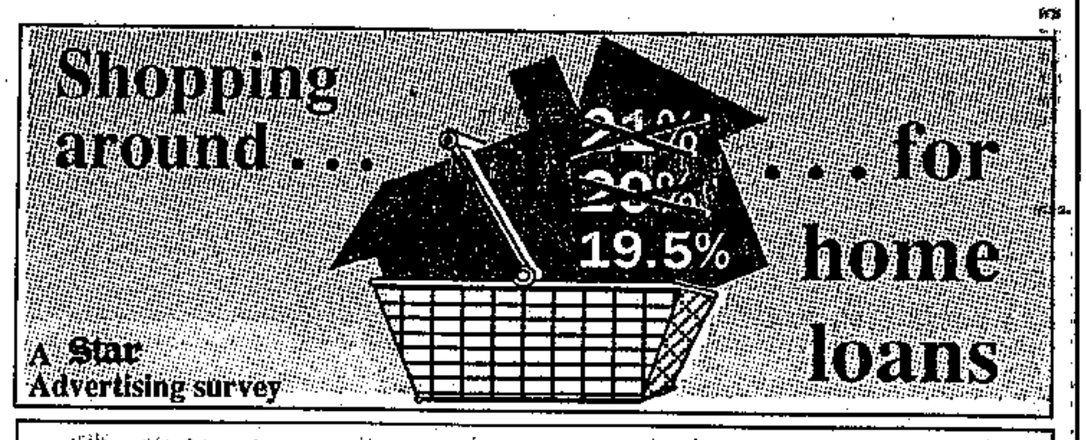
The State had provided 73,32 percent of this amount.

He said there was R4,6 billion in the Associated Institutions Pension Fund.

Of this amount, some 32,89 percent was paid in by employees.

The Temporary Employees Pension Fund balance stood at R3,059 billion as at March 31 last year, of which the State provided 66,67 percent, while the Pension Fund for Persons in Authorities' Service had a balance of R3,3 billion on the same date, of which employees provided 32,89 percent.

— Sapa.



This survey was written and compiled by Berenice Margolis with assistance from leading members of the mortgage-lending sector.

Several of options in retirement schemes

STAR 12/2/92 (300)

You've been retired for some years and now you need a different kind of home, one that possibly offers facilities like nursing or a communal dining room. You've heard about retirement schemes but don't really know what they're about or how they're financed.

According to Arthur Schoeman, chairman, SA Property Owners Association (Sapoa) sectional title committee and property lawyer, buying into a retirement scheme could take three forms: sectional title, shareblock or life rights.

If you opt for sectional title, finance is obtainable through the usual channels. If you go for shareblock or life rights you could either borrow the money from the developer or get a personal loan, bearing in mind your security is not as good as if you were applying for a bond

Life rights means that older people pay a lump sum to the developer which entitles them to use the scheme's facilities until death. On death the money reverts to the estate. Thus the developer is not parting with ownership which makes this scheme more affordable.

Mr Schoeman believes this scheme is the most common and the one the market most requires.

Problems arise, says Mr Schoeman, because smaller developers cannot get the funding from banks whereas bigger developers don't need it. This could lead to a situation similar to the shortage of flats for rental caused by the introduction of rent control. There was little or no building because of poor returns and 20 years later there was no accommodation.

The retirement village committee of Sapoa is making recommendations to Government to make the terms and conditions for developers less stringent. It is the severity of the stipulations on borrowing that is leading to a dearth of development of retirement village schemes.

"If the Government does not relax controls on borrowing, retirement villages will be caught up in the same vicious circle as flat developers were." Older people, especially those who have made provision for their futures, tend to have funds or access to them. What these people are looking for, says Mr Schoeman, is professional management and affordable levies.

As a rule of thumb, good management leads to low levies and poor management has the reverse consequences.

The sale of rights of occupation to older people is strictly governed by the Housing Development Schemes for Retired Persons Act which stringently controls the sale of housing interests. This demands full disclosure of a host of aspects, including the facilities provided, particularly with regard to care. There is a vast difference between a sick bay and a convalescent section; between frail care and chronic sick care.

Another aspect of life rights or shareblock retirement schemes is that the developer cannot increase his bond or register more bonds without specific consents. Once you have a housing interest other than sectional title you have the same rights as a lessee and your claims take precedence over those of the bondholder. The developer is also not allowed to sell the property without a majority consent of owners.

Venter bows to ANC objections

BD aug 12/2/92

KATHRYN STRACHAN

NATIONAL Health Minister Rina Venter agreed yesterday to remove two sections from a new Bill governing social pensions, after ANC objections.

The ANC earlier yesterday had slated the new Social Assistance Bill recently introduced by Venter, and called for its immediate withdrawal.

In a statement, the ANC said sections of the Bill would remove the right to social assistance and replace it with a system based entirely on the discretion of the department's director-general.

Venter responded yesterday saying she would comply with the ANC's demands and remove those sections, but said all money granted by any state department was in any case subject to the director-general's approval.

The ANC statement said although the present system of social pensions was far from perfect, it had been accepted that there was a legally enforceable right to such pensions — enforceable when a person reached the stipulated qualifying ages.

"It is both surprising and unacceptable for the present regime to seek to take away, by legislative device, one of the few rights enjoyed by the disadvantaged and economically vulnerable section of our society," the statement said.

"(The ANC) believes this is designed to allow the government to give such grants up to a budgetary figure arbitrarily identified by it — rather than providing the necessary revenue based on the need."

A second "injustice" identified by the ANC, was the introduction of a requirement of SA citizenship before a person could qualify for a pension.

This automatically excluded "citizens" of the TBVC states, even though they might be residents of SA and have made a life-time contribution to the tax base of SA.

If it was taken into account that TBVC states' laws required residence in a particular territory for a person to qualify, then it meant people excluded in the Bill would not be entitled to security anywhere; not in SA, because they were not citizens, and not in the homelands because they were not residents there, the ANC said.

The ANC called for an urgent meeting with Venter to discuss the Bill specifically, as well as the setting up of a Codesa-type forum in the welfare sector.

Sapa reports that Black Sash spokesman Gill de Vlieg told an ANC news conference yesterday her organisation had written to Venter to protest against the Bill.

De Vlieg said that at present whites received pensions of R304 a month, coloureds and Indians R263 and blacks R225.

She said the Black Sash had recently noticed an increase in the problems of pension payouts.

In some instances identity documents bearing the wrong birth dates were issued.

Or pensioners were not informed that their payments had arrived.

This meant the pensions lapsed after six months and backpay was not paid out, De Vlieg said.

If your very life depended on your watch, what would you wear?

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R109m in state pensions

CT 12/2/92

Political Staff (300)

THE state paid out R57,2 million in the 1990/91 financial year in benefits to the Pension Scheme for MPs and Political Office-bearers, the Minister of Finance, Mr Barend du Plessis, said yesterday.

During the same financial year, state revenue paid R51,3m for the Military Pension Scheme and R461 984 to the Pension Scheme for Members of Statutory Bodies.

These amounts represented the total expenditure of the benefits paid out of the State Revenue Fund during the year, he said in reply to a question, which was tabled in Parliament by Mr Brian Goodall (DP, Edenvale).

Mr Du Plessis also told Mr Goodall that there was R40,96 billion in six state pension funds at the end of March last year.

Hospitals: beds/wards not utilised

3. Mr M J ELLIS asked the Minister of Health Services and Welfare:

How many (a) beds and (b) wards were not utilised in 1991 in each hospital falling under her control?

B25E

The MINISTER OF HEALTH SERVICES AND WELFARE:

Natal	(a) *Beds*	(b) *Wards*
Greys Hospital, Pietermaritzburg	10	0
Hillcrest Hospital	0	0
Greytown Hospital	0	0
Orange Free State	(a) *Beds*	(b) *Wards*
Voortrekker Hospital, Kroonstad	0	0
Bethlehem Hospital	12	1
Sasolburg Hospital	0	0
Jagersfontein Hospital	0	0
Zastron Hospital	0	0
Cape Province	(a) *Beds*	(b) *Wards*
Alexandra Hospital, Cape Town	0	0
PE Provincial	0	0
Volks Hospital, Cape Town	0	0
William Slater Hospital, Cape Town	0	0
Walvis Bay Hospital	6	0
Transvaal	(a) *Beds*	(b) *Wards*
Andrew McColm Hospital, Pretoria	18	1
Bernice Samuel Hospital, Delmas	8	1
Bloemhof Hospital	0	0
Brits Hospital	13	1
Cullinan Care and Rehabilitation Centre	15	0
Delareyville Hospital	0	0
Duiwelskloof Hospital	0	0
Edenvale Hospital	0	0
Elsie Ballot Hospital, Amersfoort	0	0
Evander Hospital	0	0
F H Odendaal Hospital, Nylstroom	0	0
Gen De la Rey Hospital, Lichtenburg	0	0
Groblersdal Hospital	0	0
H A Grove Hospital, Belfast	0	0
Hendrik van der Bijl Hospital, Vanderbijlpark	0	0
J G Strijdom Hospital, Johannesburg	0	0
Kempton Park Hospital	66	1
Louis Trichardt Memorial Hospital	0	0
Ontdekkers Memorial Hospital, Roodepoort	20	1
Paardekraal Hospital, Krugersdorp	58	2
Phalaborwa Hospital	0	0
Pretoria West Hospital	70	1
Sannieshof Hospital	0	0
South Rand Hospital, Johannesburg	60	0
Sybrand van Niekerk Hospital, Carletonville	0	0
Tara H Moross Centre, Johannesburg	25	0
Van Velden Memorial Hospital, Tzaneen	0	0
Ventersdorp Hospital	26	0
Vereeniging Hospital	84	2
Far East Rand Hospital, Springs	66	2
Voortrekker Hospital, Potgietersrus	0	0
Warmbad Hospital	0	0
Waterval Boven Hospital	2	1
Willem Cruywagen Hospital, Germiston	0	0
Witrand Care and Rehabilitation Centre, Potchefstroom	82	0

Facilities for the aged: Hillbrow (300)

11. Mr L FUCHS asked the Minister of Health Services and Welfare:

Whether her Deprtment 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?

B75E

The MINISTER OF HEALTH SERVICES AND WELFARE:

(a) The provision of housing for the elderly is the responsibility of the Department of Local Government, Housing and Works. The said Department may provide funds to local authorities, welfare organisations and utility companies to establish affordable housing schemes for the aged. At present there are two housing schemes for the elderly in Hillbrow, namely Park Projects and Nederburgh. The Department of Health Services and Welfare, however, subsidises the El Kero Home in Hillbrow which makes provision for 160 frail aged persons.

(b) With regard to nutrition of the elderly, the Department is only responsible for a nutritional guidance service. I wish to point out, however, that there are two service centres in the Hillbrow area, namely Soper Road Centre and Beehive Centre, which provide meals to the elderly. These meals are subsidised by the Department.

(c) Departmental nurses, doctors, physiotherapists and podiatrists offer community health services to housebound indigent elderly persons in Hillbrow. They are referred to the General Hospital or to community psychiatric clinics for specialised treatment. The General Hospital also provide community services to patients in the lower income groups, who are released from hospital, but still require nursing attention.

(d) No. The provision of recreation facilities is not the primary responsibility of the Department of Health Services and Welfare. The Johannesburg Municipality and the Department of Education and Culture provides facilities and programmes in this regard.

The Beehive and Soper Road Service Centres, run by the Johannesburg Association for the Aged, offer recreation programmes as part of their total service to the elderly. These services are subsidised by the Department.

Provident, pension funds key to crisis

Sowetan 13/2/92.

300

By JOSHUA RABOROKO

A SOLUTION to South Africa's massive housing problem is to unlock money tied up in pension and provident funds and to make it available to members in the low-income levels.

The initiative has been undertaken by Old Mutual and the Urban Foundation after consultation with many parties, including Government officials, employers and labour representatives.

Major insurance companies Sanlam and Metropolitan Liberty Life have indicated they will study the implications of the scheme.

In a booklet, the Old Mutual and UF say the interest shown in these initiatives is largely related to the positive benefits that their success will have on the future of South Africa.

"While the act of building houses creates jobs, housing is seen to be a key ingredient to long-term social stability," the parties say.

Initiative

The initiative has been designed for people who:

- Are in active employment and members of a pension fund or provident Fund;
- Do not own any other properties; and
- Have accumulated suitable reserve in either the pension or provident funds.

It allows them to buy a home costing R45 000 or less (including the land) which will be registered in the member's name.

Finance for the home is obtained through normal bond financing institutions (deposit-taking institutions and mutual building societies); the State's first-time buyer's subsidy and other subsidies and loans against money accumulated in the member's pension or provident fund.

The feasibility of the initiative has been secured by bond repayments and loans are at acceptable levels; money borrowed from the fund is repaid by retirement; interest on money borrowed from the fund is at market rates and there is no risk to the fund in the case of default.

Retirement plan for domestics

South 13/2 - 19/2/92

(300)

AFTER YEARS of long service and loyalty to their employers, many domestic workers find themselves destitute, without having made provision for retirement. However, domestic workers themselves have now worked out a solution to this dire need by establishing a Domestic Retirement Plan (DRP) to supplement the meagre state pension many have to survive on.

Initiated by the Domestic Workers' Association (DWA), the DRP was established with the assistance of the Seeff Trust.

According to Seeff Organisation financial consultant, Mr David Mickleburgh, the DRP is set to expand and achieve its objectives.

"We were approached by Domestic Workers' Association president, Ms Maggie Oewies, who asked what help we could offer to the exploited kitchen and farm workers so that they have hope when they reach retirement age," Mickleburgh explained.

"We devised the plan and approached the Charter Life Insurance company to plan for domestic workers so that they get financial assistance at the end of the day to supplement their state pensions.

"It has been a long and hard process as we had to consult with lawyers to make the plan successful.

"Despite such difficulties, we were able to achieve our objective." Premiums for the scheme, which has become known as the Seeff-Charter DRP Scheme, start at R35 a month and increase voluntarily in R10 modules up to R65.

MAKING PROVISION: Domestic workers have established a Domestic Retirement Plan which supplements state pensions

Included in the plan is cover for death and injury of members and their families.

For a monthly premium of R35 the sum payable on a member's death by natural causes or a disabling injury is R2 791, while the sum payable on accidental death is R5 582.

When the premium increases, the cover also increases. A sum of R1 000 is paid on the death of an employee's spouse and also on the death of a child aged between 14 and 20. On the death of children aged between six and 14 R500 is paid, and on the death of children aged between three months and six years, R250.

Employees aged between 20 and 35 who contribute a monthly premium of R35 will receive a maturity value in 20 years of R7 669.

The illustrative maturity value for the same premium and age group at the rate of 12 percent is R42 658 while at 15 percent it is R55 666.

The guaranteed maturity value increases as the premium is increased. Older people joining the DRP will receive a lower guaranteed maturity value than that of younger people as they would pay for only a few years before retirement.

Oewies said: "I felt very strongly that domestic workers must have a pension scheme. I have seen many sad and terrible things happening to domestic workers who are thrown out after long years of service."

She said it had been very difficult to introduce this type of plan because of the fluid nature and conditions of employment of unskilled and domestic workers. According to Oewies, all DWA workers are eligible to join.

"This is a worker pension scheme, anyone from any worker organisation or union is eligible to join," Oewies said.

Seeff Financial Services director, Mr Riaan Heyns, said: "Gone are the days when at the end of a long career of domestic drudgery, we send our domestic workers back to the homelands to be looked after by their families.

"We don't have homelands anymore and the rural family structure is now largely a thing of the past.

"Although everyone is entitled to an old-age pension, this in no way meets the full requirements of 20th century inflation."

Heyns pointed out that because of unrest in the townships and the tradition whereby women often have to hand over their hard-earned wages to their families or husbands, the DRP plays an invaluable role in creating future security for the domestic worker in a manner which protects her savings from outside interference. □

SABATA NGCAI

RA or endowment? Well, it depends...

South 13/2 - 19/2/92 (300)

PLANNING FOR long-term savings needs always brings the inevitable question — retirement annuity or endowment policy?

"It is difficult to compare the two, as we are not comparing apples with apples," says Old Mutual's senior legal analyst, Mr Peter Stephan.

"The one is funded with pre-tax money and the other with after-tax money, while the end benefits and build-up of the funds are taxed differently.

"The retirement annuity provides tax savings now and taxable benefits later, whereas the endowment operates on the principle of no tax relief, but tax-free benefits later," he said.

Rand for rand, especially for high income earners, retirement annuities appear to give a better ultimate benefit than endowments for the same premiums paid. Needs and objectives must, however, be the overriding consideration when making the choice, according to Stephan.

"Very often, a combination of retirement annuities, endowments and unit trusts is the answer, as all insurance products are sold to meet particular needs," he says.

"Simply put, the retirement annuity is designed to provide a pension after retirement, while the endowment may be taken out to meet a number of capital needs."

A glance at differences between the two may help determine the choice at the start.

- A retirement annuity must be owned by an individual, while an endowment can be owned on the life of another (including company- owned).
- The minimum term for a retirement annuity is one year, providing maturity is after age 55.

The minimum term to achieve a tax-free payout on an endowment is 10 years.

- RAs have no loan or surrender values and cannot be ceded to third parties.

Endowments can be ceded as collateral security, and loans or surrender values are freely available after a minimum two years' premiums have been paid.

- Single premium contributions are allowed on RAs. These are not acceptable for endowments, although this can be overcome through a voluntary purchased annuity which funds the required regular premiums on the endowment.
- RAs are fully protected against creditors. Endowments may be protected up to R30 000, subject to certain conditions.
- On death or maturity, normally only a third of an RA's proceeds may be taken as a cash lump sum, while the balance pays a fully taxable annuity to the dependents or retiring member.

If it is a "standard" contract, the endowment pays out a fully tax-free cash lump sum.

- Contributions to an RA are tax deductible up to certain limits, while premiums on endowments offer no tax relief.
- The investment build-up in the RA fund is tax-free, while tax must be paid on behalf of the policyholders on the returns of endowment policies.

Says Stephan: "Previously, RA funds had to invest 53 percent of their funds in low-yielding prescribed assets, while endowment portfolios were required to hold 33 percent.

"These requirements have since been abolished, which should help to further maximise returns in both cases."

Almost half a million South Africans took out retirement annuity policies over the past six years, bringing the present number of RA policyholders to about 1,4 million.

Life Offices Association figures show this involves well over 1,8 million contracts.

"The fact is, the RA represents sound money management," says Stephan.

It's a popular way to build up retirement capital and income, at the same time denying the taxman access to a slice of present income by up to 43 percent of annual contributions paid. □

Investment plan helps solve all pension worries

South 13/2 - 19/2/92 (300)

OLD MUTUAL has a retirement plan for people who have jobs which do not provide pension benefits and for those who feel uncomfortable about monies they anticipate at retirement age.

Retirement annuities (RA) were introduced to South Africa by Old Mutual to accommodate people who had no accesss to pension or provident funds.

Inflation has created the need for pension and provident fund members to boost their retirement provision by purchasing the retirement annuity.

The Old Mutual retirement plan is called the FlexiPension.

Old Mutual describes the RA as "a personal pension investment plan entered into between an individual and trustees of the fund, with the benefits underwritten by the life assurance office".

"The assurance company administers the contributions until the policy reaches maturity," a company spokesperson said.

The pre-determined maturity date must, by law, fall between the investor's ages of 55 and 69 to ensure the maximum tax concessions.

Investments held in an RA fund accumulate tax-free until the retirement date.

At retirement, a tax-free benefit is obtainable.

Up to a third of the total accumulated fund may be taken in cash, the balance would be used to purchase annuity. Usually, the first R120 000 of the cash lump sum taken under the contract, aggregated with other sums from pension or provident funds, is entirely tax free.

Where the lump sum exceeds the tax-free limits, the balance is taxed at the more favourable average rate, not at the marginal rate.

Here is an Old Mutual example of an RA which matured after 10 years:

The monthly investment was R47,60 and a tax-free lump sum of R9 195,33 was paid out after 10 years.

This represented a third of the maturity value, the remainder would be used to buy the compulsory annuity.

The annuity would provide a monthly income, after the income tax has been deducted, of R143,75 for 10 years.

After the expiry of the 10-year period of payment, the monthly income continues to be paid out for as long as the investor lives.

The minimum monthly premium for a FlexiPension RA is R50.

The retirement plan caters not only for retirement funding, but can also include life cover. ⊡ SABATA NGCAI

'Golden years' are short on sparkle for most elderly blacks

South 13/2 - 19/2/92 (300)

It may be tough to save money towards retirement, but to depend only on a state pension for old age is a recipe for difficulty. SABATA NGCAI reports:

FOR MOST black South Africans the "golden years" of retirement are the darkest years of their lives.

Despite assurances from political leaders that a new South Africa is looming, with improvements in the standard of life for all citizens, black pensioners still receive lower payments than whites.

White pensioners receive government pensions of R315 a month, coloureds R273 and Africans R235.

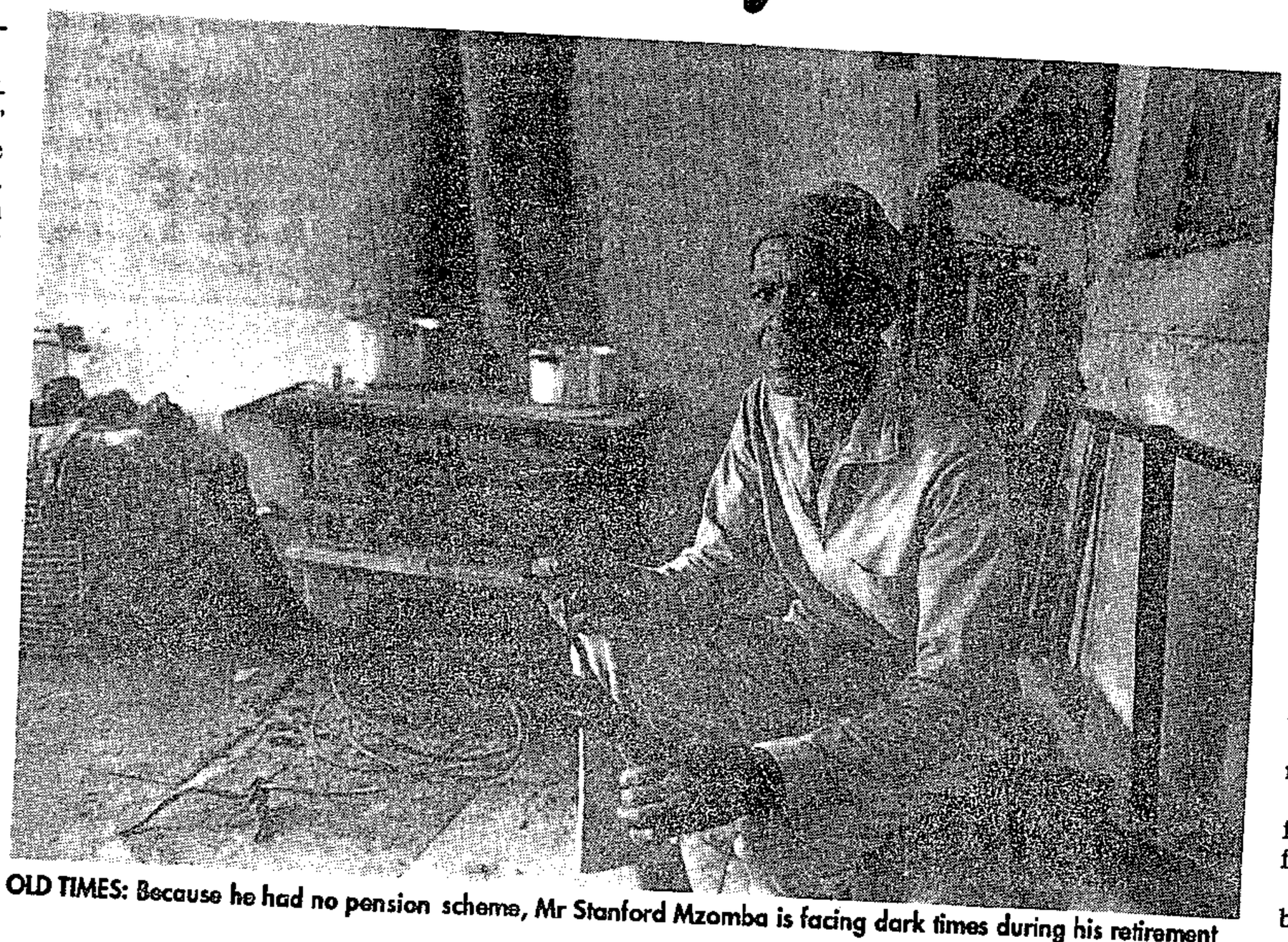
And many have to support their families on the measly sum as few have made provision for when they retire.

Mr Stanford Mzomba, 70, of Nyanga collects unused rust-covered wire and small pieces of corrugated iron and sells these to a scrapyard to supplement his state pension and make ends meet.

He did not have a pension scheme at work and has been forced on to the streets for extra income since his retirement.

"When I sell the material, the scrapyard weighs it and I get R1, sometimes R2 or R5," said the frail-looking Mzomba.

He wanders around the townships all day, looking for scrap material and collecting wood, which he uses for fuel to save on the cost of buying paraffin.



OLD TIMES: Because he had no pension scheme, Mr Stanford Mzomba is facing dark times during his retirement

PHOTOGRAPH: Yunus Mohamed

He uses an old coal stove to cook his meals.

Although he has reached the age where some take it easy after working for decades, relaxing is a luxury he cannot afford as he still supports four school-going children.

His son, Jongikaya, has enrolled at Peninsula Technikon for a diploma in engineering and his fees are still outstanding.

Jongikaya has not received any bursaries and Mzomba is dreading the end of the year when he will be asked to fork out the money owing.

Mzomba also has a son and a daughter in Standard Nine and a younger son in Standard Four.

"I also have to pay school fees of R20 for the two children in high school," Mzomba said

"I still have to buy uniforms for them. I have to borrow the money from people and pay it back with interest.

"The pension of R235 a month is not enough to solve my problems."

Mzomba said he had bought a uniform and paid the school fees for his youngest son with money he borrowed from his neighbours.

"I still have to settle those debts, but I don't know how I'm going to do it."

"My wife works for two days a week and is paid on a daily basis. On the day she is paid, the money is spent.

"I have to buy groceries, pay my rent, pay the school fees for my children and also buy their uniforms."

He has to visit a doctor at hospital once a month for treatment for his high blood pressure and weak heart. He has no medical aid scheme to cover the costs.

Fortunately, his medication never amounts to more than R9 a month.

THE MZOMBA family lives in a four-roomed house with a sagging roof. Their monthly rent is R15,36.

"Yesterday I went to pay R40 at the rent office because I owe them R110.

"I received my pension last week so I was able to give them some money and my balance now stands at R70.

"I also owe a local grocery shop R150 for food.

"So what's left of my pension won't support us till the end of the month.

"I will have to ask the shop again for more groceries on account."

Mzomba said the money he collects from the unused material helps pay for church dues.

"The church should get R5 a month, but I've been giving what I can afford, even if it's only R2. The church officials accept it because they know my situation."

Mzomba does gardening for a Stellenbosch family two Sundays a month.

"I get R25 for each day. The man is very kind, he also gives me clothes and food," Mzomba

'Golden years' are short on sparkle for most elderly blacks

South 13/2- 19/2/92 (300)

It may be tough to save money towards retirement, but to depend only on a state pension for old age is a recipe for difficulty. SABATA NGCAI reports:

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Mzomba also has a son and a daughter in Standard Nine and a younger son in Standard Four.

"I also have to pay school fees of R20 for the two children in high school," Mzomba said

"I still have to buy uniforms for them. I have to borrow the money from people and pay it back with interest.

"The pension of R235 a month is not enough to solve my problems."

Mzomba said he had bought a uniform and paid the school fees for his youngest son with money he borrowed from his neighbours.

"I still have to settle those debts, but I don't know how I'm going to do it."

"My wife works for two days a week and is paid on a daily basis. On the day she is paid, the money is spent.

"I have to buy groceries, pay my rent, pay the school fees for my children and also buy their uniforms."

He has to visit a doctor at hospital once a month for treatment for his high blood pressure and weak heart. He has no medical aid scheme to cover the costs.

Fortunately, his medication never amounts to more than R9 a month.

THE MZOMBA family lives in a four-roomed house with a sagging roof. Their monthly rent is R15,36.

"Yesterday I went to pay R40 at the rent office because I owe them R110.

"I received my pension last week so I was able to give them some money and my balance now stands at R70.

"I also owe a local grocery shop R150 for food.

"So what's left of my pension won't support us till the end of the month.

"I will have to ask the shop again for more groceries on account."

Mzomba said the money he collects from the unused material helps pay for church dues.

"The church should get R5 a month, but I've been giving what I can afford, even if it's only R2. The church officials accept it because they know my situation."

Mzomba does gardening for a Stellenbosch family two Sundays a month.

"I get R25 for each day. The man is very kind, he also gives me clothes and food," Mzomba added. □

Pensions Bill is slammed

South 13/2 - 19/2 192

300

A BILL before parliament to remove the legal right of persons to old-age or disability pensions and restrict them to South African citizens has come under sharp criticism from the Anglican Church and the Black Sash.

Anglican Bishop Michael Nuttall said the Social Assistance Bill would give civil servants discretion in granting pensions, a move he called an "insidious change".

Black Sash executive member Mrs Sheena Duncan said even with existing legislation many were unjustly denied a pension.

"Only because it is a legally enforceable right have people been able to obtain redress," she said.

Bishop Nuttall also called "totally unacceptable" the bill's restriction of pensions to South African citizens as this would exclude, among others, persons who are technically citizens of the "independent homelands".

"The Christian religion requires a special concern for widows and orphans and others who are usually the weakest members of society," Bishop Nuttall said. — *SACN*

C

It's an unappetising new Bill of fare

w/Mail 14/2-20/2/92 (300)

By BEATHUR BAKER

VEHEMENT opposition followed the presentation this week of a new Social Assistance Bill on pensions by Minister of Health Rina Venter.

The African National Congress and other concerned organisations have called for the immediate withdrawal of the Bill.

"If parliament passes it in its present form, the Bill will remove the automatic right of people qualifying for an old-age pension, disability grant, foster care or maintenance grant to receive such a grant or pension," said a spokesman for the Johannesburg Child Welfare Society.

The Bill stipulates that future applicants will have to comply with the following:

●Pensioners will have to pass a means test intended to ensure that they have no additional income above a stipulated minimum.

●The qualifying age will be 65 years for men and women, whereas in the past women qualified at 60.

On this point, the ANC commented: "The life expectancy of men and women should be considered and the qualifying age for men should rather be lowered to 60 too."

●Applicants for all social grants will have to prove their South African citizenship.

This requirement "would automatically exclude 'citizens' of the so-called 'independent states' ... legislation in the 'independent states' requires residence in those territories for people to qualify for pensions".

●The issuing of pensions will be left to the discretion of the director general of the government department concerned, who will be able to reject or accept applications without having to justify his decision.

According to the ANC: "This is designed to allow the government to give grants to the extent of a budgetary figure arbitrarily identified by it — rather than providing the necessary revenue based on the objective extent of the need."

Introducing the Bill in parliament on Monday, Venter said: "The government is well aware of the urgent need for a new national welfare management plan that can address the needs of individuals and the community while remaining within the financial means of the country."

She added that the responsibility for an adequate social welfare system should be shared by communities and the private sector.

The director of Operation Hunger, Ina Perlman, pointed out that in the poverty-stricken rural areas, the pensions of the elderly are often the only means of keeping families alive.

In a booklet entitled *The current state of pensions in South Africa*, the Black Sash has already called on the government to reconsider its findings on the problems within the system of social assistance.

D

PERSONAL FINANCIAL P

SITimes [BUSS] 16/2/92

SAFEGUARDING THE INTERESTS OF DEPENDANTS

Invest for a golden retirement

A RETIREMENT annuity is a policy you take out either to supplement your pension or to make full provision for your retirement. (300)

The policy owner makes a single contribution or makes regular payments to a retirement annuity. The assurance company ensures the money is invested in select investments for maximum growth. SI Times (BUSS)

At present no tax is payable to the Receiver of Revenue on the investment income of the fund, therefore the investments can grow healthily.

Life cover, disability cover as well as the waiver of premium disability benefit, can be added to the policy. 16/2/92.

The policy owner decides when he or she wants to benefit from the policy as long as the date falls between the ages of 55 and 70. When the chosen term expires, you receive the benefits as a pension for life, taxed as income.

A VERY important aspect of estate planning is the establishment of trusts to safeguard the estate for your spouse and children.

A testamentory trust has to be stipulated in the will and be effected on the death of the testator.

This means the estate is transferred to trustees who agree to administer it on behalf of the spouse and children (or other nominated beneficiaries).

Personal financial planning consultant Faizel Mahomed, FILPA, of Bottom Line Consultants, explains: "Apart from ensuring that the assets and money are safe, there are tax-saving aspects — the beneficiaries and the trust itself will be subject to a lower marginal tax rate.

"Trust funds cannot be exploited by gambling beneficiaries, they cannot be attached should a beneficiary become insolvent, they cannot be used or taken by a subsequent spouse and they cannot be included as assets in a divorce settlement."

Provided the wife dies after the husband, no estate duty is payable. (300)

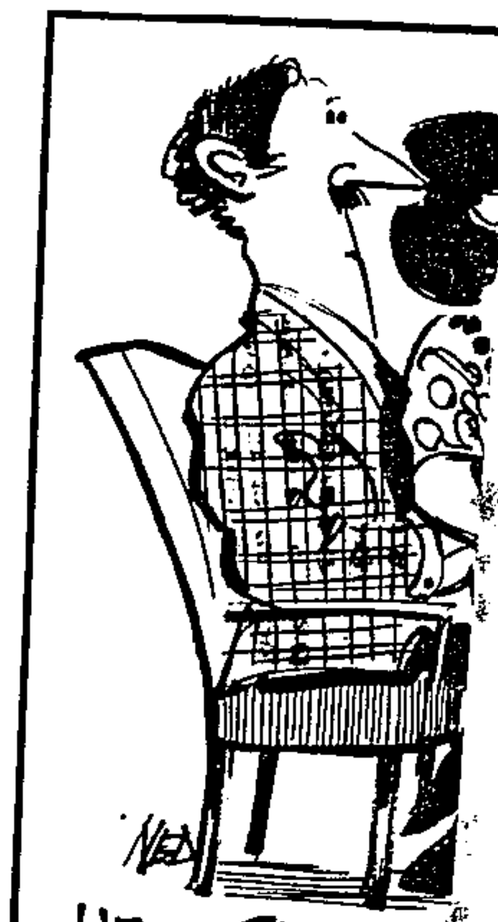
Orphans

Forming trusts for children may evoke the image of rich orphans of days gone by, but they have a very real function to play today. However, to safeguard these assets, planning has to start early.

A will must be drawn up to incorporate the trust. This can be drawn up by a lawyer who will charge a fee, or can be carried out by professional financial planners such as ILPA fellows.

Another means of ensuring the simple handling of an estate is to maintain an ordered file of your estate arrangements to make the executor's job easier.

Mr Mohamed recommends "Keep a file containing the will, details of investments, insurance policies etc and make sure the family knows where to find the file.



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Pension and provident funds offer choices

MUCH confusion exists between a provident and a pension fund. Both can be based on a final salary or a money purchase arrangement. (BJ 300)

Final salary arrangements mean the employer undertakes to pay a percentage of the employee's final salary as a pension. Although the employee contributes regularly while employed, the employer takes the risk. ST Times (B155)

The money purchase fund combines the employee contributions and equivalent payments by the employer. On retirement, the pensioner will receive either a lump sum or a pension to that equivalent, plus interest. 16/2/92.

This scheme forms the bulk of provident funds and the investment risk is transferred to the employee.

Under these circumstances, investments tend to be very conservative. Members and fund managers want guarantees rather than take risks.

Pensioners tripped up by red tape

DOUBLE TROUBLE

C/Press 16/2/92

300

By MONWABISI NOMADOLO

IT is not really friendship – it is more like being twins.

For retired teachers Dolly Kgapola and Neville Pule, the word "together" has featured in many of their memorable experiences.

They started training together as teachers at the Anglican Church Diocese and Training College (now Setotoloane) in Pietersburg in 1934. They both qualified in 1937.

Then they both moved from rural areas – Kgapola from Pietersburg and Pule from Lichtenburg – to the same township, Kwa-Thema.

They started teaching together at the same school and they also retired at the same time.

Today, 58 years after their first meeting in 1934, this twosome is bound together by yet another common problem: they have not yet received their departmental gratuity since going on pension in 1979.

The two are living on monthly pension payouts which, they said, was insufficient to make ends meet.

Pule, 77, receives R421 a month. He said he started on a meagre R120 in 1980.

Kgapola, 74, said she received R220 a month. Simple things like meat have become a luxury to her. She can barely afford to pay her rent.

Pule, who was a principal for 15 years, said the situation was "really annoying".

The disgruntled duo said they had been in and out of the DET's regional and head offices on many occasions and each time they go back a "different person handles our case".

"I think this is the trick the DET is using to delay the matter," he said. "I have never met the same person twice in all the time I have gone to the offices."

He said he was saddened by the fact that after 42 years of dedicated service the two of them were being treated in this callous manner.

"The status of our profession has deteriorated," he said.

He said throughout the years he worked, he had never taken leave except for a day or two when he was off sick.

"There are many times, if you are really committed to your work, that you can't afford to get sick," he said.

Kgapola said each time she went to the regional offices she was either told "We'll call you" or "We'll find out".

A DET spokesman, Hannel Schoeman, said some time in the 1970s teachers were asked to make a choice between two pension funds.

He said there was an "old pension fund" and a new one introduced in 1973.

Schoeman, who confirmed he knew very little about the "old" and "new" schemes, said teachers were asked to make a choice between the "old one and the new one".

Those who opted to remain with the old pension automatically did not qualify for gratuity.

He commented that old teachers preferred to remain with "old things" as they were suspicious of venturing into new ones.

"I believe inspectors were sent to explain this to teachers in various schools," he said.

Schoeman said he had no record of those who had opted to remain with the old pension fund, neither could he furnish City Press with proof that they had refused to join the fund.

However, he took the details of the duo and promised to investigate the matter.

A senior black DET official, who asked not to be identified, said pension schemes for blacks started in 1969.

During the 1970s teachers had to chose whether they wanted "temporary" or "permanent" schemes, he said.

In the former scheme, the teacher could retire at 60 and did not qualify for gratuity while the latter provided that a teacher retired at 65 and was entitled to gratuity, the official said.

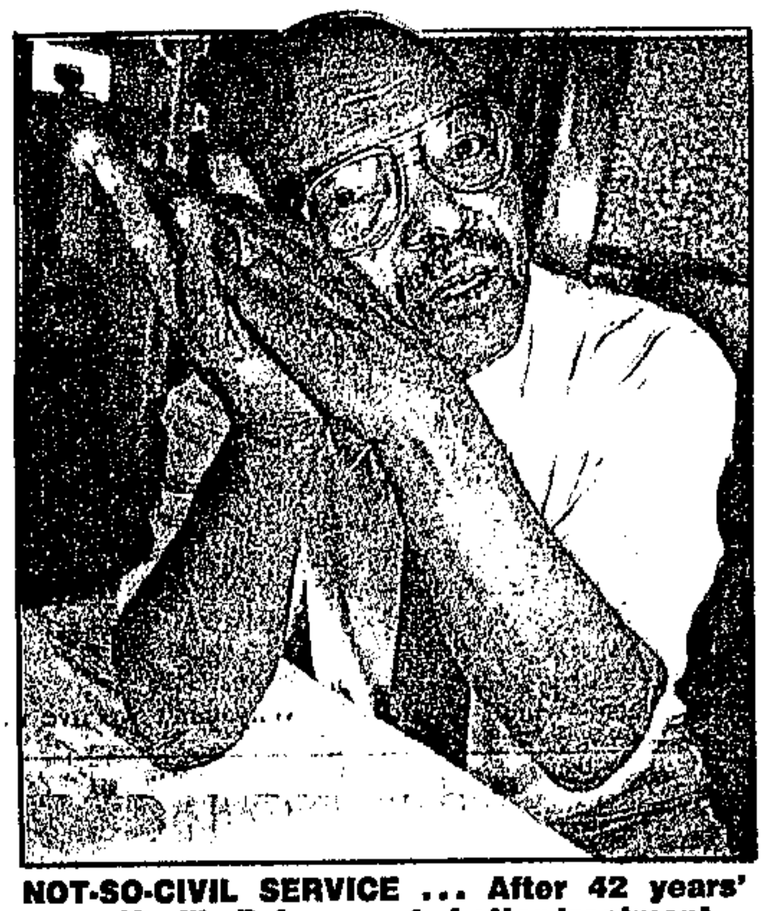
He added that he believed this was not explained properly to teachers.

"I even suspect the departmental officials did not understand the schemes themselves," he said.

Pule and Kgapola said this was news to them.

"What is really going on?" a frustrated Pule asked.

DON'T CALL US . . . That's the official line, says ex-teacher Dolly Kgapola. ■ Pics: EVANS MBOWENI



NOT-SO-CIVIL SERVICE ... After 42 years' work, Neville Pule expects better treatment.

Pensioners can avoid bad times

S/Times [Buss] 16/2/92. 300

SOFTENING THE TAXMAN'S BLOW

PAYING a huge chunk of your retirement capital in tax is not a happy way to commence your golden years.

Willis Faber Enthoven's publication Employee Benefits gives several suggestions for saving tax at retirement.

Most people will commute the maximum permissible pension for cash to get a lump sum offering financial flexibilty at retirement.

WFE says pensioners can invest this commuted amount in a voluntary purchase annuity. This annuity is taxed solely on its interest content whereas an uncommuted annuity is taxed wholly.

Even if the pensioner bears a small amount of tax on the commuted cash sum, the process of buying a voluntary annuity will quickly be seen to be tax-efficient, with considerable tax savings over a period.

Retiring in March, at the start of a new tax year, rather than near the end of the tax year, will help keep the tax down.

For example, the average tax rate of someone retiring in January could be 32%. On a lump cash payout from provident or pension fund, he would pay R32 000 tax.

But if he waits until March to retire, his retirement income is at a lower level than his salary, his average tax rate could be 21%. He would therefore pay only R21 000 in tax on the same lump-sum.

A further tax saving in the year of retirement can be made by making a lump-sum contribution to a retirement annuity fund from the cash received from the pension or provident fund.

Assuming a person is no longer a contributing member of such a fund, he will be able to claim a tax deduction up to 15% of his taxable income. This deduction significantly reduces the income on which tax is based using retirement capital advantageously.

Another effect is to reduce the person's average rate of tax for the tax year in which the single contribution is made, which further reduces the amount of tax payable on cash lump sums received from pension andprovident funds.

WE all know at least one pensioner who is battling financially. There are hundreds of thousands of them throughout South Africa for whom no — or inadequate — pension provision was made.

Pension payments to retired people seldom meet expectations unless they have been supplemented by additional forms of savings.

This is mainly due to job mobility. Very often, people take their pension contributions in cash when they leave their jobs and use it for capital purchases or even to meet basic living costs while they look for another job.

Pension provision throughout the world is regarded as sacrosanct.

Governments which freeze pension payments are dealt with by the United Nations and those governments which try to prevent payments going out of the country to expatriates find themselves facing the IMF.

Looking after the elderly is a growing problem as life expectancies increase.

Marinda Nel, employee benefits manager at Old Mutual has been researching ways to for pension funds to pay pensions that will maintain their purchasing power.

About 90% of pension funds grant ad hoc increases to pensioners, but this is frequently at the discretion of the trustees. The increases are also normally less than the inflation rate so the purchasing power continues to dwindle.

In terms of the Pension Funds Act, there is no obligation on a fund to grant increases to pensioners, (probably because inflation was not a factor when the legislation was designed).

This decision can be largely influenced by the financial position of the fund and that of the business — not the obligation to pay an inflation-proof pension to pensioners.

An alternative solution is offered to pension fund trustees by the pensions annuity system, such as Old Mutual's Pensions Plus. At retirement, the Old Mutual will take responsibility for paying the pension and for providing annual increases, which continue to beat inflation.

In addition, those who have reached retirement age and find their income is lower than expected, should not delay in acting to rationalise their assets and adapt their lifestyles.

While employees may nominate beneficiaries, the pension fund trustees have the final say. This is to ensure that needy family dependants will receive money.

It is not easy to establish the value of your pension at retirement in terms of purchasing power. However, Southern Life issues a booklet that establishes what your pension is worth in 1992 purchasing power and how much is needed to provide you with sufficient money on retirement.

Mr Paul Clipsham, a former president of the Institute of Life and Pension Advisors, and an executive with Fedlife, reckons if a person were to put 15% of his income towards his pension throughout his working life, he would have a very comfortable income at retirement.

Ideally, the lump sum at retirement should amount to seven times a person's annual income. Mr Clipsham recommends that British expatriates contribute approximately £200 (R1 000) a year to the UK state pension fund which will entitle them to claim a pension on retirement.

Provide for your years of retirement

ST Times [BUSS] 16/2/92

300

ONE of the most neglected areas in personal financial planning is retirement planning.

This is the view of Abri Meiring, manager legal services of Old Mutual and spokesman for the Institute of Life and Pensions Advisors.

He worries about those members of pension funds who have been lulled into a false sense of security that their companies will provide for them so they can maintain the same standard of living they have enjoyed while working.

There is a substantial gap between real income and pension and few people realise the difference in time. Their dilemma is aggravated by the eroding effect of inflation on a fixed pension.

Mistaken

Estate planning is another neglected area. Mr Meiring says this is especially true since the relaxation of estate duty in the late 80s.

"The mistaken belief is that it is only the very wealthy who need to worry about estate planning.

"Estate duty is only payable on assets over R1-million and the duty is 15%, but with inflation constantly adding to the value of agricultural and residential property, more people are moving into the estate duty bracket without realising it. These are the people with problems."

Mr Meiring says South Africans may be facing estate taxes in the near future without having provided for them.

"Most people need the advice and assistance of professionals to avoid the trauma of a liquidity squeeze in their estates," he says.

The Mouton Committee is looking at future options for South Africa regarding retirement provision. Mr Meiring says the government may not provide a pension fund whereby the State will look after the aged. The country does not have the resources for this provision due to the disparity between earners and non-earners.

People will therefore have to provide for their own pensions, except perhaps for a basic safety-net type of provision.

Unfortunately, most people do not provide for their old age. Private pension provision will not develop without encouragement and this, says Meiring, has to be through meaningful incentives.

"A direct incentive like the tax-contributions to pension and retirement annuity funds is of major socio-economic importance not only for private individuals, but also for the state."

Mr Meiring says the fiscus has gone out of its way over the last couple of years to make pension provision more attractive.

Spouse

Expanding on the question of estate planning, Mr Meiring says the need for provision to be made for executors' fees which have recently been increased from 2,5% of the gross value of the estate to 3,5%. Another important aspect is to consider nominating the spouse as a beneficiary of a life policy because the pay-out is quicker.

If the policy is left to the spouse in the will, 3.5% is payable to executors and the pay-out is delayed by probate.

Take your pick of savings

LIFE offices offer four broad types of contractual savings — life cover, retirement and purchase annuities, pension and provident funds and endowment policies.

It helps to understand that tax-deductible premiums, such as those paid into a retirement annuity, result in a payout that will be taxed, even if partially, whereas premiums paid out of taxed income, for example, into endowments, result in a tax-free lump sum payout after 10 years or more.

There are many different options on endowments. A policy such as Liberty Life's Universal Lifestyle has minimum guaranteed returns and a range of portfolios to choose from including equity performance, variable, property, balanced or managed.

Life and disability cover are incorporated and automatic contribution and benefit increases combat inflation to make sure the investor has a useable investment at maturity.

When the endowment matures, the holder may choose to receive the proceeds, continue contributions, leave the proceeds to earn further bonuses or withdraw part of the proceeds.

The incentive to continue contractual saving is higher than it is for maybe a monthly deposit into unit trusts or bank savings because the penalty for stopping is high.

Half-price unit trusts

300

By Dr Bruce Ilsley, Filpa.
Marketing Director,
Sage Life STAR 17/2/92

You can buy unit trusts at a discount of almost 50 percent depending on your tax rate, through an investment in a unit trust linked retirement annuity (RA).

This is one of the most tax-efficient growth investments you can make.

If you had put your money directly into unit trusts over the years, you would certainly be more than happy with the results.

For example, an investment of only R100 a month for 20 years in Sage Fund was worth a staggering R380 734 by December 31 last year (assuming income was invested).

This is a compound return of more than 23 percent a year.

You can now invest in unit trusts at a substantial discount using a Sage Life retirement annuity with SageLink profit participation.

Because the SageLink portfolio is invested in Sage Fund and Sage Resources fund, your investment goes via the retirement annuity into unit trusts.

The unique MultiTrust portfolio is also available for retirement annuity investment.

MultiTrust is a major Sage Life innovation. It links investment performance to a selected range of leading unit trusts, so that you get the benefit of investing in the right unit trust at the right time.

Your "discount" arises from two savings:

- Tax relief of up to 43 percent on retirement annuity contributions.
- Because of Sage Life's bulk-buying facility, you don't have to pay the normal five percent initial charge which would be levied if you invested directly in Sage unit trusts.

An indication of the effective discount when you invest in this way is set out in the table below.

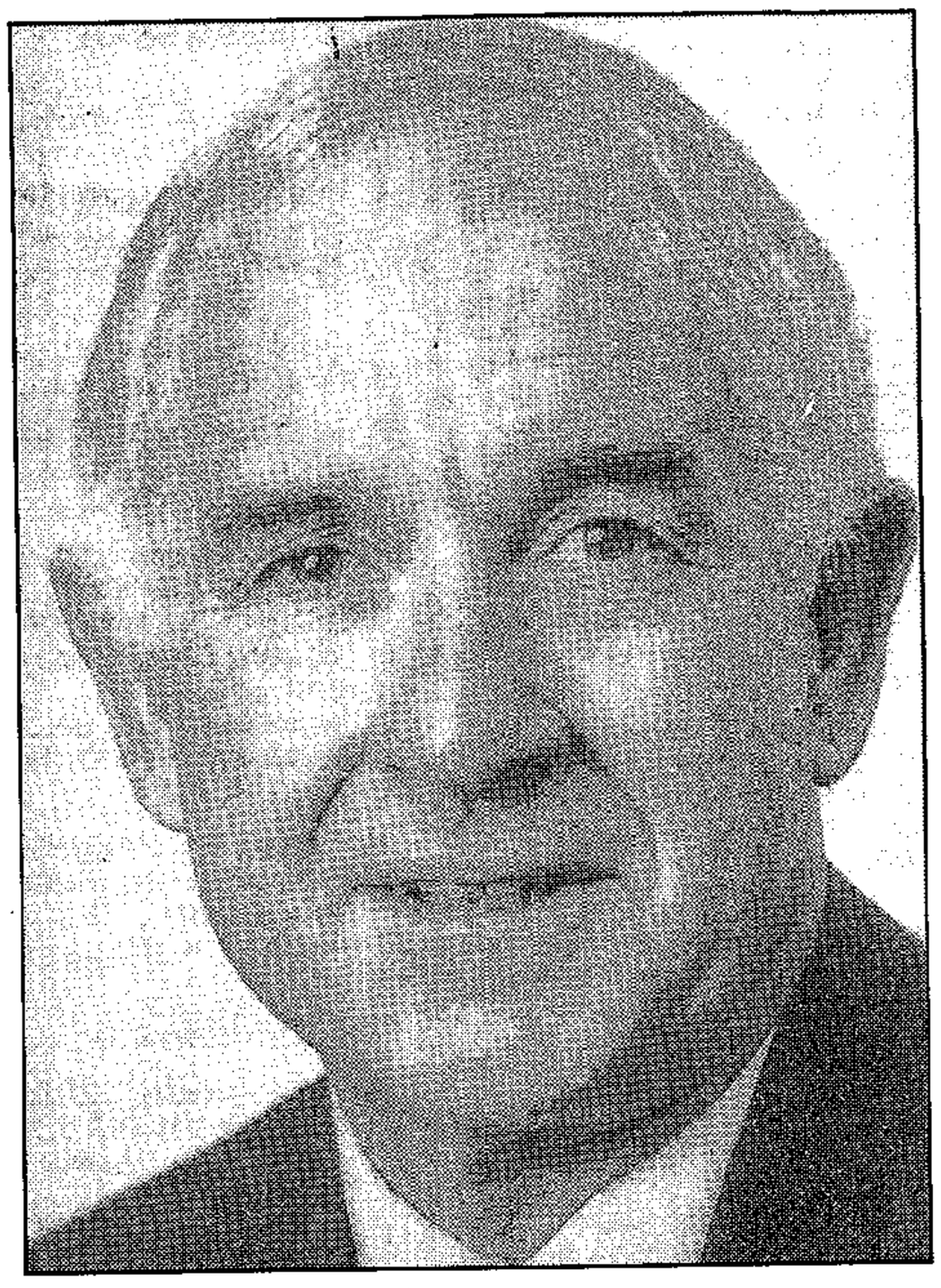
Your "discount"

Taxable income R Over	Effective "discount" %
R90 000	46
R70 000	44
R45 000	35
R25 000	27

Source: Sage Life

What is more, a retirement annuity investment grows entirely free of tax and there are major tax concessions available when benefits are taken at the end of the term.

Retirement annuities have never provided a more attractive investment opportunity.



Bruce Ilsley . . . major tax concessions.

Endowment policies or retirement annuities?

STAR 17/2/92 (300)

Planning for long-term savings always throws up the inevitable question — retirement annuity or endowment policy?

Says Old Mutual's senior legal analyst Peter Stephan: "It's difficult to compare the two, as we are not comparing apples with apples.

"The one is funded with pre-tax money and the other with after-tax money, while the end benefits and inside build-up of the funds are taxed differently.

"The RA provides tax savings now and taxable benefits later, whereas the endowment operates on the principle of no tax relief, but tax-free benefits later."

Rand for rand, especially for high-income earners, RAs appear to give a better ultimate benefit than endowments for the same premiums paid.

Needs and objectives must, however, be the overriding consideration when making the choice, Mr Stephan says.

"Very often, a combination of RAs, endowments and unit trusts is the answer, as all insurance products are sold to meet particular needs.

"Simply put, the RA is designed to provide a pension after retirement, while the endowment may be taken out to meet a number of capital needs."

A glance at differences between the two may help determine choice from the start.

- An RA must be owned by an individual, while an endowment can be owned on the life of another (including company owned).
- The minimum term for an RA is one year, providing maturity is after age 55. The minimum term to achieve a tax-free payout on an endowment is 10 years.
- RAs have no loan or surrender values and cannot be ceded to third parties. Endowments can be ceded as collateral security and loans or surrender values are freely available after a minimum two years' premiums have been paid.
- Single premium contributions are allowed on RAs. These are not acceptable for endowments, although this can be overcome through a voluntary purchased annuity which funds the required regular premiums on the endowment.
- RAs are fully protected against creditors. Endowments may be protected up to R30 000, subject to certain conditions.
- On death or maturity, normally only a third of an RA's proceeds may be taken as a cash lump sum, while the balance pays a fully taxable annuity to the dependants or retiring member. If it is a "standard" contract, the endowment pays out a fully tax-free cash lump sum.
- Contributions to an RA are tax deductible up to certain limits, while premiums on endowments offer no tax relief.
- The investment build-up in the RA fund is tax-free, while life offices pay tax on behalf of the policyholders on the returns of endowment policies.

Says Mr Stephan: "Previously, RA funds had to invest 53 percent of their funds in low-yielding prescribed assets, while endowment portfolios were required to hold 33 percent.

"These requirements have since been abolished, which should help to further maximise returns in both cases."

Finding shelter from the tax storm

STAR 17/12/92

300

Almost half a million South Africans took out retirement annuity policies over the past six years, bringing the number of RA policyholders to about 1,4-million. Life Offices Association figures show this involves well over 1,8-million contracts.

"The fact is, the RA represents sound money management," says Old Mutual's senior legal analyst Peter Stephan.

"It's a popular way to build up retirement capital and income, at the same time denying the taxman access to a slice of present income by up to 43 percent of yearly contributions paid."

An individual without a pension fund can deduct up to R3 500 or 15 percent his taxable income for contributions to an RA.

A pension fund member can deduct R3 500, less pension fund contributions (a minimum deduction of R1 750 is permitted). Separately taxed married women can claim their own specific RA deductions.

Investments held in an RA fund accumulate entirely tax free until the retirement date.

At retirement (age 55 to 70), a tax free benefit is obtainable.

Up to a third of the total accumulated fund may be commuted into cash, the balance being used to purchase an annuity.

Usually the first R120 000 of the cash lump sum taken under the contract, aggregated with other sums from pension or provident funds, is entirely free of tax.

Where the cash lump sum exceeds the tax-free limits the balance is taxed not at the marginal rate, but at the more favourable average rate.

"Since the taxable balance is not added in to increase this average rate, the tax position with regard to the cash lump sum is extremely advantageous," Mr Stephan says.

"It's also worth adding that RAs offer three valuable guarantees — minimum payouts and guaranteed pension amounts, as well as the option of a guaranteed pension payout period to dependants in case of death within the guaranteed period."

People who belong to pension funds should not be complacent about their retirement positions.

"You need exceptionally long service to get anywhere near your final salary as a pension. A typical pension fund based on two percent of your average salary over your last three working years, multiplied by your years of service, will only give you 80 percent of this average salary as a full pension after 40 years' service. Very few retiring employees have built up this length of service, the average being around 15 years. This means a pension of less than 30 percent of salary.

"With the current high inflation rate, the buying power of such a pension will be halved every four years — a serious position to be in."

Research highlights need for retirement planning

STAR 17/12/92

300

Recent research by Old Mutual has shown that an alarming 78 percent of South Africans were now forced to continue working at retirement age, or to depend on the family for help.

A further 16 percent depended on State pensions, while only six percent of the population could retire financially independent.

The Old Mutual's statistics, built up through a number of surveys, indicated that life assurance as a vehicle for retirement planning through retirement annuities still seemed underrated, even with those who actually owned policies.

Under 39 percent of the men interviewed said the main reason for investing in a life assurance product was for continuous, adequate income after retirement.

Just over 35 percent of women policyholders echoed this sentiment.

In spite of revised limits of separate taxation, it appeared women had not yet fully capitalised on retirement annuities as an invaluable tax-saving instrument.

An average 42 percent of men and women said the main reason for investment in life assurance products was for savings/investments in later years. The need for future provision seemed evident.

The research made clear that longer term financial provision was clouded by short-term objectives. If those among the present workforce did not want to fall into the 94 percent of people who would not retire financially independent, a disciplined approach towards retirement provision would have to be adopted.

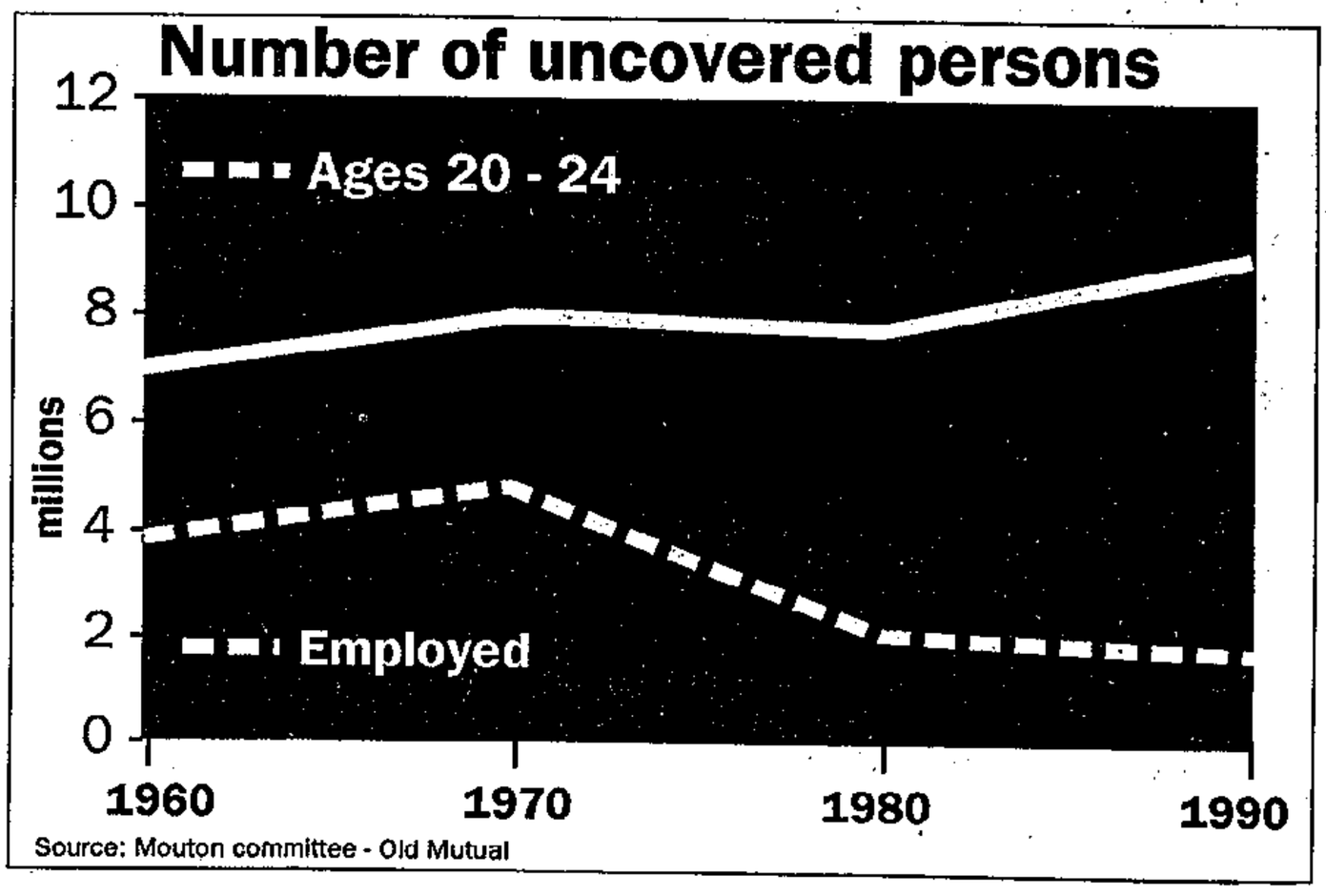
Even with a good pension fund, salaried employees could experience a drop in income of as much as 70 percent at retirement.

An inflation rate of 14,7 percent, as experienced over the past 10 years, would effectively halve purchasing power every five years.

The Old Mutual researchers concluded:

"Reducing the State's burden of providing for the aged will require an intensive education programme to instil retirement provision responsibility in people.

"Unless proactive measures are taken in time, the present bleak picture gives little hope for the future."



Regular reviews are essential

STAR 17/2/92

300

The key to a successful retirement benefit plan lies in the regular review of both the benefits offered to members and the investment performance of the underlying assets of the fund, says Alan McCulloch, Marketing Manager Group Benefits at Liberty Life.

"Too many funds are given low priority in the overall day to day running of the company. As a result, some funds deliver benefits that do not meet the expectations of the fund's members. It is essential to review the fund in totality at least once a year, in conjunction with your professional advisors."

He trustees of a pension fund should consider:

- The adequacy of the retirement benefit taking inflation into account.
- The need to modify the fund as per changes in legislation;
- The need to review the member's entitlement to employer contributions on resignation in accordance with increased demands from organised labour.
- The need to monitor changing trends that could affect the investment performance of the fund's underlying assets.
- Ensure that the investment mix remains suitable for the fund's profile.

A well-managed fund, he adds, can pay handsome dividends in employee relations. But a neglected fund will almost certainly cause labour problems.

Personal financial planning: a lasting solution

STAR 17/2/92

By Laurie Brickhill
BSc, MBS, Filpa

300

Personal financial planning is not a crystal ball — but is it designed to consider the future.

It should provide a permanent and confidential record of your financial life which is easy to keep up to date.

It should also offer you the opportunity to make decisions in good time and in the light of complete information, not just once, but on a continuing basis.

From time to time, particularly whenever significant events occur, the plan will need to be reviewed as part of an ongoing service.

You must be placed in a position to see your financial aims set alongside the reality of your current situation.

This will enable you to regularly review your aims and ambitions and their priorities.

Better still, financial planning should allow you to see the effect of different course of action on your overall situation — without having to take the action first!

In this way you are much better placed to consider all the options open to you and make the right decisions — for you — and your future.

Using the information you provide, a comprehensive summary of your affairs needs to be prepared.

This will help you to decide on any action you have to take.

You will also need help to keep your plans in line with your changing circumstances and this can only be done by regularly updating this information.

Financial planning makes demands on your time but it is time well spent.

It must not be a one-off exercise, but must be undertaken on a regular basis throughout your financial future.

The concept of financial planning is simple, but the practice of it can be involved.

Skill is required to help you identify your goals and ambitions and to help you decide which of the alternative strategies will be most effective in achieving them.

All too often, people choose an insurance policy or embark on an investment programme without the help of someone who can carry out a proper assessment of their needs.

However, finding this type of help can be difficult.

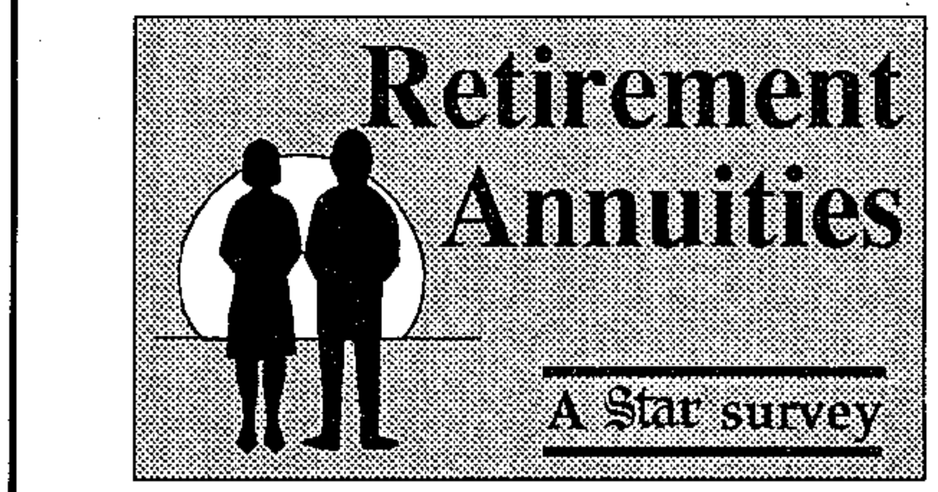
You need to be able to approach a professional adviser, trained in the principles and practices of financial planning, who will be able to assist in the planning of "financial journeys" without the fear of over-committing yourself.

Advisers in this category need to be well qualified, and preferably should be Fellows of the Institute of Life and Pension Advisers (Filpa).

The highest standards of service and ethics can then be expected of them.

The Personal Financial Planning Adviser must also be an experienced professional, who will:

- Adopt a consistent approach;
- Have access to a complete range of top-quality financial products and services — across the board;
- And be fully conversant with current investment advice and computer software.



This survey was written and compiled in consulation with leading figures in the insurance industry.

There are just a few days left

STAR 17/2/92

300

By Mike Anderson,
Senior Manager,
Syfrets Investment
Management Services

You have just a couple of days left to save tax this year through a retirement annuity.

An investor in what is effectively a private pension fund can contribute annually in advance to get relief this tax year.

Part of the year's premium that you pay this month is deductible against this year's income even though the contractual term of the RA stretches into next year. That's why February has become the time to review retirement planning.

This tax relief applies whether you work and contribute to a pension, are self employed or simply have taxable investment income. Key RA features are:

- Highly adaptable in regard to the amount of contributions, the number of years of contribution (minimum one year), and when the benefits will be payable (any time between the 55th and 70th birthday):
- One-third of the proceeds of an RA can be taken as a lump sum; the balance must be used to purchase an annuity:
- Different RAs may have different retirement dates, thus allowing for those who wish to continue working after retirement and who will not need all the proceeds at the same time.

Benefits: The State encourages the purchase of RAs by allowing tax advantages:

1. The one-third of a RA that can be paid as a lump sum is allowed partially tax-free. A maximum of the greater of R120 000 or an amount calculated by multiplying R4 500 by the number of years the taxpayer was a member of the RA fund is available tax-free to the tax payer member but this ceiling is cumulative of all lump sums derived from the member's Pension Fund, Provident Fund and RA Funds. This is particularly attractive to a younger person to consider a RA.

2. If you are a single or married man or single woman, your RA contributions receive relief in the form of a deduction calculated as follows:

The greatest of:

(a) 15 percent of non-pensionable taxable

(b) R3 500 less allowable contributions to Pension Funds, or

(c) R1 750

3. If you are a wife with enough of your own taxable income (and pay SITE), you can get tax relief on your own RA contribution as above except for 2 c) read R875 per year regardless

able taxable
(b) R3 500 less allowable contributions to Pension Funds, or
(c) R1 750

3. If you are a wife with enough of your own taxable income (and pay SITE), you can get tax relief on your own RA contribution as above except for 2 c) read R875 per year regardless of whether your husband has his own RA. Any income derived by a wife as a result of a donation, settlement or other disposition made on or after March 20 1991 by the husband will be taxed in the hands of the husband.

On maturity of an RA: Of the sum paid out, one third can be taken in cash. Tthe rest must be invested in a life annuity. Annuity rates are fixed at the time of purchase, which means timing is critical.

There are a number of drawbacks with compulsory life annuities, as they are called. On a straightforward purchase which brings in a taxable fixed monthly sum for life, rates are the highest. But should you die, even say a year after the life annuity is bought, your capital dies with you. Lower rates apply to the life annuity option which is guaranteed for 10 years during which, should you pass on, your wife or dependents receive the monthly payments. After 10 years you are back to the situation where the payments stop when you do. So what you have saved in tax during the years when you have been paying in to your RA has to be considered against what you will pay in tax once your RA has matured and your compulsory life annuity purchased. You have in fact deferred tax.

UAL and Syfrets recently came out with two schemes linked to unit trusts. One is an equity-linked RA which offers tax-deductible investments in one or more of their unit trusts, switching them as you see fit. And you are allowed to stagger withdrawals of your retirement benefit between ages 55 and 70.

The other is the equity-linked life annuity (underwritten), also linked to unit trusts, that helps your maturing annuity outpace inflation. And a major benefit is that the annuitant does not lose the benefit to the insurer on death. The surviving spouse can opt for the annuity to be paid for life or the full current value of the annuity investment will be paid to the nominated beneficiaries in the form of an accelerated annuity.

Eye-opening findings on retirement provision

300

STAR 17/2/92

It's up to the individual to plan for old age, says Ivan Hampshire, executive chairman of the Cape Peninsula Organisation for the Aged.

"It is vitally important people think seriously about retirement planning and manage their finances with care," he says.

A glance at a new findings of the Mouton Committee, a commission set up to look into the effectiveness of retirement provision systems in South Africa, suggests it is important to act on this advice, and to do so as soon as possible.

The committee found a harsh reality was that of about nine million people aged between 20 and 64 in formal employment in 1990, just under two million had no formal retirement provision.

Looking at monthly pensions paid, a staggering 63,7 percent of senior citizens received a pension of R600 a month or less.

Factors like the economic slump, retrenchments and job-hopping further added to the dilemma.

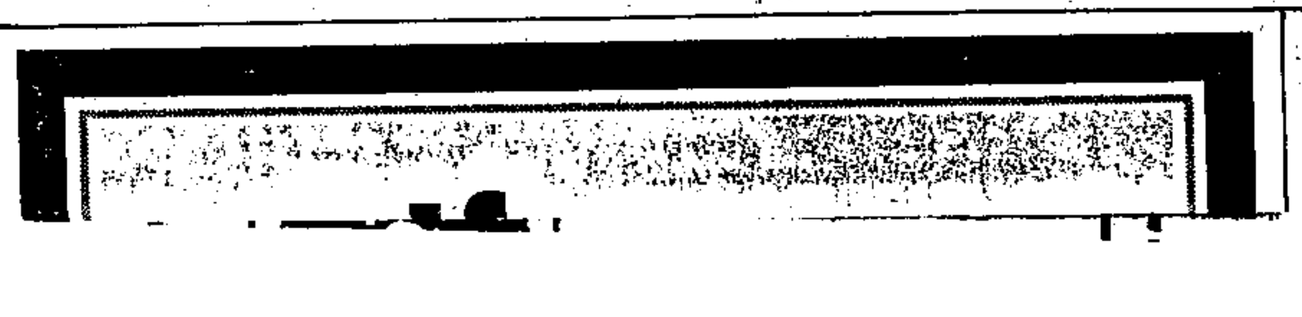
More and more people were taking early retirement benefits and invariably not reinvesting the money.

Retirement funds were being drained.

In 1988 there was a pre-retirement leakage of R1 500-million.

The committee said a matter requiring attention was that very few individuals or employers were really aware of the "very negative impact" future inflation could have on the lifestyles of people living on fixed incomes or investment income on capital.

"Nor is the enormous cost of protection against the ravages of future inflation appreciated," the committee said.



Presenting the case for retirement annuities

STAR 17/2/92

By Bernie Goldman,
General Manager
(Life Division)
Fedlife Assurance

300

The introduction of legislation in 1960, enabling retirement annuity funds to be established, was part of the official process of putting the responsibility for pensions-provision on the shoulders of the private sector.

Just as contributions to occupational pension schemes could be deducted from an individu al's taxable income (subject to a prescribed maximum), so too could contributions to a retirement annuity fund.

The more important effects of the legislation were:

1. Self-employed and professional people were for the first time enabled to invest for retirement out of pre-tax income;

2. Employees who did not enjoy pension fund membership were able to set up their own retirement plans;

3. Employees who were members of pension funds were able to supplement their retirement savings by contributing to a retirement annuity.

The key tax concessions are:

- Deductibility of contributions, allowing RA members to save from pre-tax income.
- That investment returns are untaxed as opposed to most other investments.
- Tax concessions at retirement are also meaningful, but are relatively insignificant when weighed against the enormous advantages of the aforementioned concessions.

Suppose, for example, that your marginal tax rate is 43 percent (the current highest rate). Then, an investment on which income is fully taxed would have to earn 17,5 percent before tax to equal the return from a retirement annuity fund earning just 10 percent a year.

These days most retirement annuity funds should be producing returns (net of expenses) in excess of 17 percent.

You would have to earn 30 percent from an alternative investment to equal this.

This pre-tax concession is significant over the long term and needs to be weighed against the often criticised disadvantages of a retirement annuity when the member retires.

At retirement, the member is entitled to one-third of the fund he has built up in cash. Of this cash amount, the maximum tax-free amount is R120 000; the balance has to be taxed at the member's average rate of tax before accrual of the cash. The two-thirds of the fund has to be used to purchase an annuity which is taxable as income.

Compare then an investment which yields 10 percent after tax with an RA which yields 10 percent. The investor has R1 000 a year to invest pre-tax into the RA. He will have only R570 a year to invest after tax into the alternative investment.

After 25 years, the picture will be as in the tables above.

*** Up to R120 000 may be tax-free.**

**** This has been estimated on a basis guaranteed for the greater of life or 10 years.**

The capital may, however, be preserved by sacrificing a portion of the income to effect a life assurance policy.

This would reduce the total annual income in the example by approximately R1 200 to R13 406.

You will come across many examples by critics of retirement annuities which compare "equal" outlays in a retirement annuity and an alternative investment.

It is the "net" outlay which has to be compared — as in our example.

Much is also made of the retirement annuity "dying" with the member.

But, again, as the note in the example shows, the capital used to purchase the retirement annuity can be preserved for a relatively small outlay.

The big incentive for investing in a retirement annuity is the amount of the contribution that can be deducted from the member's taxable income.

Formula

The maximum is determined by a formula which is dependent on the individual's own personal circumstances.

Incidentally, retirement annuities may not be ceded or assigned or used as collateral security.

This ensures that the proceeds will be available for the purpose intended.

And, on death, the proceeds have to go to a nominated dependant.

It is probably better to buy life cover outside of the retirement annuity fund rather than to incorporate it because bene fits may not be paid fully in cash.

But including it is inexpensive and can have some advantages.

Long-term

Every person taking a retirement annuity should ensure it can cope with varying contributions and flexible retirement dates without financial penalty.

These are very important considerations in what is, after all, a very long-term investment programme.

	RA R	Alt investment R
CAPITAL		
Total funds	108 181	61 664
Cash	36 060*	61 664
Balance for annuity	72 121	—
INCOME		
If funds invested at 10%	3 606	6 166
From annuity	10 800**	—
	14 606	6 166

Super tax savings for the super tax payer

STAR 17/2/92

By Tim Tomlins
a director of Berns Block

Although retirement annuities, funded by regular premium payment throughout one's working years, are considered efficient tax-saving investments, a single premium retirement annuity taken out in the year of one's retirement could prove to be a super-efficient tax-saver.

This situation arises when a senior executive, on his retirement, receives a large cash commutation from his pension fund as well as other amounts from retirement annuities or a provident fund which, together, will exceed the overall tax free allowance of R120 000 or R4 500 x number of years membership of the fund.

In these circumstances, the excess is subject to tax at the retiring executive's average rate of tax in the year of his retirement.

The average tax is determined by adding together the salary he earned before his retirement and the pension received during the rest of that tax year and other taxable income, that is investment income.

Minimum

The higher this total taxable income, the higher the tax payable on a sliding scale and consequently, the higher the average tax rate applied to the lump sums.

The objective at retirement is to reduce the taxable income to a minimum in the year of retirement, thus reducing the average rate and the amount of tax payable on the lump sums.

In the past, it was standard procedure for retirees to bring about this reduction by retiring early in the new tax year and electing to have their pensions paid to them annually in arrears.

This had the effect, in nearly all cases, of reducing their taxable income so that the minimum marginal rate became their average rate (that is, 15 percent in 1991/92).

However, the Receiver of Revenue has recently made it very clear that this type of arrangement is not acceptable.

In a letter dated July 4 1991 the Receiver stated that "for taxation purposes, the commuted portion of the annuity (lump sums) and the first instalment of the annuity (pension), whether payable monthly, quarterly or annually, to which a retiring member becomes entitled, is taxable in the year of assessment in which the member retires, regardless of the fact that such first instalment may only be paid in the ensuing year of assessment."

The only option that is thus still open to retirees is to reduce their taxable income by maximising their allowable deductions, that is their medical and physical disability deductions, pension fund contribution (current and back-dated), retirement annuity fund premiums (current and re-instated) and any donations made by them to educational institutions.

Under normal circumstances, all these deductions, if fully applicable, would have only a limited effect on reducing the taxable income of the taxpayer.

However, at retirement the taxable portion of the retiree's lump sum falls under the definition of income to which the deductable contribution to a retirement annuity fund may be applied, that is 15 percent of taxable non-retirement funding income.

This means that where a retiring senior executive has a taxable lump sum of say R850 000, the 15 percent rule would go a long way to reducing his taxable income in the first year of his retirement.

It could quite possibly reduce his average rate to the minimum tax rate and have the effect of reducing his tax by R1,62 for every R1 contributed in the form of premium to a single premium retirement annuity.

This is then clearly a more efficient tax saving than the maximum of 43 c for every R1 contributed in the form of ongoing premiums during a taxpayer's working years.

The effect of the single premium retirement annuity can be illustrated as follows:

Tim Tomlins . . . he notes that the Receiver of Revenue has made his feelings clear.

A	Total lump sums received on retirement:	
	⅓ Pension Fund	R600 000
	Provident Fund	370 000
		R970 000
	Less tax free allowance	R120 000
	Taxable excess lump sum	R850 000
B	Total income in year of retirement:	
	Salary (1 month)	R 18 000
	Pension (11 months)	132 000
	Net taxable income	R150 000
	Tax payable (1991/92)	R 55 100
	Average Rate 36,73%	
C	Deductable Single Premium Retirement Annuity contribution (SPRA):	
	Taxable excess lump sum	R850 000
	Taxable non-pensionable Pension	132 000
		R982 000
	Therefore, 15% of R982 000 =	R147 300
D	Total income in year of retirement (with SPRA):	
	Salary (1 month)	R 18 000
	Pension (11 months)	132 000
		R150 000
	Less deductable SPRA	147 300
	Net taxable income	R 2 700
	Tax payable (1991/92)	R 405
	Average Rate 15%	
E	TAX SAVINGS	
	Tax paid on lump sums (R850 000)	
	@ 36,73% (average rate)	R312 205
	@ 15% (average rate)	R127 500
	Saving	R184 705
	Tax paid on income	
	R150 000 @ 36,73%	R 55 100
	R2 700 @ 15%	R 405
	Saving	R 54 695
	Tax tax saving =	R239 400
	Cost of SPRA	R147 300
	Net benefit	R 92 100

(ie R1,62 tax saved for every R1 invested in a Single Premium Retirement Annuity)

Three clerks fired after probe into pension receipts

200

PTRG 18/2/92

CLIVE SAWYER
Municipal Reporter

THREE Western Cape Regional Services Council clerks have been dismissed from the Elsies River cash office because of alleged irregularities.

A former RSC social worker alleged there had been irregularities involving the issue of receipts to pensioners. The RSC confirmed the dismissals but said the matter was "sub judice because of threatened litigation".

The former social worker said this was one of two incidents allegedly involving social workers profiting from irregularities in proxy payments to pensioners.

The second incident was when a social worker left after an inquiry concerning irregularities in the handling of pensions.

The RSC said its policy was not to comment publicly on staff matters.

The cash office staff were dismissed in December following an internal investigation, according to the former social worker.

Asked if it was normal to allow RSC social workers to collect payments on behalf of pensioners, the spokesman said it was not a normal function "because of the amount of unproductive time" it took.

Steps had been taken over the past year to phase out the collection and administration of pensions by social workers wherever possible.

Responsibility for proxy collections was being transferred to outside welfare and church bodies.

"The practice was introduced by the former Divisional Council of the Cape many years ago as a service to the aged in the community who, for numerous reasons, were unable to administer their own affairs, including pension collection," he said.

Collection was done "at the specific request" of the pensioners concerned.

According to a list made by the former social worker and shown to The Argus, some of the victims of alleged irregularities were in their seventies, and the sum involved totalled more than R3 000.

Asked under what circumstances RSC social workers were entitled to collect pensions, the spokesman said the collection and administration of pensions was authorised by the Department of Health Services and Welfare, in this case the House of Representatives.

This was done at the request of the pensioner and was usually because of physical disability, lack of mobility, illness or illiteracy.

When the disability was temporary, a pensioner could apply to the Post Office for another person to draw the pension.

The spokesman said "strict accounting procedures and regular auditing" were used to ensure irregularities did not take place.

No investigation was in progress within the RSC about the administration of pensions by social workers, nor had the matter been discussed with the police, the spokesman said.

Govt under pressure over 'shocking' Bill on pensions

B1Day 19/2/92 (300)

DURBAN — About 20 organisations, including the DP, the Black Sash and a host of Natal-based welfare and community bodies, condemned the Social Assistance Bill yesterday.

The organisations said at a news conference the Bill would cause untold hardships, particularly for the aged.

They would continue urging and petitioning government not to pass the Bill, which comes before a Joint Parliamentary Committee on Health and Welfare this week.

DP MP Mike Ellis described the proposed Bill as a "shocking piece of legislation".

A statement read at the news conference said Health Minister Rina Venter's proposed Bill was designed to limit old age and disability payments by government.

The Bill specifically targeted citizens of TBVC states and aged women, it said.

"The government's attempt to save money at this time seems to be aimed at taking money from the most disempowered members of society. For the many communities that rely heavily on the pension income of elderly and disabled family members for basic survival, the Bill will be disastrous."

The Bill "treats with contempt the calls of community organisations for full participation in decision-making about policy and government services".

The statement said the Bill removed a person's legal right to a social pension by giving the director-general discretionary control over payments. This was a violation of human rights.

"The arbitrary allocation of funds lends itself to corruption and discriminatory use at the hands of officials, providing no security for the aged or disabled."

The Bill would also remove the right of non-SA citizens, including TBVC citizens, to a social pension.

The memorandum to the Bill made reference to the gradual increasing of the qualifying age for discretionary payment, with women becoming entitled at 65 instead of 60.

This would lead to financial instability in countless communities, the statement said. — Sapa.

Lufthansa expects first loss since 1973

LUFTHANSA is expected to anounce a DM400m loss for the 1991 financial year, its first loss since 1973, a spokesman confirmed yesterday. B1Day 19/2/92

The airline was struggling against fierce competition on North Atlantic routes. And it was unable to sell 14 of its ageing aircraft in the collapsed used airliner market.

Last week management implemented a near freeze on employment — all new appointments now have to be approved by the board of directors. Salaries are among the highest in the industry.

LINDEN BIRNS

The airline is heavily unionised and is restricted in how it can reduce staff.

Lufthansa claims it has been subject to an unfair disadvantage on trans-Atlantic routes and local spokesman Karin Lambson says the airline hoped for a new agreement to level the playing fields between US and German carriers.

Losses on the SA route are attributed to higher rates at premier hotels, and to continued political violence.

ST STITHIANS COLLEGE

COLLINS AND
MOUNT STEPHENS

'Topping up' pensions fails to beat inflation

CT 19/2/92 (300)

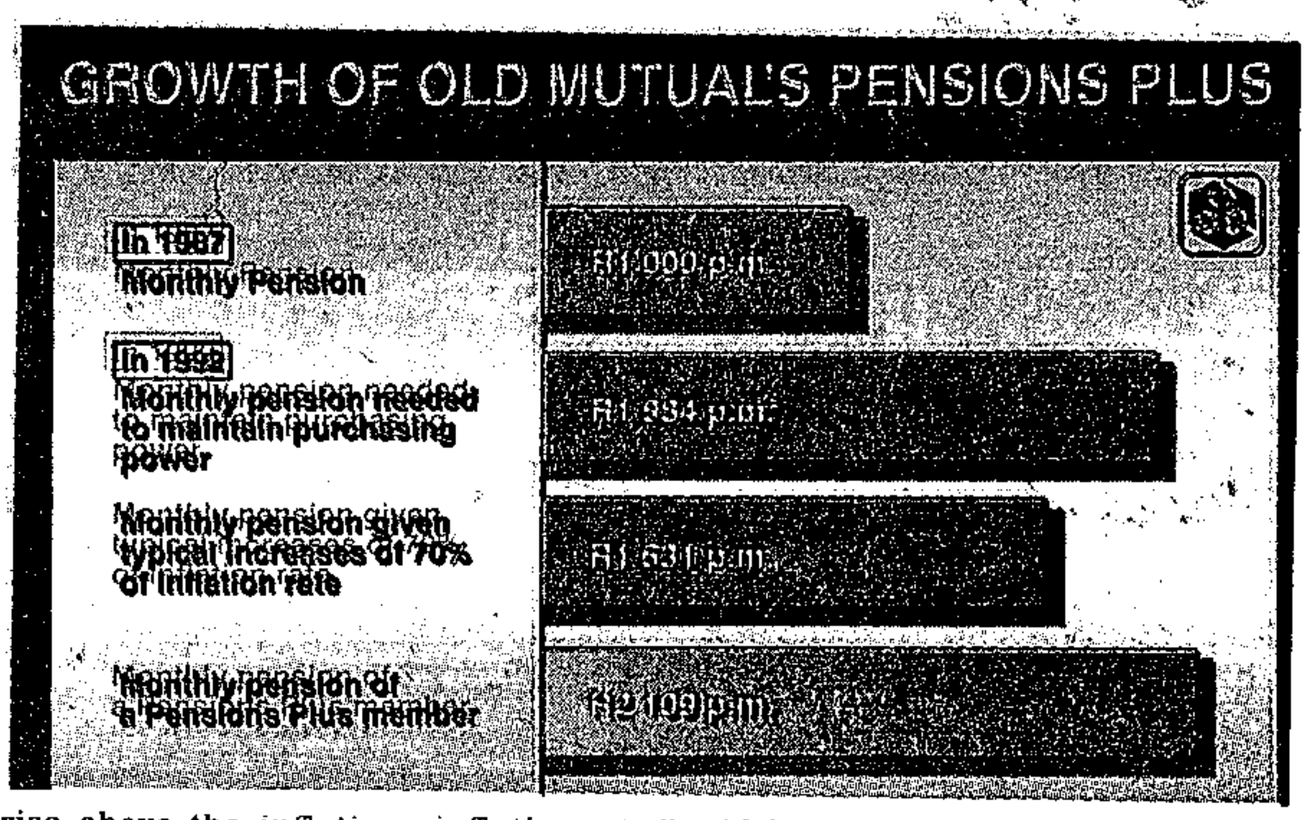
Business Editor

ALTHOUGH about 92% of SA employers now "top up" pensions, doing so at less than the inflation rate means that pensioners' real incomes are steadily being eroded, warns Garth Griffin, GM (employee benefits) at the Old Mutual.

He pointed out yesterday that increasing pensions by 70% of an inflation rate of 15% per annum "will result in the buying power of a pension being almost halved over a period of 15 years."

Griffin said that Old Mutual's pensions plus portfolio was designed to prevent this happening by keeping pensions at least level with inflation.

Its latest pensions increase of 17% for 1991 means that thousands of pensioners have had a rise above the inflation rate of 16,2% for the year..



"The Mouton Committee interim report in 1991 and other market surveys indicated that very few pensioners in SA were granted increases in line with the inflation rate," said Griffin.

"Some 8% of pension funds do not grant increases at all.

"As a result most pensioners face a drop in living standards each year due to the eroding effect inflation has on pensions."

Griffin said a pensions plus member who received an income of R1 000 per month in 1987 would be receiving R2 109 per month in 1992.

"It is the responsibility of the trustees of pension funds to try to ensure that the purchasing power of pensions is maintained by granting increases in line with inflation.

"All the investment profits earned on Pensions Plus portfolio belong to the pensioners, who benefit directly through annual increases to their pensions.

"Another major benefit for the pensioners is that this approach secures their assets and assures that their pensions (and increases) are not dependent on the fortunes of the employer or the retirement fund.

"The continued high level of inflation, eroding pensioners' fixed incomes, will increase the pressure for adequate increases to pensions, with more and more employees expecting their pension funds to pay pensions that retain their purchasing power."

Business Staff

* Mes-aksie
* Save the Children Fund
* Kupugani

Natal:
* Kupugani
* Feed the Babies Fund

Eastern Cape:
* South African Ministers Unity Independent Churches Association
* Port Elizabeth, Uitenhage and District School Feeding Fund
* Valley Welfare
* Port Alfred Psychiatric Work Group
* East London Psychiatric Work Group
* Grahamstown Blind Workers Self Help Group

Northern Transvaal:
* Hluvukani
* Kerklike Aksie Noodhulp
* Living Waters Development Foundation

National Councils:
* SA National Council for the Aged
* SA National Council for Child and Family Care and

(c) 13 February 1992.

Disability pensioners: date of pension

*26. Mr B B GOODALL asked the Minister of National Health:

(1) Whether the date or dates on which disability pensioners of all race groups receive their pension have been changed; if so, why;

(2) whether the pensioners concerned were given any notice of this change; if not, why not; if so, what notice?

B213E

The MINISTER OF NATIONAL HEALTH:

(1) Dates of payment of social allowances are determined annually and it is possible that the dates of payment may not be the same each year.

The dates of payment of black people in Natal will be changed again as from 1 April 1992 due to a new payment system;

(2) yes, pensioners are informed in writing of the dates of payment. Black people are also informed verbally at the different points of payment.

Prisoners transferred to mental institutions

*27. Mr D J DALLING asked the Minister of Correctional Services:

How many sentenced prisoners were transferred to mental institutions in 1991?

B214E

The MINISTER OF CORRECTIONAL SERVICES:

Thirty-one (31). This figure includes one (1) prisoner who was admitted to a hospital prison for psychopaths in terms of section 30 of the Mental Health Act, 1973 (Act No 18 of 1973) as amended.

St Lucia: conservation of wetlands

*28. Mr R F HASWELL asked the Minister of Environment Affairs:

(1) Whether he intends tabling, during the current session of Parliament, legislation on the conservation of wetlands for the specific purpose of preventing mining at St Lucia; if not, why not;

(2) whether he will make a statement on the matter?

B215E

The MINISTER OF ENVIRONMENT AFFAIRS:

(1) No, it is not considered necessary and appropriate to table an Act specifically to prevent mining at St Lucia. Adequate legislation already exists and therefore this matter will be dealt with on merit in terms of the existing applicable legislation and conventions.

(2) No.

Boxing and Wrestling Control Act: representations

*29. Mr R F HASWELL asked the Minister of National Education:

(1) Whether he recently received any representations in regard to amending the Boxing and Wrestling Control Act, No 39 of 1954; if so,

(2) whether, in response to these representations, he intends tabling amendments to the said Act during the current session of Parliament; if not, why not; if so,

(3) whether such amendments will be aimed at (a) making boxing safer and (b) making it possible for members of the South African National Boxing Control Board to be elected?

B216E

The MINISTER OF NATIONAL EDUCATION:

(1) Yes.

(2) No, negotiations are still in progress between the interested parties.

(3) (a) No. This aspect has received detailed consideration in 1991.

(b) It will depend on the results of the negotiations that are in progress between the parties concerned.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Teachers: termination of services

Mr R M BURROWS asked the Minister of Education and Culture:

Whether he intends to terminate the services of any teachers during the 1992-93 financial year as a result of the abolition of posts; if so, what are the relevant details?

B197E.INT

The MINISTER OF EDUCATION AND CULTURE: Mr Chairman, the hon member for Pinetown would have taken note of the joint media statement issued on Monday by me and by the hon the Minister of National Education. In this statement I announced a new education plan which would ensure that thousands of teaching posts were retained in the Department of Education and Culture, Administration: House of Assembly, and give significant self-determination to communities. I also indicated my intention to consult the advisory bodies of the department. This will take place early next week.

The hon member is aware of the fact that since the allocation to my department has been cut for the 1992-1993 year it will be necessary to terminate the services of teachers, since our personnel costs constitute 83% of our Budget. The exact figures are not available at this stage, because this depends on certain variables, but there is a starting point.

The new staffing provisions for schools will come into effect on 1 August 1992 and will result in approximately 4 000 teaching posts being abolished. The uncertain factors, however, relate to the number of teachers who will avail themselves of the opportunity of early retirement, and also the number of schools which will convert to model C. The more schools there are which retain the status quo, the more teachers would have to be retrenched. I am, however, confident that the overwhelming majority of schools will appreciate the advantages of the model-C option and grasp the opportunity of achieving significant self-determination and of maintaining standards.

It is significant that the Teachers' Federal Council has given its support to the proposed plan. In a statement Mr Allan Powell, chairman of the TFC, said the following, amongst other things:

> The Teachers' Federal Council would have preferred to avoid these measures, but the realities are inescapable.

The council is convinced that, under the circumstances, the best package has been obtained for teachers and for education in general. Posts will only be abolished where absolutely necessary. On account of the variables and uncertainties, it serves no purpose to speculate on the numbers involved. However, I can assure the hon member that staff whose posts may have to be abolished will be sympathetically handled and that they will be entitled to benefits as stipulated in the various Acts applicable to their conditions of service. This has been my department's policy in the past and will remain its policy in the future.

Mr R M BURROWS: Mr Chairman, the hon the Minister said on TV the other night that I had to be patient. He knows that I am not patient when it comes to the children of South Africa and what they should be getting from everybody.

Cont----

Withdraw Bill, welfare groups demand

STAR 9/2/92

By Shirley Woodgate 300

Major Reef welfare organisations yesterday demanded the withdrawal of the Social Assistance Bill until it has been fully negotiated with the relevant people.

Addressing a press conference, Johannesburg Child Welfare Society director Adele Thomas condemned the four-year delay before the introduction of racial parity in grants and pensions.

Dr Thomas's call was endorsed by the Witwatersrand Mental Health Society, Lawyers for Human Rights, Johannesburg Association for the Aged (Jafta), Co-ordinating Committee on Welfare Policies, Johannesburg Institute of Social Services (Jiss), the Union of Jewish Women and the National Institute for Crime Prevention and Rehabilitation of Offenders (Nicro).

Plans to prevent people who are not deemed to be South African citizens (including those from the TBVC states) from receiving social service grants were also condemned out of hand.

Another unacceptable aspect of the Bill is the likely increase in the pensionable age for women from age 60 to 65, particularly at a time of "catastrophic" unemployment.

Jiss called for immediate parity in grants and pensions, while Nicro claimed that pensions were a right for those in need and often functioned as family allowances.

Jafta claimed industry needed a five-year adjustment period to accept the increase in the pensionable age for women and urged the withdrawal of the Bill until a new government was in place.

A similar media conference was held simultaneously in Durban and Dr Thomas said two MPs had been briefed on the combined opposition by welfare organisations to the Bill.

Endowment policies for domestic workers

RETIREMENT planning for domestic workers is gaining popularity.

Independent broker Colette Keyter says she sells between 50 and 70 policies a month, mainly to employers who take out policies on behalf of their employees.

"People are becoming receptive to the idea, but there is still resistance from many domestic workers who are illiterate and find it difficult to grasp the concepts of insurance," Keyter says.

One of the few life offices which cater for the domestics market, Anchor Life's MD Boundry Kramer says transferability is an important option in such policies.

It gives the employer the opportunity to allow, for example, a domestic worker to take her policy with her when she changes employment. Alternatively, the employer can convert the policy to cover a new domestic worker in the event of the original servant not returning to work.

These specialised endowment policies have only been marketed over the last two years, Kramer says, although the need for such policies has been around for many years.

"Our experience has been that employers are good at keeping policies going and awareness among domestic servants, who appear to have a greater understanding of insurance than, say, factory or mine workers, is increasing," Kramer says.

Keyter says although various options exist, such as savings accounts and unit trusts, the best seller is an endowment policy with immediate death cover and disability benefits.

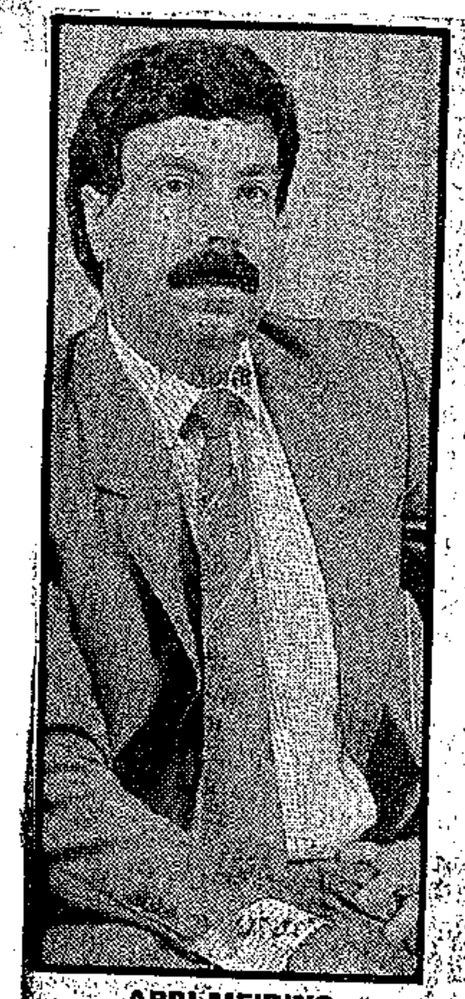
The disability benefits can either include payouts on disability or an offer to waive premiums on disability.

In other words, the insurance company will carry on paying the policy and the life assured will still receive a lump sum which is not taxable.

The minimum premium which insurance companies accept for endowment policies is R20 a month.

Companies which concentrate on low-cost insurance for domestics include New Era Life, Anchor Life and IGI.

Proposed abolition of concessions causes dismay



ABRI MEIRING

INLAND Revenue's proposal that certain tax concessions on retirement annuities be abolished has been greeted with dismay by life offices.

Old Mutual legal services manager Abri Meiring, who is also the convenor of the Life Offices Association (LOA) tax committee, says: "We do not need any disincentive for private pension provision.

"Inflation and the high cost of living are making provision for retirement difficult enough."

Revenue's view is that the deduction of up to 27,5% of total income allowed for pension fund contributions by employers and employees, is "adequate".

In other words, the fixed tax deduction of R3 500 (less pension fund contributions) and R1 750 for retirement annuities could be discontinued from the end of the 1997 tax year.

Revenue's argument has been reported to be that the fixed amount deductions were not intended to be used as a supplement to pension fund contributions and were retained only to protect existing rights of deductability when the 15% rule was introduced in 1979.

It says the rules on fixed amount deductions complicate determination of the maximum deductible annuity fund contribution.

Ironically, taxpayers hardest hit by the proposed amendment would be existing members of pension funds who also contribute to RAs to bolster retirement provision.

Dropped

The LOA, in discussion with Revenue, has requested that the proposals be dropped and the current deduction formula remain unchanged.

Alternatively, it has requested the deduction formula be completely overhauled.

Meiring says if the fixed amount deductions are withdrawn the 15% maximum allowable deduction on annuities should be increased to 20% for people below the age of 50 and by an additional 1% for every year over 50, with a maximum of 30% reached at age 60.

"Important, too, is that RA contracts affected before March 1 this year be protected and excluded from any amendment to protect vested rights," he says.

One positive proposal from Inland Revenue, which will be placed before Parliament in the current session, is that a husband be allowed to claim his wife's RA contribution, in certain circumstances, despite the separate taxation of married women.

Meiring says the proposal would be valuable where a husband is not a member of a pension fund and where his wife's contribution to an RA, together with his own contribution, could be deductible up to 15% of his taxable income.

Southern Life assistant GM Nigel Scott says if Revenue goes ahead with its decision to deny the people their "top-up" contributions to RAs, it could result in the state having to bear an increased burden, due to a greater number of people being unable to support themselves in their old age.

Plan to take advantage of any available relief

—Retirement annuities and tax planning—

300

B/Days 21/2/92

WHEN formulating retirement plans, the first step must be to determine what objectives one wishes to achieve, says BDO Spencer Steward tax director Matthew Lester.

A major aim must be to provide the maximum amount of cash on retirement which can be received tax free and invested in inflation proof investments.

In addition, a retirement plan must be structured to take maximum advantage of the tax relief available.

It must also be flexible enough to adapt to unforeseen circumstances.

The Pension Fund Act provides for various types of retirement funds.

Although these have a common objective, each type of fund has its own advantages and disadvantages.

Pension funds are the most common vehicle used for retirement provision, being compulsory in most companies.

However, some problems inherent in pension funds are:

☐ Only a third of the amount accumulated on a beneficiary's behalf can be withdrawn on retirement. The remaining portion is subjected to tax when paid out by way of an annuity;

☐ Few pension funds have been able to keep up with the effects of inflation;

Revert

☐ With some funds, if the beneficiary dies shortly after retirement, a substantial portion, if not all, of the beneficiary's accumulated funds revert back to the fund.

Retirement Annuities (RAs) have become popular as supplements to individuals' pensions.

Lester says an advantage associated with RAs is that, should the beneficiary be declared insolvent, the funds accumulated on his behalf by an RA fund fall outside the insolvent estate.

In other words, self-employed individuals unable to be members of pension or provident funds are able to invest funds for their retirement which are not subjected to the risks of their businesses.

However, he says the disadvantages are that, like pension funds, only one third of the accumulated funds can be commuted on retirement.

It is also impossible to withdraw from an RA.

By contrast, the attraction of provident funds is that the beneficiary can withdraw the funds accumulated on his behalf at retirement.

By maximising cash on retirement, one mimimises the amount paid by way of annuities subject to tax and the effects of inflation.

In 1990, provident funds were declared non-taxable and were given the same status as pension funds and RAs, thereby allowing them to effect the same returns.

Deferred compensation is another option available to employees.

Known as the golden handshake, the first R30 000 is tax-free and the excess is taxed at an average tax rate.

Unfortunately, the R30 000 has not been increased since 1983 and the true benefit of the three-year spread (where the individual could spread the excess over three years to further reduce his tax liability) was withdrawn in 1991.

Lester says a small retirement planning point which many employers forget is accumulated leave payouts.

This policy can grant the employee a tax break at no further cost to the employer.

However, Inland Revenue requires that, where a lump sum payment exceeds R9 000, a ruling must be obtained from Revenue on the PAYE treatment.

Each type of retirement fund has its own advantages and disadvantages.

"Provident funds carry the advantage of a full payout on retirement.

"However, the rate of return may not be as attractive as RA funds or even pension funds.

Spread

"For this reason, many people spread their retirement investments into various portfolios consisting of provident funds, pension funds, RAs, deferred compensation schemes and life insurance."

Other retirement planning opportunities include restraint of trade agreements and post-retirement fringe benefits.

In terms of SA tax law, any amount received in compensation for the loss of a human right is a capital receipt. Consequently, any amount received in terms of a restraint of trade agreement is capital and not subject to tax.

Lester says, however, that for restraint of trade payments to be used as a retirement planning device they must have commercial substance.

There must be good reason for an employer to want to limit the activities of a retiring employee.

Benefits can cease with death

B Day 21/2/92

ONE of the main concerns facing people making provision for retirement is the issue of losing one's capital on death. (300)

Despite many years of contributions, some pension and RAs state that all retirement benefits cease on the death of the investor.

Old Mutual manager, broker marketing, Don Alexander says there are options which safeguard one's capital.

Guaranteed annuities undertake to pay a sum for a guaranteed period (such as 10 years) irrespective of whether the investor has died or not.

A joint and survivorship annuity provides the investor with an income for the duration of his life. On the death of the investor, the income remains payable until the death of the remaining spouse.

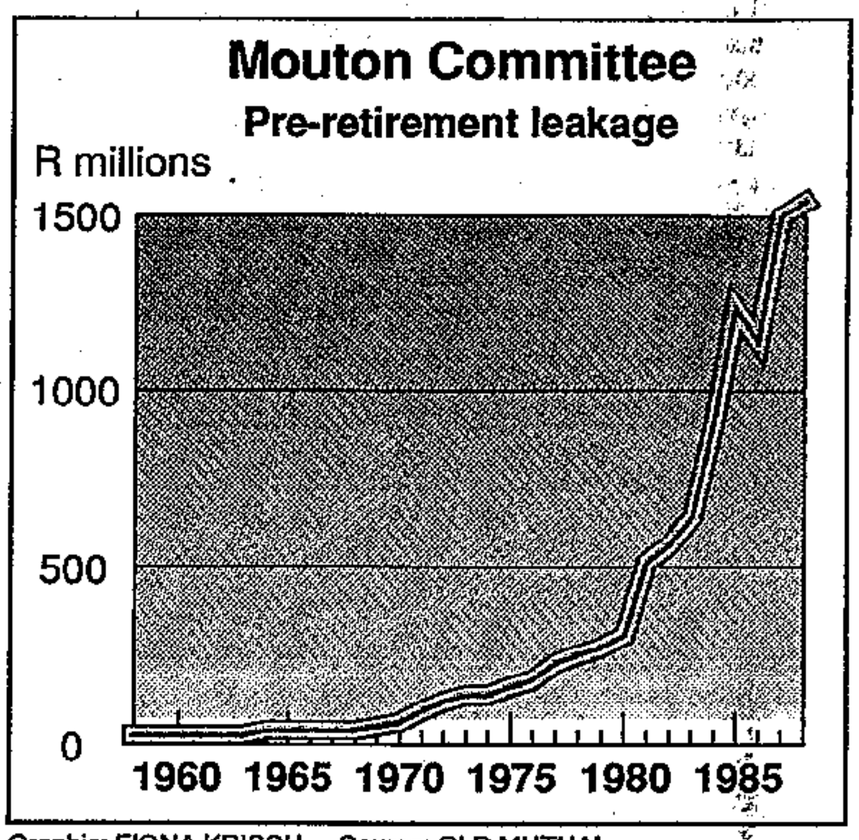
Furthermore, the income can be guaranteed for a period of five or 10 years, thus ensuring that should both spouses die prior to the expiry of the guaranteed term, the income will be payable to the estate for the remainder of the term.

The other option is the Capital Preservation Option (CPO), where the investor puts aside a little each month from his pension (the two-thirds of his RA he has to put into an annuity), which on his death is payable tax-free to the estate or nominated beneficiaries.

BDO Spencer Steward tax director Matthew Lester says ignorance about the treatment of their RA capital on death proves most investors do not understand what they have bought.

Business Day SURVEY

There are four main investment vehicles available for those wishing to make provision for their retirement: pension funds, retirement annuities, provident funds and deferred compensation. Although most employees belong to a pension fund, it is often not sufficient. ***GILLIAN HAYNE*** *reports.*



Graphic: FIONA KRISCH Source: OLD MUTUAL

Some answers to common problems

BTDay 21/2/92 (300)

THERE are many frequently asked questions on retirement annuities (RAs).

Liberty Life legal and technical marketing manager Helita Mankowitz says the most common question are:

☐ What happens to an RA in the case of divorce?

Under the current legislation, a part of an RA of one spouse (that is a portion of the contributions made together with simple interest as at the date of divorce — the amount is determined on divorce) can be awarded to the other spouse when the benefits accrue (on retirement or death);

☐ Is an RA fund protected in the event of insolvency or against creditors?

Money in an RA is protected on insolvency from creditors and is even protected from the member himself in that he cannot take the money out until he is 55 years, thus ensuring funds on retirement;

☐ What happens if I cannot afford the contributions?

Contributions can be reduced or stopped until you can afford to start paying again. If you cease paying for a while then resume payment, you can pay back these arrear contributions together with current contributions and receive a further deduction for these arrear contributions of R1 800 a year (or R900 a year if the member is a married woman);

☐ What happens if I die prior to my nominated retirement age?

Vital

If the member before retirement a lump sum as well as an annuity is paid to his dependants and/or nominated beneficiary. It is vital to nominate the correct beneficiaries, Mankowitz says. All dependants, however, whether nominated or not, are entitled to benefit;

☐ Do I have a choice as to how my money is invested?

Yes, most life offices have a selection of investment portfolios. If you prefer the stability of property, choose a portfolio with a large property component, or if you prefer a higher risk, higher return investment select a portfolio with a large equity component;

☐ May I add other benefits to an RA?

Most life offices allow one to add life cover with or without disability cover.

Political uncertainty and inflation make estate planning vital

THE likelihood of increased taxes on wealth being implemented under a new dispensation in South Africa is high, tax experts say.

There is also little chance that inflation will become history in this country, says BDO Spencer Steward tax director Matthew Lester.

The combination of these threats has made estate planning an essential feature in everyone's lives.

In the '80s, a R1m estate was large, so most individuals were not affected by estate duty.

With inflation, however, many families are being pushed over the R1m level without realising it.

In terms of the current Estate Duty Act, a married couple is exempt from paying duty up to R2m (R1m in each estate) and anything over that is taxed at a flat rate of 15%.

KPMG Aiken and Peat tax partner Alister MacKenzie says although there is no estate duty on assets left to a surviving spouse, if use is not made of the R1m deduction at the death of the first partner, when the second partner dies the estate left to children will be at a higher dutiable value.

Assuming a husband dies leaving his R3m estate to his wife, he has not made use of his R1m deduction.

This means that when his wife dies, leaving the R3m to their children, R2m of the estate will be subject to tax at 15% (remember, she, too, qualifies for the R1m deduction).

However, if the husband leaves R2m to his wife and R1m to his children (say, in a family trust) on his wife's death only R1m of the R2m she leaves in her estate will be subject to tax.

Wealth

Lester says another reason individuals should plan to keep the dutiable value of their estates as low as possible is that, although the rate may be 15% at present, if tax on wealth is introduced estate duty could rise to 35%.

Over two-thirds of those who die do not have a will and if a person dies intestate, the laws of distribution may not coincide with the that person's wishes of who should inherit — and it will probably be less tax efficient than a planned distribution.

Employers can help by paying the rent

B1 Day 21/2/92 (300)

ONE of the tax saving opportunities which still exists for employees relates to monthly rentals on residential accommodation.

KPMG Aiken and Peat tax partner Pat McGurk says for many employees who do not own their own homes, a tax saving can be made if the rent is paid by the employer.

This is best illustrated by way of an example.

Assume an employee earns R50 000 during the year and rents accommodation for R1 000 a month, his position at the year end will be:

Remuneration: R50 000;
Tax: 10 550;
Rent: 12 000;
Cash available: R27 450.

However, should an employer provide the use of residential accommodation to an employee, the employee will usually be taxed in accordance with the formula (A-B) x C/100 x D/12.

A is the employee's remuneration during the previous year, B is an abatement of R20 000, C is a quantity of 15, 16 or 17, depending on whether the accommodation is unfurnished and whether fuel and power is supplied by the employer, and D is the number of months the accommodation is occupied in a year.

On the assumption the employee earned R43 500 during the preceding year and was given a 15% increase in the current year to bring him to R50 000, his cash position would be as follows:

Remuneration less cost of providing accommodation: R38 000;
Tax: R7 434;
Cash available: R30 566.

Advantage

The employee would be R3 116 better off.

McGurk says in order to take advantage of the above formula, however, the employer must provide the employee with the accommodation.

For existing rental agreements, McGurk says the employer, the lessor and the employee should enter a tripartite agreement whereby the employer becomes substituted as lessee of the property.

BDO Spencer Steward tax director Matthew Lester says although the above is one of the best ways to maximise cash flow in the short term, it has negative long-term implications.

"The most important part of retirement planning is to have a fully paid house, which could be jeopardised if one chooses to rent for the tax benefits."

One way round the problem is to buy a house and put a tenant in it, then make use of the rental planning opportunities, he says.

Retiring at year-end is worst possible time

B1bay 21/2/92

THROUGHOUT their working lives, people put thousands of rands into retirement funds but at the time of retirement are unsure of how much to take out as cash and how much to put into annuities. (300)

BDO Spencer Steward tax director Matthew Lester says one should maximise one's lump sum withdrawals to take advantage of the tax benefits.

However, a problem is that tax-free portions have not been increased since 1983, which improves the likelihood of there being a taxable portion on one's lump sum payouts.

Any cash over the allowed tax-free portion is taxed at an average rate, which could be anywhere between 43% and 15%, depending on the individual's situation and the time of retirement.

"Most people retire at year end, which is the worst time from a tax point of view," Lester says.

"People should retire early in the tax year. If they do not plan the time of retirement they could lose, through tax, many of the advantages they worked so hard to accumulate."

There are so many permutations to maximise one's retirement benefits that one should seek professional help, otherwise it would be like buying a Mercedes and servicing it oneself, Lester says.

A popular supplement to the pension fund

(360)

B\Days 21\2\92

RETIREMENT annuities (RAs) have for many years been a popular supplement to pensions because of their tax saving benefits as well as building up retirement capital and income.

Life Offices Association (LOA) figures show almost 500 000 people took out RA policies over the past six years, bringing the number of RA policyholders to about 1,4-million.

Old Mutual senior legal analyst Peter Stephan says RAs represent sound money management.

Tax savings are achieved in a number of ways.

An individual without a pension fund can deduct up to R3 500 or 15% of his taxable income for contributions to an RA.

A pension fund member can deduct R3 500, less pension fund contributions (a minimum deduction of R1 750 is permitted).

Separately taxed married women can claim their own RA deductions.

A further advantage is that investments held in an RA fund accumulate entirely tax free until the retirement date.

In addition, at retirement (age 55 to 70), a tax-free benefit is obtainable.

Up to a third of the total accumulated fund may be commuted into cash, the balance being used to purchase an annuity.

Usually, the first R120 000 of the cash lump sum taken under contract, aggregated with other sums from pension or provident funds, is tax free.

Negative

BDO Spencer Steward tax director Matthew Lester, however, sees the one-third maximum cash benefit as a negative aspect.

"Not only is the rest subject to tax, but also inflation."

It is also impossible to withdraw from an RA fund. Once contributions have been made they are accumulated on behalf of the beneficiary until retirement.

"This requirement does not satisfy the flexibility objectives of retirement planning," he says.

One of the most efficient uses of RAs, which is little known, is that they can be used at the point of retirement to reduce the average rate of tax which is applied to taxable portions of payouts from other funds, Lester says.

Other guarantees also exist: miniumum payouts and guaranteed pension amounts, as well as the option of a guaranteed pension payout period to dependants in case of death within the guaranteed period.

Standard Bank Financial Services (Stanfin) MD Gavin Dingley says it is essential people start retirement planning as early as possible.

A person who takes out an RA policy (which has a 15% annual premium increase) with premiums of R100 a month at the age of 41 would have a policy valued at R876 076 when he reached retirement at the age of 65.

However, if this person delays taking out the same policy until he reaches the age of 46, the policy would only be worth R348 323 on retirement at 65 — a loss of R527 753.

Charting a fair AIDS policy

B1Day 21/2/92

ROD HARPER
and DES BARRY

PREDICTIONS on the effect of AIDS on society are assuming the deliberate ambiguity of the predictions of Nostradamus or the pronouncements of the Delphic oracle.

There are too many variables and too many unknowns for there to exist the kind of simple, mathematically calculated compound projection which planners seek.

Nor is it possible to generalise about a "world AIDS crisis". The circumstances differ from continent to continent, from community to community. In SA, which contains elements of the developed, developing and underdeveloped world, "expert" projections over the next 20 years range from under 400 000 deaths to more than 2-million.

Yet even amid wildly varying prognostications it is safe to predict, with vague Delphic wisdom, that within the foreseeable future AIDS will have a profound effect on every activity in this country. It certainly can put at risk company benefit funds such as medical aid schemes and pension funds.

A dramatic increase in financial claims for hospitalisation, early retirement and death in service may be on the cards and this would threaten schemes' solvency. Far-sighted companies are now reassessing the rules and management of their benefit funds in an effort to ensure they keep afloat. But in doing so they may be running into a number of legal hazards.

Many medical aid societies have amended their rules to drop the ceiling for claims resulting from AIDS — some down to as low a limit as R100 a claim. Straightforward differentiation of this kind is not necessarily wise nor fair and, in certain circumstances, may be unlawful.

At the same time there is a trend today towards fettering the normally wide discretionary powers which trustees and administrators of pension, benefit and related funds have in making awards. The Financial Institutions Amendment Act 1991, for example, introduces the yardstick of "reasonable benefit expectations" of members of certain aspects of the administration of pension funds — a seed for the growth of members' rights, for example, to regular pension adjustments for inflation.

More important is the trend to view employee benefits as falling within the ambit of industrial relations and employment law — which means that decisions over pension and other benefits may increasingly fall subject to intervention by the Industrial Court as unfair practices.

The recent Industrial Court decision of Van Copenhagen vs Shell and BP Petroleum Refineries seems to confirm this trend. The court held that a dispute concerning an early pension was one involving the employment relationship and intervened to award an early pension, where this had been refused.

It is possible the court will also intervene where unfairness to employees is alleged in relation to AIDS. A decision to limit social security benefits in the case of employees who have contracted AIDS could be challenged in the Industrial Court.

However, what also has to be considered in the future, is the possibility that, unless AIDS claims are treated differently, the illness will drain resources to the point where pension funds and medical aid schemes will be unable to function in providing social security for all employees.

One solution is to limit benefits to the particular member's contributions and matching employer contributions much along the lines of a provident fund. This would entail radical restructuring. But the solution may be undesirable in principle, for it reduces a fund's ability to cater for the varying needs of different members and, in the absence of an AIDS epidemic, it may be unduly restrictive in the award of benefits to employees with AIDS.

A variation of this solution is to fix costs to the employer, thereby reducing his risk. But this does not prevent the dissipation of the funds' resources.

Another potential solution which has been fiercely debated is the use of pre-employment testing for HIV and the exclusion from employment on that basis. It seems clear in the face of an epidemic that this will not provide a safe screen.

The best course may be to vest trustees and administrators with a clear but circumscribed discretion that where an epidemic objectively places the financial future of a fund in jeopardy — and only in these circumstances — they may limit benefits where the application is traceable to AIDS.

Differentiation in the face of such a catastrophe should be permissible but care should be taken to frame rules and to empower the trustees in a manner so as to avoid statutory constraints, such as the restriction on benefit reductions contained in the Pension Fund Act and also claims for unfair discrimination.

To do so it will be necessary to revisit and revise AIDS policies and the rules of benefit funds, pension and similar schemes and to empower the trustees and managers so as to enable them to steer a successful course between the Scylla of financial collapse and Charybdis of multiple unfair discrimination claims.

☐ **The authors are attorneys in Webber Wentzel's employment law department.**

Oldies protest pension bill

300

ABOUT 400 Cape Town pensioners this week staged a placard demonstration against the passing of the Social Assistance Bill.

The picketers stood in groups of 20 near parliament with placards that read: "ANC says equal pensions for all"; "Treat us the same"; "New Pension Bill is a shame", and "A pension is a right". CTimes 23/2/92

A memo directed to Health Minister Dr Rina Venter and condemning the bill said it had been developed "without any consultation with the people most affected" and that it "ignores the social and economic reality of pensioners".

"Senior Style"

A Star review on retirement

With today's spiralling costs and inflation, retirement can no longer be seen as something to be considered late in one's life. It is something that has to be planned much earlier on. Here, professional experts give their views of how this can be done most efficiently.

Long battle against the ravages of inflation

STAR 25/2/92

By Michael Belling, BA, LL B
Manager, Sage Life

Most of us can expect a long retirement — on average 14 years for a male of 65 and over 17 years for a female of the same age. Even after retirement careful financial planning is vital. It can make all the difference between this time being years of fun or a time of loneliness and dependency.

In retirement, career incomes usually stop and we have to live on our accumulated assets and perhaps a pension. The State provides only a meagre old-age pension, and then only for people with few assets and very low incomes.

Our incomes often drop after retirement and without proper plannng inflation will eat into them alarmingly quickly. As the table below shows, a level monthly pension loses over half its value in only five years if the inflation rate averages 15 percent a year.

R3 000 a month pension — real value if inflation 15 percent
After 3 years — R1 972
After 5 years — R1 492
After 10 years — R742
After 15 years — R368
After 20 years — R183.

The main objective of financial planning after retirement is to provide an adequate income now and to ensure that provision is made to preserve its real purchasing power, in other words, to keep up with inflation.

Two main types of investment meet these requirements.

The first, usually fixed-interest investments, provide a high income, but without any capital appreciation. As a result, they are subject to the ravages of inflation. Building society, bank and post office investments fall under this heading.

The second lays far greater stress on capital growth to offset the effects of inflation. These investments provide a far lower income, but they should grow in value for use at a later stage. They include unit trusts, direct share market investments, property, hard assets (such as Krugerrands, stamps and art) and life assurance policies.

Ideally there should be a balance between the two types of investments to cater for both present and future income needs.

The potential risk with these investments varies greatly. Generally speaking, the higher the risk, the higher the potential return. Care must be taken to avoid investments that are too risky or speculative as most people cannot afford serious losses after they reach retirement. For this reason, a personal share portfolio is usually not recommended.

Another important area is tax planning. However the income and investments are structured, ways can often be found to make them as tax efficient as possible.

But all too often we hear of people who do not have sufficient assets to provide the incomes they need — not to mention the problems they will encounter as their resources decrease in value.

They must choose between one of two courses of action, or perhaps do both — reduced expenses or increase their income.

Reducing expenses requires careful budgeting to cut down on spending wherever possible. The best way to do this is to keep a careful record of all expenses and analyse where cuts can be made.

Perhaps the most important aspect of any planning after retirement is simply a positive state of mind. No longer do people just leave their jobs to die.

Beware the crisis of tomorrow

STAR 25/2/92

By Laurence Brickhill
Consultant
Corporate Executive Services
Old Mutual 300

Today, when individuals' lives are complex and changing, retired people don't have the time or expertise to review their financial affairs on a regular basis. All too often they react to given circumstances, rather than plan.

Finance is becoming more complex and the range of solutions and products has also become increasingly complicated.

Many pensioners start their retirement enjoying a high standard of living and then have to start cutting their expenses as the years go by. Research among these pensioners indicates that they find the complexity of the financial market daunting.

Unfortunately, this can lead them to make an investment which, although excellent in itself, may not contribute significantly to their overall needs in retirement.

Not surprisingly, this research also reveals that retired people appreciate a high level of service before, during and after the selection of a financial investment. This is why financial planning is becoming essential for them.

A pensioner must be able to approach a professional adviser, trained in the principles and practices of financial planning, who will be able to assist in his financial affairs.

Advisers in this category therefore must be well versed in the needs of pensioners, need to be well qualified and, preferably, should be Fellows of the Institute of Life and Pension Advisers (Filpa). The highest standards of service and ethics can then be expected of them.

● An ILPA morning workshop on the tools and techniques of personal financial planning with the emphasis on retirement will be held on March 4 at the Holiday Inn, Sandton. It will be open to the public and will be of particular interest to people who are approaching retirement or who have already retired. The cost is R100 a person, R170 a couple. For details, tel Laurence Brickhill: (011) 227-2799.

The best investment for the best retirement

By Paul Hanratty
Development Actuary
Old Mutual

STAR 25/2/92 (300)

A number of companies sell a myriad of investment options for the provision of medium to long term financial needs.

The more common options include retirement annuities, endowments and unit trusts. Within these three broad categories, there are also a number of choices — and there are a number of different companies selling these types of business.

A key to the success of such an investment is the ability to perform better than the inflation rate. Past experience has shown that these three types of investment have consistently beaten inflation over the medium and long term.

When considering which investment is appropriate, there are a number of factors which need to be considered. These include:

(i) Past performance

As it is almost impossible to predict how investment markets will perform in the future, the past performance of a similar type of investment should be taken into account.

It may be a useful guide to decide which company to invest with, but there are other factors which need to be considered when deciding on an appropriate type of investment. It is also foolhardy to assume that past performance will continue into the future, as investment conditions could be very different.

(ii) Risk profile

The risk associated with an investment can be thought of as the probability that one's outlay will be recovered. Certain investments offer no guarantees, which means that one may lose one's capital. Others do offer guarantees, which usually mean that one will receive as a minimum one's initial capital plus a small return.

The amount of risk that an investor is prepared to take is an individual decision, and this means that for two investors with similar circumstances, the type of investment that is "best" for them could be very different.

(iii) Liquidity

Some investors may need quick access to their investments in times of financial need. If this is the case, a more accessible or "liquid" investment, may be appropriate.

(iv) Tax position

An investor in a high tax bracket may find certain investments very attractive because of favourable tax treatment.

(v) Term

Some investments will cater for long term needs such as retirement, whereas others will be for shorter term objectives such as a new car or a trip overseas.

Bearing this in mind, consider the three broad categories.

Retirement annuities (RAs)

An RA provides for a specific and very important future need, that of supplementing income during retirement. It is an investment with very definite tax advantages for those in higher tax brackets, as the contributions may be deducted from taxable income, up to certain maxima.

This means that RA investors paying marginal tax at 43 percent will have R43 out of every R100 invested in an RA paid by the Receiver. In addition, no tax is levied on the funds in which you invest, which enhances investment performance.

On retirement, one-third of the RA proceeds can be taken as a lump-sum. At least the first R120 000 of lump sums from approved sources (other RAs, pension funds etc) is tax-free, while lump sum proceeds in excess of R120 000 are taxed at the average rate (as opposed to the marginal rate) of the investor.

The remainder of the RA proceeds must be used to purchase a life annuity, which is regarded as taxable income. Bear in mind, however, that an individual's tax rate may well be lower at retirement.

An RA provides the investor with the discipline of regular, contractual savings. However it is relatively inflexible investment vehicle as it may not be surrendered, nor can loans be taken out against its value. On the other hand, it can be transferred to another country on emigration, as it is classed as an "approved fund".

There are different types of investment vehicles for RAs to cater for differing risk profiles. Old Mutual offers three main types:

(i) Smoothed Bonus, where investment returns are averaged over the good and lean years and guarantees are offered.

(ii) Performance Profits, where investment returns fluctuate with the returns on the underlying investment. The value of one's investment is less than stable than under the smoothed bonus. Guarantees are offered.

(iii) Equity Portfolio, where investment performance is directly linked to a portfolio of shares on the JSE. The investment has potential for very high returns but is much more risky, especially as no guarantees are offered.

Returns on R100 invested monthly in a smoothed-bonus type RA at Old Mutual maturing on January 1 1991 are as follows

These returns assume that, because RA contributions are tax deductible, a person paying 43 percent tax is only effectively paying a premium of R57, and similarly a person paying 30 percent tax is paying a premium of R70.

In addition, one-third of the maturity proceeds is taken as a non-taxable lump sum and the remainder is taken as an annuity which may be taxed at a lower rate (say 30 percent for the 43 percent taxpayer and 20 percent for the 30 percent taxpayer). As tax paid after retirement is normally lower, this assumption is reasonable.

These returns show that RA returns are well above inflation and are significantly better for people paying tax at a high marginal rate.

Endowments

Endowments provide a vehicle for contractual savings for financial needs occuring ten or more years into the future. Endowments for less than 10 years are a poor investment, as they do not conform to the Sixth schedule of the Income Tax Act and attract a lot of tax.

An endowment can also be used as a vehicle to add life, health and disability cover, although this detracts from the investment nature of such a contract. An endowment may be surrendered and a loan may be taken out against its value.

However, it cannot be regarded as a liquid investment, as any such change will incure financial penalties. In general, though, it can be regarded as a more flexible investment vehicle than an RA.

Contributions to Endowments are not tax-deductible and the portfolio that endowments are invested in is taxable. However, unlike an RA, the proceeds of an endowment are not taxable in the hands of the policyholder.

In addition, he has complete flexibility to do what he pleases with the money. It may be used to take out an annuity, go overseas, buy a car for cash, etc, or it can even be left to grow with the life office.

Returns on R100 invested monthly in a smoothed-bonus pure endowment (with no life cover) at Old Mutual maturing on 1 January 1991 are as follows.

These returns are not as high as for RAs, but one must bear in mind the additional flexibility that one has with the maturity proceeds.

Unit trusts

As with an endowment, a unit trust can be used to fund a wide variety of financial needs. It can be particularly attractive for a need ocurring five to 10 years in the future, as an endowment is inappropriate for this period. However, there are no guarantees offered on unit trusts, which makes them more risky than most endowments and RAs.

A unit trust is a relatively liquid investment, as part or all of the proceeds can be withdrawn at relatively small notice for no penalty. It also has tax advantages in that only the interest portion of the declared income distributions is taxable — and then only when one's total interest income is over R2 000.

This interest portion is usually a very small portion of the total return. The proceeds are also not taxable unless the investor is seen by the Receiver to be "dealing" in unit trusts. Contributions may not be deducted from taxable income.

Old Mutual offers five different unit trust funds, of which some are more risky than others.

Returns on Unit Trusts for R100 invested monthly in the Investors Fund and disinvested on January 1 1991 are as follows:

(these returns assume that no tax is paid on the interest income received from the units).

These are the better returns than for endowments, but it must be borne in mind that no unit trust will offer a guarantee of investment return.

Endowments

TERM	MATURITY PROCEEDS	ANNUAL AFTER TAX RATE OF RETURN
15 years	R76 217	17.4%
10 years	R31 879	18.6%

Retirement annuities

TERM	MATURITY PROCEEDS	ANNUAL AFTER TAX RATE OF RETURN	
15 years	R84 965	(43% tax) 22,5%	(30% tax) 21,1%
10 years	R34 271	(43% tax) 26,2%	(30% tax) 23,9%

Unit trusts

Term	DISINVESTMENT PROCEEDS	ANNUAL RATE OF RETURN
15 Years	R183 243,94	27,3%
10 Years	R 44 965,18	24,9%

Protecting retirement funds against inflation

75% loss after only 10 years

STAR 25/4/92

By Desmond Smith
Senior General Manager
Individual Assurance
Sanlam

Recent research has revealed that only nine out of every 100 people retiring at the age of 65 will be financially independent.

A male at that age can expect, on average, to live another 14 years, and a female 18 years. Add to this the fact that after only 10 of those years, if current inflation rates persist, each present rand will be worth only 25c, and it becomes evident why the vexed question of inflation continues to receive so much attention from life assurers' product development departments.

The challenge to them is not only to maximise returns but also to protect, after retirement, whatever provision has been made against the ravaging effect of inflation.

We believe that at Sanlam we have a few excellent solutions.

Retirement saving

The abolition of requirements regarding prescribed investments in mainly low-yielding Government Stock at the end of 1989 brought more investment freedom for life offices. Sanlam's market value managed fund, 500 Plus, was created to exploit this opportunity to the full.

It is a specialist fund which is managed at the discretion of the portfolio manager, as against some competitors' portfolios which are invested, for example, in shares only.

So far our approach has borne fruit and we are very happy with the results — the 500 Plus having outperformed all share funds.

And the portfolio manager's total freedom to change the composition of the portfolio in accordance with market fluctuations facilitates aggressive growth. During the past year, for example, he could fully invest in cash when the JSE was on the decline and fully in shares during rising phases.

With the 500 Plus portfolio I think we have the solution to the needs of those wanting an aggressive investment portfolio, which at the same time provides more security than a 100 percent equity linked portfolio.

Of course, this is not the right type of retirement investment for everyone.

For people who have made enough provision for the normal assurance needs and seek the highest possible return on their discretionary income, however, there is place for the aggressive approach — provided it is not the only source of retirement planning, but rather a complementary element of a well planned, comprehensive retirement portfolio.

Investors must always keep in mind that future performances could fluctuate appreciably and will be determined by a combination of sound portfolio management and favourable market forces.

With 500 Plus taking care of returns before retirement, we can turn to protecting income after retirement against inflation.

Retirement growth

It has always been the dilemma of the retirement annuity investor that his money is invested in growth assets up to retirement — but at the moment of retirement he is locked into whatever long-term interest rates are then available.

An interesting alternative to the conventional fixed-interest life annuity is Sanlam's Bonus Annuity, launched in February last year.

A special life annuity portfolio was established which differs from traditional annuity portfolios in that it invests in growth assets, such as shares and property, in addition to interest investments.

Annuitants share in the portfolio's profits by means of a bonus, declared annually in the form of a percentage growth rate. A first bonus of 14 percent was declared earlier this year.

Sanlam guarantees the full bonus annuity payment. Growth, once awarded, cannot be taken away.

This product should therefore appeal to pensioners who wish to combine security with growth potential.

Although the initial bonus annuity payment is lower than the comparable fixed-interest annuity payment, this should not deter investors who are aware of factors such as the high life expectancy after retirement and how fast high inflation reduces the value of a fixed pension.

Desmond Smith . . . only nine out of every 100 people retiring will be financially independent.

Retirement and political change

STAR 25/2/92 (300)

By Dave Johnson
Assistant GM
Life Marketing
Southern Life

We live in a world of constant change where economic, political and social upheaval are part of our everyday lives.

In the years that lie ahead change will continue. However, the exact nature of change cannot be predicted and one's plans for the future will need to be as flexible as possible in order to adapt to the change.

Current statistics indicate that of a group of people aged 40, only 14 percent will be self-sufficient by the time they reach retirement age of 65. Of this group, 19 percent will have died, 18 percent will need to continue working and 49 percent will be dependent on family or the State.

This table is, however, based on present information. For a number of reasons we can expect the situation to change. The alternative to a comfortable, self-sufficient retirement can be expected to become even less appealing, making effective retirement planning even more crucial.

The following are some of the changes which will affect the future of retirement planning in this country:

1. State support

SA has a young population, especially in the black community where some 12 million people are under the age of 15. While the population as a whole has a wide range of needs, it is the education of this group that is viewed by many as the critical issue to be addressed if SA is to have a prosperous future.

With the limited financial resources of the State, it is inevitable that the needs of the youth will restrict expenditure on the needs of the aged. It would seem reasonable to assume that state pensions will remain at low levels and that with inflation these will actually reduce in real terms.

2. Housing/ accommodation

South Africa is facing a massive housing backlog, needing an additional 200 000 units to be built each year. At present the combined public and private sectors provide less than 10 percent of this. The housing shortage is particularly severe for the elderly.

Increasing urban sprawl is moving the relatively low cost homes on city outskirts further and further away from the city centre. The required distances to be travelled make this inappropriate for the elderly. The option of flats or old age homes is also rapidly disappearing.

The excess of demand-over-supply is forcing prices upwards and soon even finding such accommodation will be difficult.

The State is unlikely to play a major role here and one can foresee the elderly cramming into accommodation reminiscent of present day-night shelters.

3. Support of family

The regrettable breaking down of the family unit is doing away with a further alternative for retirement provision. With SA leading the divorce rate list and strings of broken homes, fewer and fewer children see themselves as having a responsibility towards their retired parents.

4. Medical progress

Modern civilisation has brought two advantages to the aged; the ability to stay alive longer and the ability to make that existence more comfortable. But both cost money and each new breakthrough brings with it a further drain on finances.

Even those covered by medical aid funds during their retirement years will not be able to cope. Some of the treatment or medicine may not be covered by medical aid. In other cases the medical aid will not cover the entire amount and the individual will need to fund the shortfall.

5. Standard of living

The passing of time sees an ever increasing standard of living. People retiring 30 years ago did not need to worry about escalating TV licence costs and similar issues that cause anguish for current retirees.

When today's workers reach retirement they will expect to retain costly items on which they have become dependent, and with the effects of inflation this may not be possible.

6. Job shortages

The option of deferred retirement is unlikely to be available to those who cannot afford to retire. In fact, the predicted trend is that companies will introduce earlier retirement dates, with possibly age 55 or 58 replacing the more traditional retirement age of 65.

With increasing unemployment, it will only be in exceptional circumstances that a company will retain employees beyond the normal retirement date.

An estimated 82 percent of all pensioners face a common problem — insufficient money on which to live.

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of what statutory provisions or regulations; if not,

(2) whether the management board of a model B school may impose compulsory school fund contributions as a requirement for admission at such a school; if so, in terms of what statutory provisions or regulations;

(3) whether he will make a statement on the matter?

B166E

†The MINISTER OF EDUCATION AND CULTURE:

(1) No;

(2) no;

(3) no.

Departmental schools: African language as subject

*3. Mr K M ANDREW asked the Minister of Education and Culture:

How many (a) schools falling under the control of his Department were offering, and (b) pupils were taking, an African language as a subject in 1991?

B192E

The MINISTER OF EDUCATION AND CULTURE:

(a) 923.

(b) 150 863.

White teacher-training colleges: African language

*4. Mr K M ANDREW asked the Minister of Education and Culture:

Whether any White teacher-training colleges offer an African language as a course subject; if not, (a) why not and (b) what steps are being taken in this regard; if so, (i) which colleges, (ii) what African languages are being offered and (iii) how many student teachers took such language courses in 1991?

B193E

†The MINISTER OF EDUCATION AND CULTURE:

Yes,

(i) Boland College of Education
Port Elizabeth College of Education
Bloemfontein College of Education
Edgewood College of Education
Durban College of Education
Natal College of Education
Onderwyskollege Pretoria
Onderwyskollege Goudstad
Johannesburg College of Education
Onderwyskollege Potchefstroom
College of Education for Further Training,

(ii) Xhosa, Southern Sotho, Zulu, Northern Sotho and Tswana,

(iii) 1 265.

White old-age pensioners: means test

*5. Mr B B GOODALL asked the Minister of Health Services and Welfare:

Whether any steps are being taken by her Department to adjust the means test for White old-age pensioners; if not, why not; if so, what steps?

B254E

The MINISTER OF HEALTH SERVICES AND WELFARE:

No.

When social pensions were increased as recently as 1 October 1991 the income leg of the means test was extended.

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Revenue/expenditure categories

35. Mr G C ENGEL asked the Minister of Finance:

In respect of the 1991-92 budget year, (a)(i) which categories of revenue have fallen short of or exceeded the budgeted target and (ii) by how much in each case, (b)(i) which categories of expenditure have fallen short of or exceeded budgeted amounts and (ii) by how much in each case, (c) how will the additional deficit be financed or has it been financed and

(d) what is the latest estimate of the Government deficit before borrowing as a percentage of the gross domestic product?

B104E

The MINISTER OF FINANCE:

Since there will be a full report on the course of the 1991/92 financial year in my next Budget Speech, it is premature to answer this question at this stage.

In the meantime, I attach a copy of the press release on the course of state finances for the first nine months of the 1991/92 financial year, released on 17 January 1992.

Information release on the course of the 1991/92-budget for the first nine months of the financial year

Issued by the Minister of Finance, Mr B J du Plessis, MP

1. *Introduction*

In accordance with its aim to report regularly on the course of the state finances and, more specifically, the annual Budget, the Department of Finance has already issued two information documents during the current financial year. This statement reports on the course of the 1991/92-Budget for the period April to December 1991; it will be the last report for the current financial year until the next Budget Speech.

2. *Update on the 1991/92-budget*

2.1 *Total expenditure*

On previous occasions it was mentioned that the total expenditure level for the 1991/92 financial year could amount to R85,984 billion, which is 15,1 per cent above the revised estimated expenditure level of R74,731 billion for the 1990/91 financial year. This figure includes the contingency reserve of R1,2 billion, as well as the provision of R1,95 billion to be financed from the reduction in strategic reserves.

Total exchequer issues in the first nine months of the 1991/92 financial year amounted to R62,443 billion, which represents an increase of 18,5 per cent on the issues for the corresponding period in the 1990/91 financial year (see table 2) and accounts for 72,6 per cent of the total estimated amount of R85,984 billion. A mere mechanical projection of the growth in expenditure for the full financial year on the basis of this growth rate, would be very misleading. Although this growth of 18,5 per cent appears to be relatively high, it should be kept in mind that the total exchequer issues for the first nine months of the 1990/91 financial year increased by only 10 per cent, so that this year's growth is from a relatively low base. The quarterly analysis of total exchequer issues illustrates this point (table 1).

Although 18,5 per cent can in no way be regarded as an indication of the eventual growth in budgetary expenditure, it might in fact now appear that the Government will have to ask Parliament on 17 February 1992 to approve a substantial larger additional budget than was envisaged by way of the contingency reserve of R1,2 billion. The expected higher-than-budgeted expenditure requirements are related mainly to higher spending pressure on health, intergovernmental grants to Black Local Authorities, and interest on the public debt. As indicated below, these higher expenditures will not bring about any further financing pressures.

2.2 *Total revenue*

In the previous information release, which appeared in October 1991, total revenue was estimated at R74,156 billion, after provision had been made for the lowering of the VAT rate to 10% and for the additional revenue from excise duties and from the fuel levy. This amount represents an increase of 11 per cent above the actual collections of R66,8 billion in the 1990/91 financial year.

Total exchequer receipts for the period April to December 1991 amounted to R52,767 billion, which is 7,6 per cent higher than the corresponding period for 1990/91 (see table 2).

After an increase of only 0,7 per cent in the first quarter of the present financial year, receipts were up by 8,2 per cent and 13,4 per cent respectively in the second and third quarters of the 1991/92 financial year (see table 1). Although it is expected that this rising trend will be continued in the last quarter, it would at this stage appear that collections for the 1991/92 financial year will probably be even lower than the above-mentioned R74,156 billion, a phenomenon which clearly relates to cyclical factors.

2.2.1 *Value Added Tax*

In analysing the receipts from Value Added Tax (VAT), various factors need to be taken into account. Some of these are:

Advice centre extends services

Sowetan 26/2/93 (300)

THE Citizens' Advice Bureau has become so popular in Soweto that it is to extend its services.

As from March 3 the office at Koos Beukes Clinic, Baragwanath Hospital, will be open on Tuesdays and Thursdays between 9am and 1pm.

The bureau advises people on how to get pensions, help for the aged, identity documents, bus concessions, buying concessions, dental care, employment and housing, to name a few.

The bureau has highly experienced counsellors, whose help is free of charge.

Pension fund stabilisation account in red

300

STAR 27/2/92

CAPE TOWN — The civil service pension fund's stabilisation account was R309,7 million in the red, Minister of State Expenditure Amie Venter said in Parliament yesterday.

Presenting the Additional Appropriation Bill, he said State funding of the shortfall was one of the main reasons for a R1,4 billion overrun on the 1991/92 Contingency Reserve.

"An amount of R309,7 million is required to make good shortfalls on the Civil Pensions Stabilisation Account," he said.

Mr Venter said the Appropriation Bill also provided for an increase of R785,1 million in the cost of State debt.

This was because Exchequer receipts in the first seven months of this financial year increased by only 6 percent over the same period in 1990/91.

An increase of 11,1 percent had been projected for the year.

Mr Venter said that of the R1 billion made available for development projects from sales of strategic oil supplies, an estimated R264,5 million would be used in 1991/92.

The balance of the R1 billion as well as any interest on it would become available in the additional Budget for 1992/93.

He believed that the additional estimates disproved accusations that State spending was out of control. — Sapa.

Exiles glad to return but not happy about whites-only poll

STAR 28/2/92

By Shareen Singh (300)

It was hugs and tears at Jan Smuts Airport last night when 116 PAC and ANC exiles returned, but many were not optimistic, saying they did not expect to come back to a "whites-only referendum".

Most of the exiles were PAC members who spent anything from five to 16 years ouside South Africa.

"I skipped the country about seven years ago. My mother died a few weeks after I left and my brother was murdered after that. Tomorrow I will be visiting their graves for the first time," an emotional Malaika Benjamin said.

Most of his friends believed he had been shot dead before he made it across the South African border to join the PAC.

"A white referendum is the last thing I expected when I returned," he said.

Many of the exiles were not very optimistic and said they would return to Tanzania if things did not work out according to their expectations.

Janet Stewart and her brother David had left the country when they were 12 and 14 respectively. "I don't even know if I can attend school this year," she said.

One exile pointed out that in Tanzania members of the opposition movements, the ANC and PAC, were "comradely" with each other.

"We knew we had our differences but we got along well. In a foreign country, we were sentimental to each other," he said.

Amended bill restores rights

Political Staff

THE controversial Social Assistance Bill has been amended to give qualifying people an automatic right to pensions and to provide people from the four independent homelands with a right to a pension.

This follows strong criticism of the bill by the ANC, the Black Sash, religious bodies and civil rights organisations.

They argued that the draft bill removed the automatic right of people to social pensions and excluded people who were citizens of the independent homelands.

The bill has, however, been amended by the joint committee of parliament on health.

Qualifying people will now be automatically entitled to welfare grants and pensions if they satisfy the director-general of health that they are entitled to the payments.

In the original draft, the director-general was to be given discretion as to whether qualifying people were entitled to grants.

The effect of the new amendment is that the director-general will only have the discretion to decide whether people qualify.

This means that the right to social pensions has been restored, provided recipients qualify for them.

Non-South African citizens who received pensions in the past will retain their right.

(300) CT 29/2/92

Hard times for the aged

RECENT research has shown that an alarming 78 percent of South Africans were now forced to continue working at retirement age, or depend on the family for help.

A further 16 percent depended on State pensions, while only 6 percent of the population could retire financially independent.

These statistics, built up through a number of surveys by life insurance companies, indicated that life assurance as a vehicle for retirement planning through retirement annuities still seemed under-rated, even with those who actually owned policies.

STAR 29/2/92 (300)

Less than 39 percent of the men interviewed said the main reason for investing in a life assurance product was for continuous, adequate income after retirement. Just over 35 percent of women policyholders echoed this sentiment.

Pension funds 'milked for cash'

By CIARAN RYAN

SOME companies are dipping into employee pension fund contributions to bail them out of a cash crisis, says the Financial Services Board (FSB), raising the spectre of a Robert Maxwell-style rip-off in SA.

Andre Swanepoel, deputy executive officer at the board which monitors pension funds, is concerned about late or non-payment of contributions.

The board has proposed amendments to the Pension Funds Act carrying increased penalties for late payers.

Mr Swanepoel says: "Our controls are stricter than in the UK. Contributions must be paid to the fund or underwriting insurer within seven days of deduction.

"If payment is withheld or delayed, we investigate. We have referred several cases to the Attorney-General."

Private

The February issue of Insurance Times & Investments says Maxwell was able to remove £350-million in Mirror Newspaper Group pension money. He was chairman of the trustees, the fund management company and Mirror Group Newspapers (MGN).

Of the 16 000 pension funds in SA, 1 500 are private, the balance being administered by insurance companies, which are strictly regulated. But there is no law to prevent a company executive from being a trustee of the fund.

The FSB insists on equal representation of employees and employers on the board of trustees.

Maxwell, controlling shareholder of Maxwell Communications Corporation (MCC), was able to divert money from the MGN pension fund to support MCC's share price through illegal purchases in order to bolster its market rating.

Maxwell used MCC's shares as collateral against borrowings. The money was used to fund acquisitions for 10 years, culminating in the $2,7-billion takeover of US publisher Macmillan Inc in 1988.

Queried

In spite of the illegal share purchases, he was unable to prevent the MCC share price slide. Before the banks could call in their loans, Maxwell drowned in mysterious circumstances.

Old Mutual general manager in charge of employee benefits, Garth Griffin, says it is the function of actuaries to investigate the appropriateness and soundness of pension fund assets.

Had this been done in the Mirror group, Maxwell's "loan" to the fund should have been queried.

Regulation 28 of the SA Pension Funds Act establishes limits for various classes of investments. These are a maximum of 75% in shares and 25% in property. The two together should not exceed 90% of the fund.

The balance should be made up of more liquid instruments.

The Registrar monitors the investment mix to protect employees from unsound investment decisions.

Mr Swanepoel says an executive who is also a pension fund trustee could control investment decisions and so support company projects which are not in the best interests of employees.

"The pension fund must apply for specific approval if it intends investing in the employer's business."

Strict rules govern the dissolution of pension funds. In some cases, companies are granted contribution holidays, or funds are amalgamated. Where mismanagement is found, a new manager may be appointed.

Private funds must appoint an auditor to prepare financial statements for the Registrar within six months of the yearend.

Another safeguard is the statutory appointment of a principal officer and an actuary who reports to the Registrar.

Mr Griffin says although there is evidence of delay in pension fund payments, the laws are adequate to deal with them.

VALUE FOR YOUR MONEY

New RA rules bring problems for couples

S/Times (Buss) 1/3/92 (300) (350)

By NIGEL SCOTT

The writers of this column are fellows of the Institute of Life and Pension Advisers, which aims to maintain the professional standards of competence and ethics of those engaged in personal financial planning.

SEPARATE taxation of married women brought with it unforeseen problems.

One concerns a married woman whose contributions to a retirement annuity (RA) fund are paid by her husband.

Two commmon reasons may be that she no longer receives a taxable income and is therefore unable to claim her own contributions as a deduction. Alternatively, her husband may be over 70, in which case he is no longer eligible for RA fund membership.

So the wife joins the fund and the husband pays her contributions.

Married couples in this position have a problem because the Income Tax Act makes no provision for the deduction of contributions to an RA fund made by one taxpayer on behalf of another.

The Department of Inland Revenue used to allow the deduction of contributions by a husband on behalf of his wife in certain circumstances. This practice was discontinued from March 1, 1991.

After discussions with Inland Revenue, it has been agreed to propose an amendment to the Income Tax Act in terms of which such contributions will be deductible if the wife has either no or insufficient taxable income to claim the deduction herself.

This concession is available only if the married woman became a member of the fund before March 1, 1992. In addition, the deduction claimed by the husband will not be allowed after the 1997 year of assessment.

In other words, a five-year period of grace has been allowed. It was done to avoid prejudicing taxpayers who relied on either the joint taxation provisions or the departmental practice in the past.

Pension

If the amendment is passed, which it almost certainly will be, taxpayers will have adequate time to arrange their financial planning accordingly.

Another problem may arise for members of pension and provident funds.

The maximum amount a married person may deduct from his or her income for contributions to a retirement annuity fund is the greater of:

A — 15% of income from non-retirement funding sources

B — R3 500 less current pension fund contributions or

C — R1 750

Most employees have little or no income from sources other than their employer. Furthermore, in most cases, the pension contributions made by them and/or their employer are based on their full remuneration.

Consequently, item A does not apply to most taxpayers since their income is retirement funding. They therefore rely on items B or C to determine their maximum deductible contribution to an RA fund.

The Commissioner intends proposing an amendment to the Income Tax Act in terms of which items B and C will not apply after the 1997 year of assessment.

NIGEL SCOTT: assistant general manager, Southern Life

This will mean that if a taxpayer's only income is a salary and the contributions to a pension fund made by himself or by his employer are based on his full salary, he will not be entitled to claim a deduction for RA fund contributions.

The Commissioner argues that when item A was introduced in 1979, B and C were retained purely to protect existing rights of deductibility.

He believes the time has come to remove them since it was never intended that they be used as a supplement to pension fund contributions.

In other words, the deductibility should be available only to those taxpayers who are not members of a pension or provident fund.

Logic

Although there may be some merit in the logic of the Commissioner's argument, it ignores several important practical realities. We do not have a system of compulsory pension preservation in this country. Since the average South African changes jobs every seven years and a significant loss of pension benefits occurs, some form of additional funding is necessary.

The most obvious to use is an RA fund. The Commissioner's intention to deny such employed persons the deduction of their "top-up" contributions to an RA fund will discourage a necessary form of saving. In the long run it could result in the State's having to bear an increased burden because of a greater number of people being unable to support themselves in old age.

FM 6/3/92 (300)

annuity income during the first year of retirement will have to be added to the taxpayer's remaining income to arrive at the average rate at which the cash portion of the pension will be taxed. Frequently, the pension payments will be large enough to push the average rate considerably higher.

Liberty Life consultant Sandy Herman says the difference in average rates is frequently worth fighting about. If the taxpayer has no other taxable income in the year the lump sum is drawn, an average rate of 15% is applied, whereas a large pension payment could push the average rate as high as 39,8% in exceptional cases.

If a pension fund credit on retirement amounts to R1,5m (by no means exceptional), this would mean a difference of 24 percentage points in the average tax rate (15% to 39%). Allowing for the tax-free cash portion of R120 000, the additional tax payable on the remaining cash portion of R380 000 would be about R91 000.

Herman adds an executive may retire with a pension credit of R3m (of which R1m can be taken as cash), plus a provident fund credit of R2m (all of which is payable in cash upon retirement and also taxable at average).

One ingenious response of tax planners to the problem is to provide in pension fund rules that a pension could be taken on an annual basis and, instead of an advance annuity, an annuity one year in arrear.

This enables the taxpayer to retire from his pensionable employment, say on March 1 1992, and receive his one-third commutation but without receiving a taxable annuity in the tax year ending February 28 1993. This ensures his average tax rate (and hence the tax payable on the lump sum) would be lower than if a pension had been received in that year.

Revenue's first line of attack against what it saw as an unacceptable manoeuvre was to threaten taxpayers with section 103 of the Income Tax Act (the general anti-avoidance section). Though some taxpayers were intimidated by the threat into agreeing to be taxed on the lump sum at the average rate applicable, if the pension had not been paid annually in arrear, there seems to be no foundation for this in tax law.

A further move by Revenue has been to refuse the approval of any new pension funds which provide in their rules that a pension may be paid annually in arrear or more than annually. This leaves the interesting question of whether Revenue has any legal footing to challenge the rules of existing funds.

Now, Revenue is relying on a new line — that pensions paid annually in arrear accrue to the taxpayer on the date he retires from the pension fund and becomes entitled to the pension. If valid, this would result in the annual pension payment falling into the tax year in which the lump sum is paid out. The argument is being advanced in a draft practice note circulated to the Life Offices Association (LOA).

Of course, even if the LOA were to accept

Continued

FM 6/3/92 (300)

Revenue's contention, it would still be open to an individual taxpayer to challenge the interpretation. But Revenue might, and very likely would, gain its point by getting government to amend the Act.

Kourie, Herman and Old Mutual's Abri Meiring, point out there are ways to reduce the average rate of tax, apart from the payment of the pension annually in arrear.

These include the purchase of a single premium RA policy in the year of retirement — remembering the lump sum payment itself would be included in the taxpayer's income for calculating the 15% ceiling for tax-deductibility of RA contributions. This procedure is available only if the taxpayer is under 70 at the time of retirement from the pension fund. Depending on personal circumstances, other tax planning procedures can also be used.

Taxpayers about to retire should canvass these options rather than face a head-on collision with Revenue. ■

PENSION PAYMENTS FM 6/3/92

Revenue's squeeze

(300)

Revenue, ever-alert to arrangements which reduce the tax take, has launched an offensive against pensions payable annually in arrear. The reason is complicated and stems from the elaborate provisions for retirement from pension funds, including the taxpayer's right to convert up to one third of the benefit into a lump sum.

Lump sum benefits, drawn upon retirement from pension and retirement annuity (RA) funds, are tax-free up to R120 000 in aggregate, explains Momentum Asset Trust GM Martin Kourie. (An alternative method of calculating the tax-free limit is: R4 500 times the number of years of contributing membership of pension funds. The taxpayer may rely upon the greater of the two amounts.) Lump sums taken that exceed the tax-free limit are taxable at the average rate, based on the taxpayer's total taxable income for the year — excluding the lump sum.

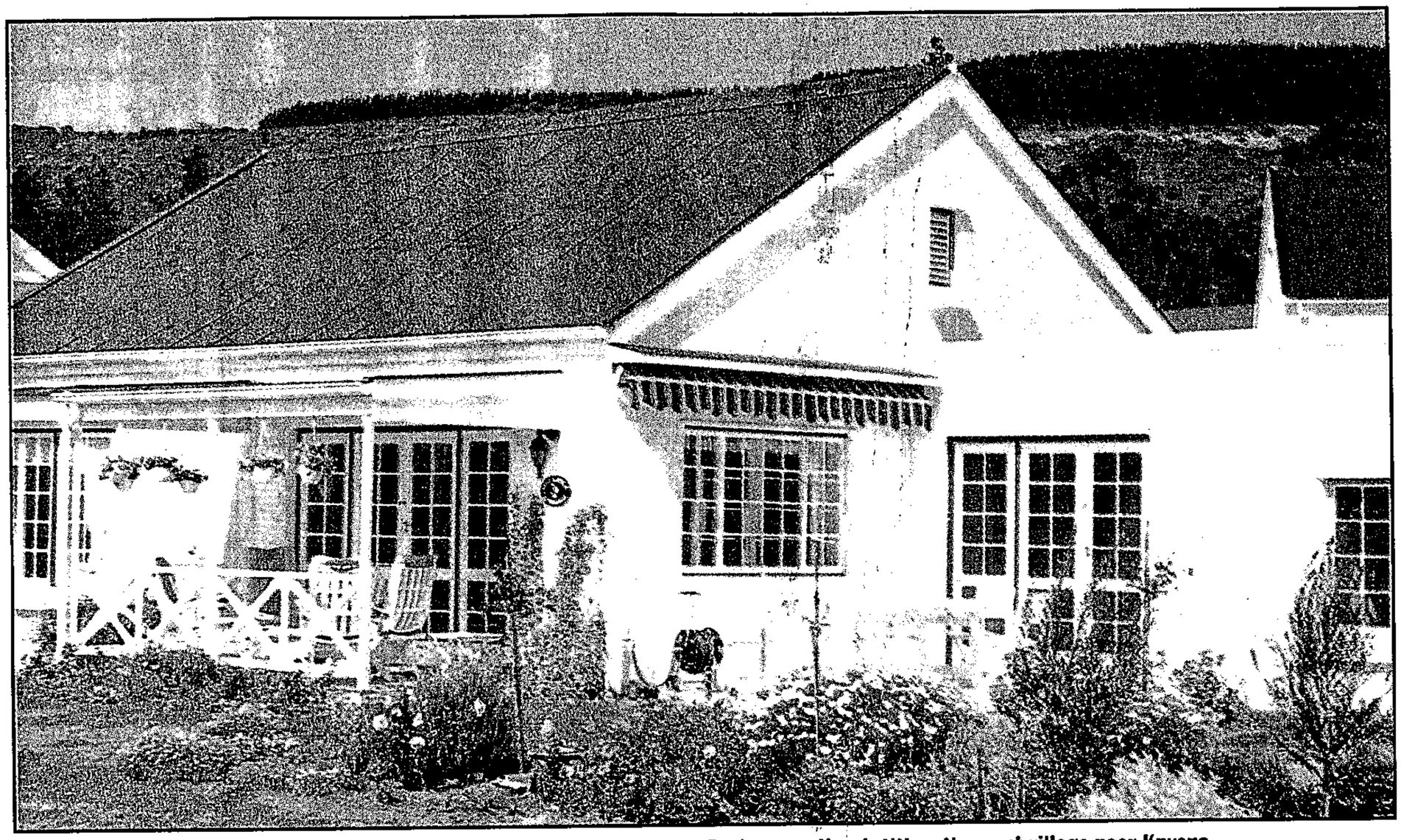
The remainder of a retiring person's credit in a pension or RA fund must be used — in terms of the Income Tax Act — to buy a pension (ie annuity), which is fully taxable as income. So, the pension or retirement

B pay 6/3/92

Pensions could be affected (300)

A "NO" vote outcome in the referendum could significantly impair benefits from policies or pension funds because of the impact the vote could have on investment markets which influence the underlying values of policies, the Life Offices Association said this week.

Time to join village people



INDEPENDENT LIFESTYLE: A typical unit at Belvidere Park, a sectional title retirement village near Knysna.

RETIREMENT: *A retirement village may be your best option, writes Meg Wilson*

STAR 7/3/92 (300)

USUALLY, people think of their retirement years as the time when they will have the leisure to pursue interests outside of work, to travel, or to spend more time with family and friends.

Unfortunately, many do not realise that unless they plan for retirement throughout their working lives, it is unlikely they will do more than scrape by, let alone be able to afford the "extras" they have waited so long to enjoy.

The most important consideration is how to maintain the purchasing power of your investment income – that is, how to beat inflation so that you do not have to lower your standard of living progressively as you age.

The second vital decision is where you will live and what that will cost.

Dealing with the ravages of inflation is essentially a subject for another article, but you will have to draw up a post-retirement budget before you can make the second decision.

In short, you will need to list expected expenses, taking into account the projected average rate of inflation during the years before your retirement. Things to include are housing and maintenance costs, insurance, transport and travel, medical costs, food and personal expenses.

It would also help to make provision for extra expenses – such as the replacement of a car or furniture, possible legal and moving costs – and tax.

There are several ways to go when choosing a retirement home.

First choice is obviously to stay in your present home, in which case your financial planning should be geared to repaying your bond before you retire.

You could increase the monthly repayment by as much as you can to reduce the capital loan and the term of the bond. Or you could make use of a new scheme offered by many of the financial institutions: pay off only the interest on your bond and invest what you would have paid off on the capital in a unit trust or endowment policy.

Theoretically, the proceeds of either investment should generate enough money to pay off all the capital outstanding on the bond and generate a sizeable, tax-free, capital gain.

However, be realistic. Consider possible changes in your health and mobility that may make your house unsuitable and force you to sell it under time pressure, possibly at a loss.

Alternatively, you could make a retirement home part of your investment planning now by buying a unit or piece of land on which to build later. You may be able to cover your costs by letting out the unit, although you may pay tax on such income.

Advisers caution about buying too far away from family and friends. Loneliness is one of the biggest problems facing the elderly.

Lastly, if you are close to retirement age, a very real option is a unit in a retirement village (RV). These provide (or should provide) for an independent, active lifestyle among like-minded people, combined with security and care facilities.

RVs have had some bad publicity in recent years, but most mistakes have arisen because both developers and buyers were unfamiliar with the concept.

Simply, a village should not be perceived as a cluster-house old age home. It is not a place to go towards the end of one's life, but preferably at the beginning of retirement, when you will find it easier to adapt.

There are still too few buyers in the 50-60 age group who would benefit from and enjoy all the facilities, and too few developers who understand the need to market their projects to "young" retired people.

Tough legislation, ostensibly designed to protect RV buyers, has succeeded only in discouraging development by imposing financial and completion guarantees which have made holding costs exorbitant and returns ridiculously low.

In fact, it is seldom possible now to buy an RV unit on sectional title, most of the developers who built schemes to sell on that basis having left the market.

You should be aware that if you do buy into such a village, you will be charged a monthly levy to cover costs relating to the common property, such as assessment rates, insurance, maintenance and staff salaries.

Legislation now provides for levies to be stabilised over a three-year period at the beginning of a development and for the developers to make up any shortfall during that time, but you should be sure to check what it is likely to be after that, especially if you are going to be on a fixed budget.

Mostly, developers are now selling the "right to use", through either shareblock or life-tenure schemes.

In terms of a shareblock purchase, you get shares in the company which either owns or leases the whole property, in proportion to the size of the unit you occupy. Your right to live there is granted in terms of a lease agreement with that company, and the only real danger is that if it goes insolvent, you will become a concurrent creditor.

In the case of life tenure, a single payment is made for the "lifetime" lease of your retirement unit, as well as other services, such as transport and medical care.

Investment in such a scheme is cheaper than buying a sectional title property or a stake in the owning company. But bear in mind that you stand to make no capital gain from your investment and it is vital to check just what you are getting for your money.

Life-rights RVs are usually run by churches or other non-profit organisations which stand only to make returns in the very long run, on the "resale" of life rights.

However, some large financial institutions have also entered this market and you may now find a scheme where the developer is prepared to share capital gains on such "sales" with you or your estate. The formulae for this are many and varied and you should be sure of the basis on which the payback is to be calculated.

Whichever option might be right for you, spend a little money now to get some professional advice. It may just mean the difference between eking out your days and getting to take that round-the-world trip.

Viljoenskroon	Rammulotsi	78%
Vrede	Thembalihle	73,1%
Vredeford	Mokwallo	80%
Warden	Ezenzeleni	70,2%
Wesselsbron	Monyakeng	85%
Winburg	Makeleketla	94%
Matlakeng	Zastron	75%
Van Stadensrus	Thapelang	100%
Verkeerdevlei	Thsepong	100%
Sasolburg	Zamdela	0%
Deneysville	Refengkgotso	85%

Information as at 24 February 1992.

Natal

Yes.

(a)		(b)
Vryheid	Bhekuzulu	20%
Kokstad	Bhongweni	83%
Mooirivier	Bruntville	80%
Durban	Chesterville	0%
Paulpietersburg	Dumbe	97%
Dannhauser	Emafusini	100%
Greytown	Enhlalakahle	36%
Tongaat	Hambanati	0%
Mtatiele	Itsokolele	84%
Pinetown	Klaarwater	25%
Howick	Kwamevana	100%
Durban	Lamontville	40%
Cedarville	Mzingizi	100%
Stanger	Shakaville	78%
Umginto	Shayamoya	100%
Dundee	Sibongile	61%
Glencoe	Sithembile	86%
Pietermaritzburg	Sobantu	0%
Ladysmith	Steadville	70%

Information as at 20 February 1992.

SAP: personal weapons

92. Mr D H M GIBSON asked the Minister of Law and Order:

Whether personal weapons are issued to members of the South African Police Force; if so, (a) to which categories of members, (b) what weapons are issued, (c) what quality control is exercised before the purchase and issue of such weapons, (d) how often are weapon inspections carried out and (e) how often do members undergo firing-range training?

B237E

The MINISTER OF LAW AND ORDER:

Yes.

(a) With the exception of the following, all members of the Force are issued with service pistols on their personal equipment sheet:

* members, who in terms of section 11 of the Arms and Ammunition Act, No 75 of 1969, when off duty are unfit to be issued with an official firearm;
* police assistants who use firearms on strength at the station. However, they may retain these firearms whilst off duty subject to approval of the various Regional Commissioners;
* Service pistols are issued to reservist officers on their personal equipment sheet, whilst non-commissioned officers, when off duty, are issued with a permit in terms of section 44(1) of the Arms and Ammunition Act, No 75 of 1969, by an accounting official to be in possession of a firearm; and
* temporary members who use firearms on strength at police stations.

(b) Service pistols (7.65 mm or 9 mm) are issued to members on their personal equipment sheet. Many members in specialized units are in possession of R1- and R5-rifles.

(c) An expert from the South African Police in co-operation with ARMSCOR exercise the necessary quality control.

(d) Firearms on personal equipment sheets as well as on station strength, are inspected physically twice a year apart from daily inspections when reporting for duty. Defective firearms are replaced without delay.

(e) Two compulsory shooting exercises are held every year. Members attached to specialized units, who are exposed to high risks, undergo monthly shooting exercises.

Social pensions: Blacks (300)

109. Mr R M BURROWS asked the Minister of Local Government and National Housing:

(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;

(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 is currently awaiting processing;

(3) in respect of what date is this information furnished?

B269E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) No. The legal responsibility was entrusted to the Administrators of the different provinces on 1 November 1986.

(a) The administration areas of the different provinces.

(b) Provincial Administration of the

(300)

Cape of Good Hope:	145 935
Natal Provincial Administration:	73 112
Provincial Administration of the Orange Free State:	91 934
Transvaal Provincial Administration:	268 014
Total for RSA:	578 995

(2) No.

(a) Falls away.

(b) Falls away.

(c) Falls away.

(3) Provincial Administration of the Cape of Good Hope: 26 January 1992
Natal Provincial Administration: 20 February 1992
Provincial Administration of the Orange Free State: 31 January 1992
Transvaal Provincial Administration: 24 January 1992

RETIREMENT VILLAGES (300)

Lessons from the past

There are signs that development of retirement homes could be returning to favour after nearly two years in the doldrums.

Durban's Grovewalk Holdings has decided to take the plunge with a R33m scheme on Durban's Berea — though it appears to be avoiding many of the pitfalls which shadowed this sector in the later half of the Eighties. FM 13/3/92

Grovewalk's Magda Cornford says that though no final decision has been taken on how the units will be sold, they will not be marketed as life-right units.

Alleged abuse of life rights by developers led to the Retired Persons Amendment Act being introduced in mid-1990 (*Property* June 15 1990).

Developers maintained that the Act was so one-sided, it became too risky for all but the biggest institutions to contemplate retirement schemes.

Another area which proved problematic was providing on-site frail care facilities. Initially, these were seen as essential to the success of any retirement village; subsequently, it emerged that they were one of the principal reasons for many schemes' financial difficulties.

Cornford says fewer than 3% of retired people require frail care facilities at a time. "We would, therefore, prefer to put our energies into a health maintenance programme. That will include a clinic manned around the clock to deal with any emergencies as they arise. It won't, however, provide the permanent facilities of a hospital."

The Grovewalk development will be located on the old Los Angeles Hotel site in St Thomas Road. It will be a low-rise building — up to four storeys — providing 119 units for the elderly. ■

New deal for the elderly planned

'Bill of rights' and watchdog bodies

(360) ARG 14/3/92

DI CAELERS
Weekend Argus Reporter

PLANS are well advanced for the launch of a nationwide preventive action programme, incorporating a basic "bill of rights", to safeguard the lives of South Africa's elderly.

Such a programme is vital to avert a possible crisis, says the director of the SA National Council for the Aged, Mr Syd Eckley.

He expects the programme — a combined effort of his council, the Department of Health Services and Welfare, House of Assembly, and other interested bodies — to be completed within the next week.

The programme will involve a three-pronged approach:

■ Attempts to motivate organisations to examine both in-service training of staff as well as controls that should exist.

■ Greater involvement of family members in the care of the aged in homes.

■ The establishment of watchdog committees to which people could direct genuine complaints without fear of reprisals.

A basic "bill of rights" for the elderly, along similar lines to the one approved internationally by the United Nations last year, will be built into the programme.

Mr Eckley said South Africa had a history of a high standard of care for the aged since the introduction in 1967 of the Aged Persons Act, before which there had been "absolute chaos". "Indications are that we are still, at this stage, dealing with isolated incidents but this perception may well change as a result of further investigation and meetings.

"But there's no doubt we are now coming up against a new phenomenon which includes increasing financial pressures, homes turning into geriatric hospitals, staff shortages and the elderly becoming more demanding.

"Overseas countries like Sweden and England are already experiencing major problems and although we don't think we've quite reached crisis point here, the preventive action programme is vital at this point."

Another source of increasing concern, which would be examined under the programme, was the lack of research in South Africa into abuse of the elderly.

Mr Eckley said research in overseas countries indicated that six percent of the elderly, in institutions or elsewhere, were subject to abuse.

"We have no statistics so we don't know whether our figures are one percent or 20 percent. We have a great responsibility to identify whether or not there is a problem here."

City printers launch legal battle in pension fund row

300

PATRICK FARRELL
Weekend Argus Reporter

CAPE Town newspaper printers have spearheaded a countrywide collection of almost R40 000 from fellow-workers to wage a legal battle against their own union.

Mr Dave Collinet, Mr Tony Smith and Mr Steve Laing, printers based at Newspaper House, started the ball rolling two years ago when the old National Industrial Council for the Printing and Newspaper Industry was dissolved and its pension fund, worth R1 billion, was transferred to a new fund run by the South African Typographical Union (Satu).

"We have no qualms with the new fund but the old fund was illegally transferred without the mandate of the union members," said Mr Collinet, a member of Satu's Western Cape regional committee.

Mr Collinet said the members felt Satu was unfit to manage the old fund.

"There have been rumblings of discontent for years now over the amount pensioners are getting paid, considering the amount of money in the fund."

Mr Collinet said members believed the old NIC pension fund was split in two when it was transferred and R500 million was used to "prop up" ailing benefit funds in Satu.

"We don't want half the money; we want the whole amount that was in the NIC pension transferred back to the members," said Mr Collinet.

"We first asked Satu to do an internal audit, which they refused. Then they refused to let our actuary examine the books.

"After that we decided the only way to get our money back was to take legal action."

Printers in Durban and Johannesburg have now rallied round their Cape Town colleagues by donating money from their weekly wages to pay for lawyers to fight the union.

The old NIC was dissolved in December 1989 after the major employer in the council, the SA Printing and Allied Industries Federation, felt the NIC was an "anachronism".

More than 40 000 printers countrywide contributed to the old pension fund, including about 6 000 in the newspaper industry.

Members claim that before the NIC was dissolved they were told the pension fund would be protected by securing retirement annuities in their own names.

But instead of the fund being liquidated its accumulated funds were transferred to a new fund, the Printing Industry Pension Fund, run by Satu.

Members are hoping to go to court soon to force Satu to "give the fund back to the members", said Mr Collinet.

The general secretary of Satu, Mr Martin Deysel, would not comment on any of the allegations but said the union would fight any action "right up to the Appeal Court".

Barend may push up tax liability on retirement gratuities

STAR 17/3/92

Finance Staff (300)

One of the revenue-raising areas that Finance Minister Barend du Plessis may address in his Budget tomorrow is adjustments to retirement planning mechanisms that could materially affect the financial prospects of people on the verge of retirement.

Looking at likely options open to the Minister to tap funds that would help meet an expected revenue deficit, chartered accountants KPMG Aiken & Peat tax partner Hennie Coetzee said: 'Retirement planning is one of the areas in which recommendations by the Margo Commission on tax reform have not been implemented.

"The first step in this direction came last year when taxpayers going into retirement lost the option to spread payment of any taxable portion of certain lump sums over three tax years.

"Margo's suggestion was that retirement gratuities, including gratuities payable out of insurance policies, should be treated as if they were lump sums from pension, provident or retirement annuity funds, and taxed at the beneficiary's average tax rate for the preceding three years of assessment.

Amendments

"Now there are strong indications that two likely areas due for amendment are:

- The rate at which retirement lump sum payments are taxed, based on the taxpayers average rate of income, and
- A 'capping' of the 15 percent allowance from retirement annuity payments that can be used to reduce the taxable amount in the year of retirement to a finite maximum amount, which might be as little as R50 000.

"Both measures could impact quite materially on the retirement planning of executives on the point of retiring right now.

"In these instances, people retiring in the early part of the 1992-93 financial year may need to consider taking immediate stock of their tax commitments and to retire as quickly as possible to take advantage of prevailing rules."

Mr Coetzee said that if these measures came in, they would severely limit the opportunity of the taxpayer to reduce the average rate of tax applied in the year of retirement.

Deductions

"The standard procedure now is to allow the taxpayer to deduct a maximum contribution of 15 percent of income from 'non-retirement funding' to a retirement annuity fund. If such a contribution is made in the year of retirement, this may influence the rate at which the lump sum pension payment will be taxed.

"On a pension payout of R1 million, not uncommon today, the taxpayer therefore can deduct a maximum amount of R150 000 which is made to a retirement annuity fund.

"Thus, the R150 000 is set off against, for example, an annual salary of R190 000, and effectively reduces taxable income relating to income (other than the lump sum) in the year of retirement to R40 000.

"The rate of tax on R40 000, being his other taxable income, is then applied to the R1 million pension pay-out, only R30 000 of which is tax free.

"If, on the other hand, the RA contribution is capped at, say R50 000, the same taxpayer's annual income in his final year would be reduced to only R134 000. The difference in tax rate is dozens of percent and would have a massive impact on the tax paid on a pay-out of R970 000 after the tax-free R30 000 is deducted.

"Taxpayers likely to be in this situation should seriously consider making their RA contribution immediately, and not wait for February 28, 1993," Mr Coetzee said.

Thousands await pensions

CT 17/3/92

Staff Reporter (300)

WELL over 10 000 black pensioners in the Cape would be without their pensions for some time because they did not respond to notification to review their pensions, the Cape Provincial Administration said yesterday.

A CPA welfare services division spokesman said that pensioners were given notices nearly a year ago informing them of what to do, but very few had responded.

The spokesman said the failure to respond was blamed on the illiteracy of thousands of pensioners who could not read notices attached on their pay slips.

Thousands of pensioners were seen queuing in different centres on Friday to fill in forms for a review, which should have been done before March 1 this year.

The CPA said a special group had been sent to the Eastern Cape to speed up the review process. The pensions would be backdated, contrary to fears of many pensioners that they would not get all their money.

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Old-age homes: admission restricted to Whites

*1. Mr M A HENDRICKSE asked the Minister of National Health:

(1) Whether any old-age homes falling under the control of her Department are restricting admission to White persons; if so, (a) why and (b) in terms of what statutory provisions and/or regulations;

(2) whether it is the policy of the Government, despite the repeal of the Group Areas Act and the Population Registration Act, to give financial assistance to old-age homes which refuse admission on the basis of race; if so, (a) why and (b) when will the application of this policy be stopped;

(3) whether she will make a statement on the matter?

C3E

The MINISTER OF NATIONAL HEALTH:

(1) No old-age homes are under the control of the Department of National Health and Population Development;

(a) and (b) fall away;

(2) (a) the Government gives financial assistance to all registered private welfare organizations that render services to the aged if funds are available. Each private welfare organization has full control over the management of its own facilities and determines its own admission policy. The State only monitors the standard of service; and

(b) the Department of National Health and Population Development is reconsidering the existing welfare policy in collaboration with the welfare community;

(3) no.

Mr M A HENDRICKSE: Mr Chairman, arising from the hon the Minister's answer, will the State continue to give assistance in cases where old-aged homes continue to discriminate against people of colour?

The MINISTER OF NATIONAL HEALTH: Mr Chairman, as I have stated, private welfare organizations are in full control of their own facilities. The Government will recommend that there should be no discrimination against people. However, a community can provide its own services according to its own culture and wishes and not on the basis of discrimination. [Interjections.]

Identity permits: referendum

*2. Mr M A HENDRICKSE asked the Minister of Home Affairs:

(1) What are the details of the criteria and/or tests employed to ascertain whether a person qualifies for an identity permit allowing him/her to vote in the referendum to be held on 17 March 1992;

(2) whether he will make a statement on the matter?

C5E

The MINISTER OF HOME AFFAIRS:

(1) and (2)

The Identification Act, 1986 (Act 72 of 1986), in terms of which identity documents are issued, does not make mention of "identity permits". Should the honourable member however with the word "identity permit" mean "temporary identity certificate" he is referred to my Department's media release of 6 March 1992 in this regard, a copy of which is laid upon the Table.

MEDIA RELEASE BY MR P J COLYN, CHIEF REFERENDUM OFFICER

For immediate release

Temporary identity certificates

In order to vote it is a requirement to be in possession of an identity document or temporary identity certificate. This requirement is prescribed in the referendum regulations and Polling as well as Presiding Officers will have no discretion to accept any alternative proof of identification on referendum day.

The need for the alternative of a temporary identity certificate arises from the fact that when a person obtains a driver's licence his identity document is handed in at the licensing authority for same to be reissued, containing the driver's licence. In other cases a person may have lost his or her identity document and for them not to be excluded from voting, a temporary identity certificate may be obtained from any Regional or District office of the Department of Home Affairs before referendum day.

Persons who applied for identity documents before 6 March 1992 must please not approach the Department with a view to obtaining temporary identity certicates in the interim. It is hoped that all such identity documents will be issued by 11 March 1992 and will therefore reach voters before referendum day.

When applying for a temporary identity certificate a person will have to submit two identical photographs. The applicant's fingerprints will be taken and a fee of R4 is payable. The department will endeavour to issue the document in the shortest possible time.

Temporary identity certificates can only be issued to persons who have previously been issued with an identity document and whose particulars have already been included in the population register *and not to first time applicants*. Applicants need also apply in person and such certificates can therefore not be issued to persons presently abroad.

In order to assist members of the public in this matter, it has been decided to extend the public hours of some Regional and District offices of the Department of Home Affairs. This will be done on a selective basis according to the need therefor and details in this respect will be obtainable from the offices concerned.

Issued by the department of Home Affairs, Pretoria

Date: 6 March 1992

The matter is now in the hands of the Attorney General. If there is any unhappiness about the manner in which this matter has been investigated, it is the right of any hon member to contact the Attorney General in question and say that he objects, as the hon member for Sandton stated, against the sloppy investigation of the matter. He can ask that the matter be investigated properly, and that allegations against the police be investigated in the light of any facts which the hon member for Claremont might have.

The information at my disposal, however, is that the SA Police could not prevent this incident. That incident did not take place during the day and in front of everyone.

I do not want to discuss the merits of the incident with the hon member today. This matter is sub judice. Legal proceedings have been instituted and a trial will take place, and if the hon member wants to discuss the matter further, I can inform him fully. I therefore invite the hon member to visit me in my office. I will give him all the facts, but in an interpellation such as this we cannot discuss a complete case with 350 statements. If the hon member is not satisfied with the results of the trial, or if he has more allegations against the SA Police, he can also come forward with that matter. Our doors are open to him.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Questions standing over from Wednesday, 26 February 1992:

Cinema shows on Sundays

*3. Mr A J LEON aksed the Minister of Justice:

(1) Whether he has given consideration to repealing or amending the legislation governing the prohibition of commercial cinema shows on Sundays; if so,

(2) whether it is the intention to repeal or amend the legislation in question during the current session of Parliament; if not, why not;

(3) whether he will make a statement on the matter?

B200E

†The MINISTER OF JUSTICE:

(1), (2), and (3) Legislation in general is the subject of constant investigation and evaluation to ensure that it meets with public demand. That is indeed also the position with the legislation concerned. In this regard I have in the past amongst others conducted numerous discussions with representatives of the film industry on the issue of the exhibition of films on Sundays and public holidays. It always took place in a responsible manner and in good spirit with mutual understanding for each others views.

During these discussions the possibility was raised that the power of the Minister of Justice in the Prohibition of the Exhibition of Films on Sundays and Public Holidays Act, 1977, to grant consent for the exhibition of films on Sundays for any consideration, be devolved to local authorities. In view of the fact that various Sunday activities are at present being regulated by provincial or local enactments, the Government has now accepted the principle that the power to regulate on an issue of this nature, be devolved either to provincial and/or local authorities. Consideration is at present being given to a framework within which such devolution may take place.

Mr A J LEON: Mr Chairman, I should like to ask a supplementary question arising from the reply of the hon the Minister of Justice. While I am grateful for the information that this is now going to be devolved to local authorities in due course, perhaps the hon the Minister could just address two aspects of this.

On a national level at least M-Net and SABC-TV currently allow films to be shown on Sunday evenings. That has national implications and is tolerated. Surely the same principle should be allowed with regard to movie houses and cinemas operating nationally. [Interjections.]

The second aspect is this. Currently, as we debate this question here in Parliament, there is a cinema chain in Goodwood, Cape Town, which in contravention of this particular law, is showing films on Sundays without prosecution. [Interjections.] I know a lot of hon members here will enjoy . . . [Interjections.]

The CHAIRMAN OF THE HOUSE: Order! I cannot allow hon members to make supplementary statements. I can only allow them to put supplementary questions. [Interjections.]

The MINISTER: Mr Chairman, I was going to remark that had we been in court of law, I would have asked the Chairman to rule that the first remark be removed altogether from the record since it is argumentative and superfluous. Secondly, as to the second point the hon member made . . .

The CHAIRMAN OF THE HOUSE: Order! I would have concurred with my hon learned friend. [Interjections.] The hon the Minister may continue.

The MINISTER: I accept your verdict, Mr Chairman.

As to the second point, is the hon member going to lay a charge? [Interjections.] If he is not going to lay a charge, we obviously have to take cognizance of that situation, but the hon member must surely then consider whether it is relevant or not, although it does support my approach that a local authority is in the best position to gauge what the sentiments of a local community are. [Interjections.]

Mamelodi: persons killed

*7. Mr P G SOAL asked the Minister of Law and Order:

Whether, with reference to the inquest into the deaths of certain persons killed in Mamelodi on 21 November 1985 and the reply to Questions No 12 on 5 March 1991, the South African Police will disclose the (a) contents of the statement made by and (b) identity of the witness that was traced on 15 February 1991; if not, why not; if so, what are the details?

B249E

The MINISTER OF LAW AND ORDER:

(a) and (b) No, the Attorney General decided that the statement provided by and the identity of the witness traced, at his request, should not be disclosed.

Questions standing over from Wednesday, 4 March 1992:

Prisoners injured

*1. Mr A J LEON asked the Minister of Correctional Services:

How many persons serving terms of imprisonment were injured accidentally in 1991?

B253E

†The MINISTER OF CORRECTIONAL SERVICES:

During 1991, 5 228 prisoners sustained injuries. This represents approximately 1,29% of the total number of prisoners admitted to South African prisons from police and courts during the 1991 calender year. These statistics include, *inter alia*, injuries sustained in work situations and participation in sport.

The Department of Correctional Services does everything possible to prevent accidents and injuries to prisoners. The safe custody of prisoners implies, *inter alia*, the prevention of accidents and injuries. With due consideration of safety measures comprehensive instructions and precautions exist to ensure that prisoners do not injure themselves or other prisoners during work, recreation or otherwise. Where appropriate, the stipulations of the Machinery and Occupational Safety Act, 1983 (Act 6 of 1983) are complied with.

When prisoners participate in organised sport it is done under supervision and as far as is possible, preventative measures are also taken to prevent prisoners from being injured.

Every injury sustained by a prisoner is properly recorded and should the circumstances under which it was sustained or the nature of the injury necessitate it, a comprehensive enquiry is held into the incident. If necessary remedial/preventative steps are instituted.

It is standing practice that every prisoner who sustains an injury is seen by a doctor in order that he may receive the necessary medical treatment.

Should a prisoner sustain an injury during the accomplishment of his work or during participation in organized sport he is covered by the stipulations of Prisons Regulation 107.

Social pensions cancelled

*2. Mr M J ELLIS asked the Minister of Local Government and National Housing:

Whether any social pensions payable to members of the Black population group were cancelled recently owing to concern relating to information contained in their identity documents; if so, what are the relevant details? (200)

B285E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

Yes. In the Transvaal 3 383 and in Natal 2 131 pension allowances were suspended. No suspensions occurred in the Orange Free State and Cape Province.

Previously pensioners qualified for the payment of a pension on the strength of their age which they provided on their application for the old identity documents (passbooks). After the new identity documents, in which the date of birth is reflected in the identity number were issued to the Black population group, it was established that the dates of birth of the beneficiaries in the old passbooks and the new identity documents differ and consequently payment of pension benefits had to be suspended due to the fact that some pensioners have not reached the age to qualify for a pension. However, those affected were referred to the Department of Home Affairs for reassessment of their ages and if it should appear that these persons qualify for a pension, payment thereof will be reinstated immediately.

Mr R V CARLISLE: Mr Chairman, arising from the reply of the hon the Minister, is he aware that there have been—and I cannot say whether the pension payments in question have been held over or not—similar investigations in the Queenstown area and possibly elsewhere too? If not, could he look into this and see why it is happening because people are suffering as a result of it?

The MINISTER: Mr Chairman, if the cases referred to by the hon member were not dealt with and catered for in the answers that I have given, we shall certainly look into the matter.

Mr R M BURROWS: Mr Chairman, further arising from the reply of the hon the Minister, may I ask whether all 20 000 cases in the Transvaal and 3 000 in Natal—or whatever the numbers were—were automatically referred to the Department of Home Affairs to reassess the age of the applicants or whether each applicant has to apply individually.

The MINISTER: Mr Chairman, may I just point out that the hon member has his figures completely wrong. However, the fact of the matter is that I am not sure whether it was dealt with automatically or not. If it is a matter of concern to the hon member, however, we shall gladly attend to it.

Medicines and Related Substances Control Amendment Act

*3. Mr M J ELLIS asked the Minister of National Health: (40)

(1) Whether the Medicines and Related Substances Control Amendment Act, No 94 of 1991, has come into effect; if so, when; if not, (a) why not and (b) when is it anticipated that it will come into effect;

(2) whether the regulations emanating from this amending legislation have as yet been drawn up; if not, why not;

(3) whether these regulations will be published for comment before they are put into operation; if not, why not?

B286E

†The MINISTER OF NATIONAL HEALTH:

(1) Yes, on 12 July 1991 with the exception of the provisions of sections 1(c), 1(f), 9, 19, 21, 23, 24 and 25,

(a) the above sections have to do with the manner in which scheduled substances are handled and the relevant regulations must first be written and promulgated before these sections can become operative according to section 28 of the Amendment Act and

(b) it is estimated that the regulations will be promulgated in the course of this year;

(2) the regulations have not been finalized. There have been extensive consultation, investigations and research and the regulations are currently being written. The Medicines Control Council is also involved in these actions as the Medicines and Related Substances Control Act, 1965 (Act 101 of 1965), stipulated that regulations are promulgated on the recommendation of the Council;

(3) yes. (40)

Certain group of holiday touring companies

*4. Mr A J LEON asked the Minister for Administration and Tourism:

(1) Whether, with reference to recent incidents in which groups of South African tourists were allegedly left stranded in Egypt and Greece, he intends investigating the affairs of a certain group of holiday touring companies, the name of which has been furnished to the Minister's Department for the purposes of his reply; if not, why not; if so, (a) what form will the investigation take and (b) what is the name of the group in question;

(2) whether he will make a statement on the matter?

B287E

The MINISTER FOR ADMINISTRATION AND TOURISM:

(1) The reason for South Africans being stranded in Egypt and Greece is as a result of financial difficulties experienced by a South African Tour Operator. As this Tour Operater has been placed into Provincial Liquidation an investigation into their affairs will automatically be done.

(a) The form of investigation will be done by the duly appointed liquidators who will issue a full report upon completion of an audit.

(b) The group in question is Needwood Holdings who took over TFC Group Holdings—Trading as TFC Tours and TFC Southern Africa.
(Needwood Holdings and TFC Cruise Line have not been placed into liquidation)

(2) A statement is not considered necessary.

Necklacing: Pinetown

*5. Mr P H P GASTROW asked the Minister of Law and Order: (46)

(1) Whether any members of the South African Police Force have been charged with criminal offences in connection with the alleged necklacing near Pinetown on or about 13 January 1992 of a certain person, whose name has been furnished to the Police for the purpose of the Minister's reply; if not, why not; if so, (a) what were the charges, (b) how many members of the Police Force were charged, (c) on what dates did these members appear in court and (d) what is the name of the person in question;

(2) whether any of these members have been suspended from the Police Force; if not, why not; if so, what are the relevant details?

B289E

†The MINISTER OF LAW AND ORDER:

(1) No members of the South African Police have been charged with criminal offences. The case docket has been referred to the Attorney-General for his decision. His decision is not yet known

(a), (b) and (c) Fall away.

(d) Mr Vusi Phiri

(2) While awaiting the Attorney-General's decision, no members of the South African Police have been suspended in this regard.

Person assaulted: Elandsfontein

*6. Mr P H P GASTROW asked the Minister of Law and Order:

(1) Whether, with reference to a person whose name has been furnished to the South African Police for the purpose of the Minister's reply, the identity of the suspects who allegedly assaulted this person before his death near Elandsfontein on or about 25 December 1991 is known to the Police; if so, what is the name of the deceased;

(2) whether the above suspects have been arrested and charged with criminal offences; if not, why not; if so, (a) when were they arrested and charged, (b) what were they charged with and (c) when did they appear in court?

B290E

The MINISTER OF LAW AND ORDER:

(1) Yes, the names of the suspects are known to the South African Police. The name of

Provincial is ... 430 ... (1) Yes ... ble site for ... are in ... boxes for ... residing ... De ... wood ... var ... ns ...

... planned for ... 1993.

... ice with ... planned for ... ne 1993.

... 000 additional boxes ... lled during 1992/93.

... *sfontein*—1 000 additional ... es will be installed during 1992/93.

Pierre van Rynveld—1 000 additional boxes will be installed during 1992/93.

Hennopsmeer —Negotiations are in progress to procure new accommodation in which 8 350 boxes will be provided.

Post office: Bramley

*6. Mr P G SOAL asked the Minister of Posts and Telecommunications:

Whether, with reference to the reply to Questions No 342 on 21 May 1991, any progress has been made in regard to the construction of the post office and postmen's depot in Bramley, Johannesburg; if not, why not; if so, what progress? B341E

The MINISTER OF POSTS AND TELECOMMUNICATIONS:

No. In view of the capital cost of the project and other priorities alternative options to solve the accommodation problems were researched. In the process an agreement was concluded with the lesser of the present post office premises to provide more spacious and upgraded accommodation in the existing complex, which should be available by the end of this year.

New questions:

Public telephones: repair costs

*1. Mr P G SOAL asked the Minister of Posts and Telecommunications:

(1) What was the estimated cost of repairing public telephones in the Republic during the latest specified 12-month period for which information is available;

(2) whether he will make a statement on the matter?

B372E

The MINISTER OF POSTS AND TELECOMMUNICATIONS:

(1) R15 734 841 for the period 1 April 1991 to 30 September 1991

(2) Yes. I would like to request the general public not to damage Telkom SA's public payphones on purpose and to assist the company with information regarding the damaging of the apparatus by vandals. The payphone service meets the needs of persons who do not have a private telephone service at their disposal and who need to make emergency calls. It is also the most effective communication medium for persons who are travelling and wish to keep in contact with their residences, family members and employers.

Telkom SA requests the public regularly through the media to support the Company in their efforts to combat vandalism.

VAT on medical services: pensioners

*2. Mr M J ELLIS asked the Minister of Finance:

(1) Whether he has received representations from any organizations to remove value-added tax on medical services for pensioners; if so, from which organizations;

(2) whether he is considering the matter;

(3) whether he will make a statement on the matter? B376E

The MINISTER OF FINANCE:

(1) Representations have been received from organizations requesting the removal of value-added tax on medical services but none of the representations appear to relate only to medical services for pensioners.

(2) The matter is not being considered at this stage.

(3) The decision to impose VAT on medical services was not taken lightly. In the original proposals which were released by the Government in June 1990 for comment, it was proposed that medical services be exempt from VAT. The Medical

Association of South Africa in its representations to VATCOM requested a zero-rating, but this request could not be accommodated as it would not only have reduced the tax base, but would also have placed practitioners in a better position than they had been under the GST system as they paid GST on their purchases. The Association stated that it preferred the standard rate to an exemption and it was accordingly decided to follow this route.

Provision has been made both within and outside the tax system to provide targeted relief for medical expenses incurred by pensioners. More than 80 per cent of our population is treated in State and provincial hospitals and local authority clinics. These institutions are heavily subsidized and approximately 90 per cent of their expenditure is financed out of State revenue. The nominal charges paid to these institutions by pensioners and others for the medical treatment and which covers approximately 10 per cent of the costs have been exempted from VAT. The income limits of the means tests which allow persons to qualify for the subsidized services were increased when VAT was introduced to R27 492 and R16 500 for families and single persons, respectively. A greater number of pensioners therefore qualify for this concession.

The facilities referred to above are generally not available to pensioners in the higher income brackets but they are entitled to income tax relief for their medical expenses. Pensioners over the age of 65 years may claim all the medical expenses they pay as a deduction. Pensioners of 65 years and younger may claim a deduction in respect of all medical expenses which exceed 5 per cent of their taxable incomes. The income tax relief as a result of the deduction exceeds the benefit they would have enjoyed had the medical expenses been zero-rated and it further targets the relief to those pensioners who have the highest medical expenses.

Air pollution: new policy

*3. Mr M J ELLIS asked the Minister of National Health:

(1) Whether her Department is at present involved in the drafting of a new policy for the control of air pollution; if so, (a) when did it commence drafting this policy and (b) when is the policy likely to come into effect;

(2) whether there has been any delay in the drafting of the policy; if so, what were the causes;

(3) whether she will make a statement on the matter

B377E

The MINISTER OF NATIONAL HEALTH:

(1) No, (a) and (b) fall away;

(2) falls away;

(3) no.

Alternative national service

*4. Mr L FUCHS asked the Minister of Defence:

Whether, with reference to the reply to Question No 3 on 26 February 1991, any additional form of alternative service (a) has been introduced and/or (b) is envisaged for persons refusing to serve in the South African Defence Force; if so, what is the nature of this alternative service? B378E

The MINISTER OF DEFENCE:

(a) and (b) No.

Automation of farm lines: Hoedspruit

*5. Mr P G SOAL asked the Minister of Posts and Telecommunications:

Whether, with reference to the reply to Question No 5 on 28 May 1991, it is still the intention to (a) commence the automation of the farm lines in the Hoedspruit area during April 1992 and (b) complete the project during the first half of 1993; if not, (i) why not and (ii) when is it anticipated that the project will be (aa) commenced and (bb) completed?

B379E

The MINISTER OF POSTS AND TELECOMMUNICATIONS:

(a) Yes; has already begun.

(b) No;

(i) Due to an unexpected increase in demand, the project cannot be com-

Pensions disparity 'outrageous'

STAR 19/3/92, 300

By Shirley Woodgate

The allocation of R1 billion each on bridging the pension gap between the races and for a drought disaster fund has been welcomed by the welfare sector.

But the ANC labelled as "outrageous" the continued racial differentiation in the State's pensions allocation.

In a statement, the ANC said: "We feel that the additional R2 billion it would have cost to reach parity at existing white levels would make a significant contribution to the alleviation of poverty in the country. We call for an urgent rethink on this issue."

Welfare specialists added their voices of concern to the ANC's outcry on continued discrimination in pension spending, saying it was regrettable that full racial parity in pensions had still not been achieved in accordance with heavy recent lobbying by major welfare organisations.

Johannesburg Social Welfare Society consultant Jackie Loffell noted the Government's move away from its original five-year time-frame for parity starting in 1991, but said immediate parity would have been preferable.

All pensioners will receive a 10 percent increase from April 1, which will narrow the gap by 40 percent, and substantial additional amounts will be paid to blacks.

New monthly rates of pension are: whites R345, up R31 (10 percent); coloureds R318, up R45 (16,5 percent); Asians R318, up R45 (16,5 percent), and blacks R293, up R58 (25 percent).

"Those who depend on pensions today struggle so severely on their current payments that it cannot be suggested they will manage well on their new payments," said Ms Loffell.

The increases still failed to bring South African pensioners in line with world trends. "In the long term, it is necessary to see a steady growth in the proportion of the budget aimed at social services," she added.

Operation Hunger chief executive Ina Perlman was delighted that the Government had finally acknowledged the poor.

Commenting on the R1 billion budgeted for a drought disaster fund, she said it was now essential to ensure that the funds were managed appropriately in terms of hunger relief.

Welcome relief . . . R1 billion has been allocated for a drought disaster fund. Operation Hunger chief executive Ina Perlman said she was delighted that the Government had finally acknowledged the poor.

Pension spending . . . welfare specialists say it is regrettable that full racial parity in pensions had still not been achieved in accordance with heavy recent lobbying.

Pensioners get R1-bn 'bonus'

STAR 19/3/92 300

Own Correspondent

CAPE TOWN — Pensioners are to receive a R1 billion "bonus" in an effort to raise old age pensions of all races to white levels.

And a "firm undertaking" of full parity next year was given by Minister of Finance Barend du Plessis.

This could cost about R1,8 billion, according to his department.

All pensioners will receive a 10 percent increase from April 1 and substantial additional amounts will be paid to those classed as coloured, Asian and black.

The Minister said that after the 10 percent increase, the gap between race groups would would be narrowed by 40 percent.

New monthly rates of pension are: whites R345, up R31 (10 percent); coloureds R318, up R45 (16,5 percent); Asians R318, up R45 (16,5 percent); blacks R293, up R58 (25 percent).

The total to be spent on pensions is R1,732 billion, of which the 10 percent across-the-board increase will take R722 million.

"The Government can fully sympathise with the many people who are unable, on account of circumstances beyond their control, to maintain even a very modest existence," said Mr du Plessis.

"The Government is committed to review its assistance to those citizens periodically and, within the limited capacity of the country, to react to new claims and higher living costs as well as seeking to remove the disparity in special assistance as rapidly as possible."

An additional payment of R165 million is to be made to welfare organisations to help achieve full parity between the various population groups.

Another R440 million will be earmarked for specially designated aid schemes with the aim of tackling acute poverty and welfare.

BUDGET

R2-bn for pension fund welcomed

STAR 19/3/92

300

By Michael Sparks

There was not much in the Budget to keep public servants happy, Public Servants Association head Hans Olivier said last night.

Only two aspects of the Budget directly affect public servants — and only after they had stopped working, he said.

"We really welcome the decision to top up the pension fund by R2 billion since many of our members want the pension fund privatised.

"This will help bring the fund back in line with where it should be," he said, referring to money the Government had taken out of the fund for various projects.

Mr Olivier added he was also pleased by the R30 minimum monthly increase for civil pensioners, with the actual increase depending on years of service.

"There is no provision for support from the fund to increase, so this will provide some welcome relief and we greatly appreciate it.

However, we would obviously like to see some provision made which would take inflation into consideration."

Mr Olivier added that the nearly R2,3 billion announced as an increase in the total wage bill was all but irrelevant as it stood.

"It means nothing. That money will go on promotions, grade increases and possibly the creation of new posts, especially in the police."

Wage negotiations are currently stagnant with the latest offer from Government at 8,82 percent, while the association demands a 15,3 percent increase, including improved housing subsidies and other benefits.

Mr Olivier added it was then up to the association to divide the funds and decide how much would be spent only on wage increases.

Mr Olivier said his organisation's 90 000 members were currently deciding on what, if any, action they should take regarding wage negotiations.

Teachers Federal Council head Allan Powell said the Budget did not contain enough detail about the R2 billion allocated improving service conditions for teachers.

The TFC had advised the Government that improvements in salaries should at least take note of increases in the inflation rate. The Budget did not contain detail on this point, only a lump sum, and negotiations would continue on salary increases, he said.

The TFC supported moves to achieve equity in educational spending between the various departments, he said.

Dr Malcom Venter, President of the South Africa Teachers' Association, said SATA did not welcome teacher retrenchments, but the body had always supported moves toward equity in the provision of education.

University of Cape Town registrar Hugh Amoore said the new Budget maintained existing university subsidy levels. This penalised the institutions as inflation had caught up with their state provisions.

All universities had been hit by this and had had to increase tuition fees. If the allocation to universities did not increase in the next budget further fee increases would follow, he said.

The Government was continuing to shift the burden of paying for university education from the tax payer to the fee payer.

Pensions up, and parity gap cut 40%

B/Day 19/3/92

300

LINDA ENSOR

CAPE TOWN — Government has committed an additional R1,732bn this year to provide pension increases of 10%, and a further increase for pensioners who are not white to narrow the racial parity gap by 40%.

Finance Minister Barend du Plessis said the limited room for manoeuvre in this year's Budget prevented the full elimination of disparity in social allowances. However, he gave the firm undertaking of government to introduce full parity in social assistance allowances in next year's Budget.

Du Plessis also announced that government had asked the Mouton Committee, which is investigating the retirement provision system in SA, to look into the various options for financing full social pension parity and report as soon as possible.

"If an acceptable method can be proposed whereby additional revenue can be found without harming this industry (the pension fund industry) or causing uncertainty on the part of individuals over the value of their retirement provision, it may be possible to take parity further in the course of this financial year," Du Plessis said.

The increases in social assistance allowances for all racial groups will take effect from April 1. The 40% reduction will be applied to the gap in pensions which exists after the implementation of the 10% increase.

White pensions will rise by 10% to R345 (R314), coloured and Indian pensions by 16,5% to R318 (R273) and black pensions by 24,7% to R293 (R235).

Du Plessis said the funds allocated would also be used to eliminate the present differences in the application of the means test applied to coloureds and Indians.

The R1,732bn will be made up of an amount of R1bn as a supplementary allocation added to the R722m already included in the estimates.

Government also allocated R165m to achieve full parity between all population groups in transfer payments to welfare organisations for old-age homes and children's homes.

To address the problem of the huge deficits existing in government pension funds, an amount of R2bn from the surplus after borrowing for the 1991/92 year would be transferred to the civil service pension funds, Du Plessis said. This was intended to reduce the shortfalls and follows the transfers of R1bn made last year and the previous year.

In addition, R578m in increased employer contributions has been set aside as a step towards achieving the actuarial funding of the Associated Institutions Pension Fund and the Temporary Employees Pension Fund. Increases in civil pensions and a new method of calculating military pensions were also announced.

Aged get tax concessions

Budday 19/3/92

CAPE TOWN — Further tax concessions have been granted to the country's elderly.

The additional rebate for those above the age of 65, which was increased in last year's budget, is to be raised again from R2 100 to R2 500.

In effect this raises the tax thresholds of the elderly to R24 881 from R22 174 for married people, to R21 429 from R19 500 for unmarried people and to R17 292 from R15 084 for married women.

Both spouses are also

Own Correspondent

now entitled to the R2 000 exemption of interest income. (~~R2 000~~ 3000)

This means that a married couple aged over 65, each having their own taxable income above the thresholds and who are entitled to the maximum interest concession will in future attract tax only when their joint taxable income exceeds R46 173 against the present R41 258.

These concessions are expected to cost the Exchequer R30m this year.

APARTHEID

PENSIONS 26/3-2/4/92

PENSIONERS are to get a R1-billion "bonus" in an effort to raise old age pensions of all races to white levels, it was announced in the Budget speech this week.

All pensioners will receive a 10 percent increase from April 1 and substantial additional amounts will be paid to those classed as coloured, Asian and black.

New monthly rates of pension are whites R345, up R31 (10 percent); coloureds and Asians R318, up R45 (16,5 percent); blacks R293 up R58 (25 percent).

M 20/3/92

Cronje adds that the idea for a capital transfer tax to replace both estate duty and donations tax goes back to Margo. A flat rate need not be opposed. However, aggregation of all capital transfers by an individual at a sliding scale could tempt government to establish an undesirably high maximum. ■

LIFE ASSURERS

Relief for funds?

FM 20/3/92

Life assurance policyholders could have their eventual payouts boosted handsomely as a sequel to the Budget.

Finance Minister Barend du Plessis indicated that government would study and decide later whether to accept recommendations from a committee headed by his special adviser, Japie Jacobs. These are firmly based on the principle that life offices act as trustees for policyholders' funds — a principle which Du Plessis has endorsed.

The most significant change, assuming government accepts Jacobs' reasoning, is that billions in policyholder funds will be taxed not at the marginal rate of 43% but at an average rate.

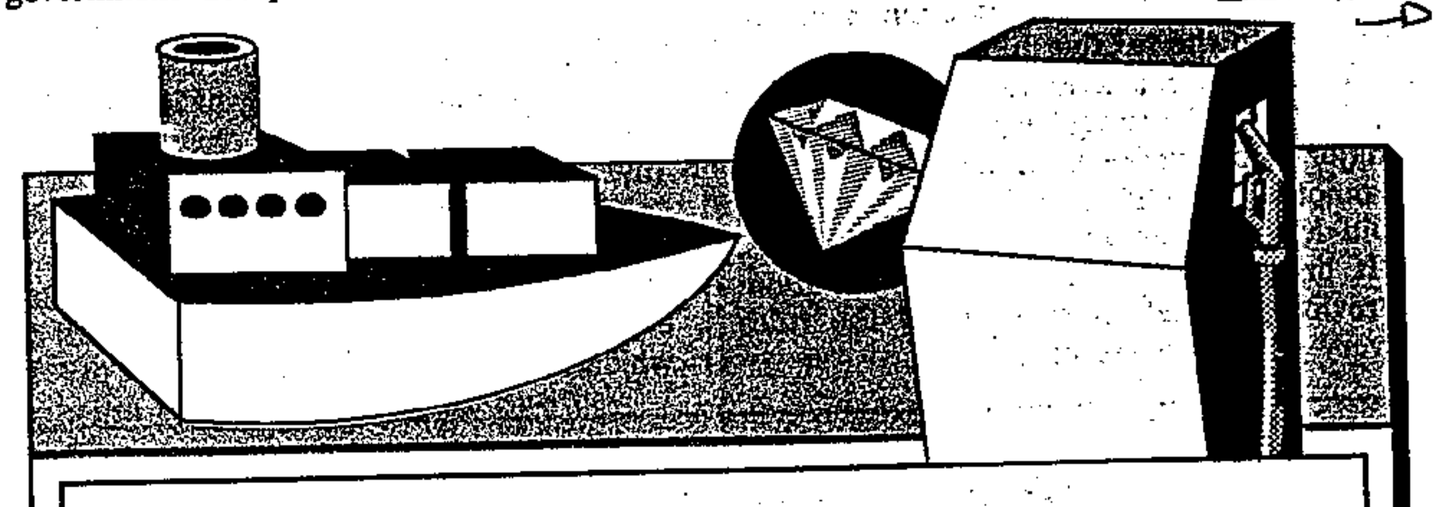
Dorian Wharton-Hood, deputy chairman of Liberty Life, suggests that means "between 30%-35%." There will be argument about that, because Liberty's high-income policyholders differ in tax profile to those of Metropolitan Life or African Life. But it would, argues Wharton-Hood, be impractical to apply different rates to various offices.

Life Offices Association deputy executive director Jurie Wessels says there will be jubilation if the trustee principle is applied firmly. Wharton-Hood comments: "It's only simple justice."

In recent Budgets there have been three deviations from the trustee principle:

- ☐ Taxation of policyholders' funds at the highest marginal rates;
- ☐ Taxation of policyholders' dividend income (for other classes of investor, dividends are tax-free); and
- ☐ Only a defined proportion of expenditure used to earn policyholders' income can be offset for tax purposes.

Continued



REVENUE COMPARISONS

	1991-92 Budgeted Rm	1991-92 Revised estimate Rm	1992-93 Budgeted at existing rates Rm	1992-93 Budgeted at new rates Rm	% Change on 1991/92 revised
Inland Revenue					
Income tax on:					
Individuals	29 139	29 000	36 961	35 511	22,5
Non-mining companies	13 713	12 526	13 651	13 656	9
Gold mines	490	560	500	472	−15,7
Diamond and other mines	1 225	921	880	855	−7
VAT/sales tax	19 444	18 743	21 020	21 020	12
Gold mine leases	140	155	145	145	−6,5
Stamp duties	655	735	795	830	13
Transfer duties	675	845	650	810	−4
Other	1 155	1 809	1 327	1 327	−27
Total	66 636	65 294	75 929	74 626	14,3
Customs and Excise					
Customs duty	2 635	2 750	3 124	3 124	13,6
Import surcharge	1 409	1 470	1 670	1 670	13,6
Excise duty	3 555	3 693	4 224	4 519	22,4
Fuel levy	4 520	5 200	5 695	6 634	27,6
Ordinary levy	111	60	64	64	6,7
Miscellaneous	233	225	252	252	12
Total	12 463	13 398	15 029	16 263	21,4
Less: Customs Union payments..	4 233	4 655	5 040	5 040	8,3
Total	8 230	8 743	9 989	11 223	28,4
Total Revenue	74 866	74 037	85 918	85 849	16

Continued → P.T.O.

FM 20/3/92

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PENSIONS

Welcome relief for the elderly

THIS week's Budget provides some welcome relief for civil pensioners who will receive a minimum R360 increase in their annual pension from next month.

The revised pension payouts take into consideration that people who retired some time ago have been exposed to inflation longer and, subsequently, the increases will be calculated according to the year of retirement.

The increases will be based on eight percent of the existing pension plus half a percent for each subsequent year after retirement to a maximum increase of 12 percent. A minimum R30 a month increase will apply.

The increase comes into effect on April 1 1992 and applies to all civil pensioners whose last working day was before July 1 1991.

The cost of the increase is R7-million.

Signa

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Pensioners hit by deadline

PORT ELIZABETH — Hundreds of black pensioners here have no chance of meeting a May deadline set by the Cape Provincial Administration for the submission of pension reviews.

300 ARG 21/3/92

According to the Black Sash, many pensioners and disability grantees were able to secure appointments for reviews at CPA offices or clinics only in June or later.

Pensions payments which were suspended pending review were reinstated last week after the Black Sash petitioned Cape Administrator Mr Kobus Meiring.

An advice office spokesman, Mrs June Crighton, said, however, they had now given the CPA until tomorrow to clarify the position of those people who could not meet the deadline. — Ecna.

INVESTMENT: *Are retirement annuities better than endowment policies?*

Apples-or-pears choice

STAR 21/3/92 (300)

PLANNING long-term savings needs throws up the inevitable question — retirement annuity or endowment policy?

Says Old Mutual's senior legal analyst Peter Stephan: "It's difficult to compare the two, as we are not comparing apples with apples. The one is funded with pre-tax money and the other with after-tax money, while the end benefits and inside build-up of the funds are taxed differently.

"The RA provides tax savings now and taxable benefits later, whereas the endowment operates on the principle of no-tax relief, but tax-free benefits later."

Rand for rand, especially for high income earners, RAs appear to give a better ultimate benefit than endowments for the same premiums paid. Needs and objectives must, however, be the overriding considerating when making the choice, Mr Stephan says.

"Very often, a combination of RAs, endowments and unit trusts is the answer, as all insurance products are sold to meet particular needs. Simply put, the RA is designed to provide a pension after retirement, while the endowment may be taken out to meet a number of capital needs."

A glance at differences between the two may help determine choice from the start.

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- RAs have no loan or surrender values and cannot be ceded to third parties. Endowments can be ceded as collateral security and loans or surrender values are available after a minimum two years' premiums have been paid.
- Single premium contributions are allowed on RAs. These are not acceptable for endowments, although this can be overcome through a voluntary purchased annuity which funds the required premiums on the endowment.
- RAs are fully protected against creditors. Endowments may be protected up to R30 000, subject to certain conditions.
- On death or maturity, normally only a third of an RA's proceeds may be taken as a cash lump sum, while the balance pays a fully taxable annuity to the dependants or retiring member. If it is a "standard" contract, the endowment pays out a fully tax-free cash lump sum.
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Says Mr Stephan: "Previously RA funds had to invest 53 percen of their funds in low-yielding pre scribed assets, while endowmen portfolios were required to hol 33 percent. These requirement have since been abolished, which should help to further maximise returns in both cases."

Old-age home faces care probes

AEG 21/3/92

DI CAELERS
Weekend Argus Reporter

TWO separate full-scale investigations have been launched into conditions at a Sea Point home for the aged following a flood of complaints over allegedly inadequate care of its residents.

Representatives of both the Department of Health Services and Welfare and the Cape Peninsula Organisation for the Aged (CPOA) have confirmed they will conduct their own investigations at Sea Point Place.

Dr Ruth Wannenburg, the department's regional director, and CPOA's executive chairman Mr Ivan Hampshire were not prepared to release details at this stage, but said their final reports would be made public.

However, the chairman of Sea Point Place's home committee, Mr Dennis Lambert, told Weekend Argus the institution's management was aware of problems that existed in the frail-care section.

He would not divulge details, but said they were "very close" to the problems: "We are trying to eradicate them, but will take a little while to do so."

In a letter to Weekend Argus Mr Lambert said his committee, appointed by the CPOA, had full confidence in the management of Sea Point Place and hit out at complainants who insisted on remaining anonymous for "fear of victimisation".

"If there are people with grievances the avenues exist for these grievances to be addressed, so we appeal to these anonymous people to identify themselves and come forth. This type of cloak-and-dagger attack serves no purpose."

When Weekend Argus tried to contact Mr Lambert through the CPOA offices they were told by a staff member that she had consulted with her superior and that his contact telephone number could not be divulged.

Meanwhile, Mr Ronald Clarkson, manager of Sea Point Place, has declared in a separate letter to Weekend Argus that he "will never stand for victimisation by any staff member at any level, and any proven instances will be dealt with most severely".

He said he was "available and approachable 24 hours a day" and that "genuine" complaints would always be fully investigated."

When asked to explain what problems existed in the frail-care section and what was being done to solve them, Mr Clarkson referred all queries to Mr Hampshire.

Mr Hampshire could not be contacted at the time of going to Press.

Pensioners march for equal grants

300

South 21/3 - 26/3/92

By Sabata Ngcai and Mbuyiselo Mtsheketshe

PENSIONERS braved a scorching sun on Wednesday to witness the delivery to the government of a memorandum on the "people's budget", demanding equal pensions between them and their white counterparts.

A march preceded the handing over of the memorandum which also demanded a cut in military spending, more funds for housing, health care, education, and the zero rating of VAT on basic foods, medicines and medical services.

The memorandum, which was delivered by ANC Western Cape chairperson Dr Allan Boesak, was accompanied by a "coffin" which was left at the gates of Tuynhuys.

After the memorandum was presented, ANC secretary-general Mr Cyril Ramaphosa said: "It is the last time that we are standing outside the parliament gates.

"The person who is now staying in Tuynhuys is illegitimate, he is not supposed to be there.

"There is only one person who is supposed to be there to direct the affairs of the country and there is no need for me to mention his name.

"What I can say is that his name starts with an 'N' and ends with an 'A'."

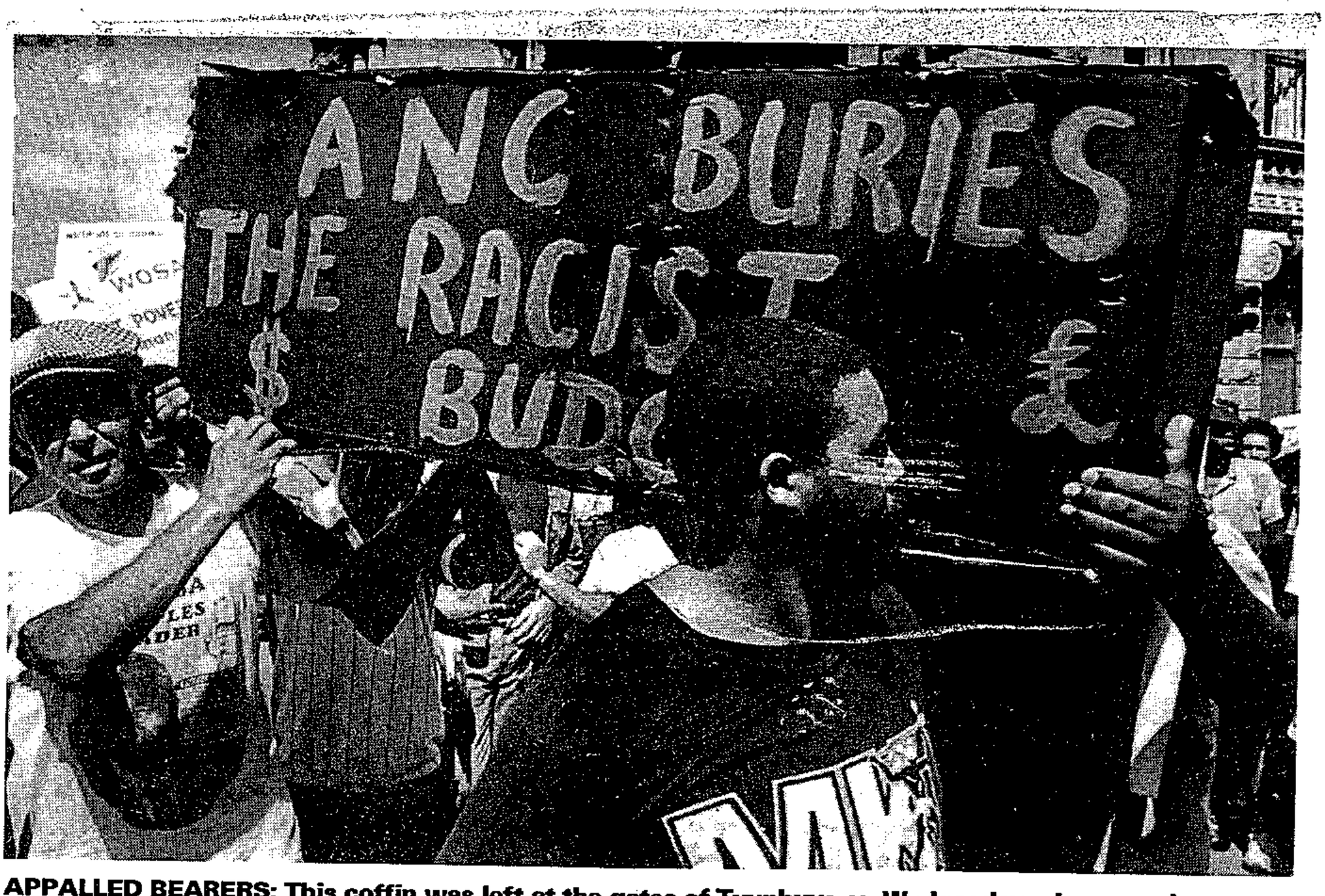
Cosatu general secretary Mr Jay Naidoo said if the demands were not met by the government, "the workers of this country will mobilise to deny the government the power to unilaterally restructure the economy of the country to serve the interests of the white minority".

In a statement the ANC/SACP/COSATU alliance said: "If the government continues to ignore these demands, and the suffering our people are experiencing, we will have no option but to intensify our mass action."

- Ecna reports that about 9 000 protesters, waving banners and loaves of bread, took part in a SACP-led march in East London.

There were also demonstrations in Port Elizabeth and Grahamstown.

In Port Elizabeth, ANC members held a lunchtime placard demonstration against the budget.



APPALLED BEARERS: This coffin was left at the gates of Tuynhuys on Wednesday when marchers went to parliament to protest against the Budget Photo: Yunus Mohamed

INVESTMENT: *Are retirement annuities better than endowment policies?*

Apples-or-pears choi

STAR 21/3/92 (300)

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Delay in pension increases

306
CT 21/3/92

Political Staff

WHITE social pensioners and pensioners who receive allowances from their children will not get the full increase of R31 on April 1, National Health and Welfare Minister Dr Rina Venter announced yesterday.

Dr Venter said due to "circumstances beyond the control of my department", it was not possible to give the full increase from April 1.

In April and May they would receive R338 a month. Arrears would be paid out in June, said Dr Venter. The full new pension would be paid from July.

The Minister said arrears in respect of foster parent grants and children's allowances would also be paid in June.

Foster parents are to receive an extra R22 a month, and children's allowances have been increased by R10.

Reprieve for pensioners

CT 21/3/92 (300)

Staff Reporter

THE Cape Provincial Administration yesterday announced the lifting of the suspension on more than 10 000 black pensions, extending the deadline for reviewing pensions by at least two months.

A spokesman for the welfare services of the CPA, Mr Themba Nyati, said pensioners now had until May 1 to have their pensions reviewed.

The decision comes nearly a week after the CPA's announcement that pensioners who had not come forward for review on time would have to wait for some time for their money.

Mr Nyati said grants received through banks and building societies would be payable from Wednesday, March 25, whereas those received elsewhere would be payable from April 1. This applied to all pensions, whether they had been reviewed or not.

Black Sash spokeswoman Ms Annemarie Hendrikz commended the CPA for its decision to lift the suspension and asked pensioners to have their pensions reviewed before the new deadline.

DP MP slams pension fiasco

ST Times 22/3/92 (300)

By MIKE ROBERTSON: Political Correspondent

SOUTH Africans are paying R17-billion a year to maintain pension schemes the country cannot afford.

The astonishing cost of pensions for the elderly and the public service after the Budget further narrowed the pensions gap between the races was disclosed this week by Democratic Party MP Brian Goodall.

It amounts to 60c of every rand paid in personal tax.

In addition the government is to pump another R2-billion into the actuarially bankrupt government pension fund. The money comes from funds overborrowed by the state.

Before the Budget the International Monetary Fund warned that it would be disastrous to try to equalise social spending in South Africa at the current high level of funding received by whites.

South Africa, Mr Goodall said, simply could not afford to continue funding pensions out of taxes. It faced ruin unless it could come up with alternative forms of funding for social security.

The civil pension fund is costing R8,5-billion a year and the government pension fund an equivalent amount. The total revenue raised from private taxpayers is R27-billion.

Promised

In other developing countries such as Malaysia and Brazil, he said, individuals contributed nine percent and eight percent of their salaries respectively in social security payments. "In South Africa social security is entirely funded out of tax," Mr Goodall said.

Mr Du Plessis this week announced a 10 percent increase for pensioners of all races. In addition he narrowed the gap between the various population groups by 40 percent and promised to equalise pensions next year.

Mr Goodall, a pensions expert, welcomed the equalisation of pensions, but objected to the manner in which parity was being achieved, and at its level.

He pointed to a recent IMF study on South Africa which said: "The examination of the per capita level of social spending by the different racial groups indicates that despite some progress in recent years South Africa's Budget still reflects very marked differences between the races.

"The estimate clearly suggests that equalising spending levels at the present white level would result in an average level of social spending dramatically beyond the capacity of the Budget."

Mr Goodall said the funding of social spending in South Africa would have to be changed so that people knew what it was costing them.

"South Africa can no longer operate without compulsory contribution towards the provision of social security benefits for the majority of South Africans," he said.

Saddled

He described as "horrendous" and "Chinese accounting of the worst order" a decision by Mr Du Plessis to overborrow and then transfer R2-billion of the funds accumulated to the government pension fund.

This brought to R4-billion the amount of money raised by overborrowing that had been transferred to the pension fund.

Taxpayers, he said, were being forced to pay for the mismanagement of the funds.

"What is even more ridiculous is that Mr Nelson Mandela has said he will guarantee state pensions. This means that taxpayers are being saddled with the government fund that is R40-billion underfunded, as well as the Transnet pension fund which is R17-billion underfunded."

Economic Co-ordination Minister Derek Keys said the government had no alternative but to equalise pensions.

The IMF warnings, he said, related to the equalisation of all social spending at levels currently afforded to whites, not specifically to pensions.

He defended the transfer of the R2-billion of the "surplus after borrowing" to the government pension fund, saying that the fund needed to be placed on an actuarially sound basis.

NEWS ANALYSIS

Racism lives on in pensions

BY NORMAN WEST

WITH his arms held high in the air, President F W de Klerk this week acknowledged the cheers from the multiracial crowd that had gathered at Tuynhuys to congratulate him on his landslide referendum victory.

The victory was an overwhelming signal from the white electorate for him to move full-steam ahead with negoatiating a new and just constitution for South Africa — and throughout the country, millions of blacks endorsed that mandate.

De Klerk descibed the results as the "final death-knell to apartheid" and declared triumphantly:"Today is the real birthday of the new South Africa."

But, for pensioners of colour, apartheid was still alive — despite the fact that the gap between black and white pensions had been further narrowed.

Notice of aparatheid's death has been announced by various Ministers and government functionaries often before — but black pensioners say it is alive and well and affecting them where it hurt most — in their stomachs.

How can they claim apartheid is dead when it reappears month after month in the pay-packets of tens of millions of coloured, African and Indian pensioners? asked one elderly black man this week.

Finance Minister Barend du Plessis announced in his Budget speech this week that in 1991/92 R1,950bn was set aside for special projects of a capital and development nature, financed from the sale of assets and strategic oil supplies — and part of this cash mountain will go towards social assistance allowances.

This "assistance" amounts to an increase of 10 percent in the social assistance allowances for all population groups, from April this year.

He also announced a further narrowing, by 40 percent, of the gap in allowances that will still exist after the foregoing 10 percent.

In plain language, from April 1 monthly old-age pensions will increase as follows:

- Whites from R314 to R345;
- Coloureds and Indian from R273 to R318 and
- Africans from R235 to R318.

This led to the ANC/SACP/Cosatu alliance describing the 1992 Budget as "mean and misleading", while ANC president Nelson Mandela called it a "rich man's budget which was "insensitive and ignored the political process taking place today".

Mr Du Plessis sugarcoated the pension pill a bit by saying the Mouton Committee, whose report on a retirement provision system for South Africa will be completed later this year, has not yet formally studied the question of alternative means of financing full social pension parity.

Why this report is taking so long is a bit of a puzzle ...

Records show, in fact, as far back as November 1988 the government appointed a committee of experts chaired by Professor Wynand Mouton to investigate and recommend a suitable retirement provision system.

It recommended that it would be best if its proposal of pension parity were implemented "at one go, rather than gradually".

Mr Du Plessis's reaction, at the time, was that the government accepted the Mouton proposal "in principle" but its immediate implementation would involve unaffordable high additional expenditure and make serious inroads on other social spending such as education and health.

Mr Gerhard Croeser, Director General of the department of Finance, said after last year's increases more than R4 billion would be needed to achieve parity.

Just this week he estimated full parity of pensions would cost R1 billion.

Is R1 billion too much a price to pay to really kill apartheid and make Mr De Klerk's claim that apartheid has now finally been buried (again) ring more true?

Mr Du Plessis did give an undertaking there will be full parity by the same time next year.

'It may be possible to take parity further in the course of this financial year still. If not, the Government now gives a fixed undertaking that full parity in social assistance allowances will in any event be proposed in the following budget," he said.

Mr Jac Rabie, Chairman of the Nat-controlled Ministers Council in the House of Representatives, said he was "disappointed" that full parity, as he had expected, had not been announced this week.

"But at least the gap has been narrowed considerably," he said.

The aches of retirement

S/Times (Buss) 22/3/92 (300)

VALUE FOR YOUR MONEY

The writers of this column are fellows of the Institute of Life and Pension Advisers. It aims to maintain the professional standards of competence and ethics of those engaged in personal financial planning

By MARTIN KOURIE

MANY factors are evident in our times to emphasise the importance of advance retirement planning and self-sufficiency.

These include double-digit inflation, increased life-expectancies, couples marrying late and mothers bearing children when they are older, a breakdown of community and family support-systems, an over-burdened social pensions infrastructure, an antiquated pensions regime, easy credit, an abundance of new luxury goods and by no means less significant, the job-hopping habits of the average South African.

The non-existence of a pension fund (applicable to the self-employed, and employees whose employers have no pension fund) or a pension fund's inability on its own to provide adequate retirement-provisioning (applicable generally to most pension fund members) must be remedied by the individual's own provisioning, usually via retirement annuities, equity unit trusts, and endowment policies.

Given the necessary investment expertise, direct investment in equities or equity derivatives, or in property, other than for own use, may also be considered by the daring ... these should not be lightly gone into without a full understanding of the risk profile of the instruments.

Intact

Retirement annuities were introduced into SA in 1960 to enable the self-employed to contribute to their own pension. Nevertheless they also have great appeal for the employed, who upon resigning from their employment may take their RA's with them fully intact without any loss of growth.

For this reason many employers will even contribute towards an employee's RA over and above their normal contribution to the company pension fund.

The contribution is effectively financed by the after-tax amount of a salary adjustment, for which the member claims the RA tax deduction.

An apparent criticism of RA's is that two-thirds of the fund's maturity value must be used to purchase an annuity which will be fully taxable when it pays out during retirement (this applies to pensions as well).

But pensions and retirement annuities are fundamental to forming the first base-layer of retirement income, to replace normal earnings.

These funds are invested by the fund trustees mostly in growth assets to retirement, and are then converted into income by the purchase of a life annuity at reasonably attractive long-term rates.

A financial reality of retirement is that a retiree needs income to live off.

Because income-generating assets by their nature generally offer lower returns and are taxed more heavily than growth assets (this is of course in the absence of capital gains tax), it's logical for the retiree to invest only so much of his resources into income-producing assets as is needed to meet monthly living requirements, with the balance going into growth assets.

Inflation

A sensible retirement planning approach is to target for an income provision matched to anticipated living requirements while striving to accumulate as much in growth assets and capital for when one retires.

MARTIN KOURIE
general manager, Momentum Asset Trust

It is perhaps better to err on the side of accumulating more in growth assets such as unit trusts rather than income, since being saddled with a compulsory and unavoidable stream of future income in excess of one's immediate foreseeable requirements, is normally prejudical from a viewpoint of return as well as taxation.

Holding surplus capital allows the retiree to periodically top-up his income every few years to offset inflation by dipping into capital resources.

To acquire enough life savings it is necessary to "save". But this is not easy most of the time.

Sting

High inflation teaches us to spend more now rather than save. Investing in RA's takes a bit of the sting out of saving, in the knowledge that by making tax deductible contributions the taxman is paying for a large slice of one's future retirement.

Those benefiting most from RA's are persons from about age 42 and upwards, whose earning capacities are close to peaking.

By this stage children are becoming self-sufficient, and commitments like mortgages, are usually out of the way.

These surplus "savings-units", are invariably top marginal taxpayers and therefore derive the maximum relief on contributions.

Government pension fund restructuring to go ahead

B/D ay 23/3/92

300

Business Day Reporter

THE Korsten Committee is to take further steps to achieve the restructuring of government pension funds recently accepted in principle by the Cabinet.

Chairman Laurie Korsten said in a statement on Friday this would involve professional management of funds in compliance with financial and actuarial services requirements.

In this way the interests of more than 1,2-million contributing members and pensioners would be protected and the burden on taxpayers eased.

The new board of trustees would consist of representatives of employees and employers. Korsten said government had accepted the need for the board to be independent.

Consultations with all stakeholders, employee and employer groups would start this week.

The aim was to complete consultations by the end of June when it was hoped the funds would be registered as separate and autonomous funds.

For funds to be responsibly managed, benefits and contributions would be brought into line with each other. This should also reduce the time needed to eliminate actuarial shortfalls.

Korsten said government has undertaken to assist in this regard.

It was intended to increase employer contributions to the Pension Funds for Associated Institutions and Temporary Employees at the same rate as the Government Service Pension Fund.

Finance Minister Barend du Plesses suggested in his Budget speech that R578m be used for this purpose.

Benefits and rights could be changed or improved only if they were fully funded.

"I believe the benefits and rights of the pensioners and contributing members can be assured only if the funds are professionally and prudently managed on the lines that have successful in the pensions industry," said Korsten.

It had become necessary to change the management of funds because of the unacceptably low returns on funds which had been invested exclusively in fixed interest-bearing securities.

This burdened the taxpayer and weakened the ability to protect members against inflation.

With the new structure and management approach, it would be possible to diversify the investments to reduce risk and raise returns.

Diversification of such a large asset base would have to be carried out carefully to avert adverse impact on SA's financial markets.

The committee had undertaken not to rush into the share markets.

Investment diversification would take place "gradually and responsibly" over as many years as it took.

Korsten said he was fully aware of the lack of marketability in the equity market and the time it would take for the funds to establish a meaningful equity portfolio.

"The dangers of overvaluation are fully understood and the equity evaluation will be handled responsibly to ensure that we do not accumulate overvalued common stock which would be self-defeating and detrimental to the pension funds."

†Mr J J LEMMER: Mr Chairman, further arising from the hon the Deputy Minister's reply, does he possibly know where "doctor" is?

†The DEPUTY MINISTER (Dr T G Alant): He is sitting in some dark corner writing.

Pension/provident funds: handling by private sector

*3. Mr B B GOODALL asked the Minister of Finance:

(1) What percentage of the funds available for investment in the public sector's pension and provident funds is being handled by the private sector;

(2) whether the said funds are subject to or are to be subject to the investment guidelines laid down for private sector pension funds; if not, to what guidelines are they or are they to be subject?

B410E

†The DEPUTY MINISTER OF FINANCE (Dr T G Alant):

(1) At this stage, about 7% of the funds available for investment in the public sector pension funds is being handled by the private sector.

(2) The said funds are at this stage not subject to the investment guidelines laid down for private sector pension funds. The funds are being handled strictly in accordance with the provisions of the Public Investment Commissioners Act.

†Mr J H VAN DER MERWE: Mr Chairman, arising from the hon the Deputy Minister's reply, can he perhaps tell us where the hon the State President is at present.

†The CHAIRMAN OF THE HOUSE: Order! No, that does not arise from the hon the Deputy Minister's reply. [Interjections.]

Child witnesses: protection

*4. Mr M J ELLIS asked the Minister of Justice:

Whether any provision has recently been made for the protection of child witnesses; if not, (a) why not and (b) when will such provision be made; if so, (i) when, (ii) in terms of what statutory provisions and/or regulations and (iii) what is the purport of the provision so made? B411E

The DEPUTY MINISTER OF JUSTICE:

Yes.

(a) and (b) Fall away.

(i) and (ii) The Criminal Law Amendment Act, 1991 (Act 135 of 1991), was assented to on 27 June 1991. Section 170A of the Criminal Procedure Act, 1977 (Act 51 of 1977), is inserted by section 3 of the Amendment Act. The Amendment Act will, in so far as it relates to the protection of child witnesses, be put into operation as soon as all the administrative steps have been finalized.

(iii) Section 170A of the Criminal Procedure Act, 1977, provides, *inter alia*, that whenever criminal proceedings are pending before a court and it appears to such court that it would expose any witness under the age of eighteen years to undue mental stress or suffering if he testifies at such proceedings, the court may appoint a competent person as an intermediary in order to enable such witness to give his evidence through that intermediary. The court may direct that such evidence may be given in another room, provided that the witness and the intermediary are visible and audible by the court and other persons, such as the accused. The section provides further that if a court has appointed an intermediary, all questions to such witness, except questions by the court, should be directed through the intermediary.

Pharmacy Act: managing directors

*5. Mr M J ELLIS asked the Minister of National Health:

(1) Whether she has received any representations for the amendment of the provisions of the Pharmacy Act, No 53 of 1974, relating to the position of a managing director in terms of the recommendations contained in the Browne Commission Report; if so, from whom;

(2) whether she intends taking steps to implement the relevant recommendations; if not, why not; if so, (a) what steps will be taken and (b) when?

B412E

The MINISTER OF NATIONAL HEALTH:

(1) No,

(2) no, according to the White Paper on the Browne Commission's Report the matter

cont . .

was referred to the Pharmacy Council for its recommendation. No recommendation has yet been received.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Pupils compelled to attend private/state-aided schools

*Mr A GERBER asked the Minister of Education and Culture:

(1) Whether he is going to compel any pupils of school-going age to attend private schools or state-aided schools in cases where no ordinary public state schools are situated within reasonable reach;

(2) whether he will make a statement on the matter?

B417E.INT

*The MINISTER OF EDUCATION AND CULTURE: Mr Chairman, compulsory school attendance is prescribed in section 53 of the Education Affairs Act, Act 70 of 1988. The conversion of state schools to state-aided schools entails no change to the principle or the practice of compulsory school attendance. Compulsory education can be undergone in any school which is officially recognised by the department. The Minister does not force anyone to attend a specific school for fulfilment of compulsory school attendance. The concept "within reasonable distance" is relative. What might, for example, be "near" in rural terms, might be far for a city child.

The availability of transport and accommodation also makes a difference. The conversion or non-conversion of state schools to state-aided schools, depends on parental choice. Indications are that in the foreseeable future there will still be a choice of various types of schools available. In order to facilitate making a choice, school bus transport and hostel facilities are still available. As a matter of fact more than 8 000 places in hostels are available. Needy pupils will continue to receive transport bursaries according to existing sliding-scales at least until the end of 1993. The department will continue to grant bursaries for boarding on the same basis as at present. The reply to the question, therefore, is "no".

*Mr A GERBER: Mr Chairman, I have serious problems with the standpoint that a government may enforce compulsory school attendance as well as compulsory tuition fees. In my opinion these are two irreconcilables. A government is not allowed to compel people to make use of a service which has to be paid for. But what is more, a government may not abolish the normal public state schools, as it is doing now, and then compel parents to provide their children with formal education.

That is exactly what is happening in South Africa at the moment with regard to the White section of the population. As from 1 April there will hardly be any public state schools for Whites in South Africa. The State is phasing out its responsibility to provide state schools.

At the same time, however, it is enforcing compulsory school attendance on White pupils. Hon members must understand that I am very strongly in favour of compulsory school attendance. It is one of the most important reasons why our nation has developed to the present level. However, I also say that we cannot enforce compulsory school attendance if we force people to pay for it. [Interjections.]

The Government's decision to do away with normal public state schools will ultimately—and the day is not far off—lead to education becoming for the most part the financial responsibility of the local community. Furthermore, it will lead to compulsory school attendance falling by the wayside, to the detriment of our people. We are headed for a situation in which only the rich will be able to provide their children with a proper secondary and tertiary education. I should like to put a few questions to the hon Minister in this respect.

It is alleged that at a meeting on education in Kimberley he ostensibly said that controlling bodies of model-C schools—ie state-aided schools—may not expel pupils if their parents refuse to pay. If that is true, I ask the hon Minister to repeat it to us here, so that parent communities in South Africa can know that they only have a moral duty to pay those fees.

Secondly, I want to ask whose responsibility it will be in future to enforce school attendance. Is

cont . . D

HOUSE OF REPRESENTATIVES

QUESTIONS

† Indicates translated version.

For written reply:

General Affairs:

Old-age homes: financial assistance/population groups

1. Mr M A HENDRICKSE asked the Minister of National Health:

(a) How many old-age homes (i) fall under the control of her Department and (ii) are in receipt of financial assistance from her Department, (b) what is the amount of such financial assistance, (c) for which population groups do these homes cater and (d) in respect of what date is this information furnished?

C2E

The MINISTER OF NATIONAL HEALTH:

(a) No old-age homes fall under the control of the Department of National Health and Population Development.

(b), (c) and (d) Fall away.

HOUSE OF DELEGATES

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

Victoria Street bus rank in Durban: attacks

The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Law and Order:

(1) Whether there have recently been attacks on persons in the vicinity of the Victoria Street bus rank in Durban; if so, (a) to what extent and (b) what steps are the South African Police taking to curb crime in this area;

(2) whether he will make a statement on the matter?

D69E.INT

The MINISTER OF LAW AND ORDER: Mr Chairman, since December 1991 the following crimes have taken place in the vicinity of the Victoria Street bus rank in Durban.

In December 1991 nine robberies took place, resulting in five arrests, in January 1992 seven robberies took place, resulting in three arrests, and in February four robberies took place, resulting in two arrests. In December one rape took place leading to an arrest, in January one rape took place with no arrest being made and in February one rape took place leading to an arrest. In December there were nine incidents of assault, followed by three arrests, in January there were 11 incidents of assault, followed by five arrests, and in February there were seven incidents of assault, followed by three arrests. In December there were 12 cases of handbag-snatching, resulting in seven arrests, in January there were also 12 cases of handbag-snatching, resulting in two arrests, and in February there were no cases of handbag-snatching and consequently no arrests.

In lighter vein, perhaps the last figure can be attributed to the fact that there were no handbags left in that area to be snatched. On a more serious note, may I say that I believe that if we look at the crime figures for February 1992, we shall find that there is a marked improvement.

The problem areas were identified around the Oriental Plaza and Victoria Street more than a year ago. There are various taxi ranks in this area. A satellite police station, operating on a 24-hour basis, is being established in Wills Road. Thirty members police the Warwick triangle, which borders the Oriental Plaza. An additional ten members of the mobile unit, who were allocated primarily to escort train commuters, are also utilised for crime prevention in the Victoria Street-Oriental Plaza area. The C R Swart Square Crime Prevention Unit, as well as patrol vehicles, regularly operate in that specific area.

On Friday, 20 March, at 17:00, approximately 200 members of the SA Police Force and four dogs performed a block search and crime prevention action in the above-mentioned area. Smaller block searches are also conducted in the troubled area by the mobile unit on a daily basis. In addition, the SAP established the Pine Parkade satellite police station, which is adjacent to the Oriental Plaza area. The station is manned by 30 members and one vehicle. Members perform beat duties between Aliwal Street and Grey Street. An additional 25 police assistants are earmarked for the satellite police stations to improve visible policing. [Time expired.]

The LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, I am very appreciative of the fact that the hon the Minister has given us the official figures. The SA Police will, of course, acknowledge the fact that statistics of reported offences and arrests are recorded, but I am sure, in the light of the numerous calls my hon colleagues in this House and I receive, that a large number of minor offences go unreported, because people are too terrified to report incidents of molestation and robbery to the police. I want the hon the Minister to accept what we are saying in good faith.

Petty crime, and in some instances serious crime, is on the increase in this area and the area adjacent to it. There are many educational institutions in this vicinity and the bus ranks situated here are mainly for buses which serve the Indian areas. The construction of the railway station and the bridges is such that they provide what I would describe as easy dungeons for those

cont . . . d

The MINISTER OF REGIONAL AND LAND AFFAIRS:

Separate statistics are not available. The total accumulative amount spent until 31 December 1991 in respect of the purchase of land, amounted to R1 364 896 789.

Land transferring during 1991 (1 January 1991 to 31 December 1991):

KaNgwane	—	4 946 hectares
Bophuthatswana	—	32 424 hectares

Pension/provident funds: investment return

179. Mr B B GOODALL asked the Minister of Finance:

What was the average annual investment return achieved by the public sector's pension and provident funds over each of the latest specified 10 years for which figures are available?

B422E

The MINISTER OF FINANCE:

1981/82	9,05%
1982/83	9,30%
1983/84	9,98%
1984/85	10,25%
1985/86	11,50%
1986/87	12,78%
1987/88	12,40%
1988/89	12,45%
1989/90	14,50%
1990/91	14,38%

HOUSE OF DELEGATES

QUESTIONS

† Indicates translated version.

For written reply:

General Affairs:

Motor vehicle accidents: minibus taxis

7. Mr M RAJAB asked the Minister of Transport:

(1) How many (a) motor vehicle accidents occurred, and (b) persons were killed in such accidents, in each province in 1991;

(2) (a) how many such accidents in each province in that year involved Black minibus taxis and (b) how many persons were killed in these accidents?

D39E

The MINISTER OF TRANSPORT:

(1) (a) Until 30 November 1991 (i.e. the most recent period for which information is available) 407 436 motor vehicle collisions occurred. The number of collisions that occurred during each month during the period January to November 1991 are detailed per province in the table below.

MONTH	CAPE	NATAL	TRANSVAAL	OFS	RSA
January	7 467	5 657	17 476	1 703	32 303
February	7 538	6 097	18 501	1 777	33 913
March	8 881	6 961	21 500	2 295	39 637
April	8 440	6 275	17 893	1 773	34 381
May	9 765	6 855	19 758	2 001	38 379
June	10 301	6 473	20 349	2 130	39 253
July	9 828	6 980	19 910	2 123	38 841
August	9 931	6 721	19 626	2 030	38 308
September	8 979	6 579	18 576	1 961	36 095
October	9 267	7 033	20 081	2 006	38 387
November	8 915	6 337	20 708	1 979	37 939
TOTAL	99 312	71 968	214 378	21 778	407 436

(b) 9 979 people were killed due to motor vehicle collisions during the period 1 January 1991 to 30 November 1991. The number of fatalities that have occurred during each month, per province, are detailed in the table below.

MONTH	CAPE	NATAL	TRANSVAAL	OFS	RSA
January	187	190	309	49	735
February	183	138	339	64	724
March	271	196	493	102	1 062

SA will face huge social services bill, says MP

STAR 27/3/92

By Peter Fabricius
Political Correspondent

CAPE TOWN — Taxpayers will be forking out an amazing R25,5 billion a year on social grants by the turn of the century unless the Government devises a scheme whereby all South Africans make compulsory contributions to their own social security.

According to Democratic Party MP Brian Goodall, even in the 1992/1993 tax year, taxpayers will be paying out R8,463 billion in social grants — and 24c of each R1 of individual tax would go to social grants.

Mr Goodall, MP for Edenvale, revealed these figures in Parliament during the main Budget debate yesterday.

His dire warning about the growing tax burden followed Wednesday's speech by his colleague, Gardens MP Ken Andrew, who said that in the last three years revenue from individual income tax had grown by more than 90 percent.

Mr Andrew said Finance Minister Barend du Plessis had erred in giving immediate full VAT input credits on capital and intermediate goods.

Squeeze

He had thus forfeited R5,2 billion in revenue in the 1992/3 tax year. To compensate, hard-pressed salary and wage earners were now being "squeezed ruthlessly".

Individual income tax this year was up by R6,5 billion and had risen by 54 percent in two years.

Mr Goodall said taxpayers would contribute 25 percent more this year to paying social grants. This was in line with the trend over the last few years — an annual increase of 7 percent in real terms, while the economy was growing by only 1 percent.

The situation was unlikely to improve, he said. In the next 10 years there would be an extra 800 000 aged people in SA and in the next 30 years, 3 million.

Mr Goodall said the Government's laissez-faire approach had not worked. Only half of the economically active population contributed to a pension fund. More than 2,5 million pensioners were relying on the State, and there were only 350 000 private and civil pensioners.

Mr Goodall cited several countries which had similar per capita incomes to South Africa, all of which insisted on employee contributions for old age benefits. These countries included Chile, Columbia and several African countries such as Ivory Coast, Kenya and Nigeria.

But whose life? FM 27/3/92

Provision for sinking funds, created by statutory bodies such as municipalities, is made in amending legislation to the Insurance Act. The draft has been circulated for comment among life assurers. If the measure goes through it will bring relief to treasurers of municipalities who needed the investment power of the life offices and independent portfolio managers, but who could, by using these outlets, run foul of the Finance Minister.

The saga goes back to the level-playing-fields debate when building societies successfully lobbied the Minister by arguing that municipalities' funds should not be held short-term by life offices. (Previously, most of this money had been lodged with deposit-taking institutions but much was switched to life assurers when inflation eroded the value of building society interest.) At about the same time, on pressure from deposit-takers, the life offices voluntarily agreed that they should hold no funds for fewer than five years.

Treasurers of many statutory bodies, including municipalities, were persistent in their search for better returns than they could find in short-term deposits. Having borrowed, for example, R10m from government, they would create a fund to effect repayment in 10 annual payments. The vehicle would be an endowment policy.

The first peculiarity of this arrangement was that to be tax-efficient such policies had to be in favour of an individual life. As municipalities pay no tax, that should have been irrelevant; but life offices did not have the systems to accommodate policies where there is no life assured, so statutory bodies had to nominate an individual policyholder. Ratepayers might have been surprised by the arrangement where, usually, a trio of officials were the purported beneficiaries.

The second oddity emerges in the latest report of the Auditor-General: "A statutory body is obliged, in respect of every investment it makes, to obtain a certificate from the institution concerned confirming that the institution has not paid and will not pay any commission in respect of the investment and that it has not given and will not give any

Continued

other consideration for the placement of the investment to an agent or intermediary."

Conventionally, of course, all life policies earn commission for the intermediary. But, the report complains, "due mainly to the fact that, contrary to a request by the Minister of Finance, dated September 1988, some statutory bodies make investments by taking out insurance policies with long-term insurers, there is an increasing number of cases where no certificates or only qualified certificates are furnished in regard to commission."

The proposed amendment appears tacitly to legitimise a well-established practice. ■

DISGRUNTLED AFRICAN pensioners, desperate for their monthly pay-out, waited an entire sleepless night outside the pensions offices due to a bureaucratic bungle by the Ikapa town council in Guguletu this week.

The wait was in vain because many have still not been paid and have been told to come back next week — with no guarantees the bungle will be sorted out by then.

The problem apparently arose because pensions were being collected for people who have already died.

The system of paying out pensions is now being restructured and all pensioners have to renew their identity documents before they could receive their pensions.

More than 300 pensioners from Khayelitsha, Nyanga, Guguletu and Langa arrived at the Ikwezi Community Centre as early as 11pm Tuesday night.

The crowd had grown to nearly 700 by Wednesday morning. Many of the pensioners could barely walk.

The long wait proved to be in vain when authorities told the pensioners to leave the premises and return the following week.

Angry pensioners staggered from the community centre shouting furiously, "We need money for food and rent!", "We need to live!" and "Why must we always be the ones to suffer?".

Pensioners said they were told renewal of documents would only take a day but the lack of staff and resources has made it impossible to assist the majority of people.

"I have been here the whole morning and eight hours later they tell us to come back next week," said pensioner Mrs Bettie Zuzile.

Zuzile said the authorities had made no attempts to contact her about their decision to renew the identity documents.

"We have to now wait for two months before we can collect our pensions.

"Why must this always happen to black people in South Africa?

Scores of disheartened pensioners wait out their 'golden years' in front of the locker office in Guguletu

Photo Yunus Mohamed

Pensioners' night-long wait was all in vain

South 28/3 – 2/4/92

(300)

"Why must we always be the ones to suffer? It is unfair."

Mrs Peggy Mamputo, an epileptic, has to support her four children on a R235 a month disability grant.

"I do not know where the money for food is going to come from.

"My husband walked out on us many years ago and I am faced with the burden of bringing up my children who are all still minors," said Mamputo.

"I cannot find a job because no one is prepared to hire an epileptic and the only income for my entire family is this grant," she said.

Pensioners claim they had no knowledge of the system being changed and were "rudely" informed by clerks when they went to collect their pensions.

"The man at the pension office threw my ID book at me and said all pensions were suspended until our documents are renewed," said Mr Katsekile Kenkebe, 61.

Kenkebe said he waited in the line since midnight on Tuesday and claimed he was pushed to the back by a clerk who demanded to be paid a R10 bribe.

"They treat us like animals and there is nothing we can do."

Ikapa town councillor Mr Joshua Mabandla said it was necessary to change the system but expressed dismay at the inadequate resources made available by the government to ensure a "smooth changeover".

"The small administration staff allocated to deal with this matter are ridiculously too few to handle something this big," said Mabandla.

ANC regional welfare department spokesperson Mrs Vivian Taylor said the treatment of pensioners and the way pensioners were administered was a matter of concern for the ANC.

"The issue here is not only the money pensioners receive but also the way they are treated when they collect it," said Taylor.

"The problem lies with the bureaucracy dealing with pensions and this country's approach to social welfare."

Provisions made for pensions are not considered a right but a privilege.

"For the majority, this is the only income they have and they're not getting what they deserve.

"The abuse of pensions is not correct but one can understand that in many families, pensions are the only source of income."

The Pension Crisis Committee, of which the ANC is a member, plans to meet the Minister of Health and Welfare Dr Rina Venter and Mr Kobus Meiring of the CPA in April and will raise the issue of the unpaid pensions and the treatment of the aged when they collect their pensions.

State pensions to be privatised

SI Times (Buss) 29/3/92 (300)

STATE pension funds will be privatised by the middle of the year in a drastic effort to stem a widening funds deficit, now estimated at R40-billion.

An independent board of trustees is to be set up to administer and manage the funds, which until now have been managed by the state.

By CIARAN RYAN

The JSE and property markets stand to benefit, as a portion of the pension funds' huge cash flows — amounting to more than R9-billion a year — will find their way into property, shares, fixed-interest securities and other growth investments.

One of the main reasons for the massive deficit is the fact that funds may only invest in fixed-interest-bearing securities, with the result that investment returns have lagged inflation.

Deficit

According to a recently published auditor-general's report, in March 1991 the Government Services Pension Fund, which is the largest state pension fund, had R28,37-billion invested in government stock on which it received interest of R3,76-billion, a 13% return on investment.

In a 1988 valuation of the funds, a deficit of R23-billion was found.

Taxpayers have had to fund the shortfall through progressively higher Budget appropriations. In his recent Budget speech the Minister of Finance, Barend du Plessis, allocated R2-billion out of last year's Budget surplus of R3,093-billion to reducing the state pension fund deficit.

Laurie Korsten, chairman of the Korsten Committee, which was set up in March last year to look at ways of restructuring the funds, says the state pension funds will be brought into line with those of the private sector, which are governed by the Pension Funds Act of 1956.

"By the end of June the pension funds should be made totally autonomous and have total freedom of investment," he says.

Eskom and Transnet pension funds have operated independently of the state for several years. The Post Office and Telkom broke away in October 1991.

Mr Korsten says the fund managers will have to proceed cautiously so as not to disrupt the financial markets. "I doubt whether we will sell a single government stock. Properly to diversify the portfolio will take up to 10 years or longer."

Fund managers and stockbrokers contacted by Business Times said the privatisation of state pension funds will push prices higher in an already over-priced share market.

"When Telkom and Transnet started to invest in equities it had a noticeable effect on share prices," says one mining-house fund manager. "Portfolio managers entrusted with a portion of the state pension fund money will feel obliged to show a quick return, so they will want to buy shares even at relatively high prices."

A stockbroker says that now the spate of rights issues — worth more than R5-billion — is over, institutional liquidity will start to build up, especially once state pension cash flows are added.

The manager of mineral economics at Goldfields, Barbara Day, says state pension funds may look for offmarket deals to accumulate sizeable parcels of shares and to save on brokerage.

Growth

According to the Reserve Bank, the total assets of the pension funds managed by the Public Investment Commissioners, of which the bulk is state pension funds, amounted to nearly R45-billion in December last year.

This compares with total assets of R30,2-billion in 1989 and R20,1-billion in 1987, reflecting the steep growth in the size of the civil service, public-sector wage increases and interest earned on investments.

The five funds represent 1,2-million members, of whom only 152 000 are pensioners receiving benefits. More than 400 employer bodies in the public sector contribute to the state pension funds.

Male pension-fund members contribute an average 8% and females 6% of their monthly earnings to the fund, while the state contributes between 6,5% and 22% of the members' contributions — at taxpayers' expense.

Sanlam's former chief executive, the late Dr Andreas Wassenaar, repeatedly slammed the government for systematically plundering the state pension funds. No actuarial valuations were undertaken for almost 20 years.

One of the primary reasons for the massive deficit was the scheme whereby civil servants could "buy back" pensions to the age of 16 for a nominal amount.

Govt 'likely to consider pension proposals soon'

BDay 31/3/92

WILLIAM GILFILLAN

THE Margo Commission recommendation relating to retirement planning will receive government's attention soon, KPMG Aiken & Peat tax partner Hennie Coetzee believes.

"Although no mention of the recommendation was made in the Budget, it remains an outstanding issue."

Former judge Cecil Margo suggested retirement gratuities, including gratuities payable out of insurance policies, be treated as if they were lump sums from pension, provident or retirement annuity funds and taxed at the beneficiary's average tax rate for the preceding three years of assessment.

Currently the lump sum portion of a retirement gratuity is taxed at the average rate applicable in the year in which the beneficiary retires. However, as beneficiaries take steps to reduce their average tax rate applicable to other income in the year in which they retire, this recommendation would increase the average tax rate applied to the retirement annuity's lump sum portion.

Coetzee believed the delay might have related to the protection pension fund members' rights. "The commission stated the recommended changes should not apply to existing members, and this has been accepted by government," he said.

In the White Paper drawn up by government responding to the commission's recommendations, the authorities noted three possible ways to protect existing members' rights. They included freezing existing members' lump sum benefits, exempting the portion of the lump sum applicable to contributions made before the recommended changes, and ensuring that only existing members would be entitled to a retirement lump sum benefit.

However, these options have presented problems relating to administrative efficiency and existing members' equity rights.

Coetzee believed the authorities might implement Margo's recommendation when amendments to the Income Tax Act are passed by Parliament in June or July.

Life Offices Association (LOA) director Jurie Wessels said the authorities should level the playing fields between the private and public sectors before amending the legislation. Currently the lump sum portion of the retirement gratuity is tax free in the public sector.

Tax of 15% likely on pension fund inflows

300

CT 1/4/92

By AUDREY D'ANGELO
Business Editor

THE level of nationalisation envisaged by extra-Parliamentary groups is less than SA had when PW Botha was State President, Dorian Wharton-Hood, convenor of the Life Offices Association (LOA) standing committee on public affairs, said yesterday.

He pointed out at a media lunch at the Southern Life offices yesterday that the National Party had created State organisations — which had the same effect as nationalisation.

In an interview before the lunch Wharton-Hood said a 15% tax was likely to be levied by a future Government on pension fund cash flows to finance housing and social upliftment programmes.

The tax would be a kind of prescribed investment, put into a special fund which would earn interest, and the industry "could live with that."

During the lunch he said all taxpayers should share the cost of meeting social needs such as housing. Insurance policy-holders alone should not be expected to pick up the tab.

Pension fund trustees who felt strongly that members' funds should be invested in such schemes could do so at source, and entrust the remaining funds to portfolio managers to achieve the best returns they could.

Discussing the possibility of a single Act to cover all types of financial institution, Wharton-Hood cautioned against over-regulation — particularly of rates of commission paid to agents together with the necessity for full disclosure of this to prospective clients.

He pointed out this had led to difficulties in the UK, and to fewer people taking out insurance policies to provide them with necessary cover.

He welcomed the expected scrapping of Schedule Six of the Insurance Act, a complex piece of legislation which had benefited no-one but consultants.

Life insurance companies would be expected to undertake not to sell endowment policies over a shorter period than five years. They were, in fact, not competing with banks and building societies for such short-term funds.

Call for phone, VAT concessions to elderly

Staff Reporter (300)

The SA Council for the Aged has called on the Government to make concessions to senior citizens in respect of VAT and more expensive telephone calls. STAR 1/4/92

Director Syd Eckley said a telephone service was an unaffordable luxury for many elderly people but was an essential facility because of the danger of illness, death and crime.

Johannesburg Association for the Aged director Colin McCrystal added that everyone living on a Government pension would be hit.

"On the one hand the pensions are increased, and on the other, they are diminished by increasing rentals and the cost of food," he said.

An average increase of 14,2 percent for various telephone services comes into effect today.

no connection between the sixth schedule and the three-fund principle: in practice, they are linked by Revenue's need to generate a predictable income from the life industry.

The schedule was introduced to deter the wealthy from using life funds as tax shelters and it became progressively more complicated. In the mid-Eighties, it was amended to protect the flow of funds to banks and building societies. This was followed by an undertaking from life assurers that they would not issue any form of policy with a projected life of fewer than five years.

The schedule has become an administrative nightmare and needs to be scrapped. It describes "standard" and "nonstandard" life policies in terms which only a few experts in the industry understand, though the tax implications of the definitions are significant.

The FSB argued that a schedule which is a fiscal measure interferes with the board's regulatory authority. Since then, there has been broad agreement on what constitutes an insurance product and what is more suitable for deposit-taking institutions.

Some assurers were confident the schedule would be scrapped, possibly as early as this week, and replaced with product definitions and regulations in the Long-Term Insurance Bill expected to come before parliament next year. The life offices would, meanwhile, comply with a directive to be drafted by the board, with the same regulatory effect.

But Revenue needs to know the regulatory umbrella under which life offices will pay tax. So the rules have to be in place when the schedule is scrapped. The rules attached to the three-fund principle should have covered this dilemma. In this, shareholders' or corporate funds in life offices would be taxed in the same way as any other company, with the two mutuals offering all or part of their free reserves as the equivalent of corporate funds; there would be a nontaxable pool of pension, provident and retirement annuity savings; and a pool of general policyholders' funds would be taxed at the average rate — probably about 32% — instead of the top marginal rate of 43%. The last clause would enhance the savings potential for millions of policyholders.

But Revenue has now pointed out there would be opportunities for tax evasion. A company-owned policy, other than a key-man or deferred compensation scheme, would usually attract tax at the company rate of 48%. But if the company cedes it to a natural person, the tax would drop to the proposed 32% — with a large loss of revenue. The proposals are all back on the drawing board for a minimum of three months.

Meanwhile, insurance brokers who have been selling investment-type products with an undertaking that they will soon be recognised as standard, and therefore contain tax benefits, are on unsafe ground, with a potential for liability suits against them if things go wrong. When the sixth schedule is finally scrapped, it is hoped that all nonstandard policies will become standard. But if Revenue scents that the delay is being exploited, it is possible that policies issued after, for example, Budget day 1992, will not be taken into the lawful net. ■

Tax posers

FM 3/4/92

Attempts to simplify and rationalise taxation of the life offices — and, therefore, tax on millions of policyholders — have met new snags.

There will be no quick demise for the sixth schedule of the Income Tax Act as was widely predicted. Nor is there likely to be immediate progress towards dividing life office assets into three separate funds, which would have benefited most policyholders.

The three-fund approach had been endorsed in Finance Minister Barend du Plessis' Budget last month but difficulties emerged in talks involving Inland Revenue, the Financial Services Board (FSB) and Life Offices Association (LOA). There should be

continued

Razzmatazz for FW's roadshow

ARG 4/4/92

MICHAEL MORRIS
Weekend Argus
Political Staff

PRESIDENT De Klerk is set to launch a jazzed-up meet-the-people campaign to win the hearts, minds and votes of blacks, coloureds and Indians with a road-show-style rally in Mitchell's Plain next Saturday.

Townships around the country are being penned into a campaign calendar National Party strategists believe will help broaden the party's support base ahead of democratic elections.

It will be history in the making ... the first time a National Party leader has campaigned directly for support from those it discriminated against throughout its tenure in government.

Bands, balloons and drummies will bring some glitz to the National Party's roadshow launch in Mitchell's Plain next weekend in what the NP intends as confirmation that the apartheid book is closed.

And NP secretary-general Dr Stoffel van der Merwe pointed out yesterday, the party was "building up the machinery to deal with a wider audience in the elections coming up sooner or later".

Borrowing from the lexicon of extra-parliamentary activism, the NP has billed the Mitchell's Plain event as a "mass rally". There will even be NP "marshals" sporting "FW" T-shirts.

Peak Saturday morning shopping floods the local town centre with around half-a-million people.

The President will arrive at the Westridge Community Centre at 11am, where he will be met by Cape leader of the party, Dr Dawie de Villiers and other MPs.

After delivering a short speech from the steps of the centre, he will set out for the Mitchell's Plain Town Centre, accompanied by a band and drum majorettes.

His main speech of the day will be delivered in a marquee to be erected on the corner of Second and Seventh Avenues.

Shortly before lunch he will call on the Radio Plain studio nearby and deliver a short message to the several hundred thousand shoppers expected to be within earshot of the shopping centre broadcast.

Just after 1 pm, he will retire to lunch with Mitchell's Plain business people and invited MPs, and then leave, at 2 pm.

Black townships — and other areas — countrywide are being assessed for similar ventures.

National Party secretary general Dr Stoffel van der Merwe acknowledged security was a cardinal factor, but confirmed party plans to reach out to black, coloured and Indian communities. Detials are still being worked out.

"During the referendum, we reached out to whites. Now we want to reach out to all South Africans. Broadly, the message will be that the NP cares for all South Africans.

"We will spell out our commitment to democracy, to adequate protection for individuals and minorities.

"Our initial motto will be 'Build a Nation', but there will be others."

Dr van der Merwe said that while the rallies were not necessarily intended as a membership drive, "we hope to pick up new members. It is an inevitable bonus".

Questioned on the likely response to the NP's commitment to minority protection, Dr van der Merwe said: "We still firmly believe South Africa is a country of minorities and even though we are creating an open political system, one of the main concerns of millions of South Africans of all shades and colours is that they do not want their group to be subjected to harassment."

R2-million plan to feed SA's elderly

300

ARG 4/4/92

DI CAELERS
Weekend Argus Reporter

PLANS are well advanced for the introduction in South Africa of a R2-million feeding scheme set to ease the "desperate" plight of the country's elderly.

At the helm is the Association of Retired Persons and Pensioners (ARP & P). Its national chairman, Mr Vic Broad, said the aim was to feed "everyone we possibly can, provided they're pensioners and genuinely in need".

In the Cape, it's all systems go for the introduction of the scheme in Guguletu. "The Department of Health Services and Welfare has promised us the funds and as soon as we get them, which should be in a matter of weeks, we'll kick into action.

"The ARP & P branch in Guguletu has built shelters and installed cookers at the civic centre. Menus are all arranged and we aim to provide a substantial meal twice a week for between 400 and 500 people," Mr Broad told Weekend Argus.

They planned to move into Khayelitsha once the Guguletu operation was established.

Mr Broad said his association was still pinpointing areas in the white and "coloured" communities where "feeding stations" would be established.

Blind pensioner's eviction stayed

By DAN DHLAMINI City Press 5/4/93 300

AN 11th hour intervention by Lawyers for Human Rights has saved an elderly blind Free State pensioner from being thrown out of the house she occupied for more than 38 years.

Lydia Mphore, 73, of house 759 Rammulutsi, near Viljoenskroon, told City Press that she had bought the house in the early 70s after residents were given the go-ahead to buy houses they were living in.

She said during the 10-month-long rent boycott in 1990 she did not pay and as a result had to pay her arrears in terms through the council's lawyers.

She said she was surprised when she was told last month that her house had been sold at an auction.

"I begged the Town Clerk, Johan Nel, to tell me who had bought my house so that I could plead with him or her to resell it to me. Nel refused to tell me," said the bitter Mphore.

City Press investigations revealed however that Mphore's house was bought by Nel himself for R2 000 at a council auction on March 5. He then sold the two-roomed house with cracked walls to Cecilia Sefudi, a farm-school teacher, for R2 300.

Sefudi said when she was supposed to occupy the house this month, lawyer Alec Hill of the Rammulutsi Council lawyers told her that there was trouble and that she had to wait.

Lawyers for Human Rights' Western Tranvaal regional director, Igbal Motala, confirmed that papers have been served to set aside the sale of the house because of suspected irregularities in the transaction.

The figure for Blacks can further be broken down to average figures in geographical areas:

TBVC states	59.8
Self-governing territories	54.4
Remainder of South Africa	50.0

Education: salaries

185. Mr R M BURROWS asked the Minister of Education and Training:

(a) What was the amount spent by his Department in 1991 on (i) salaries of teachers and principals, (ii) salaries of administrative staff, (iii) salaries of inspectorate and executive officials, (iv) salaries of any other specified staff, (v) capital expenditure, (vi) supplies and services, (vii) equipment and (viii) other items and (b) what percentage of the total education expenditure by his Department in 1991 does each of the above amounts constitute?

B426E

The MINISTER OF EDUCATION AND TRAINING:

The information as requested in a(i) to (iv) is not readily available and a total amount for personnel expenditure is supplied:

	(a)	(b)
	R'000	*%*
(i) - (iv)	2 820 160	74,80
(v)	284 478	7,54
(vi)	243 188	6,45
(vii)	49 667	1,32
(viii)	372 947	9,89
Total	3 770 440	100,00

Note:

The books for the 1991/92 financial year have not yet been closed. The information is therefore based on estimated expenditure.

Standard 10 examination results

186. Mr R M BURROWS asked the Minister of Education and Training:

How many pupils at schools falling under the control of his Department (a) wrote, (b) passed and (c) failed their 1991 Standard 10 examinations in respect of (i) Mathematics (Higher Grade), (ii) Mathematics (Standard Grade), (iii) Physical Science (Higher Grade) and (iv) Physical Science (Standard Grade)?

B427E

The MINISTER OF EDUCATION AND TRAINING:

(i) Mathematics Higher Grade

(a) 10 519

(b) 1 502

(c) 9 017

(ii) Mathematics Standard Grade

(a) 13 987

(b) 1 794

(c) 12 193

(iii) Physical Science Higher Grade

(a) 10 640

(b) 1 698

(c) 8 942

(iv) Physical Science Standard Grade

(a) 5 619

(b) 1 507

(c) 4 112

Pensions/grants/maintenance: Black persons

191. Mr E W TRENT asked the Minister of Local Government and National Housing:

(1) How many Black persons were receiving (a) old-age pensions, (b) disability grants and (c) military maintenance aid from the State in the Port Elizabeth/Ibhayi/Uitenhage/Kwanobuhle metropolitan area as at 30 June 1991;

(2) what total amount was paid to each of the above three categories of persons during the latest specified 12-month period for which information is available?

B437E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) (a) 18 305

(b) 10 840

(c) 41

(2) For the period April 1991 to March 1992.

(a) R46 644 085

(b) R27 248 377

(c) R102 070

Black provincial health clinics

192. Mr E W TRENT asked the Minister of Local Government and National Housing:

(1) (a)(i) How many provincial health clinics for Blacks were there in the Port Elizabeth/Uitenhage/Ibhayi metropole as at 31 December 1991 and (ii) what are their names, (b) what are the functions of these clinics and (c)(i) what was the staff complement as at the above date and (ii) in what categories were these staff members employed;

(2) (a) what was the expenditure budget of each of these clinics, and (b) how many patients did each of them attend to, in 1991 or the latest specified 12-month period for which information is available?

B438E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) (a) (i) 10

(ii) Walmer Community Health Centre

Kwazakele Day Hospital

Motherwell Community Health Centre 40

Motherwell Community Health Centre NU8

Laetitia Bam Community Health Centre

4 × Satellite Community Health Centres in Kwa-Nobuhle

Middel Street Clinic

(b) The above render a currative primary health service and an antenatal care. The Motherwell Community Health Centre 40 renders a 24-hour service which include an obstetric and casualty service.

(c) (i) and (ii)

Walmer CHC 31	5	× Administrative
	5	× Professional Staff
	15	× Nursing
	8	× General
Kwazakele DH	60	3 × Professional Staff
		33 × Nursing
		5 × Administrative
		8 × General
		11 × General Assistants
Motherwell CHC 40	108	5 × Professional Staff
		63 × Nursing
		9 × Administrative
		17 × General
		14 × General Assistants
Moherwell NU8	10	8 × Nursing
		1 × Administrative
		1 × General Assistants
Laetitia Bam CHC	12	4 × Nursing
		1 × Enrolled Nurse
		1 × Nursing Assistant
		3 × General Assistants
		1 × Medical Officer (2 to 3 hours per day)
		2 × Administrative
4 Satellite CHC		
1	3	1 × Nursing
		1 × Administrative
		3 × General Assistant
2	3	1 × Nursing
		1 × General Assistant
		1 × Administrative
3	4	1 × Nursing
		1 × Enrolled Nurse
		1 × Administrative
		1 × General Assistant
4	4	1 × Nursing
		1 × Enrolled Nurse
		1 × Administrative
		1 × General Assistant
Middle Street Clinic	10	3 × Nursing
		1 × Enrolled Nurse
		1 × Nursing Assistant
		1 × Medical Officer (2 to 3 hours per day)
		2 × Administrative
		2 × General Assistant

Continued

Life assurers 'discuss principles' with ANC

CAPE TOWN — The Life Offices Association (LOA) had been holding talks with the ANC and other extra-parliamentary groups on ways of investing its funds in socially desirable projects, but LOA chairman Louis Shill categorically denied yesterday that any percentages or figures had been discussed so far.

"There is no question of any allocation of sums," Shill said.

The Financial Mail reported this week that "life assurers are close to striking a deal to put about R5bn a year into 'socially desirable' pro-

LINDA ENSOR

jects such as low-cost housing and education. The mechanics are still being discussed."

The FM said the ANC was considering a social levy of 10%-15% on total income from premiums and investment.

LOA director Jurie Wessels said yesterday this idea had not as yet been presented to the LOA. Wessels denied that any deal was in the process of being struck about a R5bn-a-year investment or a 15% prescribed asset requirement. Only broad principles had been discussed so far, he said.

Shill stressed that life assurers were keen to be involved in social investments, were intent on doing something meaningful in this area and had taken the initiative in setting up talks with the ANC and other groups.

A number of worthwhile and innovative ideas were under discussion.

However, it was too early to reveal the contents of the discussions at this stage.

THE LONG WAIT: Pensioners queue in the hope of a payout. And they're the lucky ones — they have somewhere to sit, even if it's on upturned beer crates and concrete blocks. ARG 9/4/92 (300)

Pension payout was 'too late' for dead man

A GUGULETU pensioner who was officially declared dead when he wasn't died before his pension was restored six months later, an MP claimed.

Mr Ken Andrew (DP Gardens) was speaking in the debate on the Cape's provincial budget. He said the case of Mr Yeye Mbane graphically illustrated the tragic effects of the CPA's bureaucratic maladministration of black pensions.

Mr Mbane got a pension from 1979 to April 1991, when it stopped.

"He went to the CPA and was told he had been categorised as "dead" and must now obtain a "survival certificate" from the nearest police station.

"Mr Mbane did so and handed the certificate to CPA Community Service, Guguletu, on 19 April 1991.

"When nothing happened, he sought the assistance of the Black Sash and the Legal Resources Centre. In November he was advised that outstanding pensions amounting to R1 770 would be paid to him.

"Unfortunately it was too late for Mr Mbane. He had died in October, having been denied his pension — his means of survival — for six months."

Mr Andrew said the inefficient and callous way in which black pensioners had been treated over the years was disgraceful.

"No government calling itself Christian or civilised should have tolerated such a state of affairs," he said. — Sapa.

Cape Times, Thursday,

Pension (300) restored after man had died

PARLIAMENT. — A Guguletu pensioner whose pension was stopped by the Cape Provincial Administration last year because officials decided he had died, in fact died before it was restored six months later, Mr Ken Andrew (DP Gardens) said yesterday.

Speaking in debate on the Cape's provincial budget, he said Mr Yeye Mbane received his pension from 1979 to April 1991, when it stopped.

The CPA told him he had been categorised "dead" and must obtain a "survival certificate" from a police station. He did so, but when nothing happened, so he went to the Black Sash and the Legal Resources Centre. He was told an outstanding R1 770 would be paid in November. CT 9/11/92

But Mr Mbane died in October. — Sapa

REVIEW: *Your money*

In (many) other words, life cover

w/mail 10/4-15/4/92 (300)

You've decided you need life assurance — or rather the salesman has persuaded you of this. That's the easy part. **REG RUMNEY** gives a simple guide to what it all means

PITY the poor potential customer for long-term insurance. Not only does he face some of the hardest sell salesmen in South Africa, who have helped the life assurance business heap up billions of rand capital, he also has to cope with the life assurance business' own particular brand of treacly jargon.

What, for instance, is a "linked endowment" or a "whole life"?

Cutting through the jargon is half the battle won for the potential customer.

One has also to distinguish the jargon from the jargon-sounding product names, such as Old Mutual's "Guaranteed Investment Contract".

To wend one's way through the clutter of jargon, one could turn to a member of the Institute for Life and Pension Advisers (Ilpa). But here is a brief, if simplistic, outline.

Lying behind the jargon are denominators in common to many life assurance products.

The basis of the long-term insurance or assurance business is the basic **life policy.**

The life insurance policy differs from the insurance you have on your car or household. Your car might never be stolen but your death is, sooner or later, a sure thing.

This is the difference between assurance and insurance.

"Term" or "reducing term" cover insures you for a specified period, say 20 years. Term insurance is relatively cheap. But if you die after that time your policy is worthless. You may want to take out this type of policy to satisfy the conditions of a bank or building society, which demand that you have some form of life insurance cover for your house. After 20 years your bond will be paid off and you won't need life insurance (for that particular purpose) any more.

Another type of term insurance is **"group life"** cover. This is term insurance, but offered to a group of people, commonly the employees of a company. The numbers make it possible for the insurer to bring down administration costs, so this is the cheapest form of life insurance — though Aids may in future raise the price.

If life insurance stopped there it wouldn't be that different from ordinary short-term insurance. The assurer would take your money, invest it, calculate its risk, and charge you a premium designed to be competitive and make a profit.

But it is the other side of life insurance firms' business which has enabled them to grow into huge institutions that vie with banks and building societies for the man-in-the-street's rand.

The "contractual savings" aspect of life insurers' business have enabled them to build up huge funds for investment.

Contractual savings mean the saver is forced at regular intervals, usually every month, to put aside a sum. It's opposite is discretionary saving, for instance, in a bank or building society savings account.

The funds drawn in by the insurers are invested in the stock exchange, which has shown good returns, or commercial and industrial property, or long-term bonds.

Investment funds make it possible for insurers to offer the **"whole life" policy.** This, as the name implies, covers the insured person, or policy holder, for as long as his life lasts. His heirs are paid out when he dies, whenever that may be.

The whole life policy is a combination of term insurance and and contractual saving investment.

In the beginning of the policy's life, a big chunk of the premium or monthly amount payable is term insurance. The rest is invested. As time goes on, the term insurance decreases, and the investment portion increases. By the time the policy holder retires, there will no longer be any need for the term insurance, with the investment portion large enough to pay out a hefty sum to the policy holder's heirs when he dies.

Endowment policies are basically investment vehicles, though they often include life cover and can have tax benefits that bank or building society savings don't have. "Pure" endowments do not have any life cover.

Endowments are a form of saving, usually over a minimum period of five years.

They can be conventional or linked.

The performance of linked endowments, as the name implies, offers returns linked to the performance of funds invested in the stock exchange. Conventional endowments offer a smoother if more conservative return, where investment growth in good years levels up poor performance in bad ones.

The life insurance companies also manage pension funds for groups and they offer a kind of pension aimed mainly and professionals and self-employed businessmen, the **retirement annuity (RA).** An annuity is most simply defined as a pension.

To RAs and endowments is often attached life and disability cover of some sort, and there is often the option of linking the contributions to increases in inflation, so that the capital is protected against erosion over time.

Divorced? Be wary of pension clash

w/mail 10/4 - 15/4/92

(300)

The Divorce Act generously allows a spouse to claim part of the retirement fund. But, argues **NIGEL SCOTT**, it could be more trouble than it's worth

SHOULD pension benefits be included in a divorce settlement? At first glance, the answer to this question is obviously yes. For the average man, apart from his house, his most valuable "asset" is his interest in a retirement fund (pension, provident or retirement annuity fund.) But consideration of the legislation in this regard might lead to a different conclusion.

The Divorce Act was amended in 1989 to allow for the inclusion of the interest in a retirement fund in the assets of a spouse for the purpose of the division of assets on divorce. This "pensions interest" is defined in the Act. The manner in which it is defined leads one to question the wisdom of its inclusion in a divorce settlement.

With a pension or provident fund, the "pension interest" is the amount the member would have received had he resigned from employment on the date of the divorce.

The benefit one receives from a pension or provident fund on resignation is commonly known as the withdrawal benefit.

The rules of the fund will define how this withdrawal benefit is calculated. In many cases a member is only entitled to a return of his contributions to the fund, plus interest at a nominal rate (between four and seven percent).

Some funds allow for the return of the member's and the employer's contributions, provided a certain period of service had been fulfilled (usually 10 to 15 years).

The award to the non-member spouse may represent a fraction of the entitlement of the member. This situation is further exacerbated by the fact that the non-member spouse must wait until the member of the fund becomes entitled to a benefit before receiving payment.

In other words, if the member spouse is due to retire from the fund in 20 years time, failing his prior death or resignation, the non-member spouse will have a long wait before the "pension interest" will be received.

An award to the non-member spouse of even 100 percent of the pension interest need not represent a significant sum. The danger is that a non-member spouse may, during the course of negotiations, agree to accept 100 percent of the "pension interest" instead of some other asset which provides a more valuable and immediate benefit.

Parties to a divorce settlement should bear these factors in mind, realising that the right to share in a spouse's pension fund may not live up to expectation.

The Divorce Act, in addition to pension benefits, also deals with retirement annuity (RA) benefits.

With a RA fund, the "pension interest" is defined as the amount of the member spouse's contributions until the date of divorce plus interest at a rate prescribed by the minister of justice (currently 18,5 percent a year). A divorce court may award any percentage of this pension interest to the non-member spouse as part of the settlement.

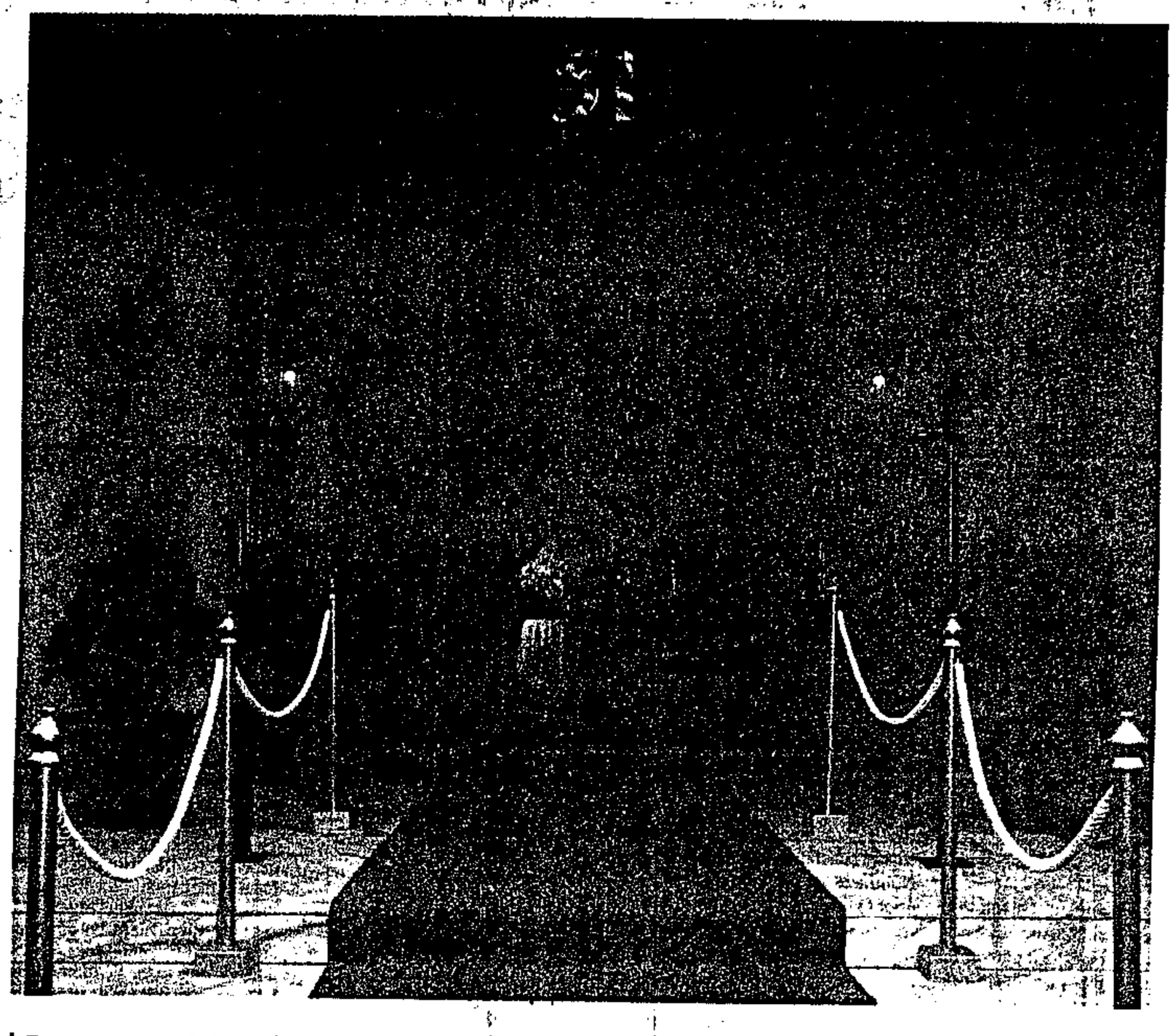
However, with a pension or provident fund, the payment of the pension interest will only occur when the member spouse becomes entitled to a benefit from the fund. With a RA fund, this will occur on either death, disability or retirement.

The value of the pension interest is more realistic in the case of a RA fund than that of a pension fund. But the non-member spouse may have to wait a considerable time before receiving the benefit and this needs to be considered when the settlement agreement is being concluded.

In terms of most RA contracts, the member has the option to amend his retirement date. Legislation provides that retirement from the fund may not occur before 55 years of age and not after 70 years of age. So a member spouse can frustrate the claim of the non-member spouse by postponing his or her retirement to the latest possible date.

Whether the award of all or a portion of the pension interest in a RA fund would be more attractive than a similar award in a pension fund cannot be answered in general terms. Each case needs to be examined and considered on its own merits. The important point to understand is the nature of the asset one is dealing with.

●Nigel Scott is Southern Life Legal Services assistant general manager.



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SBSA 301613/306/FC

Review: Business

Planning for retirement

A six-page Weekly Mail focus on a crucial, but neglected spect of personal finances — ensuirng that you don't live out your old age in penury

How do you insure against living too long?

w|m and 10|4-15|4/92 (300)

Hope I die before I get old — The Who

GENERALLY people only start thinking seriously about providing financially for old age as the reality dawns: I'm already too old to live fast, die young and have a good-looking corpse.

So what are you going to do to insure against living too long?

Institute of Life and Pensions Advisers president Joe Gates stresses what may be common sense but is too often overlooked. This is that *you should start retirement planning as soon as possible.*

He notes that R100 a month invested over 20 years at an average return of 15 percent should give R150 000.

If you start with your long-term investment only one year later, that return has dropped to R128 000. If you start one year earlier your return will be R175 000.

That's a little lesson in the power of compound interest — and in the cost of procrastination.

So, maybe you have a pension, but you know it's not going to be enough to take care of your old age. Unless you have been able to "buy back" in a government pension fund, or you are a long-serving employee your monthly pension will be far from enough to keep you living in the style to which you have become accustomed.

Sage Life senior manager Michael Belling remarks: "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."

Like many employees these days, you've probably done some job-hopping in your career. The one who benefits most from company pensions is that increasingly rare creature, the company man.

Secondly, even if you have a pension you can't count on the pension fund increasing the payouts in line with inflation.

So you will probably want to supplement your pension in some way. If you can you will consider sophisticated mechanisms such as deferred compensation and the use of restraint of trade agreements.

Less sophisticated but equally effective is to be debt-free by the time you retire. So speeding up the repayment of your mortgage bond would be good move. Buying a new motor car wouldn't be unreasonable. "Try to replace wasting assets by the time you retire," comments Gates.

He notes that you should also ensure you have some form of providing against medical expenses. If you don't have continued membership of your firm's medical aid scheme, some form of health insurance should be considered.

Aside from those, retirement annuities, endowment and life assurance policies, and unit trusts are discussed in accompanying articles.

Big Brother can scupper your plans

w|mail 10|4-15|4/92 (300)

By REG RUMNEY

RETIREMENT planning can be bedevilled by changes to the regulatory set-up.

For instance, neither retirement annuities (RAs) nor endowment policies are subject to the onerous "prescribed asset requirements" of the past.

So life insurance firms don't have to put big chunks of their endowment or RA money into not particularly profitable government investments.

Previously, RA funds had to invest 53 percent of their funds in low-yielding prescribed assets. Endowment policy portfolios had to hold 33 percent of their funds in such investments.

Portfolio managers can direct the money to whatever place is most profitable.

This benefits RAs even more. For those earning top salaries and so paying 43 percent of their taxable income to the government (the top marginal rate) this means that an investment in an RA is a cheaper way of buying shares than unit trusts. Because RA contributions are tax-deductible up to a certain amount the RA investor is getting almost double the investment in the share market for the same rand as the unit trust investor.

On the other hand, the unit trust investor has also been given a boost. Share dividends received by investors are now tax free, and unit trusts generally invest a sizeable portion of the money available to them in shares.

This means that a good part of the unit trust income is tax-free — for the moment.

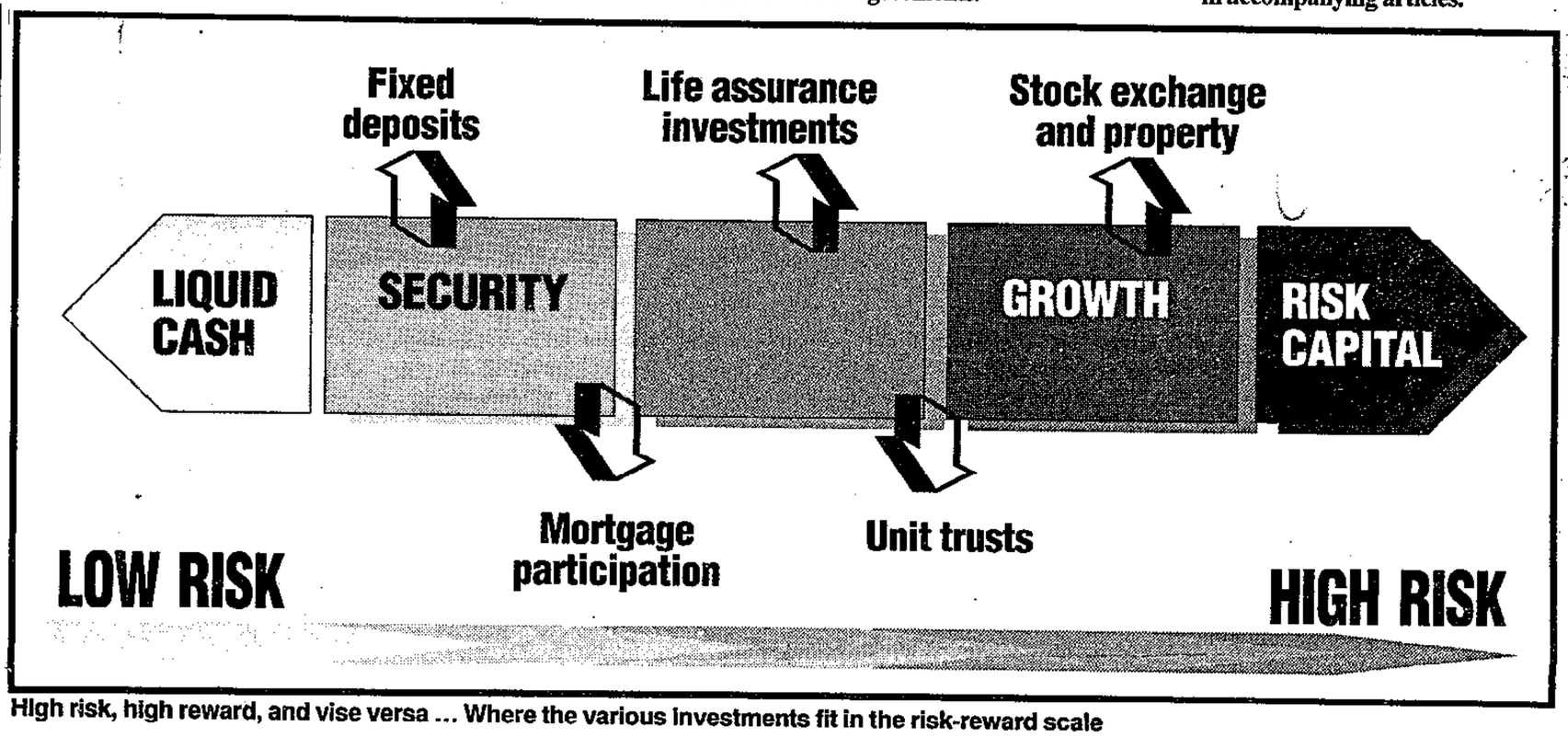
Also, unless the unit trust investor is regarded as "speculating" in shares, the profit he or she makes when selling shares is a capital gain and so is not taxed.

As Sanlam's Chris Bosenberg points out, no one knows what the "new" South Africa will bring.

There has been serious consideration of using some form of prescribed requirement to divert some of the money in the control of the life insurance companies to socially desirable investments such as housing, or to investments in productive capacity (eg factories) and away from the Johannesburg Stock Exchange. This would hit endowment policies and RAs.

Similarly, a new government might well reverse the recent decision to allow dividends to be tax free in the hands of the recipient. Also, a capital gains tax is almost certainly on the way. Both would hit unit trust investments hard.

A new government may decide to tax all of the RA fund, including the one-third lump sum which is now received tax free. It may even make RA contributions taxable.



High risk, high reward, and vise versa ... Where the various investments fit in the risk-reward scale

Top up your pension fund

w|mail 10|4-15|4/92 (300)

Which retirement planning investment is best for you? **REG RUMNEY** *looks at the options*

THERE are three main vehicles for investing for your retirement.

They are:

- An endowment policy;
- A retirement annuity;
- A unit trust.

These are also the three most popular investment top-ups for a pension. Which should you go for? Let's look at two for a start, retirement annuities and endowment policies.

Retirement annuities (RAs) are a kind of private pension fund. They were, according to Momentum Asset Trust general manager Martin Kourie, introduced in South Africa in 1960 to enable those self-employed to contribute to their own pensions.

Like pension fund contributions, the monthly payment in a retirement annuity is tax free according to a certain formula.

You can deduct whatever is the greater of:

- Fifteen percent of taxable income from sources *other* than pensionable income, ie income not used for future retirement benefits from a pension or provident fund;
- R3 500 less pension fund contributions;
- R 1750.

RAs are particularly attractive if you are self-employed, since you can usually deduct the maximum of 15 percent of your taxable income.

On retirement, from at least 55 years of age for men, 50 for women, you can take out up to a third of your payout in a lump sum — up to R120 000 or R4 500 multiplied by the number of years you have been contributing to the fund.

The remaining two thirds have to be invested in an annuity or pension, the monthly payments of which are taxable, for the rest of your life. One big advantage, particularly for small businessmen who don't belong to pension or provident funds, is that the RA falls outside your estate if you are declared insolvent and your creditors cannot get their hands on your retirement money.

IGI Life marketing director Peter Atkinson believes the tax benefits of RAs are impressive, not only for high earners.

Peter Atkinson

Any extension to a retirement portfolio is a great benefit he says. Apart from that they are portable and the benefits don't alter when you change your job. They can be designed to start your pension payment at any time between the ages of 55 and 70, either to fit in with your retirement date or as a boost to a company pension several years after retirement.

Pensions and RAs are fundamental in forming a first base-layer of retirement income to replace normal earnings, says Kourie.

Many employers will contribute to an employee's RA over and above their normal contribution to the company's pension fund.

Kourie says people over 42 years old benefit most from RAs. Their earnings capacities are coming close to their peaks with private spending rapidly tapering off. "By this stage children are becoming self-sufficient and commitments like mortgages etc are usually out of the way." These people, he adds, are invariably top marginal taxpayers and so get the maximum tax-relief on their contributions.

But Sanlam senior manager, Chris Bosenberg, reckons: "The only reason to invest in RAs is that your contribution to a RA is deducted before tax up to a certain level and when you reach retirement you can cash in a third."

That two-thirds of the accumulated capital must remain frozen in an annuity may be a bigger disadvantage than is apparent at first.

BDO Spencer Steward director Matthew Lester notes that one has to live long enough to enjoy the full benefits of the fund. "For mere mortals, this is often difficult to achieve."

So a big problem with RAs is their zero flexibility.

It's reckoned assurance brokers don't push RAs as much as **life policies.**

Bosenberg agrees: "Some life policies have a much higher commission structure. Brokers prefer to sell long-term policies because the commission is higher."

The maximum commission is obtained after 25 years. You'll find, he says, that 10 percent of life policies have a term of 10 years, 85 percent are of 25 years, and the rest other terms.

"Most brokers would prefer to sell policies with 25-year-terms or not at all."

Life policies, or endowment policies, which have life insurance thrown in, have obvious disadvantages. Firsty, the premiums or monthly amounts are paid out of after-tax income. And the life insurance company is taxed on investment income, according to a formula, as well. So though the final payout is free of tax, you will have already paid tax through the life insurance company.

Secondly, they are not very "liquid" — ie they can't be turned into cash very easily, unlike, say unit trusts.

Old Mutual legal analyst Peter Stephan argues that it is difficult to make a comparison between endowments and RAs because they are so different.

One is funded with pre-tax money, the other with after-tax money, while the end benefits and inside build-up of the funds are taxed differently.

"The RA provides tax savings now and taxable benefits later, whereas the endowment works on the principle of no tax relief, but tax-free benefits later."

Rand for rand, he says, especially for high-income earners, RAs seem to provide a better ultimate benefit than RAs for the same premiums paid. However, your needs and objectives must be taken into account.

Often, he says, a combination of RAs, endowments and unit trusts is the answer. Endowments may be taken out for future capital needs, while RAs may be taken out to provide a pension.

anguish

might regress — become little again — way of showing they need more attention their age would suggest. Where parents are ... and organised, the impact is lessened."

Children's aggressive play and violent drawings might horrify teachers and parents, says ..., but "it's a part of being very young. ... use it as a way of making sense of what ... on around them — a way of exercising ... form of control over their fears".

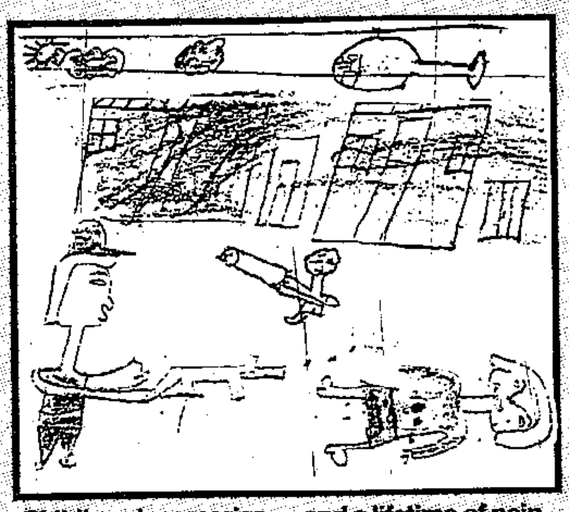
... suggests that teachers and parents allow ...dren to talk about their drawings and games ... way that makes the children feel safe to do ... This can provide containment and support."

... children will react to violence in different ..., according to their ages, their individual make-up and their home environments. According to Dawes, those most at risk are children who lack support from parents or siblings, or who have experienced the death of someone close to them (perhaps seen it happen), lost their homes and been displaced or injured themselved.

For such children, especially where such events happen to the same child, one could predict long-term effects.

But Dawes dismisses the notion that the violence will throw up an entire brutalised generation, with dire implications for the future. "Many children in townships are brutalised already by life itself," he points out, adding that only a small proportion of children will manifest more serious long-term effects, becoming depressed, asocial and withdrawn.

For many, violence can become understood as the way problems are solved. "Young children often have quite aggressive fantasies anyway. When they see the outside world being aggressive, the boundaries can get blurred ..."



Childhood memories ... and a lifetime of pain

Adolescents' greater ability to understand the violence acts as a form of protection but, says Dawes, their tendency to get involved in more risky behaviour also put them in greater danger.

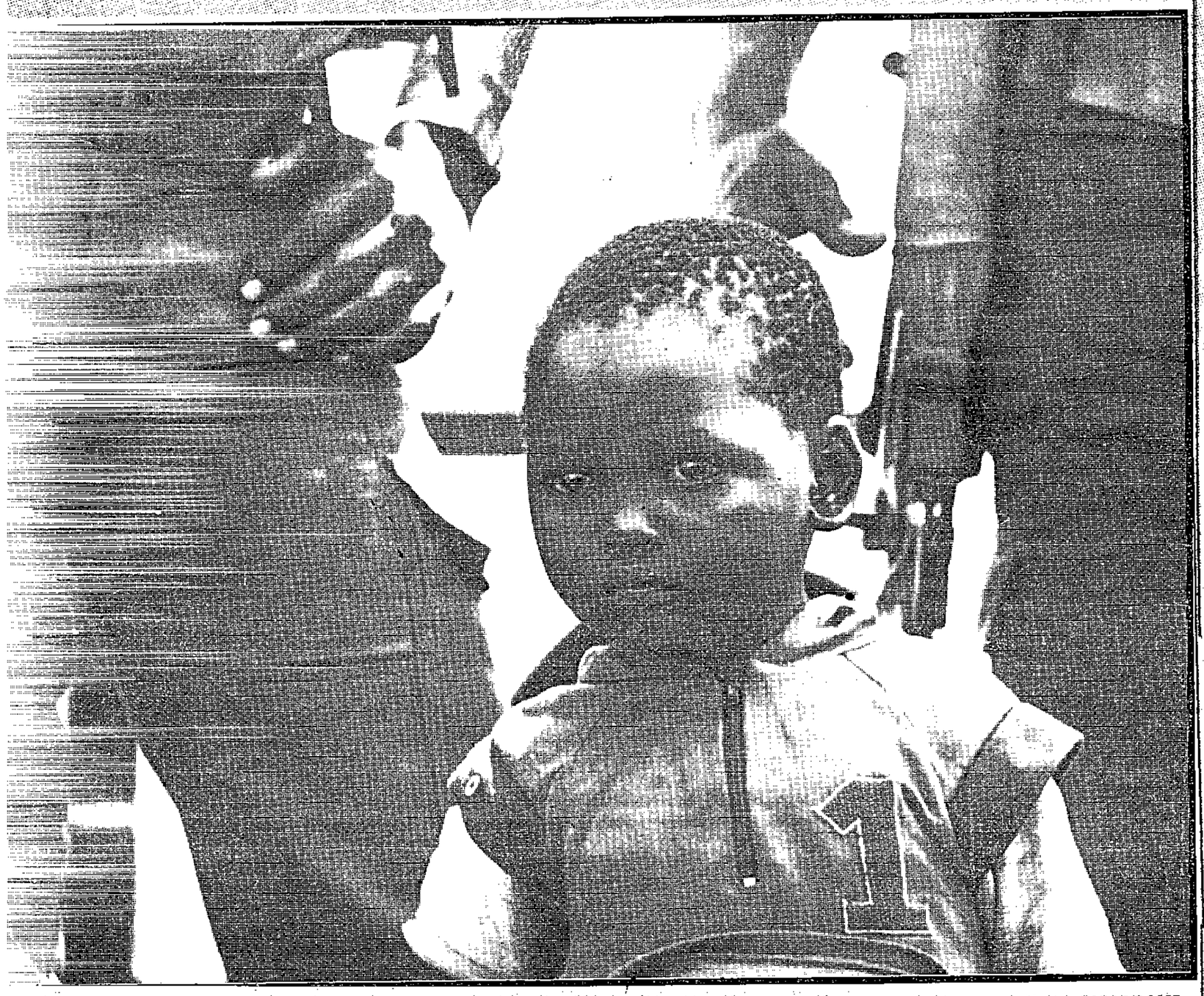
Removing children from violent areas, unless they went to other, familiar family members, is not necessarily a solution, says Dawes.

"Children will tend to be concerned about what is going on at home and will tend to inflate the dangers faced by those left behind. When things get difficult, it is better to keep people close to those they can rely on.

"What's necessary are support groups — for teachers, parents and siblings — perhaps linked to civics and street committees, acting as channels for information to help them to cope. There aren't the resources to give everyone therapy.

"The main thing is to avoid people becoming emotionally isolated. They need the opportunity to talk, share their terrors and losses — not just to ventilate but to think of constructive ways of finding out how to cope. If adults and older siblings cope better, so will the children."

war zone



... burnt-out home he once lived in at Crossroads squatter camp in Katlehong

Photo: GUY ADAMS

... talk about his ... will do if they ... so scared to ... death."

... Soweto to ... at Road in ... past the ... past few ... to shoot- ... forays into ...

... 12-year- ... to move ... on Vincent ... it is better: ...

... 47 people: ... 17 in the ... the yard. ... they have to ... even eat out- ... inside when the hostel people come," says Catherine.

The house is on the corner next to the taxi rank where, three weeks ago, a minibus full of people going to work was sprayed with machine gunfire. A week later, again not far from her home, a hand grenade was hurled into a bus returning workers from town. Miraculously, no one was killed. Six people were injured.

As Catherine speaks, a tremor runs through the ground. The children instinctively duck low. Some run away, bent double to avoid bullets. Catherine puts on a brave face and dismisses the others as "cowards". But it is clear she is shaken.

Like most children her age, the Easter school holidays have come as a welcome relief.

"When we wash, preparing to go to school, the hostel people would come towards the township and we have to run out into the street naked, there is no time to dress up," says Catherine.

Just three weeks ago, her cousin, 12-year-old Jacob, was ambushed by hostel dwellers crouching in the alley he has to pass on his way to school. Pellet marks around his eye now scar his face.

"I was walking through a passage, and suddenly I was grabbed and taken to the hostel by these men," says Jacob. "I screamed loudly. I thought they were going to kill me inside that place. They were hitting me all the time and then one guy, I can recognise him, told them to let me go because our people had been alerted."

At the Ikhayalam pre-school near Mzimhlope hostel, principal Caroline Tikolo says the children are affected by the violence. All her charges are under six years old and "when they hear guns they panic and run around and then want to watch what's happening at the fence".

Last week, she found a five-year-old drawing a stick instead of the usual mommy and daddy pictures. He said: "I am drawing Inkatha."

During playtime they play their favourite game: "Inkatha, Inkatha". They use plastic bags to make headbands, grab anything that will suffice for a "traditional weapon" and run around "killing" each other.

One of the children playing in the street near the crêche says: "I saw a man from the Inkatha hostel being burnt just there in the next road three weeks ago." He points to a distant line of abandoned, gutted houses which form a border between township and hostel residents.

"When I heard people talking about him, I followed because I wanted to see what was happening. He was dead and lying there on his back looking upward like this."

He lies down on the grass and demonstrates how the man lay stiff, and indicates that a hole in his head was oozing blood while many parts of his burnt body still smouldered. "But I was not scared, I was only disgusted," he says.

Playing games among the ruins

W\Mail 10/4 - 15/4/92

By BEATHUR BAKER

ALL that's left alongside the flattened shacks of families wiped out in an attack on Crossroads, a predominantly Zulu squatter camp next to Kathlehong on the East Rand, are the trampled remnants of once-thriving vegetable gardens.

Now, children who survived the onslaught and are on holiday from school, play among the ruins.

At first sight, they appear unaffected by the brutality of the attack — which was a rare and savage example of children joining their parents as specific targets of township violence.

When asked who they think is responsible for the attack, the survivors, some as young as five, have no doubt: "It's the Xhosas, we heard them talk as we were hiding — that is how we know."

After the early morning attack last Friday, mothers, fathers and children were left for dead in the smouldering ruins of their corrugated iron shacks.

One mother, identified only as "Kgampane" by a neighbour, was asleep with her husband and two children when, shortly after 1am, a group of men armed with knives, knobkieries and pangas barged into their shack demanding money.

In confusion they said they had none, hoping the attackers would leave, but the men rained blows on them, mercilessly beating them, the neighbour told *The Weekly Mail*.

While trying to ward off the blows, Kgampane tried to protect her one-month-old daughter, holding the child close to her body. But she could not defend it from the blows, and the baby was struck on the head by a panga, leaving a gaping hack wound across her tiny forehead. She was lucky: she survived.

All the while her terrified four-year-old brother stood hugging his father around the legs, crying hysterically as he watched him being hacked to death.

His "interference" by holding on to his father so angered the attackers that they hit him repeatedly, slashing his forearms and wrists and before killing his father.

The boy is also in hospital, fighting for his life.

This family was the first to be attacked, but they were not the last.

Vera Ndlela (19) was also asleep when the men barged into her shack. They immediately began beating her, and demanded money from her. She said she was a student, and had no money. On hearing this, they told her that they wanted her 18-month-old baby to remove parts of his body. She tried to hold on to the boy, but repeated blows from knives and knobkieries forced her to let go. As the men took the boy, she broke away and ran. They flung him into the ruins, and chased Vera among the dense reeds of a nearby stream.

For three days, Vera lay in the smelly, marshy stream running alongside the squatter camp.

Unable to move after her severe beating, she remained stuck on the stream bank until she heard people nearby and let out a weak scream. Residents found her and took her to the Natalspruit Hospital.

Her son is missing, and police do not know whether he is one of the injured in hospital, or a body in a morgue.

By Wednesday, five days after the attack, the police could not confirm the names or number of children injured or killed. The only incidents they were able to give details of were the cases of two children, both believed to be younger than one year, whose bodies are at the Germiston mortuary. Both suffered "excessive burn wounds" and are thought to have died as a result of their burns.

RA's vs endowments

W'mail 10/4-15/4/92 (300)

The key differences between endowment policies and retirement annuities (RAs), according to Old Mutual senior legal analyst **Peter Stephan** are:

● An RA must be owned by an individual: an endowment can be owned on the life of another.

● The minimum term for an RA is one year, providing maturity is after the age of 55. The minimum term to achive a tax-free payout on an endowment is 10 years.

● RAs have no loan or surrender values and cannot be ceded to third parties. Endowments can be ceded as collateral security and loans or surrender values are freely available after a minimum of two years' premiums have been paid.

● Single-premium contributions to RAs are allowed. These are not allowed for endowments, although this can be overcome by buying a voluntary annuity which funds the required regular premiums on the endowment.

● RAs are fully protected against creditors. Endowments may be protected up to R30 000, subject to certain conditions.

● On death or maturity, normally only a third of an RA's proceeds may be taken as a cash lump sum. The balance pays a fully taxable annuity to the dependents or retiring member. In a "standard" contract the endowment pays out a fully tax-free cash lump sum.

● Contribution to RAs are tax-deductible up to certain limits, while premiums on endowments offer no tax relief.

● The investment build-up in the RA fund is tax-free, while life insurance companies pay tax on behalf c policyholders on the returns of the endowment policies.

5 Border Chamber of Industries [BCI], File 26.

Take care when naming a beneficiary

W/Mail 10/4 - 15/4/92 (300)

The person you nominate as the beneficiary of your pension, provident or retirement annuity fund might not get the money. Southern Life assistant general manager NIGEL SCOTT looks at the red tape wound around payouts

How they stack up

	Retirement Annuities	Unit Trusts	Endowment Policies
THE CASE FOR	Contributions tax-deductible	Dividend income tax-free (for now)	Life cover thrown in? - sometimes have guaranteed return
	One-third lump sum payout on retirement - tax-free up to R120 000	Liquid - you can cash them in at any time	
	Safe from creditors in event of insolvency	Profit on cashing in unit trusts is a capital gain and so is tax free	Tax-free, but life assurance firms pay tax on investments according to formula.
AGAINST	Pension part of RA dies with you	Purchase not tax-deductible	Premiums not tax-deductible
	Completely illiquid	Long-term investment don't expect fair return until at least 5 years have passed	Long-term investment - surrender value in early years very low

As with a life assurance policy, the member of a pension, provident or retirement annuity fund can nominate a beneficiary to receive the benefits that become payable on his death before retirement. Members must take care in making this nomination. The failure to nominate a beneficiary may have disastrous financial consequences.

In terms of the Pension Funds Act, which regulates the payment of death benefits from pension, provident and retirement annuity funds, the nominated beneficiary will not automatically be paid the benefit due.

The managers of the fund first have to determine whether the beneficiary is a dependant. For this purpose, a dependant is defined as the member's spouse, persons legally entitled to maintenance (eg minor children, including unborn children) or a person who was in fact dependent on the member, regardless of the circumstances.

If the nominated beneficiary is a dependant, the benefit will be paid to that person. If more than one dependant is nominated, the managers of the fund will determine the proportionate benefit payable to each dependant on grounds of equity.

If the nominated beneficiary is not a dependant (eg a self-supporting adult or child), he is a "nominee", and the managers of the fund must first search for dependants. If no dependants are found within 12 months, the benefit will be paid to the nominee.

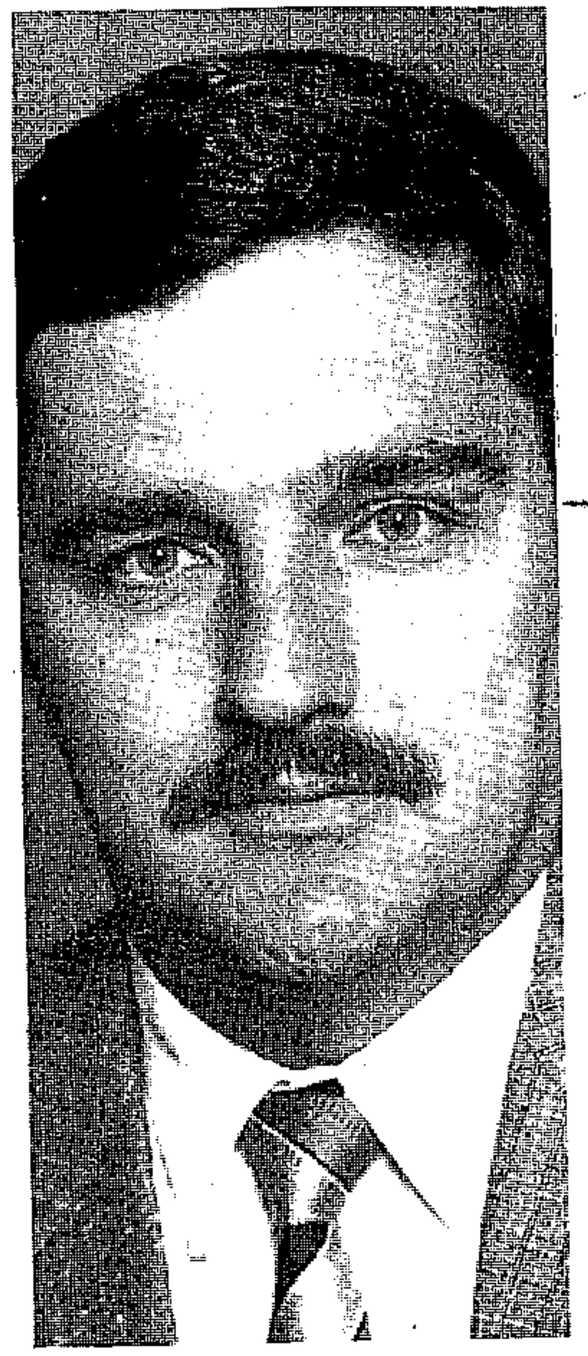
Should a dependant be found or should a dependant and a nominee have been nominated by the member, the fund managers will pay the benefit in the proportions they consider fair.

For a nominee to be eligible to receive this benefit, he must have been nominated as a beneficiary after June 30 1989. Nominees appointed as beneficiaries prior to this date will not be entitled to receive a benefit if there are dependants.

If no nomination is made and the managers of the fund find no dependants, the maximum lump sum benefit payable will be paid to the executor of the deceased estate. With pension and retirement annuity funds, a portion of the death benefit must be used to provide a pension or annuity.

Since, in this case, there is nobody to receive the annuity benefit, it is forfeited.

The importance of regularly checking your beneficiary nominations of retirement funds cannot be overemphasised.



Southern Life's Nigel Scott

The nomination of a person who is not a dependant will lead to delays in the payment of the benefit. Not making a nomination or nominating "my estate" will not only cause delays, but could lead to significant financial loss. The 1989 amendments to the Pension Funds Act have necessitated the re-nomination of non-dependant beneficiaries or nominees.

Grants rounded off for machine

300

Sowetan 16/4/92

SOCIAL grants to black pensioners will be rounded off to the nearest R5 or R10 to overcome the problem of a new teller-assisted cash dispenser, which does not dispense coins.

The Transvaal Provincial Administration said yesterday that each month's social grant would be paid at the beginning of the following month.

The TPA said the move regarding the payment of these grants would apply for the next 12 months following an announcement to this effect by Finance Minister Mr Barend du Plessis in the 1992 Budget speech. - *Sapa*

sions against the entire local Unhest community.

Women to fight for Codesa role

WOMEN from a variety of political persuasions have grouped together and vowed to give fresh impetus to demands for a greater role for women at Codesa. Representatives of various organisations — including the ANC, the NP, Inkatha and the SA Council of Churches — said yesterday there was concern about how little representation women had at Codesa.

Pensions to be rounded off

SOCIAL grants paid out to black pensioners will be rounded off to the nearest R5 or R10 in future to overcome the problem of a new teller-assisted cash dispenser which does not dispense coins.

REPORTS: Sapa, Business Day Reporter, Own Correspondent.

upsurge since October last year.

Scott said the company plann a lid on rates following the 1% interest rates earlier this year conditions in February and M

Final sequestrat

DESPERATE attempts by the former Cabinet Minister Pietie to save him from bankruptcy fa day when a final sequestration granted against him in the Supreme Court.

The order, by Judge H J Prei ed months of litigation, during Plessis stalled his final liqu

Air Tanzania to start SA route

LINDEN BIRNS

AIR Tanzania is hoping to start flights between Dar es Salaam and Johannesburg by the beginning of July.

SAA was evaluating the viability of starting its own service on the route, a spokesman confirmed yesterday following the signing of a commercial air services agreement between the two airlines.

SAA spokesman Anelda Reynecke said Air Tanzania had expressed interest in hiring SAA's technical assistance and service for its Boeing 737-200s similar to those operated by SAA.

"Nothing has been finalised on the technical side yet, but they have been shown our facilities and now we are just waiting for the Tanzanians to make a decision," she said.

Sapa reports that an Air Tanzania delegation visiting SA held talks yesterday with several travel companies, including Thompson Tours and Orient Travel. The talks concerned the compilation of various package tours.

Tanzania recently lifted its ban on SA-registered aircraft passing through its airspace.

This enabled SAA to reroute its Nairobi flights over Tanzania instead of its aircraft having to first fly east and then north over the Indian Ocean before turning west to cross the Kenyan coast near Mombasa.

Air Tanzania said in a statement yesterday it hoped to start operating weekly flights to Jan Smuts Airport by July.

SAA had no plans to introduce a flight, but was willing to assist Air Tanzania in developing the route, said Reynecke.

Market demand would dictate whether SAA would put its aircraft into service on the route.

projects itself as a centrist political

THE RETIREMENT STRUGGLE: *Aged suffering as increases fail to combat ravages of inflation*

Pension funds not giving their best

STAR 18/4/92 (300)

PENSION funds are complex systems and are often misunderstood, not only by the many members who benefit from them, but also by the trustees who manage them.

Inadvertent abuse of pension funds causes considerable hardship to many pensioners who, in good faith, rely on the trustees to look after their best interests.

Although many pension funds are granting regular yearly increases to pensions and often, in addition, substantial "catch up" increases, these concessions are frequently far less than what pension funds can pay; subsequently many pensions lag behind the inflation rate.

ON the other hand, considerable improvements have been made to current members' benefits over the past few years.

According to a Sanlam survey of 368 pension funds, the trend is to move towards a "2 percent" or better formula for calculating pensions. Another is to reduce the salary averaging period on which pensions are based. Both these improvements result in a larger initial pension on retirement.

Another trend is for companies to take "contribution holidays". A contribution holiday, in this sense, is when a company is permitted by the trustees of a fund to skip its monthly contributions to the pension fund. Instead, part of all of the surplus in the pension fund is used to make up for the company contribution.

But why are pension funds enjoying such substantial surpluses? The most popular claim is that the investment performance of the fund has outpaced inflation. This claim, however, is suspect.

According to the Actuaries Survey, the average yield of pension funds over a 19-year period has exceeded inflation by 3,7 percent and over a 10-year period, by 5 percent. This increase in excess of inflation would, however, be accounted for in most pension funds by the "actarially assumed investment yield formula".

Accordingly, little or no surplus is left as a result of a good investment performance.

One reason for surplus reserves would be that some companies are over-funding. This is not too common, but one that needs to be taken into account.

Employees resigning and, on taking a cash withdrawal, leaving behind the company's contribution and a fair amount of interest (or balance of actuarial reserve), would also account for some of the surplus reserves.

However, one of the main reasons for surplus reserves is that funds are granting inadequate increases to pensioners.

BLEAK FUTURE: Senior citizens' lives are often a battle for survival and pension funds must play a more substantial role in easing their plight.

Who are the winners and losers? Here are some burning questions

IN this report and future articles, Roger Wellsted, group personnel manager of Argus Newspapers Ltd, assesses the state of pension funds in South Africa today. He seeks to provide answers to the following issues:

- **Why are so many pension funds granting inadequate increases to pensioners when they can afford to pay more? Who is benefiting as a result?**
- **What is the actuarially assumed investment yield and how can it diminish the value of a pension?**
- **What are the trustees' fiduciary responsibilities?**
- **Should pension funds be used as golden handcuffs by companies?**
- **Is your pension fund redistributing wealth from the poor to the rich?**
- **Is the traditional (defined benefit) pension fund going to survive in the new South Africa?**

Many funds can afford much more. According to the Sanlam report, the average increase granted to pensions by the 368 funds surveyed was an amount equal to 70 percent of inflation.

In terms of the Pension Fund Act, there is no obligation on a fund to grant increases to pensioners. This is probably because when pension funds were originally designed, inflation was not a factor and, as a consequence, not taken into account when designing pension fund legislation. Perhaps it is time for the law to be reformed in this respect.

A leading firm of consulting actuaries, J A Carsons and Partners, is of the view that one of the prime responsibilities of a pension fund is to try to ensure that pensions maintain their purchasing power.

But why are many funds granting inadequate increases to pensioners? At one time, a well-known firm of consultants in the pension industry recommended that increases granted should equal two-thirds of the inflation rate. According to these consultants, the cost of living of a pensioner increased less than that of a working employee.

This view has subsequently been challenged. Food and medical aid are two major elements in the living costs of many pensioners and these have increased in excess of the average inflation rate over the past few years.

The pensioner's cost of living, however, is not the issue. The issue is what increases are rightfully due to pensioners.

Technically, pension funds should be able to grant inflation-related increases. If not, they are either badly structured or are badly managed. If pension funds were structured to provide pensions in a non-inflationary environment, where the "defined" pension would retain its purchasing power, then in an inflationary environment, they should be able to increase pensions in line with inflation to retain the same purchasing power.

If pensioners have been granted inflation-related increases consistently, the practice of a company taking contribution holidays or increasing current member benefits would be acceptable. But if the company has allowed pensions to fall behind inflation, then these practices are questionable.

The analogy would be tantamount to parents handing over their life savings to their children, asking them to look after the investments on t behalf. The children, patient to receive t inheritance, take a tion of the investr yields for their own b fit.

The assumed inv ment yield is one of major factors that de mines if pensions gr ed on retirement keep up with the cos living.

This important as of a pension fund is most ignored by truste

The assumed inv ment yield is the inv ment growth of funds estimated by the actu and which is used w deciding on the amo of capital to be set a for funding pensions.

THIS assumed r normally ranges tween 4 and 8 perc and should be based the estimated real r of return of investme over a long-term peri

In the case of a p sion fund that assume 4 percent yield, it mea that the fund's inve ment performance m exceed the inflation r by at least 4 percent the fund to remain fin cially sound.

In the case of a p sion fund that assumes investment yield of 8 p cent, the fund must co sistently outperform flation by 8 percent. previously mentioned, t average investment p formance of pens funds has exceeded inf tion by only 5 perc over the past 10 yea (Next week: we look the implications of this

Employers in bid for pension safety

Business Times Reporter

SOME employers are to considering ways of limiting their liabilities to employee pension schemes, says Sanlam group benefits senior manager Chris Bosenberg.

"Most companys have defined benefit pension funds which guarantee a certain payout based on the employee's length of service and salary before retirement.

"But such a scheme places an open-ended liability on the employer to pay in the difference if the fund does not earn enough to meet claims.

"In the past employers have been able to live with this open-ended liability. But with a possible increase in the cost of death and disability as a result of AIDS and the prospect of prescribed investments or tax on investment income hanging like a sword of Damocles over their heads, some employers are considering changing to a defined contribution fund.

Survey

"As a rule of thumb, if future investment returns were reduced by 1% a year as a result of tax or prescribed assets, the total contributions needed by the fund could increase by 20%."

Mr Bosenberg says Sanlam's biannual survey on retirement benefits — to be published in June — shows that 91% of employers operate defined benefit funds. The previous survey figure was 92%.

But what is more interesting, he says, is that 11% of employers indicated that they were thinking of changing from defined benefit to defined contribution pension funds.

The second type gives the employee no guaranteed pension payout because it depends entirely on the return from contributions made for the worker.

Surplus

Until now many employees would have benefited from belonging to defined contribution funds because most company pension funds have been in surplus. This means that the funds earned more than enough to cover their defined payouts.

But it may not be the case in SA's new economic order.

Mr Bosenberg says some pension fund trustees are changing their rules to admit new members to fixed contribution schemes. They offer options to existing members to change.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

State President:

Letter to foreign leaders: referendum

*1. Mr A GERBER asked the State President:†

(1) Whether he or someone else on his behalf sent a letter to leaders of any foreign countries before the recent referendum in which he asked for support for his cause; if so, (a)(i) by whom and (ii) to how many leaders was this letter written and (b) what was the substance thereof;

(2) whether he will make a statement on the matter?

B471E

†The STATE PRESIDENT:

(1) No. As I indicated during the Referendum campaign, the media reports were incorrect.

(2) Falls away.

†Mr T LANGLEY: Mr Chairman, arising out of the reply of the hon the State President, does he deny outright the existence of a letter that was supposed to have been sent to foreign leaders in his name?

†The STATE PRESIDENT: Mr Chairman, I also explained it in the referendum campaign, namely, that a draft letter was submitted to me and that I did not approve the draft letter which was then represented as a letter from me, Through an administrative error it was that draft letter, the content of which was not approved by me and that was never sent, delivered or handed over to any person, any head of state, in the form of a letter. Indeed, there is another letter subsequently drawn up by me—I also said this in the referendum campaign—that was sent to 36 heads of governments of states that I met during my overseas visits, not to 70. The only aim of that letter was to inform them of the reason for a referendum being held amongst Whites, because it was represented by negative propagandists as an apartheid election that indicated a return to apartheid. No support at all was asked for in any way in that letter for the Government's case. [Interjections.]

†Mr A GERBER: Mr Chairman, further arising out of the hon the State President's reply, the hon Minister of the Budget said here, in the House, that a letter had been sent by the Department of Foreign Affairs by mistake. I should like to know if the hon the State President can tell us whether there is any connection and similarity between the contents of the letter originally submitted to him and the one he eventually sent out, and whether just one paragraph was deleted from the original letter. [Interjections.]

†The STATE PRESIDENT: Mr Chairman, the letter was completely changed. It was dramatically curtailed, and while the other letter focused on a number of things, the letter that was sent out focused on the one matter that I have mentioned.

The draft letter was distributed to embassies, and that was a mistake. The whip was cracked about that mistake. [Interjections.] I was very upset and my colleague was very upset, because nobody has the right to assume that if a draft letter is submitted to me, I shall aprove it. [Interjections.] People that know me well, know that I quite often do not approve draft letters, because I like to determine the content of my own letters. [Interjections.]

That letter was erroneously sent to embassies, on the assumption that I was going to sign it, so that they would glean the information from it on time. [Interjections.] It was not conveyed to any head of state. [Interjections.] It was a mistake and corrective steps have been taken. [Interjections.]

†Mr A GERBER: Mr Chairman, further arising out of the hon the State President's reply, I want to ask him whether he is aware if there are historical records of a head of state of this country or of any other country in the world ever offering an explanation to other countries when he offered his own people a referendum or election. [Interjections.]

†The STATE PRESIDENT: Mr Chairman, we are no longer living in isolation. We now have many friends abroad, and as a result of the insight generated by the contract made with them and the correct information passed on to them, these friends have taken decisions in the

interests of everyone in South Africa at key moments. [Interjections.]

I am not apologising for having changed the wrong impressions about South Africa to the correct impressions! [Interjections.] I am not apologising for having taken the pressure off the Government and that it is on the ANC at the moment, because they have connections with the SACP, their economic policy is contrary to and out of step with the whole world, and they still do not fully comply with the basic requirements of democracy. It is all in the interests of South Africa. I did not go hat-in-hand to explain. I armed our friends with information, so that they would not fall prey to slanted propaganda that we knew would be made of it and was already being made of it. South Africa now steps through the front door of overseas countries and no longer sneaks in the back door with secret messages.

Therefore we shall continue to normalise South Africa's position internationally. If those hon members are not proud with us of what has already been achieved, and do not rejoice with us because our sportsmen and women are playing on the fields once more, and are not glad with us that our agricultural products are being sold, and are not thankful with us that we have obtained foreign loans again, then they prove just where their loyalty lies. They do not put South Africa first. They put the CP first.

†Mr F J LE ROUX: Mr Chairman, further arising out of the hon the State President's reply, I should like to know if he is prepared to table a copy of the letter that was eventually sent.

†The STATE PRESIDENT: Mr Chairman, it is not customary to table such correspondence, but I am quite prepared to give a copy of it to the hon the Leader of the Official Opposition on a confidential basis.

†Mr J H HOON: Mr Chairman, further arising out of the reply of the hon the State President, I want to ask him if he can tell us how the letter that appeared under his name in the *Sunday Times* happened to be in their hands. Secondly, I want to ask him if he can tell us whether it is customary for one department to draw up letters in his name and distribute them overseas.

†The STATE PRESIDENT: Mr Chairman, firstly, this happened at a particular embassy, where this document, which was intended as a confidential document, and which served as preparation of the embassy pending the arrival of a letter that I never sent and replaced with another letter, was erroneously regarded to be a document that was already official.

Secondly, it is absolutely customary that no State President or Prime Minister in the world has his own delivery system or communications system. He uses his embassies and his Department of Foreign Affairs.

Further, it is the established custom that he makes use of his specialized department for international communications for a first input when there is a need for communication.

Ministers:

Question standing over from Wednesday, 1 April 1992:

Housing development schemes: retired persons

*2. Mr B B GOODALL asked the Minister of Trade and Industry:

(1) Whether the regulations laid down by him for the management of housing development schemes for retired persons are at present applicable to all housing schemes, including those established before the promulgation of the Housing Development Schemes for Retired Persons Act, No 65 of 1988; if not, (a) why not and (b) to what rules are such schemes subject at present;

(2) whether he will make a statement on the matter?

B442E

The DEPUTY MINISTER OF TRADE AND INDUSTRY:

(1) Development schemes for retired persons can be operated by means of sectional development schemes, or share block schemes, or housing development schemes in terms of the Housing Development Schemes for Retired Persons Act, 1988. Regulations 7 to 14 for the management of housing development schemes for retired persons which were promulgated by means of Government Notices R.1351 and R.1349 of 30 June 1989 and 14 June 1991, apply, to all housing development schemes for retired persons, i.e. inclusive

cont -->

of those schemes established before the promulgation of the Housing Development Schemes for Retired Persons Act, 1988 (Act No 65 of 1988), with the exclusion of housing development schemes conducted as a sectional title development scheme or as a share block scheme.

(a) Separate acts apply to sectional title development schemes and share block schemes. The inclusion of these schemes under the said regulations would have resulted in two different acts applying to one scheme, which could have confused the issue.

(b) The control of sectional title development schemes and share block schemes is regulated by the Sectional Titles Act, 1986 (Act 95 of 1986) and by the Share Blocks Control Act, 1980 (Act 59 of 1980) respectively. Both acts mentioned provide for the control of the operation of the schemes in terms of these acts.

(2) No, a statement is not anticipated as the Housing Development Schemes for Retired Persons Act, 1988, and the regulations promulgated in terms thereof are under continuous scrutiny, to establish possible amendments if necessary.

New questions:

Assistance to Bophuthatswana

*1. Mr P G SOAL asked the Minister of Foreign Affairs:

Whether, with reference to the reply by the Minister of Regional and Land Affairs to Question No 153 on 24 March 1992, any additional specific assistance was given to Bophuthatswana in the 1991-92 financial year; if so, what assistance?

B476E

The MINISTER OF FOREIGN AFFAIRS:

(Reply laid upon the Table with leave of House):

Yes.

A. *Direct financial assistance*

Budgetary aid	R881 572 000
Incentive scheme for industries	23 044 857
	R904 616 857

B. *Transfer payments*

Tax compensation	R116 324 000
Customs-union share	868 411 000
Common monetary area	17 418 267
	R1 002 153 267

C. *Loans from the RSA* (Project aid)

Border posts	R34 026
Community classrooms	1 315 460
Temba cell blocks	148 488
Thaba'nchu Magistrate Offices	1 166 734
Bophelong Hospital (X-ray unit)	330 738
Supreme court: Mmabatho	4 609 097
Police housing	338 355
Odi Prison agriculture project	49 358
Mmabatho medical store	390 186
Police stations	7 420 886

Winterveld (Grants)

Mabopane housing	R6 033 713
Clinics	116 873
Schools	1 540 450
Thaba'nchu Manpower centre	5 316 593
Kgomotso Police station and housing	3 220 275
Police riot control	1 810 745
	R33 841 977

D. *Technical and other assistance**

Manpower provision	R17 631 367
Technical assistance	3 737 453
Salaries of Judges	504 280
	R21 873 100

* No financial transfers in respect of item D were directly made to Bophuthatswana.

Grand Total	R1 962 485 201

I observe that the hon member's question only deals with Bophuthatswana, but would nevertheless like to add that similar assistance was also rendered to Transkei, Ciskei and Venda as follows:

Transkei: R2 492 742 801

Venda: R743 854 601
Ciskei: R1 114 724 747

All figures are unaudited.

White municipal elections: announcement

*2. Mr L FUCHS asked the Minister of Local Government and National Housing:

(1) Whether, at a meeting of the United Municipal Executive in Cape Town on or about 19 March 1992, he made an announcement to the effect that no more White municipal elections would be held in future; if so,

(2) whether the announcement also refers to and includes by-elections;

(3) whether he will make a statement on the matter?

B480E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) Yes.

(2) No.

(3) No. A comprehensive statement was issued after the conclusion of the meeting of the Council for the Co-ordination of Local Government Affairs on 27 March 1992.

SA officials deseconded: TBVC states

*3. Adv S C JACOBS asked the Minister of Foreign Affairs:†

(1) Whether any South African officials in the TBVC states were deseconded during the past three months; if so, (a) what are the relevant details and (b) for what reasons were they deseconded;

(2) whether the TBVC state concerned was consulted beforehand in the matter in each case; if not, why not; if so, what was the attitude of that state in each case?

B481E

†The MINISTER OF FOREIGN AFFAIRS:

(1) Yes.

The South African officials which were deseconded during the last three months as at 31 March 1992 in the TBVC-states together with the reasons for desecondment, are set out in the following schedule:

State	*Post*	*Reasons for desecondment*
Transkei	State Advocate	At own request
Bophuthatswana	Senior State Law Adviser	Promotion to RSA Home Department
	Assistant Chief Auditor	At own request
	Magistrate	At own request
Venda	Teacher: Head of Department	At own request
	Teacher	Voluntary resignation
	Teacher	Afrikaans is no longer offered as a subject at this school
	Artisan	At own request
	Artisan	Misconduct
Ciskei	Senior Customs and excise officer	Withdrawn by Home Department
	2 Assistant Control Officers	At own request
	Senior Specialist	Voluntary resignation
	Deputy Chief Engineer	Voluntary resignation
	Artisan Instructor	Voluntary resignation

(2) Yes.

The need for continous secondment and/or withdrawal without replacement, as well as the abolishment of posts, was cleared with the relevant TBVC state.

†Mr T LANGLEY: Mr Chairman, arising out of the hon the Minister's reply, I should like to know from him if the South African departments from which the officials concerned have been seconded, were consulted before the desecondment of these officials.

†The MINISTER: Mr Chairman, I have replied to the question as put to me. If the hon member wishes to put consequential questions at a later stage, I am happy to reply to them. [Interjec-

cont —>

ASSURANCE FM 24/4/92

Taxing life

The funds of life offices may have to be allocated through four channels, not the proposed three, for life assurers to be rid of the sixth schedule of the Income Tax Act.

Revenue, the Financial Services Board and the Life Offices Association (LOA) say the schedule must go. But it cannot be erased before the basis on which life offices are to be taxed in future has been laid down (*Economy*, April 3). That means apportioning the life assurers' funds and deciding which should attract tax at what point.

Originally, this seemed simple: earnings on shareholders' funds would attract tax at normal company rates, there would be no tax on yields in retirement savings and ordinary policyholders' earnings would be taxed at a notional average rate, probably around 32%.

FM 24/4/92

It is the notional rate which causes trouble. Revenue correctly believes that company-owned savings policies would be ceded to natural persons to attract the 32% rate instead of the company rate — an attractive tax shelter. So the fiscus has proposed a complicated set of rules. These retained the key provisions of the sixth schedule for certain company-owned policies only, with the added provision that a taxable accrual will take place every 10 years. This would have increased the administrative burden in the life offices.

At a recent discussion between Revenue and the LOA standing committee on taxation of policyholders, it was suggested that the policyholders' taxable fund should be divided into one for natural persons and the other for company-owned investments.

Old Mutual's Abri Meiring, who chairs the committee, says this would allow the sixth schedule, to be eliminated, with great cost and systems benefits. There would no longer be a need to distinguish between "standard", "non-standard" and "deemed standard" policies. There would be no need to track events, such as premium history or loans on policies, for tax. Compliance with tax liability would be handled more efficiently by the life offices. Meiring believes this approach would also entrench the trustee principle.

There are complications. There is resistance to creating four funds, instead of three. It would also affect the tax paid by a life office on company-owned policies such as deferred compensation and keyman, though Revenue seems ready to accept changes to the Act which would offset the increased tax.

The proposals now go to another LOA standing committee — on taxation of life offices. Its chairman, Theo Hartwig, points out a number of difficulties with the new suggestions. He says that if a policy is ceded between a company and a natural person, or if there is an agreement between two such parties, there is no obligation for the cession or agreement to be registered with the life assurer. So the problem of allocating the policy to the correct tax bracket is not solved.

Both Meiring and Hartwig believe, however, that a solution is only weeks away. The negotiations are propelled by the need to eliminate a tax schedule which, by common consent, has outlived its purpose, collects little revenue, makes new product design cumbersome, is understood by only a few specialists and is ignored for practical purposes by some life offices. ■

PENSIONS

Muddling with retirement

FM 24/4/92

A think tank of pension specialists is expected to come up with ideas on how best to restructure government's tax take from the pensions industry. A meeting, called by the Financial Services Board and chaired by State actuary Piet Robbertze, will be held this Friday.

It is a sequel to a passage in Finance Minister Barend du Plessis' March Budget speech: "The Mouton Committee, whose investigation into and report on a retirement provision system for SA will be completed later this year, has as yet not formally studied the question of alternative means of financing full social pensions parity. Government has asked the committee to investigate the viability of various financing options that have surfaced in the course of the committee's activities and to report on them as quickly as possible.

"The pension fund industry is one of our country's greatest assets. If an acceptable method can be proposed whereby additional revenue can be found without harming this industry or causing uncertainty on the part of individuals over the value of their retirement provision, it may be possible to take parity still further in the course of this financial year."

Taken literally, Du Plessis seems to have added two and two and made three. There is no reason why parity in social pensions should be funded by the formal retirement industry, that is maintained by people who have consciously made some effort to provide for their old age. To tax those savings to attain so-called parity must be the essence of demotivation.

If that piece of obfuscation is removed, it may well be time to review how the pensions industry is taxed and, most participants agree, it is unlikely this week's meeting will achieve more than that. In practice, pensions are hardly taxed at all.

Within limits, employer and employee contributions to funds are tax-deductible. While the retirement fund accumulates, there is no tax on the gains. When, on retirement, the fund is paid out, up to one-third (again, within limits) becomes available free of tax. The two-thirds buys an annuity which is taxable in theory, though the threshold for tax by pensioners over age 65 is fairly high.

An industry estimate suggests that the system, intended to defer tax, has deferred it out of sight. Only about 25 000 pensioners actually pay any tax and that at an average rate of 5%. Of lump sum payments, these provide the Exchequer with an average of 6%. For practical purposes, the retirement industry goes almost tax-free.

But there is another side. Largely because of job-hopping and the non-preservation of pension rights, only 6%-8% of South Africans retire with sufficient means to maintain their former lifestyles. Inducing more to save has been the reasoning behind the apparent generosity of the fiscus.

Since Du Plessis' Budget remark, the Retirement Institute and the Life Offices Association (LOA) have been studying how the pension industry is taxed elsewhere. In most countries, the tax burden is kept as light as possible. Among models studied are those in New Zealand (described by the LOA as "a disaster which almost killed the industry") and Australia. The Australian model is taken seriously both by the LOA and by the board.

Broadly, it provides for a tax at the accrual level in a fund, so that accumulated gains are taxed on a regular valuation. It has the effect of providing government with a predictable cash flow and, when the fund pays out, the proceeds have already been taxed.

Some Old Mutual sources believe that, if the tax rate applied to the accrual were sufficiently low, a useful tax could be generated without doing major damage to the pension industry. Also, some specialists invited to this week's meeting considered whether a tax could be offset, perhaps by government conceding permission for pension funds to invest some of their assets offshore. With the prospect of government's own pension funds being introduced to the Johannesburg Stock Exchange, they fear the indices will be forced to unrealistic levels; offshoring some pension moneys would take off the pressure on share prices.

The meeting is exploratory only. A board source says the Australian model is of interest but emphasises a tax on pension accruals "is not on the table." The two statements cancel each other.

Also underlining the tentative nature of the meeting, it includes representatives of the Actuarial Society, the LOA, the Retirement Institute and Mouton. Conspicuously absent are representatives of organised labour. The short-term outcome could be a chapter for Du Plessis' special adviser Japie Jacobs to include in his report on the taxation of financial institutions. A long-term proposal, all invitees agree, will not be practical without reference to an Economic Codesa. Even after that, politically, the issue is likely to be divisive.

Bryan Deans

INSOLVENCY LAW

FM 24/4/92

Unsettling judgment

A long-standing commercial practice has been overturned by a recent judgment in the Witwatersrand Local Division of the Supreme Court. The judgment, delivered by Judge Michael Stegmann, has created an untenable state of affairs in the Transvaal for many companies that are technically insolvent but potentially viable with backing from shareholders.

In the past, says Oshy Tugendhaft, a senior partner in Moss-Morris Mendelow Browde, "subordination agreements" between a company and its shareholders gave concurrent creditors preference over shareholders. This was generally considered as a restoration of solvency provided the company's assets exceeded liabilities minus shareholders' claims. This interpretation had the strong support of accountants.

The judgment holds that subordination agreements are invalid in terms of insolvency law. This brings the Transvaal courts, yet again, into conflict with the Cape and Natal courts — which continue to accept the validity of subordinations in relation to corporate solvency.

The issue arose in the case of De Villiers and Carbon Developments (Pty). The liquidators of the company applied for leave to convene meetings of creditors to consider a scheme of arrangement. Concurrent creditors were informed that they would receive nothing if the company were wound up as insolvent, while the proposed scheme would give them a small dividend.

It was also argued that creditors could not recover from the directors personally on the ground that the company had been trading

Continue →

Pension funds the great company rip-off

360 ARGT 25/4/92

CLAIRE GEBHARDT
Weekend Argus Correspondent

RETRENCHMENTS are turning into a profitable exercise for some employers — not only do they cut their wage bills but they milk the pension funds too.

Unemployment grows daily for the skilled and the unskilled.

Only this week Harmony announced plans to cut 8 000 jobs, hard on the heels of Gencor's 1 500 retrenchments and the announcement that 8 000 jobs have been lost in the clothing industry since October.

As many as 4 000 Absa employees could be walking the streets by mid-year.

Some employers are scrupulous about giving retrenchment benefits — others are exploiting employees and their own pension funds to stay afloat.

Actuaries confirmed this week that large-scale retrenchments not only reduced labour costs for hard pressed bosses but also helped companies to take a pensions fund contribution "holiday" to the benefit of their bottom line.

This situation arises where staff numbers are dramatically reduced and the employer's contribution stays in the fund. It seems to be widespread.

This surplus may then be used, quite legally, by the employer to take a pension fund contributions "holiday".

Such is the unprecedented scale of the current retrenchments that companies are likely to enjoy this benefit for several years.

These "holidays" help companies to reduce overheads substantially, and in theory protect some jobs.

For the retrenched worker the situation is bleak.

He or she may leave a company after lengthy service with a pension lump sum worth less than half, in real terms, of the money put into the fund.

Human rights organisations said this week the scale of "contribution holidays" currently taken by companies which administered pension funds amounted to "little short of legalised theft" from the defenceless.

Several industry sources also expressed concern about inadequacies in pension fund law and called for legislation to provide a minimum retrenchment benefit to protect workers.

Mr Arthur Els of actuaries J A Carsons' Partners confirmed that some pension fund rules provide that retrenched employees get the same benefit as on resignation — their own contributions with an interest factor as low as 4 percent.

"Because less is paid out than expected in the event of massive redundancies, the fund ends up with a surplus and the employer doesn't need to make a contribution for a couple of years.

"If there is a surplus in the fund we encourage the company firstly to look after the pensioners and members, but it can happen that trustees direct that all of the surplus be used for the benefit of the company — and quite legally."

Sources said this situation was prevalent where trustees were also the directors of the company concerned.

Mr Els called on employees to check their company's pension fund rules.

"These rules form a binding contract between members, trustees and the company."

Attorney Mr William Lane talked of his conern at aLabour Law Conference at the University of Natal. He said the Pensions Fund Act did not protect members sufficiently and "did not contribute to fairness or equity".

■ Many employers can no longer afford to run pension funds and some of the more unscrupulous are using the funds in order to survive, say industry sources.

A director of a leading firm of personal financial planning consultants confirmed this week that pension funds were facing an inordinate number of movements because of wide-scale retrenchments.

"We also have a situation where smaller companies are battling to continue with their pension funds because they do not have the necessary cash flow as staff numbers are reduced.

"Some are terminating their funds and leaving members out in the cold.

Despite danger signals, assurers show strong growth

Flood of money into pension funds

(300)
ARG 25/4/92

MAGNUS HEYSTEK
Weekend Argus Correspondent

JOHANNESBURG. — Institutions could be having market jitters.

Recent figures released by the Reserve Bank have once again underlined the extent of the flood of money passing into the hands of assurers and pension funds.

Institutional cash flow growth over the past 20 years has averaged 23 percent a year compared with nominal gross domestic product (GDP) growth of 16 percent.

As a result the proportion of the annual cash flow to GDP has grown from 3,2 percent in 1970 to over 10 percent in 1990.

In 1990 the combined cash flows of pension funds and long-and short-term assurers ammounted to R25 billion. This is estimated to have reached R30 billion in 1991 while economists estimate an amount of R40 billion by the end of this year, if the State pension funds are privatised before then.

The main reason for the strong cash flow growth of the insurers has been their ability to beat the inflation rate with their investments.

A great deal of this money flows into the Johannesburg Stock Exchange. In 1989, for instance, 55 percent of the annual cash flow went there. The figures for 1990 and 1991 are expected to be much the same.

This ready flow of money waiting for a haven is also, of course, one of the major reasons for the surprising strength of JSE-listed equities. With so much money running after scarce, good-quality scrip, what chance of share prices coming down?

What analysts shouldn't lose sight of is that the institutions can choose to temporarily sit on the sideline. This happened in 1987 when institutions held back as much as 45 percent of their total cash flow, preferring the safety of cash and fixed-investments.

Very much the same is now happening. Turnover levels on the JSE are steadily dropping as investor-interest declines. Stockbrokers are worried by this trend but it appears that, for a change, the investment managers at the large financial institutions are not keen on chasing share prices to unrealistic levels.

And the reasons are not hard to find. Reports are received almost daily from around the world about the parlous state of the world economies. The much-vaunted economic recovery in the US is not yet forthcoming while danger lights are flashing from the other end of the globe in Japan. Here too, indicators point to an economic slowdown.

Events in Japan prompted Dr Harry Schultz, a well-known but notoriously gloomy forecaster in this part of the world, to write the following in his most recent newsletter: "If, as I expect, the Tokyo market falls under 200 000, it will be the most disastrous financial event of the century. It will trigger an avalanche of forced stock, bond and land sales, the repercussions of which will shatter windows around the globe.

"Japan, not the US, is the trigger centre this time around. It has the banking and financial power (and bubble) New York had in 1929".

Recent events have already overtaken his predictions. Currently the Nikkei index is struggling to remain above 17000, a six-year low.

Will this trigger another collapse of markets around the globe? Only time will tell.

Fax Facts
Rarely deliver good returns

PENSIONS POVERTY: *Too many job-hoppers are still falling into the 'cash it in' trap*

So easy, so short-sighted

STAR 25/4/92 (300)

MAGNUS HEYSTEK

WHILE the current downturn in the economy has had a major impact on the level of "job-hopping", thousands of South Africans are still changing their jobs all the time.

Despite all the publicity given to the options available to employees when they change jobs, many still fall into the "pensions poverty trap".

According to recruitment specialists, many people are deliberately changing jobs to get hold of their pension money to pay short-term debts.

This, of course, is very costly as the Receiver of Revenue gets the first bite at the cherry, apart from the first R1 800 in pension pay-outs which is tax-free.

All arrears taxes are also taken into consideration before any money is released to the hapless departing employee — often under the false impression that the cash-payment is going to be much larger than it eventually turns out to be.

But many employees, especially younger ones, continue to fall into the trap of accepting the option of a cash-payment on resignation.

Quite often they are badly advised by the personnel department of the firm that they are leaving.

Trevor Williams, director of Willis Faber Enthoven, says South Africans are still notorious job-hoppers, despite the sobering effect of the recession.

And when they do change jobs, they should be aware of all the options that are open to them.

The incidence of job-hopping is, of course, largely due to the shortage of skilled labour in this country, leading to a situation whereby a person can make greater career advancement through making a series of job changes than staying with one company.

Career moves from employer to employer also have the added advantage of providing broader experience — and may indeed be necessary, when the only alternative is remaining in a dead-end position.

Many people are also deliberately "head-hunted", usually at senior levels; this type of industrial poaching is made more attractive by extravagant perks.

But, asks Mr Williams, how many people actually assess the long-term cost of a job change? This applies, of course, to the effect job-changing can have on one's pension and retirement benefits.

Most private-sector pension funds provide a pension at normal retirement (generally 65) based on the formula 2 percent X N X S; (N — the number of years of member's service — and S — the member's final pensionable salary (or average salary over the last few years of service).

Unfortunately personnel departments are inclined to quote figures based on 40 years' service with the company — and the 80 percent X S pension looks attractive. In practice, the most common period of pensionable service seems to be about 15 years.

On the above formula, this will yield a pension from the last employer of 30 percent of final salary — not nearly enough for anyone to live on.

But what about the paid-up benefits that such a person should have retained from former employees' pension funds? Obviously these must be taken into account — providing they have been preserved. Over the years continuous efforts have been made to dissuade employees who change jobs from cashing in their accrued benefits.

Even where such benefits have been preserved, there is nevertheless a considerable loss of pension benefits at normal retirement. This is due, in part, to the fact that few employers grant a departing employee the paid-up benefit of his pension represented by the employer's contributions.

There are some employers who provide such "vesting" rights on their contributions, but these are generally calculated on a sliding scale and only accrue after at least 10 years of service. Let us take an example, including just two career changes.

Mr A works for his first employer for 15 years, for the second for five years and then remains with his last employer for 20 years. (Example A).

The alternative? We look at what Mr A's career may have been had he stayed with the same employer for 40 years. (Example B).

	Example A	Example B
Final average salary	R100 000	R80 000
Pension formula	2% x 20 x 100 000	2% x 40 x R80 000
Retirement pension	R40 000	R64 000
Plus paid-up pensions	1) R6 500 2) R4 500	— —
Total Retirement Pension	R64 000	R51 000

Changing jobs has thus resulted in Mr A's ultimate earnings being 20 percent higher — but there was a price to pay, in that his pension is 20 percent lower than it would have been had he remained with one employer throughout his working life.

It is all too easy to take pension benefits in cash — and current legislation allows the withdrawing member to receive up to R1 800 in cash, tax-free.

"Any excess over this is taxed at the member's average rate of tax; in many cases this is not a serious deterrent," he states.

In the example given above, had Mr A not preserved his earlier withdrawal benefits he would be retiring on a pension of only R40 000 — a considerable reduction on his pre-retirement income of R100 000.

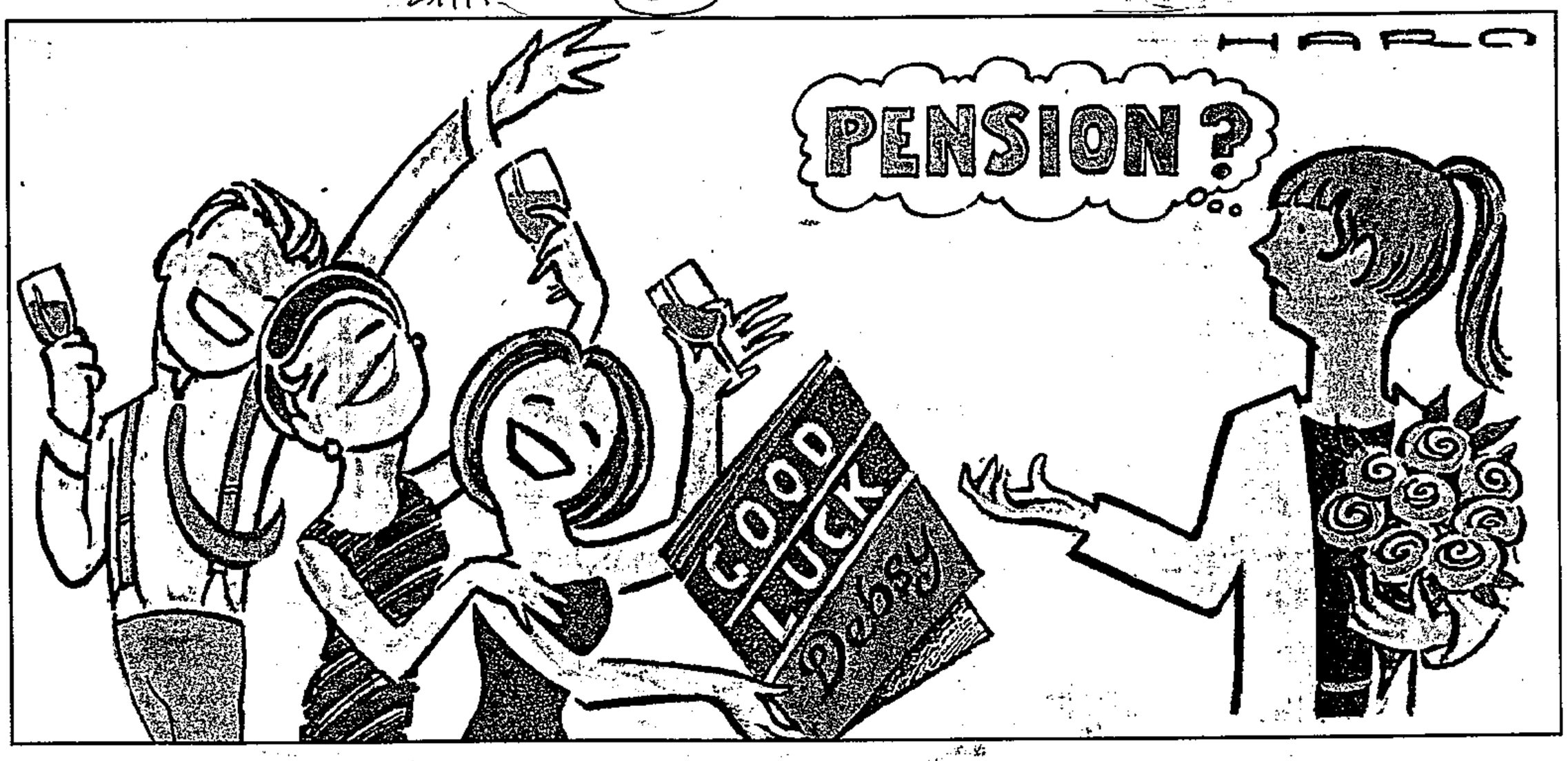
"One can only emphasise the crucial importance of a financial plan for one's retirement: a plan that must be instituted from a young age. It must be recognised that job changes are often done at high price — and the prospect of a considerable reduction in retirement pension is the greatest likely cost of all," says Mr Williams.

PENSION FUNDS: *The idea that employees should leave behind their company contributions is, in many cases, obsolete*

Why golden handcuffs won't work

STAR 25/4/92 (300)

THIS is the second part in our series on the often mystical workings of pension funds. It is written by ROGER WELLSTED, group personnel manager of Argus Newspapers.



PENSION funds are often criticised in that they do not, in most cases, give inflation-related pension increases.

But a critical factor enabling pension funds to provide inflation-related increases is the "assumed investment yield" that actuaries use when deciding on the amount of capital to be set aside for funding future pensions.

This aspect of a pension fund is one often ignored by pension fund trustees.

The assumed rate normally is between 4 and 8 percent. It should be based on the estimated real rate of return on investments over a long-term period.

In the case of a pension fund that assumes a 4 percent yield, it means the fund's investment performance must exceed the rate of inflation by at least 4 percent for the fund to remain financially sound.

In the case of a pension fund that assumes an investment yield of 8 percent, the fund must consistently outperform inflation by 8 percent.

However, the average investment performance of pension funds has exceeded the inflation rate by only 5 percent over the past 10 years.

This means that where a pension fund's performance does not exceed inflation by 8 percent, generally, the company would have to find the shortfall, or pensioners would have to receive increases below the inflation rate.

But not only pensions would need topping up. If inflation-related increases are being granted to wages and salaries, and the pension fund is not out-performing inflation at the rate of the "actuarially assumed investment yield", there could be a shortfall on the funding of current members as well.

Often, this short-fall is funded by yields earned on the pensioners' portion of investments, leaving even less with which to grant increases to pensions.

Therefore, a pension fund with particularly good benefits on retirement, but with an 8 percent assumed investment yield, is likely, over a long-term period, to provide a very poor pension.

A fund which assumes an 8 percent investment yield but which only performs in line with the average investment yield of pension funds, would in all probability only be able to afford to grant increases of about two-thirds of inflation.

At the current rate of inflation, pensions increased at two-thirds of the inflation rate would fall 20 percent behind inflation within the first five years — and 36 percent within a period of 10 years.

The "formula" used to calculate the initial pension can be improved over and over again, but if the assumed investment yield is set too high, the value of the pension will be quickly diminished.

Conversely, many funds have assumed investment yields of 4 percent to 5 percent and have performed well above the inflation rate.

These funds could have afforded to grant inflation-related increases, yet the average increase for 368 funds surveyed has been 70 percent of inflation.

As a result, large surplus reserves, running into hundreds of millions of rands, have occurred. The beneficiaries are shareholders of companies and current members; the losers are the very people for whom the funds were created, the pensioners.

In some funds there is no specific "company contribution". The rules of the fund would require the company to "make-up" the difference between what is paid in by members and what is actuarially required to balance the books.

For the purpose of this article, reference to company contributions will mean the pension increases should be based on what is rightfully due to pensioners.

TRUSTEES' FIDUCIARY RESPONSIBILITY: Trustees of pension funds have a responsibility to look after the interests of their pensioners.

When making decisions relating to pension increases, they should not grant increases on what they believe would be "enough" to satisfy their pensioners.

Nor should they wait for the annual or triennial acturial evaluation of the fund to establish, after all other costs have been met, what surplus is available to fund pensioner increases.

Desirably, the pensioners' portion of the assets in a fund should be accounted for in a notional account. Each year, based on the actuaries' assessment of the investment yield, the pensioners should be granted increases based on the yield and prevailing rate of inflation.

Normally the actuaries "smooth-out" the investment yield to avoid the highs and lows in the investment market.

GOLDEN HANDCUFFS: Enlightened pension funds are revising their rules to provide full transferability of actuarial reserves on termination of service. The actuarial reserve may or may not be more than the combined member and company contributions, plus interest, depending on the age of the member.

Generally, the actuarial reserve for a member over the age of 40 will be more than the combined contributions plus interest.

Transferability, on termination of service, should desirably be paid in full to a retirement annuity, or pension fund which has a reciprocal agreement not to pay out in cash to the member any portion of the reserves transferred until retirement.

Companies that do not support a policy of transferability bind their employees to the company.

Regrettably, it is normally the poor performers who are unable to negotiate satisfactory compensation from alternative employers so as to free themselves from an unsatisfactory employment relationship.

So the good employees still leave, and the weak employees are bound, resentfully, to the company by the golden-pension-fund-handcuffs.

The premise that employees terminating their services with a company should leave behind the company contribution in the fund is, in the case of many funds, being deemed obsolete.

● **NEXT WEEK:** transferring from the poor to the rich.

VALUE FOR YOUR MONEY

Pension law change hobbles fund trustees

S(Times (Buss) 26/4/92 (300)

By WARWICK HAMILTON

The writers of this column are fellows of the Institute of Life and Pension Advisers. The institute aims to maintain the professional standards of competence and ethics of those engaged in personal financial planning.

THE far-reaching implications of an amendment last year to the Pension Funds Act have passed relatively unnoticed outside the employee benefits business.

But they are of much significance to all members of pension funds.

The change is simply that a fund must "accord full recognition to the reasonable benefit expectations" of all members, both those still working and pensioners.

In addition, there must be adequate funding to meet these "reasonable expectations".

The difficulty — and it can cause severe practical problems — lies in determining precisely what reasonable expectations are.

This is not merely a theoretical question. There is no definition of the term "reasonable expectations" in the Act.

A fund's financial health is determined on the one hand by its present assets, future contributions by members and the rate of growth of those assets, and on the other, by the expected benefit payments.

Health

From these data, actuaries can determine whether a fund is able to meet its present and future liabilities.

If the "reasonable expectations" of fund members add to these liabilities, particularly if there is an appreciable increase, then all funds could face severe problems.

It may be argued that fund members can reasonably expect no more than is provided by the rules. If the rules allow for pensions to be increased by a fixed percentage a year, that solves the problem.

In practice, however, this is rarely the case. Many funds permit trustees to make ad hoc increases in pensions being paid — at the discretion of the trustees. Ad hoc increases are often given annually, in some cases at about half to two-thirds of the inflation rate.

The trustees were free to consider the matter afresh each year and were not obliged to increase pension payments.

Now the situation may have changed. Regular ad hoc increases in the past may well have raised reasonable expectations among members that they would continue at the same rate.

What would then happen if a fund did not have sufficient assets to make such payments over an extended period? Would employers and the present employees have to pay far more, or would their pension benefits be reduced drastically?

Trustees often also have discretion to make certain exceptional payments. For example, if a fund member shows that there is a worthy cause, perhaps particularly high expenses over a short time because of illness or injury, trustees could make an ex gratia increase in payments.

Sorry

After the amendment to the Act, trustees will probably be far more hesitant. They are likely to hold back or reduce ad hoc increases to all pensioners to avoid their becoming permanent reasonable expectations on the part of all members.

They are also likely to be far more circumspect about helping people in special circumstances — for the same reason.

If they give one member an ex gratia increase of, say, 25% because they felt genuinely sorry for him, someone else could now try to demand it as of right.

The same would apply to ad hoc December pension "bonuses" often paid to members out of fund surpluses.

This fear on the part of trustees could be detrimental to all fund members.

The intention of the amendment was to safeguard the interests of fund members and enhance their benefits. The present wording is likely to have the opposite effect.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version

For written reply:

General Affairs:

State pension funds: actuarial report

194. Dr W J BOTHA asked the Minister of Finance:†

(1) When is the next actuarial report on the state of the State pension funds expected to be available;

(2) whether the State guarantees any other pension funds other than the State pension funds; if so, (a) what are the (i) names of these funds and (ii) guarantee amounts concerned, (b) (i) how many and (ii) which of these amounts represent deficits and (c) what are the State's total commitments in respect of pension funds, excluding State pension funds?

B445E

The MINISTER OF FINANCE:

(1) A joint actuarial report on the State pension funds does not appear. Each fund is evaluated as an entity, whereafter a report on the evaluation concerned is done. The third actuarial report on the position of the Government Services Pension Fund is expected to be available by September 1992.

(2) No.

"Income tax: Persons and Individuals"

227. Mr K M ANDREW asked the Minister of Finance:

(1) How many (a) persons and (b) individuals classified under the heading "Income Tax: Persons and Individuals", as reflected on page 5 of the Estimate of Revenue for the Financial Year ending 31 March 1993 [RP 3-1992], paid tax for the (i) 1989-90, (ii) 1990-91 and (iii) 1991-92 financial year;

(2) what was the total amount paid by such (a) persons and (b) individuals in each of these three financial years?

B512E

The MINISTER OF FINANCE:

The term "individuals" denotes natural persons while the term "persons" denotes other legal personae which are not companies and which are consequently subject to tax at the progressive rates applicable to natural persons for example trusts.

These taxpayers are not separately identified in the Departmental data base, and the requested information is thus not available.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version

For written reply:

General Affairs:

Emigrants/immigrants: various professions

28. Mr M RAJAB asked the Minister of Home Affairs:

How many (a) Indian, (b) White, (c) Coloured and (d) Black (i) doctors, (ii) dentists, (iii) lawyers, (iv) architects, (v) social workers, (vi) quantity surveyors and (vii) scientists (aa) emigrated from and (bb) immigrated to South Africa in each of the latest specified three years for which figures are available?

D121E

The MINISTER OF HOME AFFAIRS:

		(aa)			(bb)	
	Total	(b)	(a)+(c)+(d)**	Total	(b)	(a)+(c)+(d)**
*1989*****						
(i)*	36	34	2	69	61	8
(ii)*	4	4	0	4	3	1
(iii)	13	13	0	9	8	1
(iv)	13	13	0	13	13	0
(v)	6	5	1	7	7	0
(vi)	7	7	0	8	8	0
(vii)***	79	75	4	128	124	4
1990						
(i)*	30	27	3	135	124	11
(ii)*	1	1	0	14	9	5
(iii)	19	17	2	16	15	1
(iv)	6	6	0	11	11	0
(v)	3	2	1	3	2	1
(vi)	10	10	0	8	7	1
(vii)***	116	111	5	144	139	5
*1991****						
(i)*	23			229		
(ii)*	3			12		
(iii)	5			14		
(iv)	2			16		
(v)	8			10		
(vi)	10			12		
(vii)***	80			149		

* Including specialists.
** Information on the non-White population groups is not separately available.
*** Natural scientist occupations only.
**** Since 1991 information by population group is no longer available.
***** With reference to corresponding Question 25 of 12990 (Hansard Column 256): Figures under columns (i) and (ii) of the Reply thereto to be switched.

Reply substituting reply to Question No 2 on 22 April 1992, put by Mr B B Goodall (col 742):

Housing Development Schemes for Retired Persons Act

*2. Mr B B GOODALL asked the Minister of Trade and Industry:

(1) Whether the regulations laid down by him for the management of housing development schemes for retired persons are at present applicable to all housing schemes, including those established before the promulgation of the Housing Development Schemes for Retired Persons Act, No 65 of 1988; if not, (a) why not and (b) to what rules are such schemes subject at present;

(2) whether he will make a statement on the matter?

B442E

†The MINISTER OF TRANSPORT (for the Minister of Trade and Industry):

(1) No.

(a) Regulations 7 to 14 promulgated by means of Government Notices R.1351 and R.1349 of 30 June 1989 and 14 June 1991 in terms of the Housing Development Schemes for Retired Persons Act, 1988 (Act No. 65 of 1988), which regulate the management of housing development schemes for retired persons do not apply to share block or sectional title development schemes as the Share Blocks Control Act, 1980 (Act No. 59 of 1980) and the Sectional Titles Act, 1986 (Act No. 95 of 1986) each already provides for a corporate body as envisaged in regulations 7 to 14.

(b) The Housing Development Schemes for Retired Persons Act, 1988, covers all schemes irrespective of the legal basis on which it operates, including schemes operating in terms of the Share Blocks Control Act, 1980 and the Sectional Titles Act, 1986. All regulations promulgated in terms of the Housing Development Schemes for Retired Persons Act, 1988, cover all schemes established after the commencement of the Housing Development Schemes for Retired Persons Act, 1988, but regulations 7 to 14 of the mentioned Act are also applicable on those schemes that came into being before the commencement of the mentioned Act, except again those schemes operating in terms of the Share Blocks Control Act, 1980 and the Sectional Titles Act, 1986.

(2) A statement is not anticipated owing to the Housing Development Schemes for Retired Persons Act, 1988, and the regulations promulgated in terms thereof being continuously under consideration to establish possible amendments, if required.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Model C schools: municipal rates

1. Mr D H M GIBSON asked the Minister of Education and Culture:

(1) Whether he is taking any steps to assist Model C schools that are faced with having to pay municipal rates to local authorities; if not, why not; if so, what steps;

(2) whether he will make a statement on the matter?

B567E.INT

The MINISTER OF EDUCATION AND CULTURE: Mr Speaker, municipal rates are payable on State property in terms of the provisions of the Rating of State Property Act, No 79 of 1984, which came into effect on 1 July 1988.

Since the Act became effective, payment of municipal rates levied on schools has been made by the Department of Housing and Works. With regard to the 1992-93 financial year, I have already stated in this House, at meetings of the provincial education councils and in a statement to the media that municipal rates payable by Model C schools would be paid on behalf of the

schools concerned in accordance with procedures which have pertained hitherto. Such an arrangement has been entered into with the responsible departments.

With regard to the current financial year, therefore, rates payable on Model C schools will be paid by the Department of Housing and Works, as has been the case in the past. With regard to the future, various avenues, including those made possible by the Act itself, are being explored by my department and by the hon the Minister of Local Government and National Housing, in his case in terms of a Cabinet resolution.

The investigations are taking place with the best interests of education—including the financial affordability of education—foremost in our minds. The outcome of the present investigations and possible negotiations in this regard will be made public timeously so as to enable all who are involved to budget for 1993.

Mr D H M GIBSON: Mr Speaker, a feature of the bad old South Africa which we are leaving behind was luxury standards of education for White children at public expense and abysmal and unacceptably low standards of education for Black children. [Interjections.] All of us have had to come to terms with the idea that the resources of the State are not infinite. In providing equal education, or at least in moving towards that ideal, those who can pay or contribute will have to do so if we are to attain reasonable standards for all.

The partial privatisation of education in the form of Model C schools is a tentative move in that direction. Many people have never realised the enormous cost of running schools. One of the hidden costs involved the payment of municipal rates and taxes by the Government to town and city councils. Private schools have enjoyed the advantage—and I certainly trust that they will continue to enjoy the advantage—of being exempt from paying rates because the ordinances provide an exemption for educational establishments. All Government schools have been paying rates for the past few years and millions of rands have been paid from the central Government to city councils every year throughout the country.

Schools which have become Model B schools now received a major shock when they discovered that they are to be responsible for the payment of rates in future.

The hon the Minister has announced that they need not worry about the coming year and that he is negotiating at present. I certainly thank him for that and those schools are very grateful that at least they are not faced with the problem this year.

However, the problem is that unless this matter is resolved, and very soon at that, it will mean that those Model C schools will, in fact, have to pay rates to the tune of millions of rands next year. Many schools will have to pay R100 000 per annum in rates and some of them will have to pay as much as R200 000 and R300 000 per annum. In many cases the parent communities simply cannot afford to make payments of this nature, and we could end up with the educationally disastrous situation of many of the Model C schools becoming too expensive to accommodate the children of ordinary working people. This is something which simply cannot be tolerated.

I urge the hon the Minister to take every possible step, in concert with his colleagues, to ensure that properties belonging to these schools are exempted from tax and rates, because they are, after all, educational institutions. If these negotiations do not succeed, we ask him, at the very least, to give the Government's unequivocal undertaking that they will pay those rates, now and in the future.

*Mr A GERBER: Mr Speaker, the interpellation question before us does not actually deal with the very real financial problem the Government has created by its unilateral implementation of Model C schools. It is true that municipal rates on school properties constitute a large amount which now has to be paid by parents. The financial problems with regard to Model C schools will not be solved, however, if schools are exempted from those rates. That money has to come from the community in any case. Whether it is paid directly to the school by the parents or whether it is paid indirectly in the form of additional rates to the local authority, is not really of much consequence.

The basic problem is that the community which is already overtaxed—and the Government admits that our people are overtaxed—cannot afford to contribute large amounts for the financing of education. It is all very well to argue that almost

Cont—D

Shop around before investing for retirement

STAR 30/4/92

300

By the simple expedient of comparing annuity rates, an investor could gain upwards of R122 a month during retirement.

Urging potential investors to take a little extra care before signing on the dotted line, Hilton Yutar of Financial Workshop says: "The rates offered by the major insurance companies fluctuate almost weekly. The rate you agree on when making the investment is the one that will govern your pension return when monthly payouts begin.

"For example, in a recent given week, a male investor, 65 years old last birthday, with R100 000 to invest, was offered rates between 206,11 and 190,25 by the eight major insurance companies. This meant his guaranteed monthly pension ranged from R1 577,42 to R1 699,70 — a difference of R122,28.

"Of course with R200 000 or more to invest, which is not uncommon, the rate difference becomes critical." Mr Yutar quotes this as a typical example of the advantage of dealing through an insurance broker.

"We're obliged to identify inflation-proof annuities and obtain the most competitive benefits for our clients. Inflation-proof annuities are available in two different formats:

"Firstly, an insurer will offer a substantially reduced income today with the annuity increasing annually by 15 percent. This option would normally mean that it takes between seven and eight years to reach the income at today's rate.

"Secondly, by being more speculative the annuity can be purchased and linked to a unit trust fund. Obviously this is for the very well-off purchaser. The result in terms of income with this option could be well above the inflation rate."

Another typical factor which should be taken into consideration, he says, is the timing of one's retirement to make the best of the tax year.

Only the average figures in respect of the 1990/91 financial year are reflected here because a number of toll roads only opened in the 1989/90 financial year. A full year's operating expenditure for these toll roads was therefore, only incurred in the 1990/91 financial year. The figures for the 1990/91 financial year therefore provide a more accurate average figure per toll road and also represent the most recent audited results in respect of toll roads.

The expenditure per toll road for the State, Tolcon and THDC is not directly comparable for the following reasons:

— Tolcon and THDC operate their toll roads on the basis of complete route with services such as SOS telephones and patrol vehicles. These services are not offered on State toll roads.

— In the case of the Huguenot Toll Tunnel, which is a State toll road, there are substantial tunnel operating costs present which are not applicable to other toll roads. If the Huguenot Tunnel is excluded, the average annual operating expenditure per toll road would be R1 970 836 for State toll roads.

— The traffic volumes on a toll road have an impact on the operating costs of a toll plaza.

— In general, the toll roads operated by the State are older than those operated by Tolcon and THDC and therefore require more maintenance in respect of equipment and buildings.

Persons released on parole

200. Mr D J DALLING asked the Minister of Correctional Services:

How many persons who were serving sentences in excess of three years were released on parole in 1985, 1986, 1987, 1988, 1989, 1990 and 1991, respectively?

B457E

The MINISTER OF CORRECTIONAL SERVICES:

The number of prisoners who were serving sentences of imprisonment of longer than three years who were released on parole during the following calendar years (1 January-31 December) are as follows:

1989 — 4 785
1990 — 5 308
1991 — 4 656

The statistics for 1985, 1986, 1987 and 1988 are unfortunately not available centrally in the format as requested. However, the following information may be of value to the hon member:

The number of prisoners who were serving sentences of imprisonment of two years and longer who were released on parole during the following statistical years (1 July-30 June) are as follows:

1984/85 — 6 766
1985/86 — 7 746
1986/87 — 7 601
1987/88 — 8 900
1988/89 — 8 262
1989/90 — 9 168
1990/91 — 11 777

The number of prisoners who were serving sentences of imprisonment of longer than three years who were released on parole during the following statistical years (1 July-30 June) are as follows:

1989/90 — 4 728
1990/91 — 6 062

Correctional Services: amount spent on sport

203. Mr J H MOMBERG asked the Minister of Correctional Services:

What total amount was spent on sport by his Department in the 1989-90, 1990-91 and 1991-92 financial years, respectively.

B460E

The MINISTER OF CORRECTIONAL SERVICES:

1989-90: R442 057,00
1990-91: R403 944,00
1991-92: R465 400,00

The current financial year (1991-92) has not yet been closed and the amount for this year is not a final amount, but an estimated amount.

The aforementioned amounts which were spent on sport in the Department of Correctional Services, were utilized exclusively for sustenance, travel and transportation expenditure for personnel who participated in Departmental Sports Championships. The Department presents championships to its personnel annually in various types of sport.

In order to operate sport in national interest, expenditure for sport is also financed by the Correctional Services' Sports Fund.

This fund is a private fund which is financially maintained by monthly contributions of its members. In addition to the above-mentioned amounts, the following amounts were also expended by the Sports Fund in the various financial years.

1989-90: R61 177,00
1990-91: R60 633,00
1991-92: R87 021,00

The operation of sport at club level is financed exclusively by sub-club funds (also private funds) which is administrated by the various sub-club managements.

Organized sport forms an integral part of the total preparedness programme of the Department of Correctional Services and the following are some of its most important aims:

— To enhance the preparedness of members of the Department with specific reference to the physical fitness of persons forming part of the security contingent;

— to promote orderly co-operation and liaison between staff members, in an official as well as a social context;

— to contribute towards the general physical health of members of the Department of Correctional Services and indirectly to decreasing expenditure on medical costs;

— to increase the productivity of members; and

— to serve as an outlet for stress.

Black local authorities/townships: population figures

211. Mr P G SOAL asked the Minister of Local Government and National Housing:

What was the (a) adult (i) male and (ii) female and (b) child population of each of the Black local authorities and townships in the Republic as at the latest specified date for which figures are available?

B468E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

In reply to an enquiry the Head of the Central Statistical Services replied that on the occasion of the census held on 7 March 1991, provision was made to record the number of inhabitants in the areas of jurisdiction of local authorities established in terms of the Act on Black Local Authorites, 1982. At this stage the information is being processed and will be available approximately by September 1992. It is, therefore, recommended that the required information be obtained directly from: The Head Central Statistical Service, Private Bag X44, Pretoria 0001, Fax (012) 310-8500/1.

Blacks: old age/war veterans pensions

219. Mr P G SOAL asked the Minister of Local Government and National Housing:

(1) How many (a) old-age and (b) war veterans pensions paid to Black persons residing outside the self-governing territories were cancelled in each province in the 1991-92 financial year;

(2) how many of these cancellations took place during the period 1 October 1991 to 29 February 1992?

B498E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) Transvaal

(a) 22 385

(b) 120

Cape Province

(a) 4 342

(b) 23

Orange Free State

(a) 2 834

(b) 31

Natal

(a) 4 602

(b) 40

Information is supplied for the period 1 June 1991 to 31 March 1992.

cont →

(2) Transvaal
(a) 16 312
(b) 68
Cape Province
(a) 2 473
(b) 12
Orange Free State
(a) 937
(b) 9
Natal
(a) 3 378
(b) 10

INTERPELLATIONS UNDER NAME OF MEMBER

Botha, Dr W J—
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Own Affairs:
Education and Culture, 185, 436

Carlisle, Mr R V—
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Own Affairs:
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Gerber, Mr A—
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Haswell, Mr R F—
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Prinsloo, Adv J J S—
General Affairs:
Justice, 605

Rajab, Mr M—
General Affairs:
Correctional Services, 211
Law and Order, 323,
National Health, 633
Transport, 777

Pension structure

The committee's proposals for a future retirement system are structured in four tiers:

1 A social assistance scheme based on the current old age pension scheme, but non-discriminatory and expanded to provide a safety net for every elderly citizen.

2 Employer retirement funds, which would be provided with tax and other incentives to assist their employers and to allow for transferability and preservations options.

The committee feels it would be advisable to place a "cap" on tax incentives to be offered.

Furthermore, the committee sets out additional "upper" guidelines for retirement benefits, post-retirement increases in income, early-leaver cash and transfer benefits.

3 Voluntary provision schemes, again providing tax and other incentives to facilitate individual retirement provisions.

In a crucial addendum, though, the committee calls for a bonus system as an incentive to low-income earners who do not pay tax and thus do not receive these incentives.

4 Other provisions include the option to continue working beyond the average retirement age.

Discrimination

The report has as one of its major pillars the removal of racial and gender discrimination inherent in retirement provision.

It proposes a phased removal of the means test and its disincentive effect by reducing the penalty rate from 100 to 50 percent and using only 50 percent (instead of 100 percent) of pension receipts as "income" for means test purposes.

The removal of race discrimination in terms of the old age allowance would push the Government's pension bill from R4,3 billion in 1992/3 to R6,7 billion in 1993/4, assuming every qualifying person gets R380/month.

Gender discrimination in old age assistance should be tackled by increasing the qualifying age for women from 60 to 65, as is the case for men, and phasing it in over a 10-year period.

As general guidelines for the old age assistance scheme the report says the retirement income should "bear a reasonable relationship to that before retirement" and should be a full protection "against the ravages of inflation".

Furthermore, the needs of non-earning spouses have to be adequately provided for.

National scheme

The committee considered but rejected the idea of a national pension scheme.

Unemployment, which the committee expects to continue to be a major feature of the economy for many years to come, was the major reason for rejecting the scheme.

The committee says because of the high unemployment, there would be large numbers of people unable to make contributions.

It concludes that no contributory system would appropriately cater for their needs and that funding for the safety net would have to continue from general government income.

Instead, the report suggests that a special voluntary retirement savings fund should be formed.

Furthermore, in a key proposal, the committee says access to finance from a retirement fund should be available before retirement in times of hardship.

Other important proposals by the committee include:

- Removing the maximum age for retirement annuities, or increasing it to at least 75 years.
- Developing a clearer policy regarding the choice allowed in the retirement benefit as between a lump sum benefit or a pension benefit.

Mouton proposes radical revamp of retirement system

STAR 9/12/92. (300)

By Sven Lünsche

The Mouton Committee has proposed a radical restructuring of SA's retirement provision system, which, if implemented, will force the state to guarantee a minimum subsistence income for every elderly citizen.

The long-awaited report was released to the media yesterday and is set to form the basis of a future retirement system.

The report in its entirety reverses the current retirement "culture" whereby the state provides assistance on a racial basis to a few pensioners and leaves the onus on individuals to provide for their own and their dependants' retirement needs.

Presenting the report, Professor WJ Mouton said this sytem was no longer feasible. "Our study revealed that 56 percent of all households (of an average six persons) earned less than R900 a month in 1991.

"It is just impossible for these people to make provision for their own retirement needs," Mouton said.

He added that in retirement, the elderly should have at least some, and preferably full, protection against the ravages of inflation.

However, individuals would still be responsible for providing for their needs and those of their dependant spouses in retirement if they wished to have more resources in old age than could be afforded by the state.

As a short-term measure the committee called for the phased-in elimination of racial discrimination in the current old age provisions, which would cost the Government an additional R2,4 billion in 1993/4.

Mouton proposed that many of the committee's longer-term recommendations should be discussed at a national forum involving employers, unions and other interested parties.

Finance Minister Derek Keys has indicated that the report will be open to further discussions, but analysts are already cautioning that the vast financial resources required could be a major deterrent to the implementation of some key proposals.

Source of reference for years to come — OM

STAR 9/12/92.

300

CAPE TOWN — Old Mutual said the report provided direction in the development of a coherent strategy for the retirement funding system.

General manager (employee benefits) Garth Griffin said the report was likely to be a source of reference for years to come.

He welcomed the proposal to use South Africa's present system as a base for growth.

"We believe that there is much merit in the proposals put forward and hope that, once accepted by the Government, every effort will be made to develop a rational structure for the retirement funding industry along the lines recommended." — Finance Staff.

Improved pensions mooted

By Sven Lünsche STAR

The Mouton Committee has proposed a radical restructuring of SA's retirement system, which, if implemented, will force the State to guarantee a minimum subsistence income for every elderly citizen. 9/12/92

The long-awaited report by the investigative committee headed by Professor W J Mouton has been broadly welcomed by the retirement industry as a basis for a retirement system that caters for the broad population.

The report in its entirety reverses the current retirement "culture" whereby the state provides assistance on a racial basis to a few pensioners and leaves the onus on individuals to provide for their own and their dependents' retirement needs.

The report says that this was simply no longer feasible as the bulk of South African households (of an average six persons) earned less than R900 a month last year.

Mouton said that in retirement, the elderly citizen should have at least a minimum subsistence income which should provide protection against inflation.

The committee proposes that tax laws and other incentives should be granted to employers and individuals to boost retirement provisions.

As a short-term measure, Mouton calls for the elimination of racial discrimination in the current old-age provisions, which would cost the Government an additional R2,4 billion in 1993/4.

Mouton proposed that many of the committee's longer-term recommendations should be discussed at a national forum involving employers, unions and other interested parties.

Finance Minister Derek Keys said the report would be distributed for further discussion.

● See Page 26

Top earners may subsidise scheme

R2,4bn plan to aid needy pensioners

B/DAY 9/12/92. (300)

THE Mouton committee has recommended a R2,4bn package of measures to improve the state's retirement provision to the poorest sections of the community.

The committee, appointed in 1988 to investigate SA's retirement provision system, released its recommendations yesterday. Its most urgent recommendations were to abolish racial discrimination in pensions and to slash the "penalty tax" of the means test.

The means test effectively taxed people with low incomes at 100% if they provided some income for their old age. Describing the system as a "poverty trap", Mouton recommended the penalty rate be reduced to 50% while only 50% of pensions receipts should be included as income for means test purposes.

Changes to the means test and pensions parity would raise state spending on social pensions to R6,7bn in the next fiscal year — R2,4bn more than in the present year.

"The cost of the proposed changes is high. The changes to the means test will probably have to be made in stages. We should like to eliminate the means test, but the cost of doing this is too high," Mouton told a media conference in Pretoria.

It is understood part of the package will be financed by limiting the tax relief top

GRETA STEYN

income earners will get on current pension contributions. Committee member and actuary Piet Robbertse said there had to be a cap on tax incentives for pensions contributions. While he emphasised that tax incentives remained the main engine driving savings for retirement, these incentives should not be allowed to run along unchecked and become "excessive".

If all contributions were taxed, R5bn-R9bn would be raised in revenue, but such a move should not be contemplated as it could lead to the collapse of the system. Asked how much revenue "capping" of incentives co[illegible], he said the figures were still being calculated. Mouton said the revenue raised from limiting tax incentives for high earners should be compared with the revenue needed to finance the urgent recommendations on pensions parity and the means test changes.

Mouton also said ways should be sought legally to compel people to save. "But this must be handled carefully. We are conscious of the shambles a similar move resulted in in 1980," he said.

He said the goals were long periods of contribution, satisfactory early leaver benefits and considerable preservation of

☐ To Page 2

Pensions

B/DAY 9/12/92 (300)

☐ From Page 1

those benefits. These goals would probably require compulsion for all earners (over a minimum salary level) to contribute and for significant preservation through to retirement. He emphasised, however, that the legislation could be introduced only if there was broad consensus among employers and employees on the matter.

Mouton noted that people on low incomes who were not members of pension or provident funds did not have enough access to facilities for retirement savings. The committee felt a special retirement savings fund should be formed with state support to ensure a reasonable return on the savings.

A further recommendation was to remove discrimination between the sexes. The qualifying age for women should be raised to 65, as for men, phased in over a 10-year period.

Mouton also recommended that a national forum of interested parties be convened to discuss the report.

● See Page 3
● Comment: Page 8

Mouton saddles Govt with difficult choices

STAR 10/2/92

By Sven Lünsche (300)

The Government is faced with a crucial decision which could impact on the retirement provision system in SA for the next few decades.

Does it follow the recommendation of the Jacobs Committee and dip into the pensions area for tax revenue?

Or does it accept the findings of the Mouton Committee, which will oblige it to provide a minimum subsistence income for every elderly citizen, but will cost billions of rands to implement?

The Mouton Committee report, which was released this week, presents the Government with a dilemma because its recommendations would boost state spending at a time when revenue is declining.

Nevertheless, it raises a fundamental issue in pointing out that the majority of South Africans do not have the means to provide for their or their dependants' old age.

As a first step, the Mouton Committee proposes basic equity in the current old age assistance scheme, which on its own will cost an additional R2,4 billion in the 1993/4 financial year.

In the longer term, it calls for a reversal of the current retirement "culture" whereby the state provides assistance on a racial basis to a few pensioners and leaves the onus on individuals to provide for their own and their dependants' retirement needs.

On top of guaranteeing a minimum subsistence pension, the committee calls on the Government to provide tax laws and other incentives to stimulate individual savings for retirement.

Its only limitation is in the form of a "cap" on the amount of tax incentives provided by the state.

The Jacobs Committee, on the other hand, takes cognizance of the current state of government finances in its proposal to exempt only two-thirds of individual retirement contributions from income tax. At present the entire amound is tax-deductible.

Piet Badenhorst, executive officer of Financial Services, who sat on both committees, admits the two proposals represent different approaches to the retirement provision system.

"It is up to the Government to decide which findings and recommendations are more suitable to the local environment," he says.

The short-term view would dictate that the "Mouton option" is simply not affordable.

To the contrary, additional revenue — in this case from retirement provisions — is required to finance social welfare for the vast majority of the population.

Accepting the Mouton Committee findings and recommendations, on the other hand, would require a commitment by the state to large-scale intervention in the area of social welfare, particularly in the area of housing, education, health and pensions — at the expense of other areas in the fiscus, notably the security services.

Old Mutual's general manager, employee benefits, Garth Griffin believes the issue should be left to a future government which will have several options and will best be able to determine political priorities.

Compensate for the system's inefficiency

Easing the agony of pension pay-outs

Law Review Suppl in W/Mail (300) 11/12-17/12/92

Weekly Mail Reporter

PENSION monitors realise their work is sensitive and likely to irritate some authorities. Even so it came as something of a shock for a group of Community Law Centre (CLC) staff to be confronted by armed kwaZulu Police and an angry magistrate urging police to shoot them.

In September 1990 five CLC staff members monitoring pension pay-out in one of the rural areas served by the Durban-based CLC were summoned to the magistrate's office. He angrily asked what they wanted at "his" pay-point. Turning on the policemen present at the pay-point, he asked why they had not done their job properly and had not shot the monitors. He said CLC staff found at pay-out points in "his" district would be shot on sight.

Next time round, CLC monitors were back as usual — accompanied by an advocate, the University of Natal Law School Dean and a senior American government official.

In many communities served by the CLC, the meagre R586 paid every two months to pensioners in kwaZulu regions or R293 monthly in Natal Provincial Administration regions is often the only income for family networks of eight or more members. Without forceful legal action, people literally starve while waiting for pensions which mark the grim line between hunger and starvation.

Rural pensioners are especially vulnerable to exploitation because they live in remote areas cut off from almost all information about their rights.

Pensioners often start queueing two or three days before a pay-out. Pension officials regularly arrive late and leave before paying everyone. Those who do not receive payment are told to return on the following pay-out day, one or two months later.

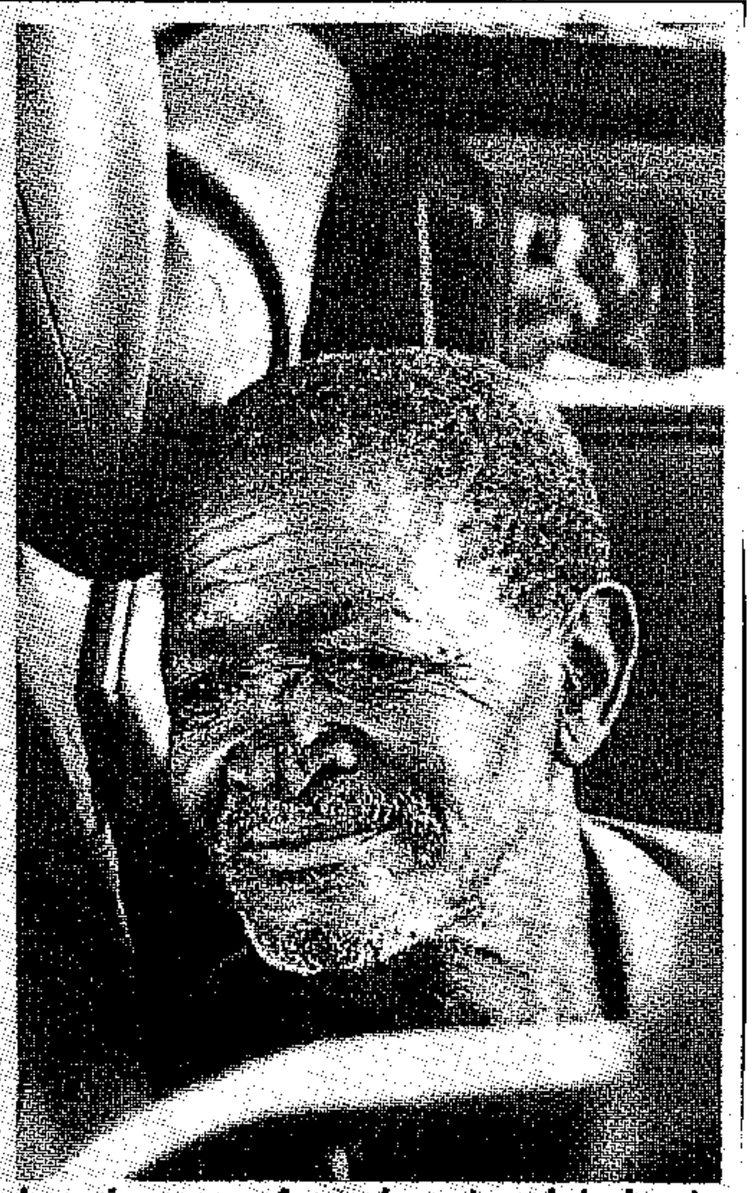
Some pensioners are turned away and told that their pensions have been suspended — with no reason given. Others are told that there is no money for them and are sent away. Some pensioners are even relocated to a kwaZulu district where they no longer qualify to receive their pensions from the Natal Provincial Administration. Often the new kwaZulu district is foreign to the pensioners who must reapply for their pensions, with months and in some cases years of pension payments lost with little hope of recovery. People can starve to death while waiting for their pensions.

More disturbingly, pensioners applying for a new identity document to replace their reference book often discover they have been assigned an arbitrary date of birth. The consequences can be devastating when the "new" age of the pensioners ranges from three to 15 years short of the qualifying age for a pension.

The involved process of reapplying for an identity document and pension reinstatement means pensioners again lose out on payments. Through ignorance many pensioners merely accept their situation.

One remedy is education. In addition to helping pensioners recover money they are due, CLC and its paralegals have published a pension poster. It illustrates how much pensioners should receive and is widely displayed.

Paralegal training and empowering rural communities are two of the main aims of the Community Law Centre.



Long journey ... A pensioner travels by bus to collect his pay-out Photo: KEVIN CARTER

The CLC is fiercely apolitical and operates in 15 rural communities in kwaZulu, Transkei and Natal serving a total population of 900 000 people. The centre offers legal education, community legal and human rights training, litigation support as well as negotiation and mediation skills. They offer a two-year formal rural paralegal training course, and 10 paralegals graduated in June this year.

● The CLC can be found on the seventh floor, Berea Centre, 249 Berea Road, Durban, 4 001 or phoned at (031) 202-7190.

MOUTON REPORT

Passing the buck

300 FM 11/12/92

Since the Vat debacle, policy-makers have become sensitive to the need for broad consultation about changes to any legislation. Thus the 674-page report of the Mouton Committee, appointed in 1988 to investigate a retirement system for SA, released this week, is intended to provide only an "agenda for developing consensus" on the subject. It refers its recommendations to a proposed national forum "which is truly representative of all interested parties."

It stresses the importance of negotiations among parties involved. Without this, "even changes advantageous to all parties often fail." It also recommends that proposals should be implemented only if they have broad support.

Unavoidably, perhaps, it comes up with few concrete proposals on the funding of old-age assistance to those not given the opportunity to make retirement provision. It is explicit on one of the most controversial issues, a reduction of tax concessions on retirement provision. The report makes it clear that any attempt to raise tax revenue by reducing tax incentives for retirement provision would be self-defeating.

It also points out:

☐ Retirement planning by individuals relieves the State of the cost of providing them with old-age assistance; and

☐ Retirement savings provide capital to fund essential development in the country.

Tax concessions "result mainly in a deferral of tax collections (and) also some loss of tax revenue, together involving billions of rands. However, this system is favoured in virtually all countries that have successful retirement provision industries."

But ways will have to be found to fund basic subsistence assistance. It will cost a lot to achieve social pension parity for the various race groups. If the white means test is applied to all race groups, the cost of providing old-age assistance, excluding TBVC countries, would be R6bn next year, 41% up on the 1992/1993 financial year.

The committee suggests ways of making minor savings and proposes that the financing of additional costs should "be considered by the appropriate tax and fiscal authorities, together with people with considerable knowledge of retirement fund operations and policy goals, and people aware of socio-political pressures."

Despite its attempts to involve all parties concerned, not all interest groups were represented on the committee. The report is signed by Wynand Mouton, who chaired the committee, by members of the Financial Services Board (FSB) and the financial services industry, as well as representatives of employers' organisations.

Few trade union representatives — none from the major federations — signed the report. But this is a hangover of the political past when government and prominent trade unionists could not resolve major differences. The recent launching of the National Economic Forum makes a representative forum on retirement planning more feasible now.

On private provision, the report identifies two key ingredients for a successful system:

☐ People will have to take responsibility for their retirement needs and understand the implications of the arrangements they make. According to the report, many people "effectively transfer this responsibility to others. A common assumption is that the retirement fund to which they belong or the government of the day will provide for their needs;" and

☐ Legislators must be aware of the unintended consequences of policies which may undermine their objectives. With this in mind, the Mouton Report has made a point of considering "multiple reactions and ripple effects, some of which were far from obvious at the outset of the investigation."

The committee estimates that in current economic circumstances, each individual needs to accumulate a capital base equal to seven or eight times annual income at the time of retirement, to provide adequately for post-retirement needs.

The problems are many, including:

☐ The current high level of unemployment, often for extended periods;

☐ Deficiencies in the Unemployment Insurance Fund which prompts the use of retirement funds for nonretirement purposes; and

☐ Pre-retirement leakages, as people change jobs, amounting to 10%-12% of a year's contribution.

Another problem is that as many as 27% of people in formal employment may not be contributing towards their own retirement provision. Compulsory contributions are not being recommended "before a broad consensus as to its necessity has been achieved." This follows disastrous attempts, in the early Eighties, to make pension preservation compulsory, which provoked widespread industrial action.

A partial solution could be a new type of retirement fund "with different features and incentives specifically designed to appeal (see box) to low-income earners."

Other recommendations include:

☐ Encouraging more provision for increasing post-retirement incomes;

☐ Provision for nonearning spouses;

☐ Recognition of the need for cash in times of unemployment;

☐ The easing of current strict legal restrictions on loans to members. "A special case is the need to finance accommodation, especially low-cost housing;"

☐ Improving members' understanding of their benefits;

☐ More equitable cash benefits for early leavers;

☐ Promoting the preservation and transfer of retirement benefits; and

☐ Preparing the way for making retirement provision and preservation compulsory. ■

EXTENDING THE OPTIONS

300 FM 11/12/92

Facilities for low-income earners to save for retirement are inadequate, says the Mouton Report on retirement provision. It suggests a new fund to attract small reinvestments of benefits paid to early leavers by retirement funds, as well as regular and irregular contributions from low-income earners in the informal economy, agriculture and domestic service.

"There are several possible methods of making the return on these accounts attractive to potential investors." It gives two examples:

☐ The funds could be invested in a normal mix of retirement fund assets, managed by the private sector, with a government guarantee that the rate of return will not be less than, say, 3% per annum in excess of inflation; or

☐ The funds could be invested in special government-guaranteed stock, bearing interest at a rate equal to the inflation rate plus 3%.

Because contributions would be small, administration costs would be relatively high. "It is therefore probably necessary that government should provide some form of subsidy for administrators."

The committee recommends that both public and private sector administrators should be invited to participate, qualifying equally for both the investment guarantees (if any) and administration subsidies.

Though the potential market is huge the average amount available would be small. Many potential investors are unsophisticated financially so this will make marketing essential — and costly — to the succcess of the fund.

Softer line, no waves from Mouton

By REG RUMNEY

FROM the personal planning point of view, the Mouton Committee report on its investigation of pensions and the like will make no waves. No revolutionary changes are proposed.

As important as its recommendations is that the committee investigation of retirement provision has taken the era of consultation and negotiation to heart.

Mindful, perhaps, of the explosive effect of state moves in the early 1980s to stop people cashing in their pensions on leaving companies, the committee has adopted a "softer" approach in the main, suggesting directions for future changes and not laying down the law.

The 674-page report places a great deal of emphasis on the process of consultation and negotiation, and recommends the setting up of a representative National Forum, possibly part of the National Economic Forum, to take up and debate certain recommendations.

The committee finds much good in the present system of retirement provision in South Africa, and recommends building on it rather than radical change. It recommends, for instance, keeping tax incentives in place to encourage people to provide for their own pensions in old age, but capping or limiting the tax benefits to stop abuse. And it believes old age pensions funded from tax should be retained as the best available social security net for now for the aged.

Few will be offended by what the committee has come up with but, by the same token, the committee has avoided tackling head on what seem to be urgent issues.

One such is the pensions versus provident fund debate. The report notes the accelerating trend of switching to provident funds, and remarks that many of today's pension funds started out many years ago as provident funds.

It does not directly assess to what extent provident funds might encourage members to rely on the state, and so increase the burden on taxpayers eventually.

However the report does note that one reason for the increasing popularity of provident funds is that making provision for "pre-retirement" crises is more important to many workers than retirement provision.

It says that only if the Unemployment Insurance Fund becomes recognised as providing more effective protection against unemployment needs will emphasis on provision for longer-term retirement needs become possible.

The committee also felt in the issue of lump sums — such as paid out by provident funds — versus pensions, balance should be sought.

Some committee members, according to the report, reckoned the same rules should apply to pension funds, retirement annuities and provident funds, though provident fund members would oppose this. But the matter was left to be considered by the proposed national forum.

Pension recommendations

AMONG the important, immediate recommendations are to:

- **Set up a national forum to discuss the report.**
- **Do away with remaining apartheid in state old age pensions.**
- **Do away with the "poverty trap" of the means test, whereby other income merely decreases or does away with state pensions.**
- **Consider raising the retirement age of women to 65.**
- **Improve UIF benefits.**
- **Make all retirement funds have a "board of control" with members having a right to a representative on the board.**
- **Appoint a retirement fund ombudsman.**

Charting a plan for pension care

STAR 12/12/92. (300)

How generous can South Africa be in inproviding pensions for all its citizens? The Mouton Committee on pensions takes a middle road between the extremes of the full-blown social welfare nets found in some countries, and the total absence of any State pension schemes in some African countries, reports DAVID CANNING.

THE Mouton Committee's proposed retirement strategy has thrown open for debate the question of how "socialist" the country can afford to become in steering State funds into pensions.

The report has been criticised for possibly taking a step in the direction of the socialism envisaged for Britain after the war by Sir William Beverage.

Reinforcing this line of criticism is the estimate that an additional R2,4 billion will be needed to achieve just a basic equity in state pensions at a very basic level — adding fuel to the argument that SA does not have the resources needed to provide a comprehesive pensions scheme.

However insurance expert Garth Griffin, employee benefits general manager at Old Mutual, believes the report in fact has been very pragmatic and balanced.

'Work with what we have'

The report streers clear of the following extremes:

□ A full-blown State "social net" as was the case in the UK. In any case, the high unemployment problem in SA, together with the age profile of the population (half under 16) make this an impossible option in South Africa.

□ The total absence of any scheme found in several African countries.

Rather than espousing a socialist vision, Professor Mouton has said: "Let's work with what we already have." It is not proposing a radical move to generous State pensions — just that people will not be allowed to starve.

Griffin says Mouton adopted a "holistic approach" which is necessary in an area with countless complicating factors including tax, unemployment insurance and private pension funds.

The Mouton Committee noted that South Africa, to its great credit, was probably the only developing country in the world with an old-age assistance system which provided assistance on a significant scale for even those who had been unemployed for most of their working lives.

It suggests 47 percent of aged people in SA obtain some kind of pension, either from private funds or the State.

This figure is high in relation to many other middle-income countries. However, the amounts that people earn from SA pensions tend to be very small.

The report says 7 percent of SA's GDP finds its way into retirement funding (either from private or State sources) and this is significantly higher than in countries like Malaysia and the Philippines.

However, SA is more private sector-oriented than most developed countries — the private sector accounting for more than twice as much as in Australia, the United Kingdom and the United States.

This should be seen in context, however. The big role of the SA private sector is not surprising as these three advanced countries — relatively — spend seven to 10 times more government money on welfare.

An IMF report compiled earlier this year shows South Africa rates poorly when it comes to international social welfare and security comparisons.

SA is measured as an "upper middle-income country".

Overall spending on social programmes at about 14 percent of GDP, is below the average for other equivalent countries, "mainly reflecting relatively low expenditure on pensions and social welfare in SA". In contrast, the IMF found, SA public spending on education and health was relatively high in relation to GDP.

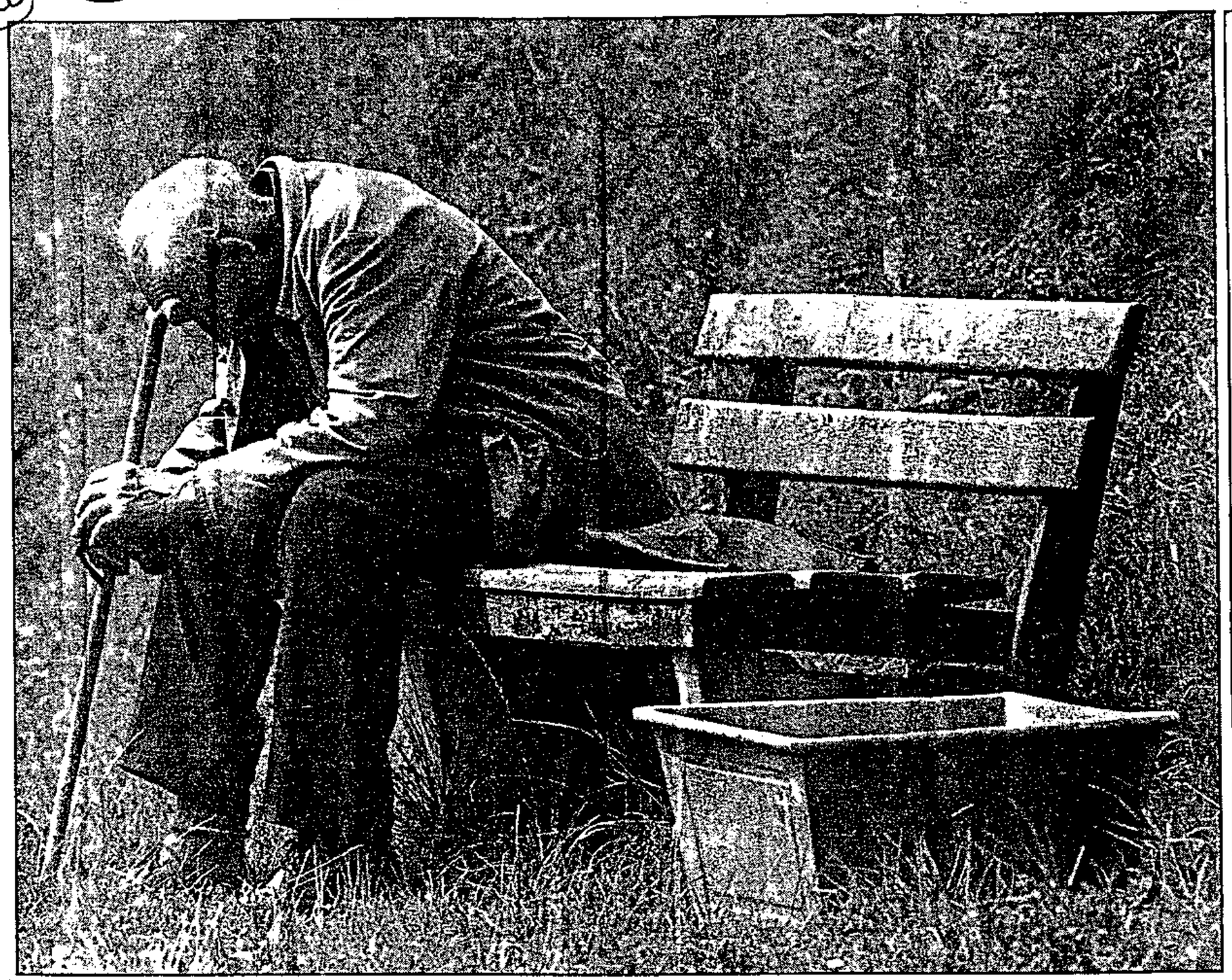
More specifically, in 1987 (the latest figures the IMF had available), SA spent 6 percent of its GDP on social welfare and security, compared with an average of 9,2 percent for lower-middle-income countries and 23 percent for higher middle-income countries. Industrial countries spent 27,6 percent.

The IMF said industrial countries spent more than one third of total government expenditure on social secuty and welfare. "This would imply that as the disadvantaged groups are brought into the industrial process in SA, the resources devoted to this category of spending are likely to rise sharply."

How to pay for the social spending is a problem. Griffin believes the issue should be left to a future government which will have several options and will best be able to determine political priorities.

The IMF notes another opportunity. SA defence outlays (4,3 percent of GDP) were higher in 1987 than that of higher middle-income countries (2,8 percent) and lower middle-income countries (2,3 percent), though behind industrial countries (5 percent).

The IMF believes SA has the capacity to lower defence spending by two percentage points of GDP (this route is already being taken).



TWILIGHT YEARS: Does the State care enough about the plight of the elderly and other disadvantaged citizens? The International Monetary Fund says there is "relatively low expenditure on pensions and social welfare in South Africa".

Mouton committee 'pragmatic and balanced'

STAR 12/12/92 (300)

FOOTSTEPS TO FORTUNE

RICHARD *Cluver*

Dividends reveal true blue chips

DETERMINING potential winners and losers can be achieved by examining the companies' dividend history.

REPEATED observation of share market selection techniques confirms that the only way to make really significant profits on the stock exchange is to combine fundamental analysis — that is the comparative study of company balance sheet performance — and technical analysis. This depends upon the combined behaviour of share prices and the volumes of shares traded in order to make its predictions.

As I pointed out last week, this combination enabled my ShareFinder computer system to pick out a five-share portfolio which in the 12 months from December 1990 to December 1991 grew in value by 131,83 percent at the same time as the JSE Actuaries Index grew by 35,29 percent.

Currently, by contrast with the JSE Overall Index which is down 4,59 percent and an investment in the Old Mutual Investors Fund which is down 11,36 percent, the five-share "Royals" portfolio is 43 percent ahead of its January 1 value.

Of all the balance sheet information available to the investor, the most important is dividend history, for there is no doubt that future share price growth can be related to the growth rate of dividends. Using this tool and refining it a little, you can easily learn how to pick out the potential winners and losers.

Simply stated, Richard Cluver's golden rule for selecting a true blue chip is to look through the historical records of corporate dividends and reject all those companies which do not have a record of at least five years of steady or rising dividends.

Spectacular price gains

In my own computerised rankings, I list within a category I call the "Rising Stars" all companies that have achieved five or more, but not yet 10 years of rising dividends. Those with 10 years or more fulfill the basic qualification for inclusion in my Top 100 list.

I also require that my Top 100 companies have a fairly constant earnings per share growth rate and I look for a fair ratio between corporate assets and borrowings.

Finally, I sort from this latter Top 100 group a top 10 group that has attained the highest exponential dividend

Possible relief for pensioners

300
ARGUS 12/12/92

JEAN LE MAY
Weekend Argus Reporter

POOR people will end up with bigger pensions if the government agrees to proposals made by the Mouton Committee, which has just produced a report on pensions and taxes related to them.

To begin with, it suggested that everyone should get what white pensioners get now, plus — to start with — 10 percent.

In this the committee supported the Jacobs commission which recommended some time ago that old-age pensions should be colour-blind.

At present whites get from R314 to R345 a month, Indians and coloureds R273 to R318, and blacks from R235 to R318.

Another suggestion from the Mouton committee is that people who have low incomes from investments should no longer be penalised as they are now.

What happens now is that for every R1 over R90 a month that anyone gets from an investment, R1 is deducted from his pension.

This has been much criticised and the committee's suggestion is that only 50c be deducted.

So, for example, anyone with an income of R300 a month who is eligible for the maximum pension of R345 ends up with R435 — his own R300 and R135 from a benevolent state after R210 has been deducted.

If only 50c is deducted, the own-income plus pension will come to R540.

The committee also proposes that pensions from former employers should be handled the same way.

The committee estimated that carrying out its suggestions would add R1,75 billion to this year's budget for old age pensions.

It suggested that tax deductions on pension and retirement fund contributions should no longer be allowed to people who earn high salaries and pay large sums in contributions or especially-designed retirement schemes, which it estimated would bring in another R1 billion.

This has aroused protests from the powerful financial lobby which believes people should be encouraged to save for themselves.

Pensioners' lot could be eased

(300)

ALIDE DASNOIS
Business Staff

ARG 12/11/92

THE plight of South Africa's one million social pensioners will be slightly eased if the recommendations of the Mouton Committee on retirement provision are implemented.

In its report presented this week, the committee notes that about two thirds of the elderly depend on State old age assistance. Because many people cannot provide for their own old age, the committee recommends that basic retirement needs should be covered by the State.

Chairman Professor Wynand Mouton pointed out that 56 percent of all households in South Africa earned less than R900 a month in 1991. "It is just impossible for these people to make provision for their own retirement needs", he said.

The Committee recommends as a matter of urgency:

■ That State pensions and the means test should be the same for everyone;

■ That the means test be changed so that people with their own income should not be penalised as heavily with respect to State pensions — only 50 percent of income from other sources, instead of 100 percent, should be taken into account for the means test;

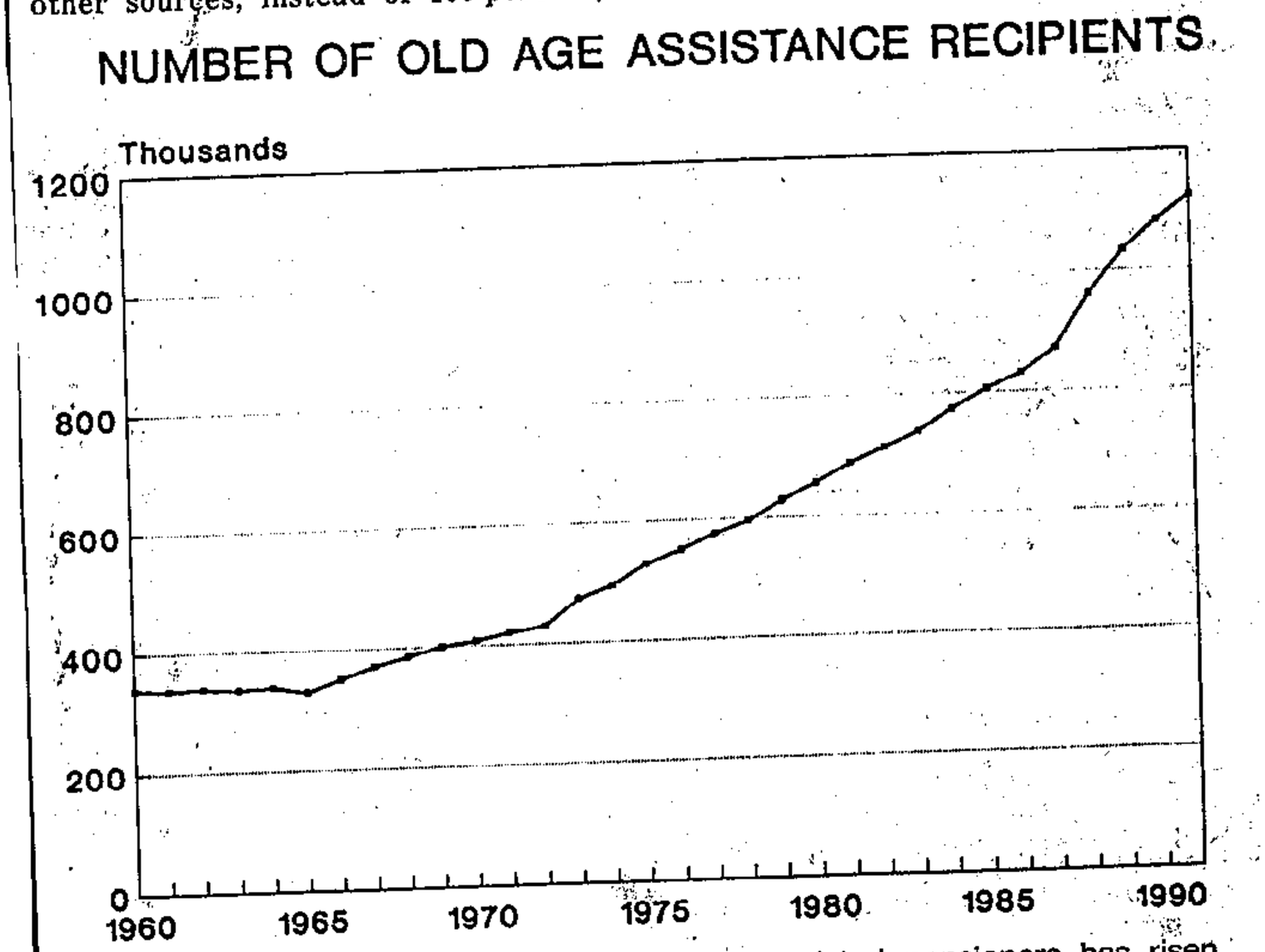
■ That the normal qualifying age for men and women should be equalised at 65 and that women and later men should be allowed to qualify before or after this age if they wish.

The cost of equalising all State pensions at the current white level (R380 a month) and of applying a uniform, adjusted means test to all, is estimated at R6,7 billion in 1993-94.

One way of raising the money could be the scrapping of tax incentives for individual retirement provision, which would free an estimated R5 billion for State funding of social pensions according to Mr Piet Robbertse, who sat on both the Jacobs and the Mouton committees.

But though the Mouton committee points to some anomalies in the present system of tax on retirement provision, it strongly recommends that tax incentives should be maintained.

On the contrary, the committee suggests that new measures must be taken to encourage people to provide for their own old age. It is unlikely, the committee says, that the level of State pensions will ever cover more than basic needs.



■ **PENSION FIGURES:** The number of State-assisted pensioners has risen from 350 000 to more than a million over the last 30 years.

Assurers to opt for single savings plan for retirement

(360)

ST Times (Business) 13/12/92

LIFE assurers are to push for a single retirement savings vehicle when the National Forum on retirement provision convenes next year. This follows the release this week of the Mouton Report after a four-year investigation into a retirement provision system for SA.

Despite a strong swing towards provident funds over the past few years, some of the country's life assurers are calling for a single savings system — that combines the positive features of pension and provident funds — to be instituted.

Such a system should allow the individual to choose close to retirement date whether a portion of the retirement savings should be paid out in a lump sum or not, says Old Mutual employee benefits general manager Garth Griffin.

Mr Griffin says the committee "skirted" the issue in its 671-page report but that it will probably be debated at the Forum next year.

Mouton committee member Piet Badenhorst says it is imperative that the committee maintain confidence in existing savings systems. "We realised how easy it would be for our recommendations to produce reactions that would be counter-productive."

In an effort to reach consensus on proposals, the Mouton committee has suggested that a National Forum be convened — possibly as a sub-committee of a broader economic forum.

A question to be debated will be whether the provisions of lump sums or pensions should be equally encouraged or whether there should be some differentiation between the two forms of retirement provisions.

Compulsion

"The general feeling of the committee was that a pension — preferably an increasing pension that catered for both the member and the spouse — could best meet the proposed objectives of the retirement policy.

"But it recognised that a compulsion to use resources at retirement in full to finance a pension for life would be too restrictive and inflexible," says the report.

The committee will suggest that a balanced system be considered.

Suggestions include:

- That the the current pension rules be maintained. This will give the retiree a third of his benefit as a lump sum on retirement and the rest as a pension;
- That a basic amount — which will meet all reasonable needs — be taken as a pension. The member will then be able to choose whether to take the balance as a lump sum or pension;
- That a basic amount be taken as a lump sum and a compulsory pension — which will meet reasonable needs for life — be paid. The member will then be able to take the balance either as a pension or as a lump sum.

The Mouton report confirms the resurgence of interest in provident funds, particularly among trade union members. In 1991 the Financial Services Board registered 1 923 provident funds, with funds of R121,6-million a year. This compares with 1 001 pension funds with funds of R62,5-million.

By CHERILYN IRETON

But the committee forecasts a swing from provident funds to pension funds. "Many of today's pension funds started out as provident funds."

Commuted

"It was only after many years that they were converted into pension funds, and it would not be surprising if today's new provident funds were eventually converted into pension funds," says the report.

The main difference between the two systems is that only a third of pension fund benefits can be commuted into a lump sum at retirement date. Provident fund members can, however, take the total benefit as a lump sum.

Members may deduct pension fund contributions from income for tax purposes, not provident fund contributions.

But there are considerable tax benefits gained in taking out retirement benefits in a lump sum.

"This is one reason why there has been such a strong preference for provident funds by executives and blue collar workers," says Mr Griffin.

The Mouton committee agrees that pension benefits should be seen to enjoy a tax advantage — or at least neutrality — over lump sums.

Burden

Initially, trade unions supported provident funds because its members would return to the homelands or rural areas at retirement and would have difficultly in accessing their monthly pension.

The committee noted that retirement resources were quickly exhausted, placing a burden on families, communities and the State.

Mr Griffin says unions have been changing their attitude, particularly when it comes to death benefits.

"There has been a realisation that lump sums paid out to family members dissipate very quickly. Many negotiated funds are now looking to pay out death benefits on a monthly basis."

Public servants fear future — survey

PRETORIA — The country's public service is racked with fear and uncertainty about job and pension security under a black government, a new Human Sciences Research Council (HSRC) survey shows.

More than two-thirds (66,4%) of respondents expected progress in their careers and their security of tenure to be restricted, and 51,9% that their work situation could become intolerable because of political pressure.

Moreover, they expected the rendering of public services to become increasingly inefficient and ineffective.

The HSRC survey released yesterday was commissioned by the Public Servants' Association (PSA) and conducted among 10% of its 80 000 members.

A striking feature of the research, the survey reported, was the great uncertainty

GERALD REILLY

on virtually every aspect of service benefits. Slightly more than 75% of respondents feared the present shortfall in the pension fund would endanger their pension benefits: 63,1% that their benefits would be reduced, 62,9% that their gratuities would diminish and 61,2% that pension annuities would be adversely affected.

The majority of public servants expected the reform process to lead to a black majority government. They feared their work situation would become increasingly unpleasant and that many would be compelled to resign.

Of the respondents, 58% supported the NP, 25% the CP and other right-wing parties, 6% the DP and 2% the ANC. Afri-

To Page 2

Public service

From Page 1

kaans-speakers predominated with 78%, while 17% had English as a first language and 6% other languages.

Most of the respondents were particularly apprehensive that officials would be supplanted by political appointees. Because of these fears, the present government had the confidence of 51,2% of respondents, with the greatest degree of confidence among NP supporters (71,5%).

Expressing no confidence in the NP government were 53,6% of the CP supporters and 34,6% of the ANC supporters.

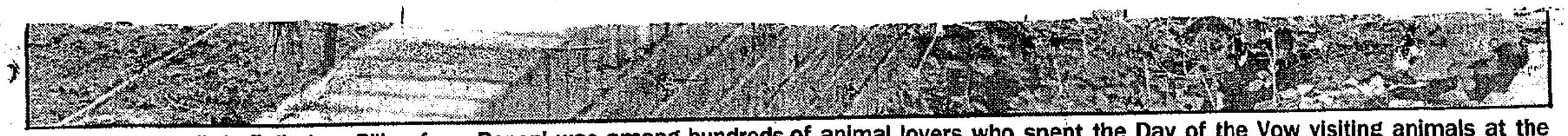
Among managers, confidence in government had declined by 22,11% since a similar survey in September last year.

Codesa was supported by 25,4% of public servants. Only 14,7% had confidence in an interim government and, of these, 66,7% were ANC supporters and 3,4% CP supporters. Only 16,9% of the NP supporters had confidence in an interim government.

Among the managers, confidence in a future government had declined significantly since last year's survey — down to 29,5% from 39,3%.

The majority of respondents — 64% — regarded President F W de Klerk as the only credible politician. Only 14,4% considered the statements of extra-parliamentary politicians as credible.

A major worry revealed was the role of political preference in appointments and promotions. Although the majority regarded politicians as lacking in credibility, in the final analysis they placed their hopes for the future in the present government.



Let's share . . . little Belindree Pillay from Benoni was among hundreds of animal lovers who spent the Day of the Vow visiting animals at the Johannesburg Zoo. Picture: Peter Mogaki

Cooking/ironing brigade besieges Eskom

STAR 17/12/92

By Charmeela Bhagowat
Crime Reporter

Vosloorus residents could have electricity later today for the first time in two weeks — if the town council agrees to let Eskom stand guarantee for residents' bills until January 7, when Eskom is set to take over electricity supply in the township.

About 150 Vosloorus Civic Association (VCA) members spent the last two nights at Germiston's Eskom office on the East Rand in an attempt to force Eskom into restoring electricity and taking over the supply in the area.

The residents, mostly women, stormed the building on Saturday and demanded to do their ironing and cooking there. They arrived with their two-plate stoves, electrical appliances and cooking utensils and children — and settled in for the night.

They told Eskom officials that after two weeks their lives had become unbearable and their ironing and cooking had to be done.

Eskom communications manager Laetitia van Staden said the sit-in was peaceful and "all the women wanted to do was get their ironing and cooking done".

VCA spokesman Jabulani Dumani said residents embarked on the sit-in because they felt the council's electricity cut-off was unfair.

Dumani said the council had agreed not to cut off electricity until an agreement that Eskom would take over supplies was signed.

He said residents demanded that Eskom take over the supply because the town council had offered "poor services" and was "corrupt".

"We embarked on the rent boycott in the first place because the town council is illegitimate and because we are forced to pay high fees while the services are inadequate or, in some areas, non-existent."

Van Staden said last night that negotiations between Eskom and the town council had been going on for a while and that Eskom was ready to take over.

Any delay in the signing would force Eskom to take legal action against the council for outstanding bills. No Vosloorus councillor could be reached for comment.

Put pensions in bank, says TPA

The Transvaal's 289 000 pensioners have been urged to open bank accounts to avoid having to wait in long queues for their pensions. (300)

A Transvaal Provincial Administration spokesman said yesterday administrators preferred to pay pensions and grants directly into personal bank accounts. STAR

Since March 1990, 16 TPA officials had been injured and about R2 million in pension money had been stolen in 12 armed robberies. 17/12/92

Application forms for direct payments are available at TPA pay offices. — Sapa.

ICS supports delay of Abacor listing

STAR 17/12/92

By Stephen Cranston

ICS, one of the Big Three meat producers, approves the postponement of the listing of the Abattoir Corporation (Abacor), says chairman Robbie Williams.

Writing in the annual report to September, Williams says that ICS supports in principle the privatisation of state assets, provided it is done in an orderly manner and does not result in existing state or quasi-state monopolies being replaced by de facto monopolies protecting vested interests.

A period of time after the removal of the restriction on the movement of meat is required in order to assess its potential profitability.

ICS does not favour plans to give meat producers preferential financing for the acquisition of shares in Abacor.

The distinction between controlled and uncontrolled areas for meat has been abolished, enabling ICS to source more livestock for slaughter at its own abattoirs.

MD Nick Dennis says economic circumstances and the introduction of VAT on fresh meat has had a detrimental effect on per capita consumption and volumes sold.

Nick Dennis . . . detrimental effect on consumption of meat

ICS has continued to move away from basic protein commodity products towards value-added branded lines.

New products launched during the year included Dairy-Maid's ice cream chocolate bars, Renown's Select range of premium processed meats, the Fiddlers and Pipers uncoloured cheeses and Festive's fresh poultry products.

Despite the long-term commitment to adding value and building brands, the short- and medium-term focus for the group remains low cost.

ICS's fresh milk interests operated in an unsettled environment as n industry levy was challenged in court and lost by the Dairy Board.

The growth of many small dairies resulted in competitive pricing in many areas, and the increased sale of long-life milk affected fresh milk sales.

Poultry experienced difficult trading conditions, particularly in the second half of the year because of industry overcapacity, low red meat prices and worsening economic conditions.

Since May, all yellow maize has been imported, increasing the price by 24 percent. There was an additional railage cost averaging R70 a ton.

The increase of 36 percent in the price of maize for animal feed was not recovered.

Dennis says that the focus of poultry subsidiary Festive Farms will be to remain cost competitive and to maintain the momentum created by adding value to poultry via high-quality branded fresh chicken and individually quick-frozen products.

ICS continued to obtain almost three-quarters of its earnings from associates.

Fedics, which is 46 percent held, enjoyed a satisfactory year and the international traffic brought by an increased number of foreign airlines impacted positively on the group's in-flight and airport catering operations.

The Protea Hotel group (which is 40 percent-held by Fedics) experienced marginal occupancy increases which, with strict cost controls, enabled Protea to show a good recovery.

Bull Brand, which is 50 percent-held by ICS, improved volumes and efficiency.

Acquisition of the Gants brand enabled Bull Brand to increase its share of the meat round-can market.

Sea Harvest, which is also 50 percent-held, enjoyed another successful year, during which satisfactory catches reflected the healthy state of the conservatively managed hake resources.

With many of foreign economies experiencing a downturn, demand for white fish has suffered and prices are under pressure. Sea Harvest is budgeting for a lower level of profits next year.

Dennis says that group profitability will be influenced by shortages or surpluses of protein and in particular milk, red meat and chicken.

The benefits of steps taken in recent years to rationalise operations will help the group achieve acceptable earnings next year.

Carrot needed, says Mouton

By David Canning (300)

DURBAN — Extension of a "carrot" rather than "a stick" is suggested by the Mouton Committee as a way of getting people to save for their old age.

Among its complex 674 pages of analyses and recommendations released last week, the committee suggests that the state consider paying a special "bonus" for retirement savers.

The state bonus could be introduced on the basis of 10 to 20 percent of the capitalised value of the pension, subject to a maximum of say R3 000 to R6 000 (which could be increased). STAR 17/12/92.

A bonus at this level would increase all pensions of R250 a month by between 10 and 20 percent.

However, to limit the extent of the state's exposure, the committee suggests the bonus be phased out at a total pension income of about R10 000 per person.

It estimates the total cost of the bonus to the state would be R100 million to R200 million.

This is just one of many issues which the committee has put to the Government for a decision.

Many Natal sugar farmers still in the grip of drought

STAR 17/12/92

By David Canning

DURBAN — Many Natal sugar farmers are still in the grip of a devastating drought which is slashing output and increasing already-high debt levels.

Recent heavy rains around Durban have missed important cane areas, particularly in parts of the Midlands and South Coast where — even if good rains now occur — many farmers expect their 1993 crops to be slashed by half.

Others face the enormous costs of having to replant most of their farms, pushing strained debt levels to unacceptable levels.

Moreover, the Land Bank has shocked some farm communities by refusing to help those it feels already have incurred too much debt.

Experts estimate the drought has cost the sugar industry R500 million this year — with serious effects on suppliers, labourers and the regional economy.

While there are hopes for an improvement next year, the carry-over effects of the drought mean the 1993/4 season will be far from normal — and there may be little sugar available for export.

Preliminary 1993/4 industry estimates are that the crop may improve to 1,7 million tons from this year's 1,5 million tons. Rain could alter this projection up or down.

Under normal circumstances the sugar crop — which is Natal's major product — should be from 2,1 million to 2,2 million tons.

Some farmers complain the banks encouraged their colleagues to over-extend themselves by placing excessive valuations on their properties.

Now that they need Land Bank assistance, their debt-to-asset ratio is too high.

The Cane Growers' Association estimates that about 80 of 550 applicants for Land Bank assistance could be turned down.

Rick Thompson, South Coast regional economist with the association, says a number of serious side effects have accompanied the drought:

- The lack of employment allegedly has led to a spate of fires started by unemployed workers.
- Burned cane has to be harvested rapidly, calling for increased labour. One farmer at Sezela says he has faced a series of 17 fires on his farm.
- Some farmers have had to retrench workers — or decline to take migrant labour. The situation has been aggravated by the return to Natal of many mine workers retrenched on the Reef.
- The lack of growth means low "cover" levels, leading to a weed problem.

The association estimates there will be an overall drop in the number of tons of cane crushed in the Midlands next year — while sucrose production at the three mills (Noordsberg, Union Co-op and Illovo) will drop from 391 689 tons in 1992 to 291 659 tons in 1993.

Brian Sugden of the association praises efforts of government authorities to help farmers, including a R20 million food distribution programme.

He is concerned about the plight of farmers unable to obtain financial assistance. However, great work has been done by special "credit committees" which have been set up under local magistrates.

These committees go into the individuals' circumstances — to determine whether their crises can be resolved.

MOUTON Fm 18/12/92

Wynand vs Japie?

300

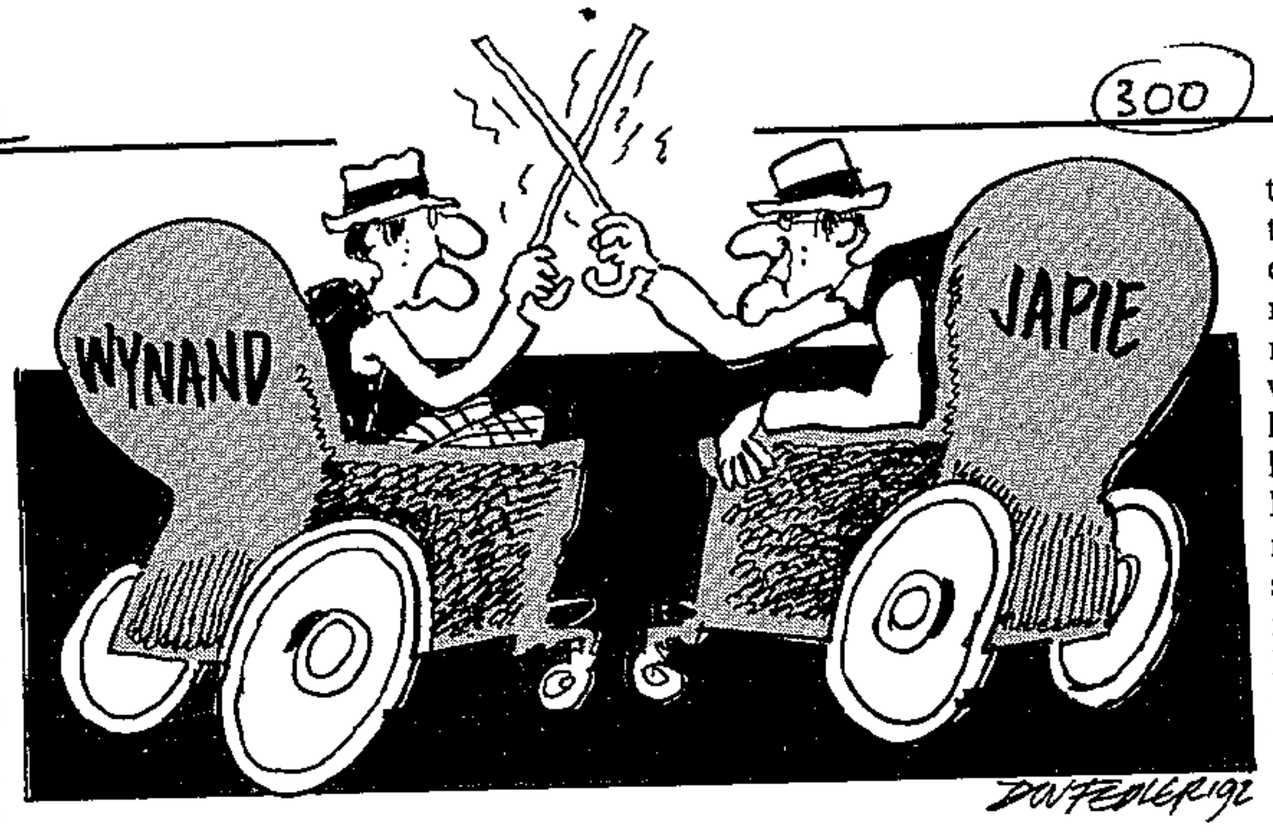
Next February, a symposium of all parties interested in pensions will be held in Midrand to try to settle a retirement policy for South Africans. It will be interesting to see who attends.

The symposium flows from the report of the Mouton Committee (*Economy* December 11) which, after four years of studying possible pension plan options, made some limited recommendations and referred most of the broader issues to a proposed national forum.

In the annexure to Mouton, there is a formidable list of parties which contributed to the report. The list included Cosatu but excluded the ANC, though the latter body was consulted. Mouton admits its contributors were not fully representative. Nonetheless, the report deals with dozens of interwoven issues, ranging from taxation to "safety net" State pensions and the appointment of an ombudsman to help dissatisfied pensioners.

Mouton, on reflection, opens as many questions as it answers. For example, it seems to be in conflict with the recent Jacobs Committee report, which tentatively proposed a new tax structure for retirement funds. However Jacobs' obscure recommendations are interpreted, their implementation would result in more tax being drained from retirement funds.

Mouton has a different emphasis: "The importance of income tax incentives to private retirement provision is illustrated by the fact that the committee was unable to find a country that has an effective private sector retirement industry that does not provide



significant income tax incentives . . . the committee, therefore, strongly recommends that this kind of incentive be retained."

Mouton acknowledges some weaknesses in the present system: there is little or no incentive to save for those who pay little or no tax; the system consists of the deferred tax principle and is so structured that a significant portion of deferred tax is never paid.

Capping pension benefits finds some common ground between Mouton and Jacobs. But, points out Sanlam's Barry McMillan, capping tax benefits to high income earners is expressed by Jacobs as a percentage. "Mouton instead suggests a rand/cents capping system. The argument for rand/cents is to encourage people to make provision for their old age and, if an executive retires at the income level of R180 000-plus, he really has no need of savings incentives — the personal tax system takes care of that."

Rod Stevenson of Southern's employee benefits division, says Mouton's tax proposals create more of a savings incentive than Jacobs' proposals. Overall, he is disappointed that, after four years of work, Mouton is referring his results to yet another body. He acknowledges that the subject is so sensitive and complex that Mouton's hesitancy could be understandable.

Both McMillan and Stevenson believe the privately funded retirement structures will be left largely intact. Both also feel too much euphoria has greeted the so-called "safety net" for those who have been unable to save and, therefore, fall dependent on the State.

The net is only one component in Mouton's proposed four-tier pensions system and, as far as whites are concerned, the purchasing power of their State pensions has deteriorated steadily since 1976. There is no reason to think the same will not happen when State pensions are available, on an equal basis, to all indigents. McMillan also queries whether employers are giving enough thought to those workers who fall in-between, into what Mouton calls the poverty trap — a trap into which well-meaning employers and unions often shove them.

This trap is caused by the means test. Mouton dislikes means testing but feels it is better that State pensions should be paid to those who really need them, rather than to reduce the pension by 20% or more, which would be the result if all elderly persons were to receive State handdouts. But people in low income categories who have provided some retirement income for themselves can find themselves no better off than the totally indigent. In 1992, Mouton points out, incomes of between R90 and R435 monthly are "taxed" 100% for purposes of the means test.

"The committee regards these aspects of the means test as serious hindrances to encouraging or ensuring that more persons make provision for their old age . . . and recommends that the penalty rate be reduced to 50% and that only 50% of pension payments be regarded as income for test purposes."

Garth Griffin, GM Old Mutual Employee Benefits, says many unions are aware of the trap and have transferred their members from pension to provident funds for that reason. "It's easy to hide a lump sum payment but difficult to hide regular income."

If parity in State payment levels is implemented in 1993/94 at a rate of R380 a month, the estimated annualised cost of State old age assistance — excluding the TBVC countries — will be R5,5bn if the current means tests are retained. ■

Thanksgiving. . . Movement for Communication and Information's Jerry Moloi (left), hands over a little Christmas cheer to James Sibisi (80), Philip Khumalo (77), Melsie Mathambu (75) and Esinah Mmoa (82) at the Soweto Home for the Aged. Picture: Alf Kumalo

Good cheer for Soweto's aged

STAR 21/12/92

300

By Nomalungelo Ntshata

Christmas came to the Soweto Home for the Aged on Thursday last week, when its 72 residents were each given a hamper to brighten up their festive season.

The donation was part of Soweto's Movement for Communication and Information (MCI) and the Orlando Youth Cultural and Community Services' annual thanksgiving drive which started on Saturday.

At the Orlando Community Hall 320 pensioners received hampers.

The Star Christmas Hamper

Said MCI chief executive director Jerry Moloi: "The aim is to show appreciation to the aged for their role in building the community."

He said the gifts were made possible by a sponsorship of R6 000 from the National Party in Johannesburg.

Mouton sets up framework for pensions debate

BIDM 21/12/92 (300)

GARTH GRIFFIN

AS WITH most government appointed committees, we have had to wait quite some time for the Mouton committee's view on a retirement provision system for SA. Four years after it received its mandate from the then Finance Minister, the report was handed to his successor, who wasted little time in making the full report a public document. One wonders what to read into this quick release: does government agree with all the committee says? Is there too little substance for the report to cause difficulty for government, or is it of sufficient depth to add materially to the debate on retirement provision in SA?

Prof Mouton and his committee, even with the difficulties they may have had in ensuring broadly based participation in their deliberations, have produced an outstanding analysis of the strengths and weaknesses of our current system, in its totality, and have avoided the temptation, given the scope of the topic, of limiting their study to narrower or sectional interests.

While one may not always agree with all the views expressed, one cannot but be impressed with the fact that it is difficult to find a current topic or issue, in the area of retirement provision, that has not been covered or analysed in some way within the report. We have been given an excellent framework within which the entire system of retirement provision can be developed. We now know what needs to be discussed and debated, what the fundamental issues are, and have had some of the inter-dependencies explored.

There are, no doubt, those who will find grounds for disagreement in both the policy goals and "points of departure" put forward by the committee, as well as its fundamental view that the current system with all its weaknesses should provide the foundation for the future.

The further encouragement of self-provision will no doubt concern those seeking a greater and wider social welfare net, while there will be others worried by the cost of improved state benefits to the elderly, and the comments on the role of the Unemployment Insurance Fund.

The committee's four-tier model makes its intentions clear — those that can provide for themselves, must, but the state has a responsibility for those who cannot. To achieve this, we will need both compulsory provision and compulsory preservation, and the report makes it clear we have to move in this direction.

There will also be those who see among the 108 recommendations, and many other observations in the report, a threat to their own positions. That employees should have the right to elect at least one member to the new "board of control" of a fund, that lump sum benefits should be more effectively taxed, that benefits paid from public and private sector funds should be taxed on a comparable basis, that the cost of making "socially desirable investments" suitable for retirement funds should be for the account of the state, to list but a few issues, will not receive unanimous acclaim — but that is to be expected.

If there is a concern about the report, it lies in the area of taxation. One is left with the feeling that any deferral of tax is seen as a cost to Inland Revenue and that the system of deferral should be limited, in some form or another, further than is the case already. Hence the view that there should be further limitation, through "capping", on the amounts that an individual should be allowed to put through the system.

In principle, the tax system should be such as to ensure that the value of the tax foregone by Revenue on concessions such as contribution deductibility, equals the value of the tax paid on benefits ultimately received. At the moment, this is clearly not the case, but if the issue of taxation of lump sum benefits is properly addressed, there should be much less scope for "tax leakage", and the integrity of the entire system significantly improved.

The question then, from government's point of view, becomes: how much tax revenue are we willing to *defer* in order to encourage proper saving for retirement, and not how much is this system *costing* Inland Revenue? Perhaps the report should have been more specific on the need to get to this position.

The report also treats the issue of the relative merits of lump sum and income type benefits rather tentatively. This lies at the heart of the pension versus provident fund debate, and while the committee takes no firm position, it does say, "in the longer term it is probably desirable that pension benefits be seen to enjoy neutrality or a tax advantage compared to lump sums".

Clearly, government will need to take a view, even if it is that they are neutral between the two, as this has a material bearing on the basis of taxation finally adopted. It will also facilitate the elimination of the unnecessary distinction between pension and provident funds, resulting in fund members being able to choose between an income or lump sum benefit at retirement, rather than up to 40 years *before* retirement when they join the fund.

The Mouton committee has produced an in-depth analysis of the SA retirement provision system, and has tested it against some alternatives found elsewhere in the world. It includes that we have a system which merits further development, and provide through its report, a framework for debate and discussion — an approach totally in keeping with current trends in SA. While we may not agree with all the committee says, it deserves the support of all who seek a sensible and more effective retirement funding system in SA. We should take this report seriously.

☐ **Griffin is Employee Benefits GM at Old Mutual.**

R10-billion boost for State pension fund

S/Times (B455)

300

27/12/92

By CIARAN RYAN

THE value of government pension funds grew by more than R10-billion in the first three quarters of 1992, reflecting a sharp decline in the funds' actuarial shortfall.

The value of the funds grew by R5,6-billion between June and September, R2-billion of which represents a cash injection by the state in August. This amount was set aside in the March Budget to help reduce the actuarial deficit, estimated at R40-billion earlier this year.

The actuarial deficit is the difference between estimated liabilities and the current book value of the funds' assets.

The removal in April of statutory limitations which required 75% of the funds to be invested in government stock and the balance in interest-bearing stock contributed to the improved investment performance.

The Public Investment Commisioners (PIC), which invests pension contributions on behalf of public servants, placed more than R3,5-billion or 6% of the funds, valued at R55,4-billion in September, in equities.

"The sharp increase in the value of the funds is mainly cash generated from securities in the book," says PIC secretary, Wessel Badenhorst. "Since April we have had complete freedom to invest where we like and this has helped improve returns."

Reserve Bank figures show that the PIC increased its holdings of government stock by nearly R6-billion between June and September, despite the removal of statutory limitations on investment. The average rate of return on state pensions funds over the last 10 years was 11,7%, well below average stock market returns, because of the weighting in government stocks.

The value of the five government pension funds has more than doubled in four years, from R25-billion in 1988 (when the deficit was valued at R23-billion) to R55,4-billion in 1992, reflecting rapid growth in both the size of the civil service and public sector wage increases.

A major reason for the deficit is the fact that until earlier this year the PIC was confined to investing in fixed-interest bearing securities, with the result that investment returns lagged inflation. Other reasons for the shortfall include the system whereby civil servants could "buy back" pensions and the tendency for government to raid the funds.

Since 1990, the government has appropriated R4-billion to fund the shortfall.

The five state pension funds cover 1,2-million members of whom only 152 000 are pensioners receiving benefits.

The funds are likely to be handed over to private fund managers in 1993 in an effort to further reduce the deficit.

The method of prefunding the state pension funds has been challenged by some actuaries. Several countries operate a "pay-as-you-go" method of funding pensions, where liabilities are met out of incoming revenue.

According to the auditor general's report, R2,9-billion invested with the PIC in 1991 was being administered by external portfolio managers in an effort to improve investment performance. The fee paid to the external portfolio managers was R3-million.

A further R10-billion is invested by the PIC representing unemployment insurance contributions, the Workman's Compensation Commissioner, the Guardian's Fund (on behalf of the Master of the Supreme Court) and funds held under the debt standstill agreement.

Employers accused of cheating pension funds

w/mail 30/10 = 5/11/92.

Struggling engineering companies are not paying employees' contributions into the industry fund, reports

FERIAL HAFFAJEE

AN investigation of one of the country's richest pension funds reveals that many struggling small employers are not paying their pension contributions, often leaving their employees stranded.

An employee of the Engineering Industries Pension Fund (EIPF), a healthy fund worth about R3,5-billion, probed and found that workers have lost R1,8-million in contributions in the past seven years.

In a number of cases investigated, the employers are also committing fraud by deducting contributions from their workers and not submitting these amounts to the fund.

Industry pensions are often the only security for the country's sweiling ranks of retrenched or retiring workers and the non-payment of contributions is an offence in terms of the Pensions Funds Act and in terms of the fund's rules.

Most of the defaulting firms are small engineering concerns, many of which have closed down. In many cases, the words "write off as irrecoverable" have been scrawled over contributors' record sheets.

Even when the fund obtains court orders in terms of the Labour Relations Act against defaulting companies, there is no easy relief. In a number of notices to the fund, the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry has said: "The mere fact that a court order has been issued aginst the firm is no guarantee that the outstandings, if any, will be recovered".

The fund employee who probed the records is only one of many administrators on the fund, indicating that the problem could be far more widespread if the fund is fully inspected.

Veli Njayeko, a trustee of the Metal Industries Provident Fund and an official of the National Union of Metalworkers of South Africa, says that the problem is not restricted to the EIPF. The fund he serves on has lost R300 000 in unpaid pension dues in the past year.

Retirement funds are major contributors to the country's economy. About 40 percent of all shares on the Johannesburg Stock Exchange are controlled by pension and provident funds and long-term insurers. In monetary terms, the funds are worth a staggering R186-billion.

Defaulting companies are a minor scourge on otherwise very healthy funds. But what is of concern, is that the number of defaulting companies is growing every day and individuals are being left stranded and destitute.

"We don't write off anything as irrecoverable. It is the function of the industrial council to do so," says Harvey Pierce, the director of funds of the metal industries.

A financial manager of the industrial council says: "We are quicker than the Receiver in prosecuting defaulters."

It takes three months from the time of a company being reported for not paying and the industrial council securing a criminal conviction against that company. It takes 14 days more for the industrial council to seek a civil judgment against the company in order to claim the money.

"It is harder to get money from companies in a recession," the council's financial manager admits, because many companies are going insolvent.

But funds are preferential creditors and the industrial council has been "wonderfully successful" in getting money from liquidated companies, he says.

In addition to the Industrial Council, the Financial Services Board (FSB) is also responsible for chasing up employers who do not pay pensions contributions.

FSB's Andre Swanepoel says the board investigates within a week or two of receiving notice of non-payment from the industrial council. The FSB appoints an inspector to make an investigation, but there are only eight inspectors for the whole country.

If the investigation turns up an irregularity, the case is handed to the police for investigation. But Swanepoel says that irregularities are few and far between. He believes that one of the ways to stem the problem is to elect more employee trustees to pension and provident funds. All metal industry funds have always had equal employee-employer representation.

In November last year, the Chemical Workers' Industrial Union (CWIU) applied for exemption from the FSB because it found that organisation ineffectual in chasing up employers who fail to pay contributions.

"I would question their ability to do anything about small companies," says Susan Benjamin, the administrator of CWIU's provident fund. She points out that it is difficult for the 82 people employed by the FSB to keep track of the country's 12 000 pension and provident funds.

CPA computer snag halts pension pay out

300 CT 3/11/92

MONTHLY pension payments were halted countrywide yesterday because of a computer error.

Cape Provincial Administration spokesman Mr Krige Visser said normal payments would continue until November 16, but payments expected yesterday would be paid today.

A private consultant had failed to notice a programming error in the pension payments computer, he said.

CPA officers spotted the error yesterday.

All pensioners in the Boland were paid yesterday.

In Beaufort West only 55 out of 505 people were paid before the error was discovered.

Payments are to be made from today in the Eastern Cape. Payments were not affected at Galeshewe in the northern Cape and pensioners at Petrusville and Phillipstown were paid by yesterday afternoon.

CCB pensions clash nears end

CT 4/11/92 (354) (300)

THE dispute between the members of the defunct Civil Co-operation Bureau (CCB) and the government over their pensions may be resolved soon.

The Ombudsman, Mr Justice Piet van der Walt, said yesterday that his mediation was "virtually complete", but he was not in a position to say anything more about the matter.

He was appointed to mediate at the beginning of June when the cabinet referred all unfinished matters relating to the CCB to him.

Mr Justice Van der Walt had to mediate between the government and 23 CCB members, including its former managing director Mr Joe Verster, who had refused their retrenchment packages because they were too low.

In a statement through his attorney yesterday, Mr Verster said that when the affairs of the CCB had been wound up "members' pensions can be paid out".

However, a SADF spokesman said the process of paying the pensions had not been completed, and that no further information could be released.

PENSIONS

Jacobs lives

Pensions tax, discussed in the Japie Jacobs report last month, is very much a live issue. After the furore that followed the report from Jacobs, special economic adviser to the Finance Minister, there were some in the retirement industry who hoped the matter would be swept under a carpet. Yet at a meeting of the Tax Advisory Committee (TAC) last week, it was made clear that government's need for money is so pressing that the retirement industry cannot expect to escape.

But Jacobs's so-called proposal, a variant on a variant of an Australian model for a pensions tax, may not be the eventually favoured method. Discussions continue to take place among actuaries from the private sector and the TAC.

On Tuesday, State actuary Piet Robbertse discussed some of the options — in highly algebraic terms — at a closed meeting of the Actuarial Society of SA. Robbertse mentioned various tax schemes, ranging from the existing system where tax applies only on the withdrawal benefits, to a tax on the build-up of assets in a fund; alternatively making part of the contributions to a fund non-tax-deductible. The latter, which emerged in the Jacobs proposal, attacks the heart of tax practice, since employer contributions to pensions are obviously expended in the production of income.

Robbertse's address merely confirms that while the issue of a pensions tax is very much alive, there is still room for debate on the practicalities. Old Mutual, among others, has indicated it feels a method can be evolved which does not materially damage the retirement industry.

The oddity is that the debate has commenced without the publication of the Mouton Committee investigation into the retirement industry. This committee has been sitting on and off for four years and was charged with inspecting retirement programmes around the world and coming up with the most suitable answers for SA.

Its report is at last at the government printer and Finance Minister Derek Keys should get his copy within a few days. Jacobs indicated to the *FM* that Mouton had virtually handed to his own committee the task of establishing pension tax principles and Mouton would probably have little to say on the issue. But it's hard to see how the work of the two committees can be separated. When Keys decides to release the tome into which Mouton's work has grown, it may be possible to see the logic. ■

Jacobs explains delays in pension fund report

CAPE TOWN — Special economic adviser Japie Jacobs said yesterday "the extreme delicacy" of the issue of taxing pension funds had led to repeated delays in finalising his report on the industry.

Speaking at the opening of Sanlam's financial advisory service in Bellville, Jacobs said suggestions on the taxation of pension funds, published last month, had been formulated a year ago but had been delayed owing to the fear of repercussions, including fears of labour unrest.

LINDA ENSOR

Jacobs said that while people should be encouraged by means of tax incentives to make their own provision for retirement, the question was how large the deductions for private pension funds should be.

"There exist various possibilities in terms of which the existing tax incentives for retirement provision can be reduced. It does not mean the total scrapping of them," Jacobs said.

Two considerations had to be borne in mind when investigating the taxation of pension funds, Jacobs said, namely the consequences on the competition between different categories of financial institutions in terms of the flow of funds; and the extent to which the fiscal authorities could afford the incentives.

The latter consideration was especially important in a country with an uneven income distribution, Jacobs said.

Campaign to help elderly and disabled get ID books

By AYESHA ISMAIL (300)

A CAMPAIGN to help the elderly and disabled apply for identity documents so they can draw their pensions and government grants without difficulty has been launched in Lavender Hill. ST Times Cape Metro

Those needing ID books are to be helped to complete application forms from 9am to 12pm each Saturday at the New World Foundation Centre. They should take with them two black-and-white ID photos and their birth certificate. 8/11/92.

"Pensioners who do not have the green ID books often have to pay other people, who do have them, as much as R20 to go with them and vouch for their identities," said community advice worker Ms Kulsom Minkey.

A Department of Home Affairs representative would assist with the fingerprinting.

Pensions: call for new criteria

LINDA ENSOR (300)

CAPE TOWN — Inflation-driven pension increases should be based not only on the official consumer price index but also on the pensioner price index and the food price index, says Southern Life assistant GM Shannon Kendal. BIDAM 11/11/92.

Writing in Southern Life's employee benefits newsletter, Benenews, Kendal said the pensioner price index had differed significantly from the CPI at times because of the different weighting of the various components.

He suggested that both indices be taken into account when deciding on pension increases.

Most important area of expenditure for pensioners was food, and the food price index had increased by almost double the CPI increase. In times of high inflation, pension increases became increasingly important.

Starving elderly eat cat food

300
CT 13/11/92

By YVETTE VAN BREDA

NUMEROUS elderly folk are in dire financial straits and living on cat food, Mr Syd Eckley, director of the SA Council for the Aged, said yesterday in an appeal to the public to report elderly people in need.

His appeal follows the suicide of sibling Germiston senior citizens.

Mr Eckley said there were close to a million elderly people over the age of 65 who were living below the breadline and in a desperate financial situation.

"They don't have enough to eat. Many of them live on dry bread and black coffee or tea. A proper nutrious meal is absolutely crucial to elderly people. There are numerous cases of elderly people who eat pet food. It's not a general thing, but it is happening," he said.

Witwatersrand police liasion officer, Brigadier Frans Malherbe, said on Saturday November 7 at 7am, the neighbours of Mr W G Holmes, 73, and his sister, Mrs N E Janse van Rensburg, 70, heard shots and entered their flat.

They found Mr Holmes on the front stoep with a gunshot wound in his head and a pistol between his legs. Mrs Janse van Rensburg was lying on the kitchen floor with a head wound.

Brigadier Malherbe said: "It was clear that there was no food in the house — only cat food. They had cats. Mr Holmes had been retrenched in March." They appeared to be in a desperate financial situation, he said.

Mr Eckley said an elderly Strand woman had died last weekend after her husband's death had deprived her of his pension.

She received a R500 monthly pension and her rent was R400. "She had to be out of her flat at the end of the month and was absolutely desperate. She told neighbours she had nothing to live for and then just died."

Mr Eckley said the elderly were ill-informed and unaware that help was available. He appealed to the public to look for tell-tale signs "like unkemptness and bad smells and report it to us. It might save someone's life."

It was estimated that 60% of a state pension, often the only source of income, was spent on accommodation, he said.

"We've been informed that elderly people are living on the street, and we expect the the amount of those destitute to increase," Mr Eckley said.

Proud people

"We estimate that 130 000 white elderly people, (38%) live below the breadline, 65 000 (16%) coloured aged are in a desperate situation and about 90% of the black aged, about 700 000, are battling to stay alive.

"Indians are not that critical. We estimate about 15 000 are at risk. This is due to extended family living."

The council could only address the needs of 60 000 whites, 30% of the "coloured" population and "shamefully" only about 5% of the blacks.

"The elderly are proud people who are reluctant to seek assistance. In some extreme cases the option of suicide appears to be the only solution."

He invited senior citizens in need to contact Ms Hanlie Brand at the council on 24-6270 and appealed to children, neighbours and friends of needy aged people to bring such cases to the council's attention.

REVIEW

A three-page focus on crucial areas affecting personal financial planning — including the future of pensions and where to invest your money in these troubled times

BUSINESS: *A focus on your money*

Where there's a will there is now a way

W/Mail 13/11 - 19/11/92 - (300)

Weekly Mail Reporter

DYING without a will can be disastrous for those you leave behind.

A will not only ensures your assets are disposed of in accordance with your wishes but that there are no long delays in handing over your assets to your loved ones.

"There is no other document which disposes of assets after death that can be considered a cheaper alternative to a will," says Law Society of the Transvaal president Igna Klynsmith.

"A will should be made by anyone who has assets in private ownership and death should not always be associated with the drafting of wills. But wills ensure that assets are disposed of in accordance with the deceased's wishes."

You can draw up your own will more easily than has been the case, says First National Trust senior manager, legal, Steve Friedrichs. An amendment to the Law of Succession Act has made it more difficult for the courts to declare an otherwise genuine will invalid on the grounds that it did not comply with a strict set of rules setting how a will should be drawn up.

To draw up your own will you must:

- Name an executor to carry out the provisions of the will.
- State clearly exactly who you want to have what when you die.
- Sign each page.
- Have the will witnessed by two people, other than those mentioned in the will. If a witness is also a beneficiary of the will, the will is still valid, but the witness will not be able to benefit from any bequest in the will.

The most important change, says Friedrichs, is that the court can declare a genuine will valid, even if it doesn't comply exactly with the relevant rules.

Friedrichs agrees it is better to have a simple, informal will than no will at all.

Lawyers cannot be expected to agree that people should do their own informal wills.

"A will is a too important document to be drafted by anybody else than a person who has a thorough knowledge of all the legal requirements pertaining to it," says Klynsmith.

●To PAGE 24

There's a will — and now a way

W/Mail 13/11 - 19/11/92 (300)

●From PAGE 22

If a will does not comply with the Will's Act, it may be invalid.

Wills are often drafted by attorneys — normally for around R200, the Law Society estimates — but this cost varies according to the complexity of the document.

Banks do not charge — but do benefit later when the person who made the will dies. Banks insist on being appointed executor if they do draw up a will, and this means a percentage cut of the estate — up to 3,5 percent.

"Banks provide full estate planning and advice in drafting a will," says First National Bank Marketing Manager Bill Griffith.

A will is not a one-off thing, but has to be updated and reviewed at regular intervals.

Klynsmith notes attorneys deal with people from every walk of life and have a wide experience of the expectations and requirements of the public at large, advising people of possible problems with their wills.

Griffiths believes banks are a better bet for drawing up wills. "A Trust company specialises in winding up estates, and not all lawyers are specialised in estates.

"The person who drafts your will has to be unbiased," said Griffiths, "and the end result of furnishing your client's wishes has to be practical and financially viable."

Klynsmith remarks that adequate practical knowledge — such as a lawyer has — must guide the testator in planning his will. It must be feasible to act on the will's provisions, and the assets have to be available.

According to Griffiths, more young people are being made aware of the importance of obtaining a will. "The awareness is beginning at an early stage where parents are encouraging children to draft wills the minute they leave school."

The primrose path of provident funds

Wmail 13/11-19/11/92

300

Is the pension fund going the way of the dinosaur? Not quite, but workers are opting more often for the rival provident fund as their investment vehicle for retirement. **MICHAEL WANG** *reports*

PENSION funds now constitute about 80 percent of all retirement funds, but the provident fund is "outselling" its competitor by as much as five to one, fund managers report.

Graeme Kerrigan, the joint MD of Johannesburg-based actuarial consultancy Alexander Forbes, predicts within three years half his client base will be set up in a provident fund. "One hundred percent of our clients are considering the concept, and 50 percent are actively doing something."

The runaway success of provident funds stems from its relatively simplified, pot-at-the-end-of-the-rainbow approach, which in South Africa's deepening economic crisis is more attractive than ever.

It was just over a decade ago that provident funds emerged as a credible alternative to the pension fund. The scheme was born out of an ill-fated attempt by government and the retirement funds industry to prevent pension members from withdrawing their funds when they left a job before retirement age.

Like a pension fund, it acts as an investment vehicle for retirement, but its approach is fundamentally different.

A pension fund — most commonly a defined benefit scheme — is sponsored by a member's company of employment.

During the career of an employee, both he or she and the company will contribute a percentage of his paycheque to a fund.

On retirement, the member is given a pension benefit of typically two percent of his final salary multiplied by the number of years of company service.

While salary scales vary widely, on average that works out to roughly [illegible] based on a mean salary of R1 500 per month over 20 years of company service.

A member may withdraw one-third of his benefit in cash, the remainder is allotted in a monthly income stream. While member contributions to a fund are fully tax-deductible up to a certain limit, all income from the pension is taxed at personal rates.

A provident fund is structured almost in reverse, with the onus for benefit appreciation placed on the employee.

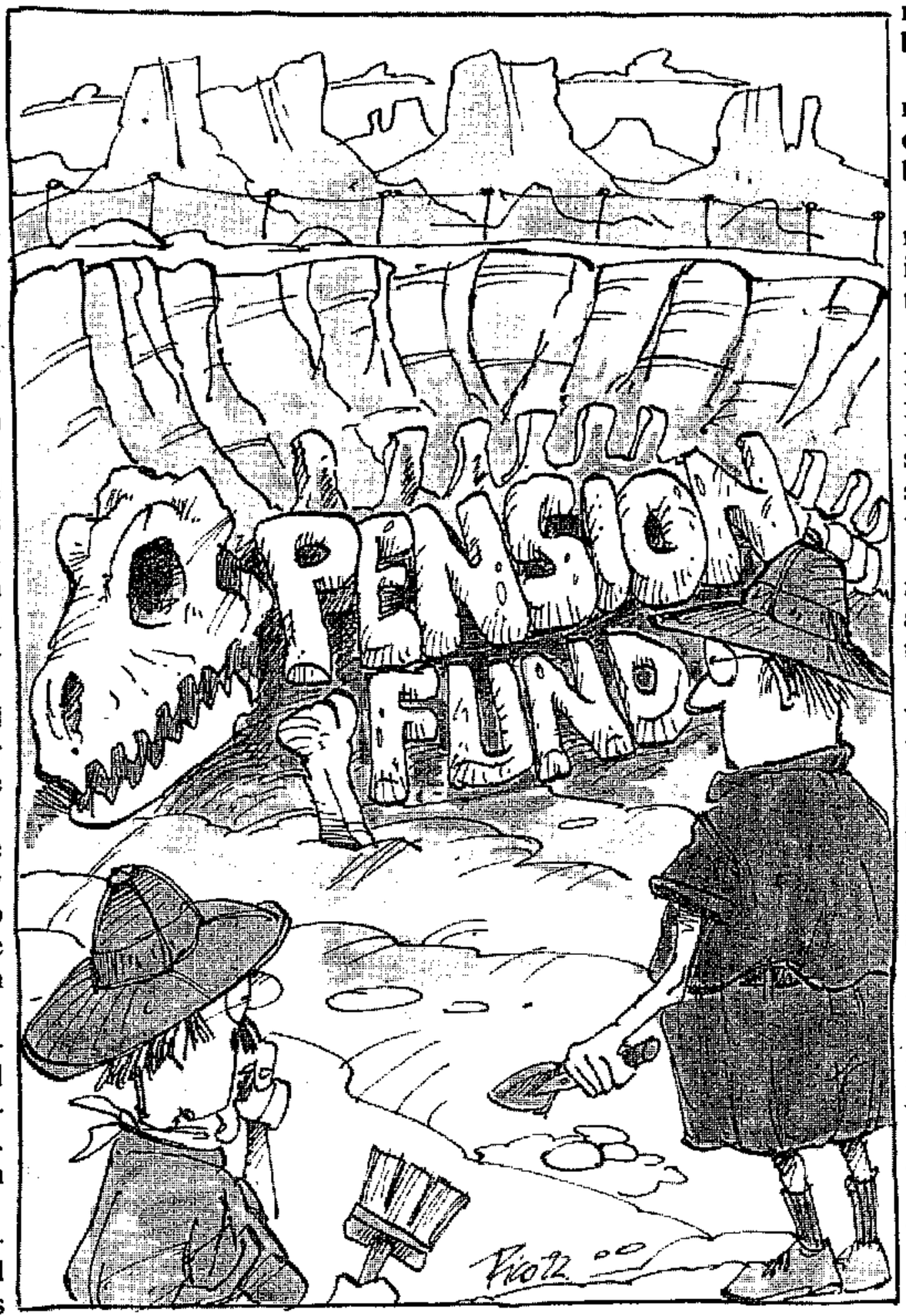
Contributions by members are taxed going in (although curiously the employer's contribution faces no levy), while withdrawal of the accrued benefit, if it is less than R120 000, is tax-free.

The size of the benefit is not determined by a formula based on final salary, but by returns from investments made with the contributions. This is a defined contribution scheme.

During the 1980s — when property and shares were booming — fund managers routinely averaged returns of 25 percent a year, well ahead of inflation.

But, the clinching advantage of the provident fund is the allowance for the entire benefit to be drawn in a lump-sum.

This has proved very popular with lower income retirees who, through access to their entire retirement savings, can substantially improve their standard of living — say, in buying a house as opposed to the straight-jacket of a monthly dividend.



But, for fund managers such easy access to funds meant for income purposes after retirement, is a slippery slope.

"Six months down the line, the proceeds of that provident fund could be gone," explains a broker. "And then where is the retiree?"

For the government it is even more of an emotional issue.

Last year, Pretoria's old-age pension bill was R3-billion.

And if the next generation of provident fund pensioners spend their retirement "inheritance", the state's bill could balloon even higher.

Privately, provident fund managers report that the spend-today-depend-on-the-state-tomorrow attitude is fast becoming entrenched.

As a means of offseting these spiralling public costs, the government intends to substantially raise the taxation levy on retirement funds.

In October, the Committee of Investigation into the Promotion of Equal Competition for Funds in Financial Markets in South Africa suggested, among other things, that sweeping new taxes be slapped on the retirement industry.

The Jacobs report, as it is known, recommends that one-third of staff and 20 percent of company contributions be taxed at marginal rates.

At the time of retirement, death or withdrawal, one-third of the benefit would not be subject to tax.

This would provide modest relief to pension funds as one-third of the benefit is currently only partially tax-free, but would be a severe blow to provident funds, whose total benefits are tax-free, or taxed at a low rate.

"This is a direct attack on provident funds," says Kerrigan.

Gross revenue from the new levies would net government as much as R1,5-billion.

In as much as the agenda of the Jacobs Report is to fatten Pretoria's tax take, it is equally an attempt to eliminate the distortions between pension and provident funds — and the privileged tax position it enjoys over those other deposit takers, the banks and building societies.

Pretoria has assembled an "implementation committee" under the direction of chief state actuary Piet Robbertse, whose mandate is to galvanise support for Jacobs' recommendations for the next March's budget

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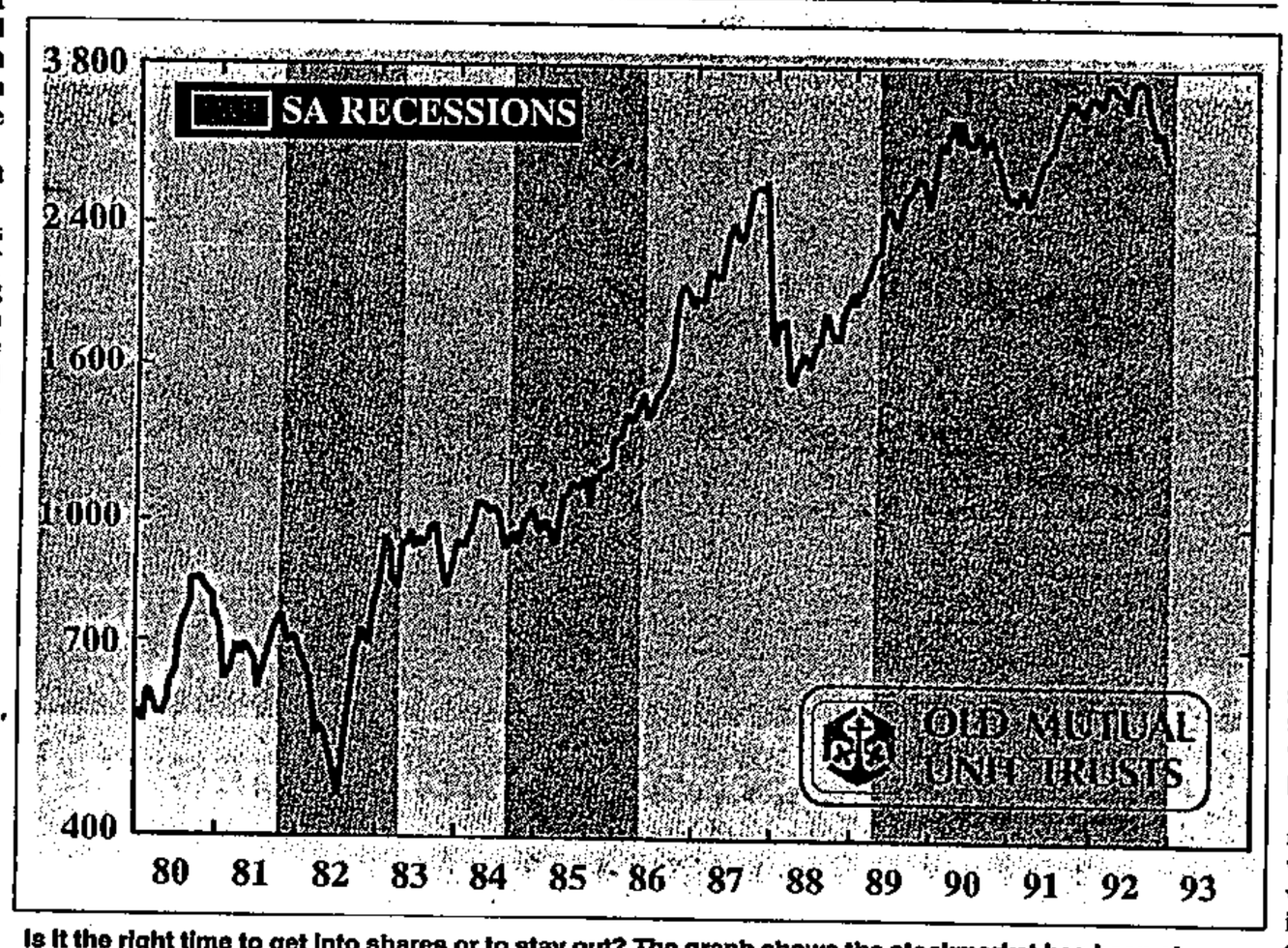
BUSINESS: *A focus on your money*

Insurance — your money or your life

W\Mail 13|11-19|11|92 (300)

Life insurance doesn't mean what it did. Do we really need the extra investments on offer from the giant life assurance industry? **GAYE DAVIS** *reports*



Is it the right time to get into shares or to stay out? The graph shows the stockmarket has been strong during the present, long recession, and because of scrip shortage has moved up during recession in the past. Old Mutual senior portfolio manager Adrian Allardice predicts any downturn will be temporary and that continuing inflation will prop up share prices. However, he thinks that if the recovery is delayed prices could fall 10 to 15 percent.

TIMES have changed in the life insurance industry since the Man from the Pru arrived on the doorstep of a grieving widow, doffed his fedora and offered her the fruits of her late spouse's regular premium payments. And it's not just that men don't wear hats anymore.

Life insurance policyholders were once worth more dead than alive, and that was about the extent of the deal: a big payout if you died before the date the actuaries calculated you were likely to kick the bucket.

These days, the metaphorical shelves are groaning with a range of carefully packaged alternatives — and policies linked to investments, which offer living benefits rather than an after-death bonsella, are top of the heap.

"Pure endowment" polices do not even offer any element of life cover.

"In the early years, the emphasis was mainly on after-death benefits," says Jacques de Villiers, marketing actuary at Sanlam. "There's been a shift to living assurance, where the client can benefit while he or she is still alive — as with an endowment policy, for example, or a policy carrying benefits in the event of the client getting a dread disease, or becoming disabled."

According to De Villiers, the market has adapted itself to the fact that the average man or woman today has more needs by offering combination products.

Given the plethora of investment options available, is life insurance still the way to go? Why fork out as much as 15 percent of your income over 20 or 30 years if you're not going to be there to enjoy the pay-off?

"People must still ask themselves: 'If I die, become disabled or ill with a dread disease, what then?'", says De Villiers. "They may recover physically, but without life insurance, they may not recover financially."

Says Dave Johnson, assistant general manager of life marketing at Southern Life: "It depends on an individual's circumstances. If you've a spouse, children or elderly parents needing your financial support, you've got to ask who'll take care of them when you die.

"The amount of money required will run into hundreds of thousands of rands — work out the loss of 30 years' worth of salary as a lump sum and you'll get an idea of how much will be needed. It's just not possible to accumulate this and leave it in a savings account. By paying a regular, small premium, you're assured of a huge payout in the event of your death, disablement or serious illness."

Granted, life insurance proper — the actual insurance portion of what is often sold as life insurance — may be a good option. But should people go for what is actually a long-term investment? Many employees already have ordinary life and disability insurance, in the form of "group live cover" the cheapest form of life insurance because whole groups sign up at a time.

Long-term investments are certainly attractive for the insurance companies in locking people in to regular payments over a long time. But why not invest for shorter periods, in say unit trusts, taking advantage of the flexibility to move one's money around to get the best return?

According to Peter Atkinson, marketing director of IGI Life, uncertain times invariably lead to people hedging their bets by investing for shorter, rather than longer, periods.

"The downside is that people will often end up doing nothing at all. If things turn out well, they'll find they've done the wrong thing. If things turn out badly, they'll find they've still done the wrong thing.

"Things are difficult to predict, but everyone should be making provision for some form of protection for their family in the event of a mishap."

In a broader context, the country needs people to make long-term investments, says Atkinson. "If everyone takes the short-term option, it's not going to help steady the market or stabilise the economy."

A major factor influencing the shift to investment-linked products rather than basic pay-out if you die policies has been inflation, says Atkinson. "We're fighting for a piece of a person's income against what they might spend on their day-to-day needs, which is why we've concentrated on keeping premium ranges very, very low, from between R25 and R30 a month — and we're doing a lot of package products.

"Many of these don't just cover the individual policyholder but also allow for coverage of his wife and children — so that he doesn't have to go and buy second and third policies. The key is to try and get a package which gives comprehensive cover in all situations."

Philip Geary, Protea Life's national marketing manager, points out that with life insurance, a specific amount will be paid out in the event of the policyholder's death, disablement or severe illness — thus covering any immediate needs that otherwise might not be as quickly met if one depended on alternative investment vehicles.

It could be argued that unit trusts, in which your money buys a selection of shares, offer a good alternative to life insurance with an investment portion tacked on. The investment portion of you monthly payment goes into the stock exchange anyway. Unlike those life insurance products, unit trusts can be cashed in at any time.

Geary attacks this very flexibility.

"The biggest argument in favour of life insurance is that it's a disciplined form of savings," Geary says. "The average life of a unit trust is three to five years. People might say this is going to be their vehicle for their retirement needs, but then they hit a financial crisis and withdraw their unit trusts. With life insurance, there's less chance of people terminating and cancelling."

However, the industry has seen more policy lapses and terminations recently than in years, says Geary. "It's a very competitive, dynamic market. Companies have to perform to increase their market-share. Other financial institutions have woken up: the unit trust market is getting stronger and banks are coming out with innovative policies.

"In an inflationary environment, people will always look for investments that will outperform inflation. It is tougher out there, but the industry in general is expanding at a satisfactory rate."

What if you think the stock market — via endowments, or other life insurance products, or unit trusts — is not a good bet now?

The simple answer is that you can up your monthly bond repayments to pay off more capital, or even pay in lump sums now and then. The savings on the amount you pay the financial institutions which advanced your bond are substantial. An extra few hundred rand can even shorten the bond period by a few years.

Picture: ANNE LAING

(300) CT 14/11/92

Keeping hunger at bay

By YVETTE VAN BREDA

A POVERTY-STRICKEN elderly Khayelitsha couple, who live in appalling conditions, are saved from a daily diet of mealie meal by a charity organisation that feeds scores of needy senior citizens in the township.

Mr Sampson Vilakazi and his common-law wife, Ms Katrina Oliphant, live in a 3m², soot-blackened, airless shack in Harare, Khayelitsha.

The emergence of their plight comes in the wake of a call by the SA Council for the Aged for the public to report cases of financially desperate old people so they could assist them.

Ms Oliphant, who is disabled and unable to walk, spends most of her time on their bed asleep.

Mr Vilakazi complained that their combined monthly state income of R390 could not buy the medicines she needed. He said "at least twice a week" Shawco volunteers brought them food.

They had lived there for six years since coming from Klapmutz, where they were farm labourers.

Ms Cynthia Kwanini, Khayelitsha Shawco co-ordinator, said about 70 old people were fed at the centre each day and others had meals delivered.

Shawco daily feeds hundreds of needy elderly residents in Cape Flats suburbs, including Factreton, Elsies River, Manenberg and Nyanga.

7 800 thumbprint frauds with pensions: Cop jailed

Weekend Argus Correspondent

MARITZBURG. — A fingerprint expert investigating KwaZulu pension frauds found 7 872 pension payment vouchers with irregularities, it was recorded in a case which came on appeal in the Supreme Court here.

Detective Warrant Officer L E Harcourt found the "rogue" vouchers were lodged between November 1988 and September 1989.

Mr Justice Squires yesterday rejected the appeal against conviction, on 27 counts of pension fraud, of KwaZulu policeman Armstrong Gcabashe, 44.

He also rejected the appeal against conviction of his co-accused, Ubombo clerks Bongani Ndebele, 23, convicted on 18 counts, and Lekelela Mncube, 31, convicted on nine counts.

Nearly R7 000 in pension money was stolen by putting fingerprints of people other than the legitimate beneficiaries on vouchers.

Magistrate Mr T N Kruger said the accused would not have succeeded in these crimes if others had not been involved.

He said it was an offence which was difficult to detect as the receipt for payment was a thumbprint, which could not be identified immediately with the naked eye by a layman.

The accused were in a position of trust to pay pensioners who were in need of money. Money also was paid out on vouchers of dead pensioners.

Mr Kruger said the men used their position of trust to enrich themselves. They were sentenced to three months' jail, part of which was suspended, on each count.

Mr Justice Van der Reyden concurred. (300) (100) ARG 14/11/92

Tax relief is on its way for some

ST Times (0455) 15/11/92. 300

THERE is some good news for investors in life-assurance policies.

It looks as if the controversial Sixth Schedule of the Income Tax Act, which governs the taxation of life policies, will be scrapped next year. In addition, the so-called trustee principle is expected to be implemented at the same time.

BOOST

These measures will bring significant savings for policyholders because their funds will be taxed at an average rate instead of the maximum marginal one of 43%.

As things stand, life offices operate a taxed fund for ordinary business and an untaxed fund for pension, provident and retirement annuity fund business. This means that profits declared to policyholders are after tax if they come from the assurer's taxed fund.

Another problem is that policies said to be "non-standard" in terms of the Sixth Schedule are taxed for a second time.

Southern Life assistant general manager Nigel Scott puts it this way: "In terms of the trustee principle the life office, being custodian of policyholders' funds, pays tax on their behalf and it is considered pointless to subject the policy proceeds to further tax under the Sixth Schedule.

"However, as a life office's tax rate is set at the maximum marginal rate of 43%, it is unfair to apply this rate to policyholders who are in a lower tax bracket."

Bill Irwin, managing director of Taxcor Services, says this problem will be overcome by life companies implementing four funds for tax purposes.

Of concern to individuals, is the portfolio to be taxed at the average rate applicable to all policyholders. Given that marginal tax rates vary between 17% and 43%, the figure arrived at should be about 32%. That equates to a significant boost to your policy.

The departure of the Sixth Schedule means that the sorting of policies according to the categories "standard", "deemed standard" and "non-standard" will end.

In practical terms, the benefits payable on death, disability, maturity or surrender will be paid to the policyholder without being taxed in his or her hands.

SLOT

Tony Davey, deputy general manager at Southern Life, points out, however, that legislative amendments will not affect the position of policies typically taken out by an employer on the life of an employee "usually for the purposes of deferred compensation provision or key-man protection".

CHARACTERISTICS	PROPOSED NEW REGULATIONS	CURRENT SIXTH SCHEDULE
Minimum term	Five years	Ten years
Contractual premium increases	Limited to a maximum of 20% a year	Limited to the greater of 15% a year or CPI
Voluntary premium increases	Not allowed	Allowed but limited
Minimum premium paying term	Single premiums allowed	Ten years for a standard policy
Life cover	Not required	Minimum required
Taxation of benefits	Tax free	Tax free if policy standard or deemed standard
Limitations on ownership	Natural persons and corporate entities allowed	Only natural persons may own standard policies

Source: Southern Life

Proposed regulations also suggest a reduction in the minimum term of a policy, from 10 years to five years. That suggests life offices will move into the medium-term savings market — a slot which currently does not offer too much in the way of variety.

The requirement that endowment policies incorporate an element of life cover will also fall away.

In addition, companies and close corporations which are now unable to own a standard policy will once again have this investment option open to them.

Looking further ahead, it is probable that the repeal of the Sixth Schedule will increase the range of products on offer. The report of the Jacobs Committee says: "The Sixth Schedule unduly restricts product development in the life-insurance industry as a result of unintended consequences, which are not in the interests of either consumers or the industry."

COMPLETE RETIREMENT PLANNING

Time to make sure the last years are golden

S/Times (Buss) (5/11/92

300

A Business Times SURVEY

THE end of the year is a time to look at one's personal finances and a review of retirement plans should be part of this.

SEAN VAN ZYL and BRUCE ALLEN report on issues to bear in mind, particularly in the light of recent changes in legislation and the implications of the Jacobs Committee report.

RETIREMENT planning is all about determining your needs, financial and otherwise, after clocking out of the workplace for the last time and, more importantly, making provision to meet those needs.

Seems like a pretty straight-forward task and that's probably why so many South Africans plan inadequately or leave retirement planning until its too late.

The primary objective is to create wealth. Besides the need to target investments capable of protecting capital while providing an income, there are the issues of taxation, inflation and liquidity.

Providing for the future is complicated by the state of flux, recently exaggerated by the recommendations of the Jacobs Committee, in the retirement business.

Jacobs suggests reducing tax relief for members of retirement funds. If implemented, that would harm middle-class South Africans. A report by the International Monetary Fund describes them as one of the most heavily taxed in the world.

Some sources believe the tax changes could also result in a swing to other long-term investment options. If adopted, the recommendations would remove some of the incentive for employers to make provisions for staff members.

However, not all the Jacobs recommendations are bad news and the proposed abolition of the Sixth Schedule of the Income Tax Act, in particular, stands to have a positive impact.

Arnold Berns, managing director of Berns Block, says: "We all face a point in life where we're going to rely on an income which is earned for us and not by us. We need to build enough capital to generate income capable of maintaining proper living standards."

Given sufficient funds, a comprehensive retirement plan should, in theory, be structured so that the individual is at least able to maintain his or her standard of living.

Longer life expectancies and inflation make this difficult to achieve. But First National Trust's Frank Howell says that the earlier savings start the better.

"Only those who have the foresight to plan well in advance of their retirement, and the discipline to follow a structured savings and investments programme, will be financially secure in their retirement years."

But the creation and preservation of assets needs to be supported by careful estate planning. Without it, even the best retirement plan could prove insufficient should a spouse die without leaving a will and strategy which incorporates several investment variables.

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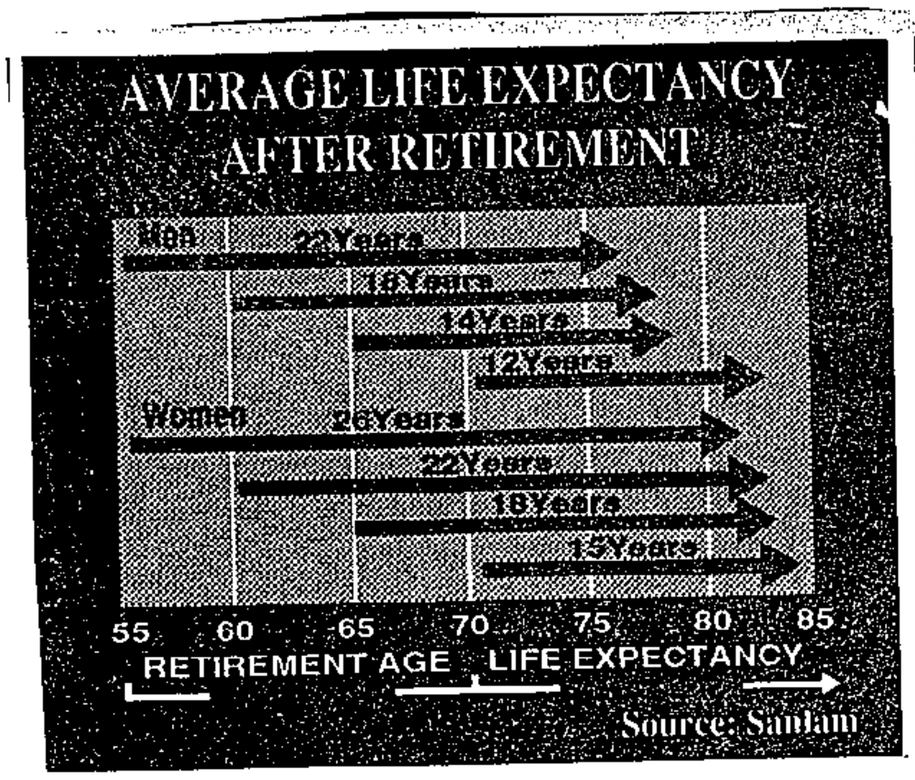
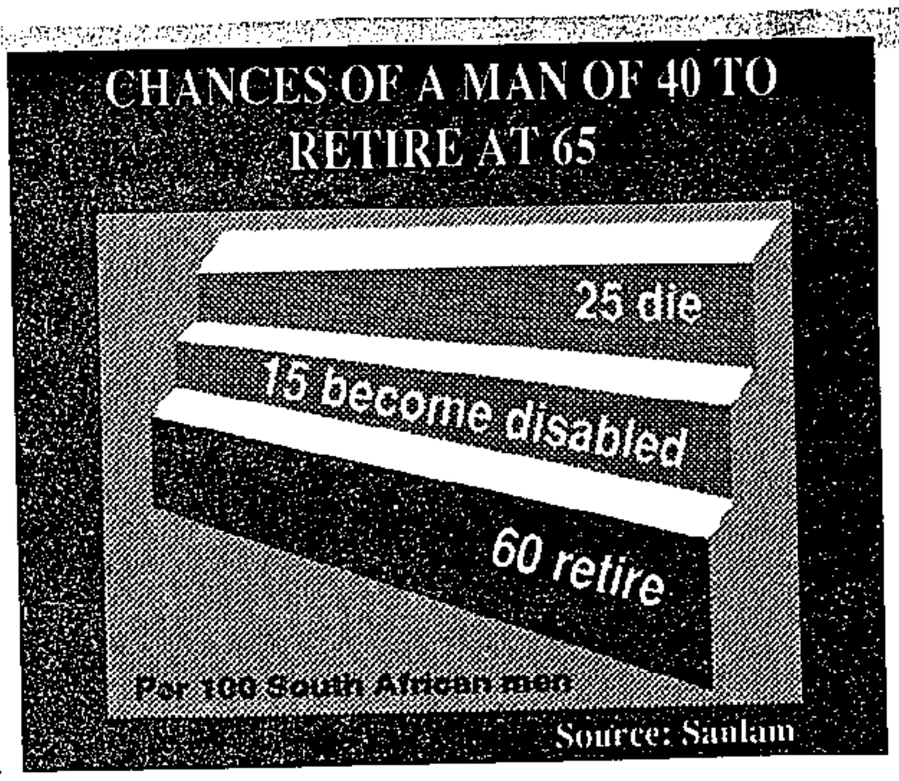




Some options to life assurance

S/Times [Buss] 15/11/92. (300)

RETIREMENT planning goes beyond considering only the investment plans available from life assurers.

Besides the need for a balanced portfolio, the options available to individuals are determined by the length of time to retirement. Knowing how long you are likely to live helps in selecting appropriate investments.

Sanlam has conducted research which indicates some interesting trends. Consider the fact that the older they are at retirement, the longer people live.

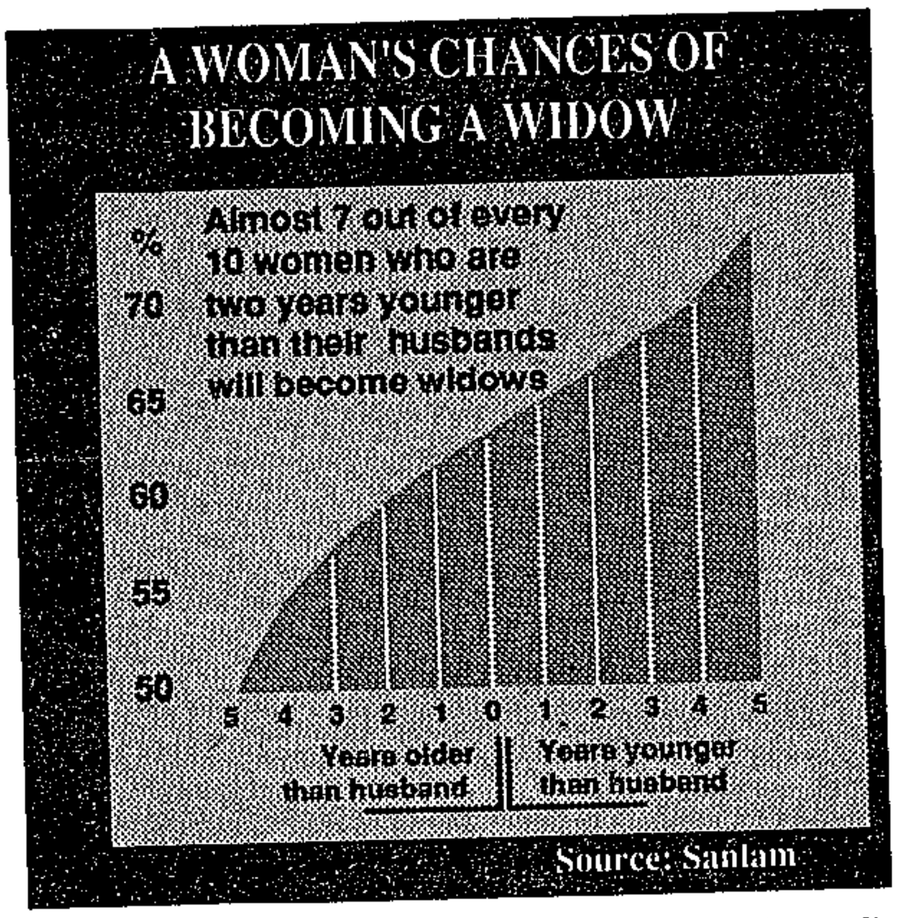
MIND

Almost seven out of 10 women who are two years younger than their husbands will become widows.

Another fact of life is what inflation is likely to do to your savings. Assuming an average inflation rate of 15% a year and a pension benefit growth rate of 10% a year, the person retiring on a monthly income of R3 000 will find this slashed by almost half in 15 years.

With interest rates having slipped on the back of lower inflation, few of the traditional savings options available from banks can help to beat the eroding effect of inflation.

That makes special savings, notice and fixed-deposit accounts suitable only for short-term investments.



Banks do, however, offer options and some have gone so far as to put together packages specifically for those with retirement in mind.

Nedbank's Optimum Portfolio, for example, is designed for people who have reached the age of 55. It includes the usual bank facilities, such as a cheque account and credit card. Access is given to a health-care scheme which has no upper age limit and fixed deposits pay an extra 0,5% in interest.

Various medium- and long-term investments are also offered, including participation mortgage bonds, unit trusts, property syndication and endowment policies.

Coming back to the short-term options, an interesting secondary market has developed in the assurance business which has caused life policies to move into this arena.

Life Offices Association (LOA) deputy director Jurie Wessels explains reasons for the growth in the second-hand policy market.

Mr Wessels says: "High inflation, relatively low interest rates, high tax rates and the provisions of the Sixth Schedule are all factors.

"They have made it quite unattractive to put savings into interest-bearing savings vehicles. Even people who want to save for short periods have to look for alternatives that offer protection against inflation while not incurring tax penalties."

For many, the answer to this problem has been found in endowment policies that have completed, or almost completed, a term of 10 years. They are attractive if the policy is not subject to the restraints of the Sixth Schedule, or is soon to be released from those restraints.

VALUE

Malcolm Vendeiro, managing director of The Insurance Bureau, says brokers normally pay an average 15% premium over the surrender value of a policy.

James Nelson, legal researcher at Sanlam, explains the potential benefits available to buyers, saying: "Normally the policy has already covered a substantial portion of the 10-year policy term and is approaching the maturity date.

"Because the buyer does not have to wait 10 years to receive the proceeds tax free, the purchase price of the policy is actually a short-term investment."

With the Johannesburg Stock Exchange indices on the skids in recent months, both unit trusts and shares appear to have lost their appeal.

If one considers that some analysts expect shares to slide further, this is clearly the time to invest a lump-sum in an equity-based mutual fund.

However, bearing in mind that shares are strictly for the longer term, those considering regular monthly payments stand to benefit from the effects of rand cost averaging, which are most pronounced when prices are falling.

That is because the monthly payments buy more units for the same amount of cash. This mechanism sees to it that no matter what the percentage drop in share prices is, the regular investor will fare better if the price simply goes down and returns to its starting point than if he buys in a rising market when the price goes up by the same percentage.

Besides the impact of rand cost averaging, unit trusts can also be a good way of cheaply accessing investment expertise. The potential benefits of this came through in the release of some recent performance figures.

Norwich Unit Trust, for example, applied some prudent investment management in the September quarter and produced a total return of 9,3% over the year, compared with the 0,8% performance of the JSE all-share index.

Norwich Management Company managing director, John Bowman says this was the result of a sharp increase in liquidity in anticipation of the downturn in share prices.

However, over the more appropriate period of 10 years, a host of equity unit trusts have managed compounded annual average returns of more than 20% before taking into account the effect of inflation.

SHARP

Those who have not been completely scared off by recent negative publicity may want to consider property syndication as a longer-term investment alternative.

Arnold Berns, managing director of Berns Block, argues that property syndication has an edge over equities in that the investment is both reliable and predictable.

"Location is crucial, but commercial property, particularly retail space in communities where the spending power is sufficient to support tenants in good and bad times, offers the ability to make accurate predictions five years into the future.

"That means the investor has a clear idea of the income and capital growth he or she can look forward to."

Life offices call for calm on tax

S/Times[Bass] 15/11/92. 300

A Business Times SURVEY

THE partial taxation of retirement fund contributions recently put forward by the Jacobs Committee could, if implemented, throw the R20-billion a year retirement business on its head, say sources.

The Jacobs Committee's recommendation that 20% of an employer's contribution and 33% of an employee's deduction of salary to a pension fund should be taxed upfront is expected to lead to significant decline in retirement provision, particularly with regard to pension funds and retirement annuities (RAs).

In turn this could likely bring a heavier social security burden for a new government in years to come.

The life-assurance business has also questioned why the Jacobs report was released ahead of the findings of the Mouton Commission which was appointed before it to investigate a suitable system of retirement provision in SA.

SERIOUS

Sources say there had been no hint from the Mouton Commission of the surprise tax recommendations by Jacobs. The Mouton Commission is still involved with its task, the release of its findings uncertain.

The Life Offices Association (LOA), which is discussing the tax recommendations with the authorities, stresses that Jacobs has only made recommendations.

The LOA says people should not over-react to the report.

However, a source close to the Financial Services Board (FSB), which oversees the life offices, says the Jacobs recommendations are being taken "very seriously" by the Government. An announcement that the recommendations will be made law could be made in the Budget speech in March.

The source confirms suspicions that the recommended tax's main purpose is to raise new revenue for the State in the short term. He says the message sent to the life offices by the Government was "find us another means of raising tax or the Jacobs Committee's recommendations will be pushed forward".

The life business could be seen to be playing down the significance of the Jacobs recommendations to prevent a premature upheaval in the market, particularly in view of the annual salary negotiations at the end of the year.

The suggested tax on retirement contributions is expected to generate up to R5-billion a year.

Fedlife assistant general manager, corporate legal services, Paul Sieberhagen says that R5-billion from retirement contributions would mean at least R5-billion less available for retirement provision.

"In our current market where only one in every 10 people retires with adequate funds, the last thing we need is a disincentive to save."

However, LOA director Junie Wessels says the recommendations are not entirely negative.

"By taxing a third of an employee's contribution upfront, the authorities concede that a third of the end benefit, regardless of the amount concerned, should be paid out tax free."

POSITIVE

Mr Wessels warns that the inflationary tax would still apply to the other two-thirds of the benefit.

Mr Sieberhagen says that taxing of contributions would reduce the capital available for investment and its future compound growth.

"This would more than offset any gain made by avoiding a later tax on a third of benefits."

Old Mutual manager, legal services, Abri Meiring warns that should a tax on retirement contributions be accepted, there would be no guarantee that a future government would honour this and not tax the end benefit as well.

Mr Meiring also questions whether the tax incentive would discourage retirement funding by employees. Companies would be more inclined to pay staff members higher salaries, which are a 100% tax deductible, instead of contributing to the pension scheme on which they would have to pay tax of 20% of their contribution.

Southern Life deputy general manager, legal and tax services, Tony Davey says the tax could also result in employees and employee organisations exerting pressure to increase salaries to the detriment of retirement funding.

Liberty Life vice-chairman Dorian Wharton-Hood says that although some of the suggestions in the Jacobs report are positive, such as the scrapping of the Sixth Schedule of the Income Tax Act, he hopes that the authorities will consult the life offices before the proposals are introduced.

"We are totally opposed to any proposal which could discourage people from saving for their old age."

Sanlam, which is generally in favour of the recommendations, also stresses the need for thorough consultation.

"Personal retirement provision is important and nothing should be done that could act as a disincentive," it says.

There is some confusion in the market about "capping" — it could apply to both benefits and contributions — which is mentioned in the report. The confusion also applies to whether the tax recommendations on pension funds would apply to provident funds.

Mr Wessels says these issues and others, such as whether the recommended tax would apply to both private and State pension funds, are being discussed with the authorities.

The FSB source says, however, that the retirement tax on contributions would probably apply only to pension funds.

POT

He says the Government would prefer not to "stir the pot" with trade unions which are largely in favour of provident funds.

It would also be difficult to enforce a tax on contributions to provident funds because, under existing legislation, full employee contributions are already taxed.

However, in most schemes, the employer pays the full contribution to the provident fund as part of the salary package — the employer's contribution is fully tax deductible.

If the Jacobs recommendations are implemented along these lines, the life offices expect a significant swing from pension to provident funds.

The tax move could also cause a move from retirement annuities to endowment policies and unit trusts, particularly with the freeing of tax and other product restrictions which would come

LIFE OFFICES ASSOCIATION DIRECTOR JUNIE WESSELS SAYS THE RECOMMENDATIONS ARE NOT ENTIRELY NEGATIVE

Ombudsman reports

LINDA ENSOR

CAPE TOWN — Disputed disability claims featured prominently among the complaints handled by the life assurance ombudsman last year.

Of the 441 complaints handled (345 in 1990), 49 were disability claims, 43 were claims repudiated by life assurers on the grounds of alleged non-disclosure and 39 related to lapsed policies.

A total of 31 cases of misleading, unethical or negligent conduct by intermediaries was reported, leading the ombudsman — former Appeal Court Judge G P C Kotze — to praise the role of broking and intermediary disciplinary bodies for their efficient supervision of members.

Of the complaints against intermediaries, 14 were resolved in favour of complainants.

Of the 332 cases finalised, partial or complete relief was recommended in 58% (190) of cases.

Confidential govt memo asks for comment on pensions taxation

GOVERNMENT has sent a confidential memo to a wide range of interest groups asking for urgent comment on alternative proposals to increase revenue from pensions taxation.

The Financial Services Board (FSB) has set a deadline of January 5 next year for written submissions on a possible new pensions tax dispensation — fuelling speculation that government wants to act by next year's Budget. The move to raise more revenue from pensions taxation is understood to be linked to the planned parity of state pensions.

The memo asks for a written response to five tax scenarios to be made to FSB chief actuary Piet Robbertse. The scenarios, described in detail in the memo, include suggestions other than those made by Finance special adviser Japie Jacobs last month.

The memo indicates that different ways are being considered to place a limit on the size of tax-free contributions to pensions. It requests suggestions on doing away with differences in taxation between pension funds, provident funds and retirement annuity funds to create a "unitary tax on retirement funds". A further request is for a

BDay - 17/11/92

GRETA STEYN

response to the tax treatment of pension benefits.

The memo was sent to the major institutions and is also understood to have been sent to Cosatu, the ANC and organised commerce. The FSB declined to comment, while Jacobs said his report had indicated "certain recommendations or alternative suggestions" would need further research and investigation. "This is being done at the moment," he said.

Major players in the pensions industry confirmed they had received the memo, but declined to comment. A source said indications were the urgency reflected the need to raise revenue to finance the equalisation of state pensions for different races. A link between a new tax dispensation and the equalisation of pensions had been suggested by Jacobs, he said.

The five taxation scenarios include the Margo proposal to modify the present system of tax deductibility of pensions contributions by placing a "cap" on contributions. Margo also suggested no tax free allowance for benefits. The memo asks for (300) suggestions on ways to phase in the Margo proposals.

Another scenario proposed in the memo suggests that employee contributions allowed to be tax deductible be limited to 7,5% of the salary, or about 50% of the total annual contribution. When employer and employee benefits are combined, the maximum tax deductible portion as a percentage of the total salary would be 12,5%, 17,5% or 22,5%. Benefits would then have a taxable and tax-free portion.

The Jacobs suggestion is also noted as

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Pensions

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☐ From Page 1

(300)

the "one-third proposal" — Jacobs suggested a third of an employee's current pension contributions be taxed. He also suggested that 20% of an employer's contributions be taxed at the company tax rate. The memo notes that taxation of the employer's contributions could be at the average tax rate of a pension fund's members and not necessarily at the company tax rate.

The other two scenarios are for a retention of the status quo, or for original suggestions.

On the taxable portion of benefits, the memo suggests two approaches.

In terms of the "stick" approach, the member is given no choice but to take the taxable portion as a pension.

The "carrot" approach would give a choice between a lump sum, a pension, or a combination with the tax levied when payment is made and at the rate applicable to the member.

Urgent govt memo on pensions taxation

CT 17/11/92

From GRETA STEYN

JOHANNESBURG. — Government has sent a confidential memo to a wide range of interest groups asking for urgent comment on alternative proposals to increase revenue from pensions taxation.

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Group Life Assurance

GROUP Life Assurance is the least expensive but most important employee benefit; it's therefore surprising that so little attention is given towards optimising the advantages of a group life scheme, says Gerard Ehmke, Deputy General Manager, Employee Benefits.

Unfortunately, many employees will regard the scheme as providing adequate cover for their dependants, and will not see the necessity for additional insurance. This complacency is quickly destroyed if the employee is retrenched or moves to a job that does not provide group life assurance. According to Ehmke, this can be obviated by providing continuation cover, at little extra cost, which ensures that employees can continue to enjoy life cover - without having to provide evidence of health - when they leave the scheme.

There is an upper age limit, but the need for life insurance protection generally reduces as people grow older and their savings increase.

Ehmke also points out that it is important that adequate cover is given. A multiple of at least five times annual salary should be seen as the minimum cover under a scheme. A family man with several young children actually needs total cover of around 10 or 12 times his annual salary while his children are still at school. Ideally a combination of group life cover and payment of an ongoing group pension to dependants should be aimed for.

Inflation must be taken into account as well; should current rates continue, what seems to be an adequate lump sum today will be totally unrealistic in 5 or 10 years time.

Many employers also fail to appreciate the importance of a group life scheme for employees whose health is sub-standard. Such schemes can offer generous free cover limits, for which no evidence of health is required. This is obviously a boon for the employee who would otherwise have to pay extra premiums, or not have cover at all.

Way cleared to tap pensions for housing

CT 27/11/92

By MAGGIE ROWLEY
Property Editor

THE last major legal obstacle to an initiative by the Old Mutual and The Urban Foundation to tap pension and provident fund money for housing has been lifted.

Jill Stelitz, executive director of The Urban Foundation said they were now awaiting necessary regulations governing the implementation of the initiative, which are expected to be gazetted soon.

Four years in the making, the scheme called Old Mutual Homefunder is aimed at members of retirement funds earning between R800 and R1 500 a month.

The initiative will allow retirement fund members immediate access to the money they have accumulated in the fund rather than forcing them to wait until retirement, according to Henk Beets of Old Mutual Employee Benefits.

This accumulated withdrawal benefit can be used by a fund member as a deposit for a mortgage bond and/or to top up the monthly mortage bond repayments.

As such, if the monthly repayments exceed 25% to 30% of a homebuyer's monthly income, the extra amount can be borrowed from withdrawal benefits.

"Since bond repayments generally decline over time in relation to income, a point is reached where the home-owner's income is high enough to allow him or her to service the bond repayment without a top-up from his or her withdrawal benefit.

"At this point, the home-owner begins to repay the loan from the retirement fund so that the bond repayments plus this retirement fund together do not exceed 25% to 30% of his or her income."

The scheme, he said, is structured to ensure that the member's retirement benefit is intact.

"Using this new initiative, a retirement fund may now seek exemption from the Pension Fund Act, allowing borrowers up to 10 years before they have to begin repayments.

"Since the borrower is not in default this time, the Usury Act prohibits the charging of interest on interest on the outstanding amount. An exemption from this Act may now also be applied for to allow full cost recovery on the loan after the moratorium period expires."

Beets said while this new initiative had tremendous potential for increasing access to home ownership, it did rely on the participation of the mortgage lenders for its success: "We hope the initiative will encourage financial institutions to take up the challenge of entering the lower income housing market."

LIFE POLICIES: *Warning on the hazards of state-of-health non-disclosure*

Ombudsman's busy year

STAR 28/11/92.

SOUTH Africa's Life Assurance Ombudsman handled a record 441 complaints from the public in the 12 months ended December 1991, but by the year-end 332 cases had been finalised.

In his annual report, the ombudsman, former Justice G P C Kotze, says the 441 complaints compared with 345 in 1990 and 193 in 1989 included 18 short-term insurance cases which were referred to the Ombudsman for Short-Term Insurance.

A further 30 cases fell outside the scope of the rules, the report says.

Disability claims (49) were the largest category followed by repudiation on the grounds of alleged non-disclosure (43) and lapsed policies (39). Out of the 332 cases handled, partial or complete relief was recommended in 190 cases (58 percent).

The life assurance industry received a bouquet from the ombudsman, who says that broking and intermediary disciplinary bodies are, in the main, efficiently overseeing their members. Only 31 cases of misleading, unethical or negligent conduct by intermediaries were reported to the ombudsman.

Of these, 14 cases were wholly or partially resolved in the favour of the complainants — a small number in relation to the large volume of business transacted by the life assurers.

But the report has again called on the industry to introduce safeguards to ensure that clients understand that the non-disclosure of material information — mostly about the state of health of the proposer — can invalidate claims.

"It frequently happens that the death of an assured is unrelated to a health defect from which the deceased suffered prior to applying for the policy where he failed to disclose the condition. Policyholders fail to appreciate that the non-disclosure of an apparent unrelated matter nevertheless entitles the assurance company to repudiate the policy."

Repudiation of claims for non-disclosure remains high on the list of complaints — about 13 percent in 1991. The ombudsman has proposed that assurers attach a prominent explanation of the purpose of the health declaration to every proposal form. This would also include highlighting the importance of completing the form accurately and of providing all information essential for the assurer to evaluate the risk.

The ombudsman has also proposed that a copy of the proposal form should be attached to every policy, together with a prominent notice calling on the assured to correct misstatements or omissions within, say, 14 days in order to enable the assurer to rectify the policy before any claims arise.

"I appreciate that to follow this suggestion will increase expense and paperwork, but am convinced that the ultimate advantage which the scheme will generate will greatly enhance the image and efficacy of the industry."

Establishing the new era at local level

STAR 1/12/92

Delport ... faces a deadline for local elections.

A new local government Minister takes office today at the start of a crucial time for the portfolio, writes Local Government Reporter LOUISE MARSLAND.

DR Tertius Delport steps into his new portfolio as Minister of Local Government and Local Affairs with the mammoth task of preparing local authorities for elections for new political and administrative structures in 1994.

Following the announcement by President de Klerk last week of a timetable for the establishment of a government of national unity, including elections in early 1994, negotiations at local government level have become all the more urgent.

Delport is in favour of a sub-council for local government being established as part of the Transitional Executive Council announced by De Klerk, to oversee the process in the coming 12 to 18 months.

Contentious local government issues could be debated, either by such a sub-council or by the National Forum for Local Government, also due to be established in the new year.

Delport's priority is to get a process started that will take South Africa to a "new era" in local government.

"Time is of the essence. We will have to tie in and be part of ... the process at national level. That means we must get consensus on how we are going to deal with the reform at local government level."

He said the redrawing of the boundaries of local authority jurisdiction affected the political structures and administration of city and town councils.

The most important issues to be sorted out by all parties at a national forum included a new voting system, and the basis on which mergers of previously independent authorities would take place.

"It is not just a question of redrawing boundaries. The question of debts needs to be negotiated, the financial assets and liabilities of local authorities have to be sorted out ... and it involves employees too.

"It is a crucial year — 1993 is make or break for local government in South Africa," Delport said.

Elaborating on his priorities for next year, Delport said he hoped that by the end of February, some form of national local government negotiating forum or council would be in place.

"I would very much like to have the support of all parties to take sensible steps in order to promote a new system.

"As soon as we reach consensus on what steps should be taken, we will have to start implementing them, and for this, we would need new legislation."

In the latter half of next year, Delport said it was important — as the time grew closer to interim elections — that it was clear who spoke on behalf of citizens in the cities and towns.

"By the end of 1993, we should be in the process of moving to a new local government structure," Delport said.

On the controversial June 1993 deadline for white local authorities to have entered into agreements of joint administration with black neighbours, or at least to have set up negotiating forums, Delport would only say that he would "assist" local authorities to "swiftly" set up such structures.

He would not comment on what steps would be taken against intransigent local authorities that refused to comply.

Delport has strongly backed the role played by members of the executive councils of the four provinces in local government negotiations.

He also intends consulting Ministers of the self-governing territories.

Delport said his local government portfolio had to deal with areas of major reconstruction in South Africa.

"We need to move to more legitimate local government structures swiftly — that is a must. I see local government playing a very important role in the general upliftment and development programmes."

Delport said he saw the RSCs playing a very important role in the transition process, possibly in an amended format, but as a key element in development programmes.

Delport also pleaded for realism.

"There are such a lot of unrealistic expectations that no government can ever meet. We're not going to solve all the problems in one great sweep. We will have to tackle them step by step." □

Ireland lets go of the past

Young electorate shifts from tradition to the burning issues of the day.

WITH last week's election, Ireland finally began to prise itself away from civil war politics.

This may sound absurd more than 70 years after the Anglo-Irish treaty of 1921, but Irish politics have been largely shaped by that treaty since.

Today's Fine Gael Party descends from those who accepted the treaty, and have since been willing to live with the border. Fianna Fail was founded in 1926 by Eamon de Valera to oppose the treaty and has continued to advocate a unitary state.

Each party became a coalition of disparate interests glued together by the civil war issue. In any "normal" political system these interests would have sought representation in different parties.

Now the mould seems to be cracking as normal politics push through. Of course, the substance went out of civil war politics long ago. It had certainly gone by the end of the '60s, when the country decided to

Now Sash takes up fight for women's rights

STAR 1/12/92

With a Bill of Rights on the horizon, gender equality is being seriously debated. In a new booklet, the Black Sash speaks of the wrongs women suffer and the rights they might seek, reports JO-ANNE COLLINGE.

Their goal is justice ... the Black Sash in action, fighting for pensions — and now for equal access to pensions.

MEMBERS of the Black Sash becoming self-interested? Well, only in the most honourable way. At last, women's rights are a priority for this tireless human rights organisation, founded by women more than three decades ago.

The new focus is reflected in a booklet, "Open the doors we're coming through," published by the Sash's Southern Transvaal Women's Group.

The booklet argues not only for a future constitution to outlaw discrimination against women but for a programme of legislation that would safeguard women's rights — in all spheres, not exempting hearth and home, the marriage contract and the marriage bed.

"Open the doors" goes beyond making demands based on the United Nations Convention on the Elimination of All Forms of Discrimination against Women. It details the form and extent of disadvantage to which South African women are subject. While it covers the oft-cited areas of public life, education, physical violence, sexual rights and the right to control reproductive functions, it also highlights less common aspects of discrimination.

● On marital contracts and legal status, a demand is registered for the abolition of marital power in all marriage contracts. This is prompted by the fact that in many marriages, even many concluded under antenuptial contract, the husband retains marital power, which limits the wife's contractual rights.

"The consequence of this remnant of the marital power is that all women, whatever the law governing their marriage, are interrogated about their legal capacity and frequently have to prove that they are legally competent to act in their own right," the Sash booklet observes.

● On property rights, the demand is simple: "Women and men must have equal rights in relation to owning and renting property, especially land and housing. Laws, regulations and customs denying women such rights must be eliminated."

The reasons are multiple — and unknown to many. Firstly, in many rural areas marriage is the only way that women can gain access to land. Secondly, the present Government policy of upgrading land title will apply to those who hold traditional certificates of occupation. Women simply do not hold these certificates.

Thirdly, women married under customary law do not inherit their husband's land nor his tenancy of a township house. They are at the mercy of officials who may allocate the house to another family.

Fourthly, the Government's subsidy for first-time home owners is available to all men, but only to women with dependants. Divorced or widowed women are not considered first-time buyers if their husbands ever owned property.

● On employment, the booklet says, "women's right to work shall be respected, including the right to the same employment and promotion opportunities as men" and "women shall be entitled to equal pay for work of equal value".

In black townships, the Sash points out, only about 30 percent of women of working age are in formal employment, though many more would like to work. Furthermore, compared with 25 years ago, black women are doing more menial jobs and a smaller proportion of semi-skilled work.

While legislation controls minimum wages and conditions, this does not eradicate gender discrimination as men tend to enjoy conditions above the minimum, the Sash argues. In addition, "often men and women are employed in different jobs or are differently classified.

"The demand for equal pay for work of equal value has little impact if men and women do different jobs and the basis for apportioning value is biased."

● On social security, apart from the fairly widely recognised rights in relation to maternity, the case is argued for securing equal rights to social security in event of unemployment, sickness, old age and "other incapacity to work".

The Sash points out: "Women, who live longer than men on average, are less likely to have adequate pensions than men. Employer-subsidised pensions are less likely to cover women workers, large numbers of whom are employed as domestic workers or on a part-time or casual basis and are thus ineligible.

"Pension funds discriminate against women in contribution and pay-out levels. In addition, pensions are related to wages, which for women tend to be lower."

Women also lose out in terms of benefits based on length of service, because of the time they take off to bear and rear children.

The booklet argues for an effective State safety net for mothers in cases where fathers are incapable of providing for their families.

Finally, the Sash wades into the stormy waters of culture and religious belief, asserting that "woman shall not be subject to social and religious practices that create or emphasise inferiority for them and which do not require equivalent behaviour for men".

Despite the fact that some women might defend certain discriminatory practices, the Sash says these practices should be held up for scrutiny in the light of the UN Convention. Culture is not immutable, the booklet argues, pointing out that in China older, rural women had been appalled when foot-binding was outlawed, but "nobody would now argue for it being allowed". □

'Hands off retirement funds' warning

300

TOM HOOD RNG 3/12/92
Business Editor

DON'T meddle with retirement funds — this was the warning to the government today by Mr Mike Levett, chairman of a giant insurance company.

Accumulated retirement funds represent a national asset of great worth and any changes in tax treatment of these funds must not take away incentives for retirement provision, he said at Old Mutual's 147th annual meeting in Pinelands.

Mr Levett said tentative proposals in the recently published Jacobs Committee report to amend treatment of contributions to retirement funds had to be treated with extreme caution.

The committee proposed two months ago that two-thirds of an individual's contributions to a pension fund should be tax deductible.

Mr Levett said: "Any changes must not take away the incentive from individuals and employers to set aside money in advance for retirement through approved funds.

"Changes should also address the current preferential tax treatment of state funds relative to private sector funds."

Mr Levett also said South Africa's potential was considerable and much could be done right now to begin reconstructuring of the economy.

"Given appropriate economic and political policies and a satisfactory resolution of the political impasse, the economy could recover quickly, moving back to sustained growth which would alleviate the worst poverty and materially aid the transition to successful democracy."

Don't tax pension funds — Levett

ACCUMULATED retirement funds represent a national asset of great worth to South Africa and any changes in tax treatment of these funds must not remove incentives for retirement provision, says Mike Levett, chairman of Old Mutual.

He urged that the tentative proposals by the Jacobs Committee to amend treatment of contributions to retirement funds should be treated with extreme caution. Any changes in tax treatment of these funds must not take away the incentives for individuals and employers to set aside money in advance for retirement through approved funds.

Changes should also address the current preferential tax treatment of retirements from State funds relative to private sector funds, particularly in respect of lump-sum payments.

Abolition

Mr Joe Stegmann, chairman of Sasol, fully endorsed Mr Levett's note of caution on these proposals during his seconder's address at Old Mutual's annual general meeting yesterday. He added that every effort should be made to encourage people to make adequate financial provision for their retirement.

He said: "In South Africa, our propensity to save has dropped to an alarmingly low level. The suggested taxation of employer and employee contributions to pension funds would tend to make it more tax-efficient to increase cash payments and reduce contributions to pension schemes. In my view great care should be taken not to cause irreparable harm to the contractual savings capacity of the country."

Mr Levett said Old Mutual, however, welcomed the proposed abolition of the Sixth Schedule to the Income Tax Act as well as the introduction of the "four fund basis" for taxing life insurance business as published in the Jacobs Committee's report.

The scrapping of the Sixth Schedule would mean the end of very costly administrative systems for life insurers: it would also give them more freedom to develop new and simpler products. Both changes would be to the benefit of policyholders.

Low-cost housing

The report recommends a holistic approach to the regulation of financial services. Mr Levett said the concept was admirable but the application in practice would have to take proper account of business realities. Furthermore, regulation needed to be kept to a minimum and focused on matters such as the solvency of the institutions.

In his chairman's address last year, Mr Levett stressed that life insurers and pension funds were able to provide funds for socially desirable purposes such as low-cost housing, but always subject to the criteria of a market-related return and a commensurate level of security being met. The Jacobs Committee, in considering the socio-economic responsibilities of savings institutions, came to the same conclusion and emphasised that the needs of the members of retirement funds and life insurers had to come first.

There is no doubt about the great need for investment in projects that will create employment, provide housing and generally uplift the economically disadvantaged.

Bridge gap

According to Mr Levett, the projects that do come to hand unfortunately most often do not satisfy the criteria mentioned above and thus do not get the necessary support from financial institutions.

To bridge the gap, the Life Offices' Association of South Africa recently established an Investment Development Unit to facilitate the financial structuring of major socially desirable projects so that they fulfil the investment criteria of member offices.

"Old Mutual fully supports the LOA in this initiative and looks forward to participating in schemes that come to fruition," Mr Levett said.

Don't tax pension funds, says Levett

☐ Funds are a national asset

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Warning on taxing pensions

Business Editor

BOTH Mike Levett, chairman of Old Mutual, and Joe Stegmann, chairman of Sasol, warned yesterday that taxing pension contributions would discourage saving and making private provision for retirement.

Discussing the Jacobs Committee report Levett said at Old Mutual's agm: "The tentative proposals to amend the treatment of contributions to retirement funds must be treated with extreme caution.

"The accumulated retirement funds represent a national asset of great value and imply that a significant proportion of the population will not need State assistance in old age."

Stegmann, speaking after Levett, said: "Every effort should be made to encourage people to make adequate provision for their retirement."

tailed in any way.

Don't tax pension funds — Levett

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He said: "In South Africa, our propensity to save has dropped to an alarmingly low level. The suggested taxation of employer and employee contributions to pension funds would tend to make it more tax-efficient to increase cash payments and reduce contributions to pension schemes. In my view great care should be taken not to cause irreparable harm to the contractual savings capacity of the country."

Mr Levett said Old Mutual, however, welcomed the proposed abolition of the Sixth Schedule to the Income Tax Act as well as the introduction of the "four fund basis" for taxing life insurance business as published in the Jacobs Committee's report.

The scrapping of the Sixth Schedule would mean the end of very costly administrative systems for life insurers: it would also give them more freedom to develop new and simpler products. Both changes would be to the benefit of policyholders.

Low-cost housing

The report recommends a holistic approach to the regulation of financial services. Mr Levett said the concept was admirable but the application in practice would have to take proper account of business realities. Furthermore, regulation needed to be kept to a minimum and focused on matters such as the solvency of the institutions.

In his chairman's address last year, Mr Levett stressed that life insurers and pension funds were able to provide funds for socially desirable purposes such as low-cost housing, but always subject to the criteria of a market-related return and a commensurate level of security being met. The Jacobs Committee, in considering the socio-economic responsibilities of savings institutions, came to the same conclusion and emphasised that the needs of the members of retirement funds and life insurers had to come first.

There is no doubt about the great need for investment in projects that will create employment, provide housing and generally uplift the economically disadvantaged.

Bridge gap

According to Mr Levett, the projects that do come to hand unfortunately most often do not satisfy the criteria mentioned above and thus do not get the necessary support from financial institutions.

To bridge the gap, the Life Offices' Association of South Africa recently established an Investment Development Unit to facilitate the financial structuring of major socially desirable projects so that they fulfil the investment criteria of member offices.

"Old Mutual fully supports the LOA in this initiative and looks forward to participating in schemes that come to fruition," Mr Levett said.

further R13 000 mil-

Supreme Pension fund investigates

THE trustees of the Cape Joint Pension Fund have launched an investigation into illegal and unauthorised investments of R29 million in Supreme Holdings.

The chairman of the fund, Mr S Immelman, said in a statement yesterday that bank deposits had somehow found their way into Supreme Holdings.

The way in which this had happened was the subject of an investigation by the commercial branch of the South African Police, the auditors, and legal advisers.

He said the chairman, the board of trustees, and the management of the fund had not been aware of the investments. — Sapa

ght 'foreigners' over housing

South 5/12-9/12/92 (300) (200)

By Mluleki Gantsho and Lucas Mati

PENSIONERS living in a Langa hostel face eviction by gangs of youths who believe these elderly "migrant labourers" should make way for those born in the townships.

The Cape Town-born youths, many of whom are unemployed, think that as 'Inzalelwane' (those born there) they have a greater right to stay in the hostel than the migrant labourers.

However, local residents are not impressed with the callous behaviour of the youths.

Last weekend, the South African National Civic Organisation (Sanco) led about 200 marchers to the Langa police station and the Ikapa Town Council to demand protection for the pensioners.

"We went to the police to ask for protection for the people in the hostel. The youths have already evicted several pensioners. We don't know why they targeted them. There are lots of hostels in Langa," said Mr Elliot Baraza, Sanco chairperson in Langa.

The pensioners' ordeal began on November 20, when the youths allegedly launched a predawn raid on a number of hostel rooms, ordering occupants to leave.

Fearing for their lives, some of the pensioners moved out immediately. Others stayed on, but have moved their valuables to the homes of nearby relatives and friends.

'I am not going to risk my life by resisting. I am going to move out'

When SOUTH visited the hostels this week, most of the pensioners were reluctant to talk, saying they feared for their lives.

But one of the pensioners, Mr Ntoni Mnguni, 65, who has lived in the hostel since 1957, believed that he had nothing to lose by being quoted — he was getting ready to leave for Natal.

"I am not going to risk my life by resisting. I will move out as soon as I get my pension benefits from work. I will go back to Durban where I come from," Mnguni said.

A 67-year-old pensioner, who has been living at the hostel for 22 years, agreed to talk on condition that his name was not published.

"The youth have no respect for elders. Just because we are pensioners does not mean we are useless. They must realise we are not foreigners. We belong here," he said

One of the pensioners alleged that the youths raided the hostel a second time about 3am last Sunday.

"They called us 'Amagoduka', which means migrant labourers, and said the rooms were theirs, not ours. They also threatened to stab us if we asked questions," he said.

"We will fight against any kind of discrimination because we are all South Africans. We are concerned about the violence that has taken place in other regions such as Johannesburg, where there are serious conflicts between the people in the townships and those in hostels. This has led to many deaths.

"We don't want this to happen in the Western Cape, especially in Langa," said Baraza.

The youth allegedly told the pensioners that they had received permission from the Ikapa Town Council to move into the hostel.

But a council spokesperson denied that they had given the youths permission to do this.

At the weekend, Baraza said that he was concerned that the police had not acted quickly to protect the pensioners.

The action of the youths was probably prompted by the housing shortage in Langa, "but we cannot allow a situation where the rooms of people are taken away from them by force", he said.

"We want the government to build more houses and we should all be working towards fighting for this, rather than occupying the homes of other people."

At first, the youths were hostile to SOUTH reporters and refused to explain why they were evicting the pensioners.

But later they justified their actions by saying that "most of the time" the hostel rooms were empty and the occupants went to the homelands "forever" or were "dead".

"We were born here and are forced to share rooms with younger sisters and brothers. There is no privacy. Nothing is being done to solve our problem, we need space," said one of the youths .

"We are not fighting with anyone here. We just occupied the empty rooms and we gave other occupants three days notice to move," another said.

Police spokesperson Major Hendrik Opperman said police patrols of the hostels have started and the District Commissioner of Police in Athlone and the Regional Commissioner had been instructed to treat the matter with "utmost consideration".

South Focus

Locals fi

Gangs of youths are threatening to evict 'migrant' pensioners in a battle for township housing:

A little thought can save a lot in tax for retrenched workers

ST Times (B&S) 6/12/92

By TERRY BETTY

COMPANIES can structure retrenchment packages to save employees thousands of rands in income tax.

Focused Finance executive director Chris Nixon says this need not cost the company anything. His message is: "If you are going to retrench, plan before putting a package together to make it as tax effective for the employee as possible."

Mr Nixon says tax is also affected by how the employee invests the lump sum in the year of retrenchment.

Retrenchments and early retirements are the two avenues used by a company when rationalising.

Companies prefer, where possible, to put staff on early retirement because the burden is then carried by the pension fund and not the company. However, this method can be used only if the pension fund has a surplus big enough to bear the strain.

The general limit for early retirement is 55 for men and 50 for women. Mr Nixon says the Receiver of Revenue may, in certain circumstances, allow people to retire at the age of 45.

An employee on early retirement receives lump-sum payments from a pension and/or provident fund as well as from the employer.

The tax-free amount is determined according to the employee's average salary and the period of tenure, but is generally not higher than R120 000.

There is no tax on the first R30 000 paid by an employer in the form of a retirement gratuity. It may include accumulated leave and other lump-sum benefits.

The balance of the lump-sum payment is taxed at the individual's average rate.

This is where the employee has room to manoeuvre.

Car

Mr Nixon says the employee's average tax rate can be reduced if he or she is retrenched early in the financial year. A company considering retrenching staff members or putting them on early retirement should wait until March instead of acting in February.

For example, a person with 18 years' pensionable service earning R7 500 a month plus a car allowance and other investment income will pay tax at an average rate of 20,2% if retrenched in March. The tax rate will rise to 31,2% if retrenched in October.

Mr Nixon says this tax base can be whittled away even further if the employee makes a lump-sum contribution to a retirement annuity. Not only is it tax deductible, but it reduces the average tax rate. The maximum amount that can be contributed is 15% of non-retirement-funding income.

Mr Nixon says it is essential to try to reduce the taxable income as far as possible in the year of early retirement. This will lower the average tax rate on lump-sum payments.

It is also important to place the lump sum in investments that will not generate taxable income in the first year of retrenchment.

Other tips include writing off all expenditure possible, such as prepaying rent, to reduce taxable income in the first year of trading if the person sets up his own business.

Mr Nixon says the individual should try to arrange with the fund to have the pension payments paid annually in arrears in the following tax year, although this practice is under attack by the revenue authorities.

"One can often keep the average tax rate down to 17% by using the lump-sum contributions, effectively investing the money and structuring the business to achieve a loss in the first year of operation."

Similar rules of reducing the tax base apply to people being retrenched.

However, Mr Nixon says they receive a far lower tax-free lump sum than people on early retirement.

Only the first R1 800 drawn from the pension or provident fund is tax free, the rest being taxed at the average rate.

The same rules apply to keeping the average tax rate low.

Retrenched employees can sometimes choose whether to withdraw all their contributions from the fund or leave them untouched.

Flexible

The general rule, that has to be verified in each circumstance according to the pension regulations, is that a person with long service is better off leaving the money in the fund if he does not need it.

An employee who has not been with the company for long should withdraw the entire amount. However, it is often best to transfer the cash to another fund or a retirement annuity to keep tax low.

Mr Nixon suggests that funds will have to become a little more innovative and flexible.

"People should be allowed to leave their money in the fund and withdraw it later in the year should they be unable to find another job."

Structuring retrenchment packages might be an administrative burden for the company, but it will pay off in improved relations with retrenched as well as remaining staff members.

Move to privatise pension funds

(300) CT 8/12/92

By GRETA STEYN

THE latest actuarial evaluation of government's pension fund deficits — estimated at more than R30bn — is being finalised and is expected to form part of a report on pension fund privatisation that will be handed to the Cabinet early in the new year.

The head of the committee on state pension funds, Laurie Korsten, confirmed yesterday that a progress report would be handed to Cabinet.

"We are looking at the immediate restructuring of the pension funds which may ultimately result in their privatisation," he said, adding that the latest figure for the pension fund shortfalls would be kept confidential.

A year ago government accepted the Korsten committee's first recommendations on restructuring, but subsequent difficult negotiations with labour and employer representatives led to the process being delayed. If the funds are eventually privatised, about R60bn in assets will be freed to be managed by private fund managers.

"We have been negotiating indirectly with more than a million employees and more than 400 employer bodies within the five funds involved. The funds have to be placed on a more sound financial footing while at the same time guaranteeing the financial security of their members," he said. He added his committee had devised a package deal that would see employers and employees compromise, with both parties making some contribution towards financial stability.

The funds' actuarial shortfalls are estimated at billions of rands and a plan for their full funding would have to be given to the Registrar of Pension Funds before these funds could be registered as private funds. Korsten said he hoped this would be finalised early in the new year.

Public Servants Association (PSA) GM Hans Olivier said a working committee of the PSA had been discussing the issue with the Korsten committee for the past year. The PSA had "serious problems" with the Korsten committee's package, and he hoped these problems would be addressed in Korsten's report.

One of the PSA's main concerns was the formula suggested to reduce benefits when members take early retirement.

Another problem was that there were various retirement ages for public sector workers, and that those with late retirement ages felt they were subsidising those with early retirement ages (notably in the armed forces). The PSA had asked for a uniform retirement age.

Enabling legislation has already been passed to allow state pension funds to register as private funds. Korsten said the main reason for the restructuring was to achieve "financial discipline".

The state pension funds are invested almost entirely in government stock, administered by the state investment arm, the Public Investment Commissioners (PIC).

● Meanwhile, Minister of Finance, Derek Keys said yesterday the government would wait for feedback on the recommendations of the Mouton Committee, which has been investigating retirement provision in SA, before coming to any decisions.

In its draft report the committee expressed concern that most pensions were eroded by inflation, even in cases where companies topped them up by up to 60% of the inflation rate.

Keys said the report would be presented at a press conference in Pretoria today.

Deficits estimated at R30bn

Govt pension fund revamp on the cards

B/DAY 8/12/92

GRETA STEYN

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Public Servants Association (PSA) GM Hans Olivier said a working committee of the PSA had been discussing the issue with the Korsten committee for the past year. The PSA had "serious problems" with the Korsten committee's package, and he hoped these problems would be addressed in Korsten's progress report.

One of the PSA's main concerns was the formula suggested to reduce benefits when members take early retirement. Another was that Korsten had suggested a pension be calculated based on the average salary over the last two years of employment, while the PSA wanted it to be equal to the last salary earned.

Another problem was that there were various retirement ages for public sector workers, and that those with late retirement ages felt they were subsidising those with early retirement ages (notably in the armed forces). The PSA had asked for a uniform retirement age.

A further point of disagreement was on the board of trustees to manage the fund — how its members would be divided between employers and employees, and how the chairman would be elected.

The PSA does not, however, represent the majority of employees involved.

Enabling legislation has already been passed to allow state pension funds to register as private funds. Korsten said the

☐ To Page 2

Pension funds

B/DAY 8/12/92

☐ From Page 1

main reason for the restructuring was to achieve "financial discipline".

The state pension funds are invested almost entirely in government stock, administered by the state investment arm, the Public Investment Commissioners (PIC). In the first half of this fiscal year the PIC invested R10,44bn in government stock, compared with private funds investing R13bn. Korsten emphasised that freeing investment constraints on the state funds would be approached cautiously, as the move could severely distort the financial markets.

Analysts said it would take decades to get the funds' equity levels up to normal levels. It implied constant buying pressure in the equities market, and selling in the gilts markets. However, Korsten said the funds would remain net buyers of government stock for years to come.

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Condoms out quayside in Table Bay harbour yesterday afternoon after a fire broke out in the ship's scaffold. The fire was not fi

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Pension fund 'will cover loss in Supreme'

(300) CT 8/12/92

Staff Reporter

CAPE Joint Pension Fund contributors and pensioners will not suffer any losses as a result of the provisional liquidation of Supreme Holdings two weeks ago, the fund said yesterday.

The pension fund's deputy manager, Mr Pieter Swart, said yesterday that any losses arising from the fund's unauthorised investment of R29 million in Supreme Holdings — which was provisionally liquidated with Supreme Investment Holdings on November 19 — would be absorbed by the fund.

The pension fund's 23 000 contributors and 4 800 pensioners would not suffer losses, Mr Swart said.

"All bonuses and pensions, and raises in January, are unaffected. There will be no changes. Everything will go on as before," he said.

Supreme is under investigation by the liquidators, the Reserve Bank and the police Commercial Branch.

Mr Swart declined to comment on the pension fund's unauthorised investment in Supreme Holdings, pending an investigation into this.

Johannesburg Commercial Branch commander Colonel Louis Esterhuizen said the Supreme Holdings investigation was still in its infancy. Police were awaiting a report from the liquidators.

About 6 000 debenture holders are anxiously waiting to find out what they will recoup from a combined investment of R270m.

Cut tax on means test — Mouton

CT 9/12/92

300

Own Correspondent

PRETORIA. — The Mouton Committee has recommended a R2,4-billion package of measures to improve the state's retirement provision for the poorest sections of the community.

The committee, appointed in 1988 to investigate South Africa's retirement provision system, released its recommendations yesterday.

Its most urgent recommendations were to abolish racial discrimination in pensions and slash the means test "penalty tax".

The means test effectively taxed people with low incomes at 100% if they provided some income for their old age. Describing the system as a "poverty trap", Professor Wynand Mouton recommended the penalty rate be reduced to 50%, while only 50% of pensions receipts should be included as income for means test purposes.

Changes to the means test and pensions parity would raise state spending on social pensions to R6,7bn in the next fiscal year — R2,4bn more than at present.

"The cost of the proposed changes is high. The changes to the means test will probably have to be made in stages. We should like to eliminate the means test, but the cost is too high," Prof Mouton told a media conference.

It is understood part of the package will be financed by limiting the tax relief top income earners will get on current pension contributions.

Prof Mouton also said ways should be sought legally to make people save.

The committee felt a special retirement savings fund for low income earners should be formed with state support to ensure a reasonable return on savings.

A further recommendation was to remove sexual discriminationby raising the qualifying age for women to 65, phased in over 10 years.

Aids to slow down growth

PRETORIA. — Aids will slow down South Africa's rate of population growth so that it will level off by the year 2005, according to actuary Mr Peter Doyle.

The Mouton report on pension systems, released yesterday, cites Mr Doyle as saying it was unlikely there would be any decline in the total population.

According to an actuarial/demographic model, the number of Aids deaths by the year 2000 could be more than four times more than all the other causes of death combined.

The disease would impact on the pool of skilled labour in the 25-to-40 age group, and could have critical implications for South Africa's health-care system, he said. — Sapa

Old Mutual welcomes Mouton report

B/DM 9/12/92. (300)

LINDA ENSOR

CAPE TOWN — Old Mutual yesterday welcomed the Mouton committee's report on the retirement provision system in SA.

Old Mutual employee benefits GM Garth Griffin said the report was a comprehensive framework on which to develop a future retirement provision system.

No radical recommendations had been made, he said, the Mouton committee having based itself on the existing situation.

"The long awaited report of the Mouton committee provides both direction and food for thought in the development of a coherent strategy for the retirement funding system in SA. It is likely to be a source of reference for years to come, and the committee is to be congratulated on the depth of its analysis and the balance struck in the recommendations put forward," Griffin said.

Public Servants' Association GM Hans Olivier said in Pretoria that government should take steps to obtain the necessary guarantees to safeguard the state pension fund in terms of the Pension Fund Act if it was not actuarially healthy, Sapa reports.

PSA members could not agree to "aggravating" measures against them by the proposed privatisation of the government's pension fund as members had not been consulted on the fund's management over many years, Olivier said.

Olivier said State Pension Funds Committee head Laurie Korsten had proposed the "aggravating measures", which had been necessitated by the fact that the Registrar of Pension Funds could not register the fund unless the actuarial funds were healthy. A year ago government accepted some of Korsten's recommendations on the restructuring of the fund which could eventually result in the fund's privatisation.

Korsten's progress report on the privatisation of government's pension fund would be handed to the Cabinet next year.

RETIREMENT PROBE

A pension for all

ARG 9/12/92 (350)

'STATE SHOULD MEET BASIC NEEDS OF THE ELDERLY'

Argus Correspondent ROY COKAYNE reports from Pretoria on the recommendations of the Mouton Committee which has been studying pensions and retirement tax incentives.

THE Mouton Committee has recommended a reversal of the recent government viewpoint that people should be responsible for providing for their own retirement.

Instead, it has recommended the State assist individuals to meet basic subsistence needs in retirement or old age.

However, individuals will be responsible for providing for their needs and those of their dependent spouses in retirement if they wished to have more resources than could be afforded by the State.

These views form part of the committee's 13 recommended points of departure, which are the basis of a six-point draft policy document the committee recommends should be discussed — with the report and its recommendations — at a national forum.

Chairman Professor Wynand Mouton said the national forum may be a sub-group of a forum discussing economic issues, adding that for changes to be successfully implemented "it is essential the proposals enjoy broad consensus before they are proceeded with".

Motivating the recommended reversal in the government's viewpoint, Professor Mouton said: "There are so many individuals for whom the possibility of making meaningful provision for their own old age needs simply does not exist.

"Our study of the present situation revealed that 56 percent of all households (of an average six people) earned less than R900 a month in 1991. It is just impossible for these people to make provision for their own retirement needs," he said.

Other recommendations:

- No discrimination in retirement provision based on race, colour, creed or gender.
- The State should encourage individuals by tax laws and other incentives to make provision for their own old age/retirement needs.
- The State should encourage employers by tax laws and other incentives to assist their employees and to allow for transferability and preservation of options.
- Retirement provisions should be adequately integrated with and be a good fit between private provision, State provided old age assistance and other social assistance systems.

Professor Mouton said the committee had grouped its recommendations on the basis of a four-tier model involving a social assistance scheme in which the old age assistance scheme with some significant changes should continue to provide the old age "safety net"; employer retirement funds; voluntary provision schemes; and other provisions including continued working.

He said the broad recommended goals of the policy document to be discussed at the proposed National Forum were:

- Every elderly citizen and qualifying resident to have, as a minimum, sufficient total income to meet basic subsistence needs.
- Every citizen/resident to have opportunities to provide for retirement in a manner that can result in a total income for themselves and their spouse in retirement that bears a reasonable relationship to that shortly before retirement.
- The old age need of non-earning spouses to be adequately provided for.
- In retirement, the elderly should have at least some, and preferably full, protection against the ravages of inflation.
- Access to finance from the retirement fund to be available in times of extreme hardship, before retirement to prevent the cashing in of the accrued retirement asset and so enabling continued fund membership.
- The system must be relatively simple to understand, administer, monitor and control.

'Coherent strategy' welcomed

The Argus Business Staff reports on reaction to the Mouton Committee's recommendations.

OLD Mutual said the long-awaited Mouton Report provided both direction and food for thought in the development of a coherent strategy for the retirement funding system in South Africa.

Old Mutual's general manager (employee benefits) Mr Garth Griffin said the report was likely to be a source of reference for years to come. "The committee is to be congratulated on the depth of its analysis and the balance struck in the recommendations put forward."

He welcomed the proposal to use South Africa's present system as a base for growth.

"We believe that there is much merit in the proposals put forward by the committee and hope that, once accepted by government, every effort will be made to develop a rational structure for the retirement funding industry along the lines recommended by the Mouton Committee."

Pension pay-points trouble-free

CT 4/8/92 (200)

PENSION payouts went ahead peacefully at four Western Cape points yesterday, the Cape Provincial Administration said. Regional director Mr S Naudé said 1 018 people — a figure consistent with average monthly payouts — had collected their pensions.

PROPERTY

Don't just accept sudden death clauses — attorney

B|DAY 5|8|92 300

Reports by
PETER GALLI

WHILE most "sudden death" clauses in property offer to purchase or deed of sale documents are legally enforceable, people should be aware of the need to negotiate changes in the contract and understand the implications of the document they are signing, says Werksmans Attorneys partner Stan Brasg.

"People believe that if the contract is a pre-printed document it is inviolate. This is not so, and people should not hesitate to negotiate its terms and amend clauses they find unacceptable," he says.

Sudden death clauses are those which give the buyer no period of grace to perform a contractual obligation once the period allowed for this has passed.

"Before he signs, the buyer needs to ensure he fully understands his responsibilities and the consequences of failing to perform.

"While the courts are increasingly examining the moral implications of contracts, the maxim of 'let the signer beware' is still most often applied," Brasg says.

While many clauses seem unduly harsh, there are often reasons for this, such as provisions for compensation.

In many cases, the purchaser is aware of what he is signing as he obtains some form of benefit.

"If he is in default and litigation ensures, he then tries to use the doctrine of public policy as an escape from his obligations in terms of the contract."

Most of these contracts have evolved over the years, Brasg says.

However, attorneys Moss, Morris, Mendelow, Browde partner Selwyn Cohen says the doctrine of *contra bonus mores*, which enables courts to declare a contract invalid on the grounds that it is contrary to public policy, is making itself increasingly felt.

"While local courts uphold the principle of sanctity of contract — that contracts entered into freely and voluntarily should be enforced — there is an increasing tendency to hold that agreements which are clearly detrimental to the interests of the community will not be enforced." This could be because they are contrary to law or morality, or run counter to social or economic experience.

Cohen says many contract clauses are unfair, but work in practice. Unfairness or prejudice itself were not grounds for holding that a provision was contrary to public policy.

Brasg says the courts are not keen to interfere with contracts.

Public policy is applied by the courts only if the contract or clause is clearly unfair and prejudicial, usually where the contracting parties contracted on an unequal footing."

Cohen says clauses that have been used for many years — like the sudden death clause in the offer to purchase document — are now being found unacceptable and set aside.

"The difficulty is that the question of whether a document or clause is contrary to public policy is subjectively decided according to the public policy as it exists when the matter is heard in court. This may be many years after the document was created.

"This can result in uncertainty for contracting parties, particularly creditors who may suddenly, because of a change in public policy, find their documents or portions of them unenforceable."

However, Brasg says the courts are generally unwilling to interfere in the contractual process.

He says the Conventional Penalties Act is in place to alleviate hardships and protect the public.

It states that compensation cannot be claimed which is more than the loss that would have been suffered had the contract proceeded.

"The courts have held that the sanctity of contract is equally in the public interest," he says.

300

Pensioners 'footslogged'

CT 5/8/92

Staff Reporter

PENSIONERS unable to rely on taxis or buses were forced to make exhausting journeys into Langa to collect their pensions yesterday.

A widow from Nyanga, Mrs Letitia Makaluza, walked most of the way to Langa, which took about three hours.

The regional director of the CPA's community services branch, Mr Faan Naudé, said yesterday that "exactly the same amount" had been paid out in pensions as in previous months.

Uniform pension system on the agenda

B DAY 17/8/92

GERALD REILLY 300

GOVERNMENT's ultimate goal was the establishment of a uniform, countrywide pension system, Manpower, Local Government and National Housing Deputy Minister Glen Carelse said yesterday.

Speaking after a visit to a pension paypoint at Mamelodi, Carelse said government was working towards parity in pensions.

Two major areas of concern were the system itself and physical conditions at paypoints. A working group on the administration of social pensions had six subcommittees investigating payment methods, the need for a uniform system, the provision of social and other support services at pay points, and a communication strategy.

Nats want R840m for MPs' pensions

300 S/Times 23/8/92.

But 'leak' ends that idea, says chief whip

NATIONAL Party chief whip Johannes Niemann has proposed that the government provide R840-million of taxpayers' money to establish a private pension fund to safeguard the interests of MPs after major political changes have taken place.

By EDYTH BULBRING: Political Correspondent

A letter from Mr Niemann to chief whips of other parties in Parliament at the end of last month contains proposals for changes to political office-bearers' pensions, gratuity, tax and medical-aid schemes in preparation for a future government.

But this week, after the letter was leaked to the press, Mr Niemann said he would reconsider his plans.

The proposals indicate a nervousness within MP ranks that they will not be re-elected to a new government and that their pension and other benefits will not be honoured.

It also shows an awareness that, should a new dispensation come into place soon, some MPs will not have served a sufficient term of office to qualify for certain pension and gratuity benefits.

Mr Niemann says in the letter he considers the four issues of urgent importance which should be resolved before an interim government is in place.

He states that proposals should go before a cabinet committee so that legislation could be passed, if necessary, in October. Mr Niemann proposes three options for changes to the existing pension system:

- To wipe the slate clean by paying out all existing MPs and pensioners. They would then have to make their own private arrangements;
- To carry on with the existing scheme. Under the system an MP or President's Councillor pays 10 percent of his basic salary to the general revenue account;
- That the government puts R840-million into a pension fund which is administered by an insurance company. A future government would be obliged to service this pension fund.

Under the present system, an MP receives a gratuity worth a year's salary and a monthly pension equal to half his monthly salary for the rest of his life if he retires after seven-and-a-half years.

If he retires or fails to be re-elected before he has served this period he receives only that which he contributed towards his pension.

An MP has to have served 15 years or more to receive his full salary as a pension every month, and there is a ceiling of 20 years' service on the maximum gratuity.

In terms of MPs' gratuities, Mr Niemann proposes that MPs should be able to receive loans against their gratuities, which they cannot do at present.

They should also be able to receive a gratuity, whether they served the seven-and-a-half years or not. DP MP for Edenvale Brian Goodall lost out on his gratuity and pension when he failed to make his seven-and-a-half years' service by one day in 1987. Mr Niemann also proposes that there should be no cut-off date of 20 years affecting the maximum payment of gratuities.

He also proposes that all MPs' expenses should be tax-deductible. At present MPs are given an expense allowance. If they spend more than this, it cannot be deducted againt tax.

This penalises MPs whose travel costs are higher than others.

Mr Niemann said this week that he had not put forward any proposals to the cabinet committee on August 4 as had been intended because he had not received a response to his proposals from the DP or CP. Without their agreement it was a non-starter, he said.

Women must plan for old age

STAR 24/8/92.

(300)

THE sooner women of all ages, single or married, working or not, take responsibility for their own financial planning for retirement, the better.

Not only will this ensure greater peace of mind about the future, but in the case of married working women, now taxed separately at SITE rates, they may also find they are entitled to certain deductions such as retirement annuities, says Alan Keevy, director of KPMG Aiken & Peat's Financial Planning Services division.

As a financial adviser he sees many cases where women have not given enough personal attention and forethought to financial planning for their retirement.

Married women, in particular, rely too heavily on their husbands to look after their retirement finances, he says.

"If a woman is married to a proven financial wizard her confidence in his skills may be justified, but if she is married to a financial novice, statistics indicate that her declining years will be far from secure."

The most recent figures published by the Life Officers Association (LOA), show that 91 percent of white South Africans are dependent on others for financial assistance by the time they retire.

Of these, eight percent depend on social welfare, 17 percent are supported by their families and 32 percent receive a state pension; the remaining 34 percent find they have no choice but to work for as long as they are able to do so.

"This being so, the truth is that just nine percent of those due for retirement each year are viewed statistically as financially independent

"However, to date, no figures have emerged to indicate whether even these prudent people continue in real terms to survive financially 10, 20, even 30 years after retirement," Mr Keevy says.

When people think about funding their retirement years they tend to underestimate their expected lifespan.

Women who do not plan for their retirement are at risk because statistics indicate that wives outlive their husbands by 15 to 20 years on average. Clearly, married women cannot afford to leave whatever financial arrangements are made for their retirement entirely in the hands of a husband, who may die years before they do.

Mr Keevy urges women to face reality before its too late.

"They should ask themselves, for instance, how they would fare financially if their spouse were to die before them, or if they ever had to cope with divorce.

"They should ask themselves whether they are prepared financially and qualified educationally to shoulder the additional responsibility of caring for, and educating, their children on their own," he says.

"At the end of the day, we are all products of our own financial planning."

● Basic pensions in South Africa were increased on April 1 1992 to R345 per month for Whites, R318 for Indians, Asiatics and so-called Coloureds, and R293 for Blacks.

Senior police to probe 'execution'

B|DAY 25|8|92.

Own Correspondent

DURBAN — Police are carrying out a top-level investigation into the execution by uniformed and masked gunmen of an induna, his wife and four children at a kraal near Richmond at the weekend.

And the Inkatha Freedom Party says the Goldstone commission should investigate the incident "as a matter of the gravest urgency".

SAP regional commissioner Gen Colin Steyn accompanied senior policemen yesterday to the scene in a remote area of Nkobeni.

The bodies of the six victims — one a four-year-old boy — were found on Sunday. They were airlifted from the kraal yesterday morning to the Richmond mortuary.

According to the police eight members of the Nzimande family were lined up outside the main building of the kraal on Sunday afternoon and gunned down. Six were killed and two others wounded.

A police spokesman at Richmond said five or six men wearing brown overalls, resembling those worn by the SADF, and balaclavas arrived at the kraal just after noon and requested Nzimande to produce his firearms, two KwaZulu government-issue G3 rifles. After the weapons were handed over, the family members were lined up and "shot repeatedly".

Police found 14 spent AK-47 cartridges and 37 R4 shells at the scene.

The gunmen then fled with Nzimande's weapons.

Study points way to welfare reform

B|DAY 25|8|92

GERALD REILLY

PRETORIA — Government departments overwhelmingly recognise the need for a major overhaul of welfare services, a Human Sciences Research Council survey shows.

The survey, conducted by Natal University's F J Lund, found nearly 4-million people received welfare payments amounting to R4,5bn from government organisations last year.

She stressed the urgent need for a unitary nonracial welfare system to eliminate fragmentation, waste and inefficiency.

Welfare — for the aged, the disabled, families, and for relief — was provided by three houses of Parliament, four provincial administrations, six self governing and four independent homelands.

Lund said there had been brave attempts to introduce innovations but on the whole, new schemes became swamped by the need for statutory work.

Also, some government officials called for privatisation and independent initiative but other bureaucrats discouraged new initiatives.

In the year to end-March last year, R1bn went to white welfare services, about R800m to coloured services, R200m to Indian services and the remaining R2,4bn to black welfare services, Lund said.

Calculated on a per capita basis, coloured people received R246, whites and Indians about R200 and blacks about R100.

Of the 3,9-million people who benefited directly, 2,6-million received pensions and 830 000 disability grants.

Social workers emphasised that the major challenge lay in overcoming the backlog in coloured, Indian and black welfare services.

The purpose of the Lund study was to determine the size, scope and cost of government welfare bureaucracies and to formulate a database.

Social workers acknowledged social work had to be redefined. Statutory work predominated although some departments were trying new approaches with a greater emphasis on community development.

Lund said unless attitudes changed social workers would find themselves without a role which had "appropriateness and integrity".

Recent political shifts had made social workers more positive about working for government, although there were areas where government employment obstructed grassroots social work.

Error in report on HSRC

OUR report on Tuesday on Francie Lund's HSRC-sponsored research of SA's government welfare bureaucracies erroneously stated: "Of the 3,9-million people who benefited directly, 2,6-million received pensions and 830 000 disability grants." This should have read: "Of the R3,9bn spent directly on pensions and grants, R2,6bn went to pensions for the elderly and R830m on disability grants." Business Day regrets the error.

REPORTS: Sapa, Own Correspondent, Business Day Reporter, AP-DJ.

27/8/92

299

300

PROVIDENT FUNDS: *A legitimate way to save on tax bill*

Forgoing that bonus could serve you well

STAR 29/8/92

ALTHOUGH provident funds and retirement or annuity funds have similarities, the first provides a number of distinct legitimate advantages the latter two cannot, writes tax partner ERNEST J MAZANSKY.

THE essential purpose of a provident fund, like a pension fund or retirement annuity fund, is to create a savings medium to provide for retirement. However, a provident fund can at the same time provide a legitimate tax-saving medium.

A provident fund is similar in principle to a deferred compensation scheme in that the employer pays out funds now as part of the employee's package and gets a tax deduction. However, the income accrues to the employee only at some future time.

Deductible

It also has similarities to pension funds but — in my view — has a number of distinct advantages when compared with a pension fund, especially insofar as more senior executives are concerned.

In the case of a pension fund, both employer and employee usually contribute.

In each case, contributions are tax deductible.

In the case of a provident fund, only the employer's contribution is tax deductible. However, with proper planning, the fact that the employee cannot treat it as deductible should not present a problem.

Sacrifice

This is because it is possible for an employer to make a contribution equivalent both to what it would have contributed to a pension fund and that which the employee would have contributed to the pension fund.

This would make the total contribution tax deductible in the employer's hands.

The employee would in such a case forgo an increase in salary or a bonus. Because he was not making a direct contribution to the provident fund, his contribution would in effect be tax deductible.

Forgoing a portion of a salary or bonus is known colloquially as "salary sacrifice".

While this is legitimate, I would not recommend an employee sacrificing a portion of his existing salary for this purpose — that is, where his salary would drop from one month to the next.

Such an act could be attacked under general anti-avoidance rules.

Although the Income Tax Act regulates criteria for deductibility of an employee's contribution to pension funds, provident funds, medical aid schemes, etc, it is my view that, provided the employee's total remuneration package is reasonable with regard to the value of services rendered by him, the Receiver of Revenue will not be entitled to disallow any employer's deduction as excessive, regardless of its size or value as a percentage of the total package.

This facilitates enough flexibility to allow employees to shelter a portion of their earnings from tax, should they not be required for other purposes.

Obviously this must be done within reasonable limits in order to avoid an attack by Inland Revenue.

Because the provident fund's net income is invested to best advantage, its main benefit is that it facilitates an investment in a growth portfolio.

Such investment is made out of pre-tax income, whereas savings or investments are traditionally made out of taxed income.

This could well suit employees who feel they do not really need an increase or bonus because of their particular financial circumstances.

What would have been granted as an increase could instead be contributed by the employer to the fund for their benefit.

In the case of a provident fund, the employee can receive the full value of the fund on retirement.

Another substantial advantage of a provident fund compared to pension or retirement annuity funds is the additional flexibility it gives employees.

In the case of a pension or retirement annuity fund, on retirement the employee is entitled to a cash payout of a maximum of one-third of the value of this fund, and is obliged, by law, to take the balance by way of an annuity.

In the case of a provident fund, he can receive the full value of the fund on retirement rather than being limited to one-third, and thus has much more flexibility in dealing with his financial affairs.

On retirement from the fund a significant portion (if not the whole) of the lump sum which he receives will be tax free.

Any balance will be taxed at his (lower) average tax rate for the year, rather than at the (higher) marginal rate.

Rules

With proper planning, even this average tax rate can be reduced significantly.

While these rules apply equally to pensions and retirement annuity funds, the benefits can be greater with provident funds in view of the absence of the one-third limitation.

Another point to be noted is that use of a provident fund is not limited to large companies.

Even small companies with only a few employees can create provident funds for their employees, both senior and junior.

Future

In summary, a provident fund is a tax-efficient savings medium which allows discretionary income to be invested on a pre-tax basis in a portfolio which, if well managed, will yield substantial growth.

Moreover, while the employer will obtain an immediate tax deduction, the employee will be taxed only (if he is taxed at all) at some future point in time and then at a favourable rate.

This is of particular benefit in a one-man business where the employer and employee, though legally different parties, are one and the same.

A bagful of choices for your old age

STAR 29/8/92 (300)

MANY employers and employees are not aware of the many choices available at retirement from pension funds and retirement annuities. According to Willis Faber Enthoven director Trevor Williams, these are the choices available on retirement.

□ Recognised option: take one-third in cash and the balance as a monthly pension.

□ Open market option: allows for the highest pension available to be purchased from assurer. The difference between highest and lowest can be as much as 20 percent.

□ Capital preservation for growth: if the pension is not required, the payment can be automatically transferred to a savings plan to achieve maximum growth while preserving the capital in the event of death.

□ Capital preservation for income: as above, but income would be paid while preserving the capital against death.

□ Escalating pension with payment: pension payment would increase each year by a fixed agreed percentage.

□ Escalating pension with profits: pension payment would increase in line with insurance company's declared bonus increases.

□ Joint life pension: payable to death of both husband and wife.

□ Reducing pension on first death: pension payment can reduce by agreed percentage on death of spouse.

□ Pension with no guarantee: payable until the death of the pensioner.

□ Pension with guarantee: payable until death of pensioner, but payment guaranteed for agreed period in any event, normally five, 10 or 15 years.

Care must be taken as some older pension funds do not allow the alternatives.

Pensioners' discount goes in air fares move

STEPHANE BOTHMA

THE blanket 30% discount previously available without any restrictions to senior citizens and national servicemen on all SAA domestic flights has fallen away. BIDAY 31/8/92

SAA's recent announcement of a 50% discount on a first come, first served basis on some flights replaced the previous concession, SAA spokesman Leon Els said at the weekend.

The 50% discount was available only on a limited number of seats, on off-peak flights. Tickets had to be booked and purchased at least three months in advance and carried a 25% cancellation fee.

Although the previous discount to pensioners and servicemen, and on special bookings for sport groups, was available only in limited numbers, booking and cancellations carried no conditions or restrictions.

Els said that in terms of SAA's new fare structures, the airline's Super Saver Fares at 30% discount were also available to all, with the only restriction being that tickets had to be booked and purchased at least seven days in advance.

Saver Fares — a 20% discount — carried no advance purchase proviso.

All the discounted fares were were available on a first come, first served basis, but in limited numbers and carried a 25% cancellation fee. Reservations, payment and ticketing was a simultaneous transaction and if flight details changed the next highest fare would be charged.

Pensioner clubs at hypermarkets only

START 3/9/92.

By John Miller
Star Line

Many hard-pressed pensioners have been turned away by a leading chain store from its already over-subscribed discount scheme.

During a recent radio programme Sean Summers, director of food merchandising Pick 'n Pay, said the Pensioner VIP Club was available at all stores.

However, many disappointed pensioners discovered this not to be the case. In fact the scheme was only available at the chain's hypermarkets, and was limited to 1 500 people.

Waiting lists existed.

Mr Summers apologised for creating the wrong impression and said the company was working on a similar scheme for supermarkets.

"I was incorrect and did not stipulate that this club is only available at our hypermarkets.

"What we are looking to do is to move the pensioner clubs into supermarkets. We are busy formalising these plans at the moment."

Every store had pensioner activities and shopping days.

Anne van Rooyen, spokesman for the Boksburg hypermarket's VIP club, said that while there was a waiting list, it was no more than between 10 and 20 people at a time.

"Every two months I review the existing membership. Those people who have lost interest or do not come to the store regularly are taken off the computer and the others put on."

She said the monthly discounts of up to R1 included such items as jam, sugar, cooking oil, meat, mealie meal and sweets.

She said about 12 busloads of pensioners from Boksburg, Benoni and Vosloorus were ferried to the store each month.

Ms van Rooyen said the low black and coloured membership was due to a lack of demand from those communities.

"If there was a bigger demand, we would increase the numbers. I do not tell social workers that there are any restrictions, it is up to them."

Housewives League president Lynn Morris said supermarket chains should consult more with Government welfare departments and look at certain schools as part of their social programmes.

She said any pensioner scheme lent itself to abuse. This had happened to one of the chainstores which was then forced to stop the scheme.

She felt there must be some way in which the major stores could find out where social pensioners lived in each neighbourhood.

"I appreciate that many stores render help and assistance to old-age homes but the real need is for those people living and battling on their own."

Mrs Morris said schools needed attention, especially in the ongoing recessionary climate.

"There are so many kids at schools these days who have not had a recent meal. Loaves of bread and peanut butter could be provided."

Now it's a haven for the needy

(~~240~~) (300)

By Abdul Milazi

STAR 31/1/92

What started as a personal favour to the elderly people of De Weldt, north of Pretoria, is now a thriving community project and a haven for more than 200 needy children.

In 1979 Flora Matlou gave food to the elderly people who came to collect their pension at her shop. Little did she know that the De Weldt community problems would soon be hers.

"Pensioners sometimes waited for the whole day for their pension and all this time they were hungry. I felt I should do something to help them. I started by giving them soup and bread," said Mrs Matlou.

She then opened a soup kitchen and fed pensioners daily.

"The kitchen was doing well but there were other problems. There were children who were underfed and some whose parents could not afford to send them to a day-care centre.

"I then converted my storeroom into what is now the Itumeleng Day Care Centre. Things were tough from the beginning. Most of the parents

Chains defend their policies

Star Line Reporter STAR 3/9/92

The three leading supermarket chains have not forgotten the plight of pensioners and review their social and community schemes regularly.

Pensioner privileges range from six percent discounts, to R1 off meat purchases, to tea parties.

Mervyn Kraitzick, marketing director of food, OK Bazaars, said the store was one of the first to offer a discount scheme.

This entitled pensioners with a State pension card to purchase up to R100 worth of items every Tuesday with a six percent discount.

Pick 'n Pay has established a VIP hyper club limited to 1 500 people per store. While this system is often subject to a waiting list, a spokesman said delays were not more than a couple of months. Members were often bused into stores and received a monthly booklet of discounts offering up to R1 off selected items.

Sean Summers, director of food merchandising for Pick 'n Pay, said a similar scheme was being considered throughout the company's supermarkets.

"I cannot give you an exact date when this might happen, but bear in mind that each store has its own pensioners' programme."

He said pensioners were bused into various supermarkets, given tea and biscuits and offered special discounts.

Pensioner meat packs were available from the store butcheries. A social card had to be presented to the manager to claim the R1 discount.

A spokesman for Shoprite-Checkers said their pensioner scheme was cancelled about five years ago due to abuse.

The spokesman said apart from each store having a special section with smaller packaging of items, lower prices had been built into all products allowing everybody to benefit.

Individual stores were involved in their community.

The company also had a corporate programme and was currently holding seminars on security throughout the country.

These seminars aimed at senior citizens were held in conjunction with the South African Police and the South African Council for the Aged.

Never too young to start

MONEY MATTERS

MAGNUS *Heystek*

PLANNING for a comfortable retirement should start the day you take home your first pay packet — and a retirement annuity is the vehicle to start with.

STAR 5/9/92

NINE out of 10 people reading this column will most probably retire into an uncertain future. Only one will be able to retire into a carefree life of relative luxury.

This point was once again brought home last weekend at the Star Investors' Club retirement planning seminar. For most of the 300-odd people who attended it was probably too late. But there were one or two young faces present — one aged 22, the age to start if you want the odds in your favour for a comfortable retirement.

For the next few weeks I intend devoting this column to a series on retirement planning, focusing on the kinds of investments for the stages in a person's life. I will also be looking at the tax implications of these kinds of investments.

The first stage of adulthood begins soon after graduation from school, college or university, when one starts to take responsibility for one's financial life.

Great is the feeling of maturity and financial freedom when you open your first pay packet. But you must face the responsibility that comes with this newfound freedom.

While your thoughts may be limited to the next weekend's razzle or paying off your brand new hi-fi, this is the time to start preparing for retirement.

Statistically, your chances of reaching the age of 65 are very good; something like 68 out of 100.

So what is the first policy that a young person should consider taking out?

A retirement annuity, said Willis Faber Enthoven director Trevor Willis, who spoke at the seminar.

The cheapest retirement annuity you could buy with no frills attached would cost you only R50 a month.

But why an RA? Surely this is only for people earning a lot of money paying high marginal rates of tax?

Not the case, said Willis.

The reason the cheapest RA should be the first policy you should buy as soon as you start working even though you might not want the tax relief is because of the future tax benefits RA membership provides.

The length of membership of any RA when you retire determines how large the tax-free lump sum will be. The longer the membership, the greater the tax-free benefit.

The second investment any young person should make remains a good-performance unit trust. While there are now tax incentives to buy into them, their tax-free capital gains status makes then a very good long-term investment.

A point brought home by Absa unit trusts marketing manager Neil Pope was that the longer you invest in unit trusts, the lower the risk of stock market corrections.

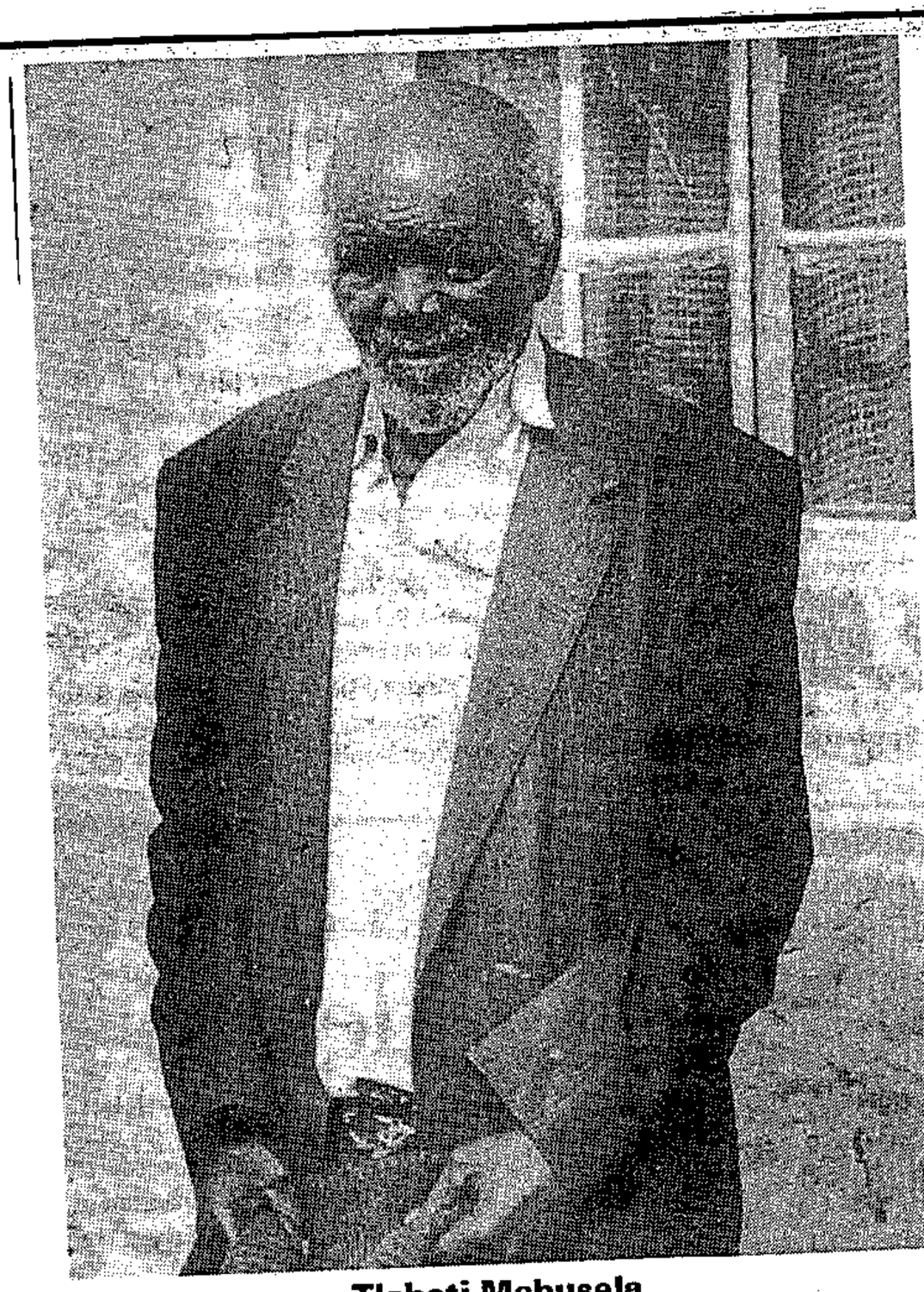
Unit trusts are ideal investments for young people with certain objectives in mind.

They are liquid, perform well and are very visible as an investment.

Membership of a pension fund remains a good investment, despite pension funds' limitations. Young people tend to change jobs fairly frequently. However, they should try to resist the temptation to take any cash payments when they leave apart from the first R1 800, which is tax-free. That should be invested in something else. The rest must be transferred into another pension fund or retirement annuity fund.

Don't wait until you have the cheque in your hands. By then the Receiver of Revenue will have taken his slice of your payment. Instruct your employer well in advance to transfer the money to another fund.

The second stage of your financial life starts when you marry and start planning a family, when your responsibilities increase. I will look at these products and options next week.



Tlabati Mabusela

Aged couple told to leave farm

South 5/9-9/9/92

By Justin Pearce

300

AN 89-year-old retired labourer and his wife have been ordered to leave the farm where they have lived for over 40 years — because she is now too old to work.

Mr Tlabati Mabusela began working for the late Mr Jack Dicey in 1950, on a grape farm at Orchard near De Doorns in the Hex River Valley. Born in the Transkei in October 1902, Mabusela said he had come to De Doorns "a long time ago — when I was a young man".

The couple currently live in a two-roomed cottage.

"Jack Dicey gave me the house and said I could live here till I died because I had worked hard," Masubela said.

He claims that a week ago he was given two weeks' notice to leave the farm.

"If they are going to chase us away they must build something else for us," Mabusela said.

He said the reason he was now being evicted was that his wife was unable to work, owing to bad health.

Mr Ian Dicey, Jack Dicey's nephew who is now in charge of the farm, said he had not personally asked Mabusela to leave the farm. He said he would look into the matter and find out what Mabusela's position really was.

Time for home, a family, and good habits

STAR 12/9/92

300

The second article in a short series on retirement planning for all ages shows you where to invest once your attitude to money becomes more sober.

THE second phase of your adult life begins when your carefree days of being single ends. It should signal a change in your financial approach to life; your carefree approach to money is likely to be replaced by a more sober attitude. This stage of life, on average at between 25 and 35, is the time for marriage, children and a first house. It is also the period during which long-term attitudes towards money and financial planning are ingrained.

While this article is about retirement planning, it is also about money habits, for without good money habits there can be no talk of long-term financial goals.

The table at the foot of this article illustrates good and bad money habits. Cut it out and stick it on your cupboard door. It could make you financially independant.

Incidentally, these rules apply to people of all ages. But the kind of investments you should be making while you are between the age of 25 to 35 differ greatly from the ones you are likely to make when you retire 20 or 30 years later.

Your major financial objective at this stage, apart from getting a job and staying employed, is to acquire a roof over your head. Buying a house normally requires some kind of deposit. Either you have it or you have to save for it. Your investment strategy should be geared towards achieving this goal.

I know of very few people who have become wealthy in this country without buying residential property. Most people have built their greatest assets by buying property.

Inevitably, the capital you build up through your house is likely to play an important role in your retirement arrangements one day.

The retirement products available to you at this stage of life will be concentrated on a combination of shares, unit trusts, retirement annuities, long-term endowment policies and your pension/provident fund.

Unless you are self-employed, earning more than R80 000 a year, it does not make sense at this stage to increase the basic R50 a month retirement annuity contribution I suggested, in last week's column, that you take out. Rather concentrate on shares, unit trusts and endowment policies.

For people with no or little knowledge of the Johannesburg Stock Exchange my advice is straightforward: STAY AWAY. You will only burn your fingers.

Rather invest in unit trusts — a great way of enjoying inflation-beating returns if you have no knowledge of the stock market and have very small sums of money to invest.

R50 a month invested in Sage Growth since June 1966 would have grown to R431 108 on June 15 this year with a total sum of R16 200 invested over the same period.

The average annual return was 19,8 percent versus an average inflation rate of 11 percent over the same period.

Escalating the initial R50 at 15 percent a year would have grown the investment on June 15 to R1 503 902 for an average return of 21,54 percent. Total sum invested over the period equals R170 140. Not bad at all.

Alternatively you could have made a similar investment in a long-term endowment. I, for one, am not a great fan of these kinds of investments, as I prefer the flexibility of unit trusts. However, they do instil the discipline which is needed to build assets.

Other investments to be made during this phase of your life include repaying your mortgage bond with spare cash, especially when interest rates are high, and investing R1 800 in your pension fund.

● These articles might convey the impression that investing, saving and planning should be an all-consuming exercise. It need not be. With a little bit of foresight and some planning you can make it easy. Don't forget that you only have one life and one youth. Make the best of it.

Pensioners do it their way

300

By ELIAS MALULEKE

C/Pres 13/9/92.

ABOUT 200 Mamelodi pensioners staged a protest march against high rents on Friday before handing in a petition at the municipal offices.

The petition – handed to town clerk JP Nel – outlined the oldies' demands that rent be fixed at R50 a month; that rent areas be scrapped; that houses be handed over to senior citizens and that the Mamelodi council be disbanded.

But the march, organised by eight church ministers from different denominations, was not your run-of-the-mill protest march.

Before the march got underway, the grannies waited for more than three hours for buses to take them to the council offices. But instead of toyi-toying and singing protest songs, the oldies lay down under the trees to rest their tired bones.

Those with placards did not seem to know what to do with them. Some held them upside-down while others looked disinterested and used the placards as shades and fans.

Police, who were observing the protest from vehicles parked nearby, yawned at the lack of action or read newspapers to kill time.

When the buses finally did arrive, it was a brief trip to the council offices. The buses parked less than 20 metres from the main gate and the march was short.

Political comment and newsbills by K Sibiya, headlines and sub-editing by B Keswa, both of 2 Herb St, New Doornfontein, Johannesburg.

'Complementary' gilt fund

LINDA ENSOR

CAPE TOWN — A gilt fund to complement the Community Growth Fund — an equity unit trust controlled by trade unions and Syfrets — was under consideration, fund director Ian Hamilton said at the weekend.

The Community Growth Fund was established with the intention of providing pension and provident funds with a socially responsible investment vehicle which invested only in companies meeting certain criteria, for instance job creation, union recognition, equal opportunity for all and fair wages.

Hamilton said the need for an additional fund arose because of the requirement that pension and provident funds invest in a balanced financial vehicle.

The prudential investment guidelines for pension and provident funds stipulated that a maximum of 75% could be invested in equities, with the rest having to be invested in property, cash and fixed interest securities.

To achieve this balance most pension and provident funds invested in guaranteed funds.

Syfrets had assumed responsibility for balancing the portfolios and cash flows of the pension and provident funds which invested in the Community Growth Fund.

However, Hamilton said, it would be preferable for the benefits of managing such investment funds to flow into the Community Growth Management Company, which controlled the Community Growth Fund and which was jointly owned by Syfrets and Unity, a trade union-owned company.

A total amount of R50m has been committed to the Community Growth Fund since its launch on June 1. Hamilton said the fund was 100% liquid, because of the uncertain state of the market, and for this reason would outperform the industry this quarter.

He said there was great concern about the US economy and the outcome of the French vote on Maastricht.

The fund would wait until the market settled down before investing.

The shares which met the union's social criteria had been selected and did not differ much from the Syfrets Growth Fund portfolio. One exclusion was Richemont, whose assets were wholly offshore.

Pension payouts 'speeding up'

(300) ARG 14/9/92

VENNESSA SCHOLTZ
Staff Reporter

GONE are the days of disorder, long queues, and sleeping overnight at pension pay-out points for thousands of black pensioners.

The Deputy Minister of Manpower: Department of Local Government and National Housing, Mr Glen Carelse, has visited pension service points in Khayelitsha, Langa and Lingelethu West to see whether the pension pay-out system has improved.

He said: "Information points have been increased and things are running much more smoothly. Previously, it took two to three minutes to help one person, now two people a minute are being served."

He said each pensioner had a coloured dot stuck in his identity book, which indicated which paypoint he should use.

"This makes it much easier and the person is in the right queue right from the start. Each person's details are stored on a computer disk."

However, there were still some problems needing to be ironed out.

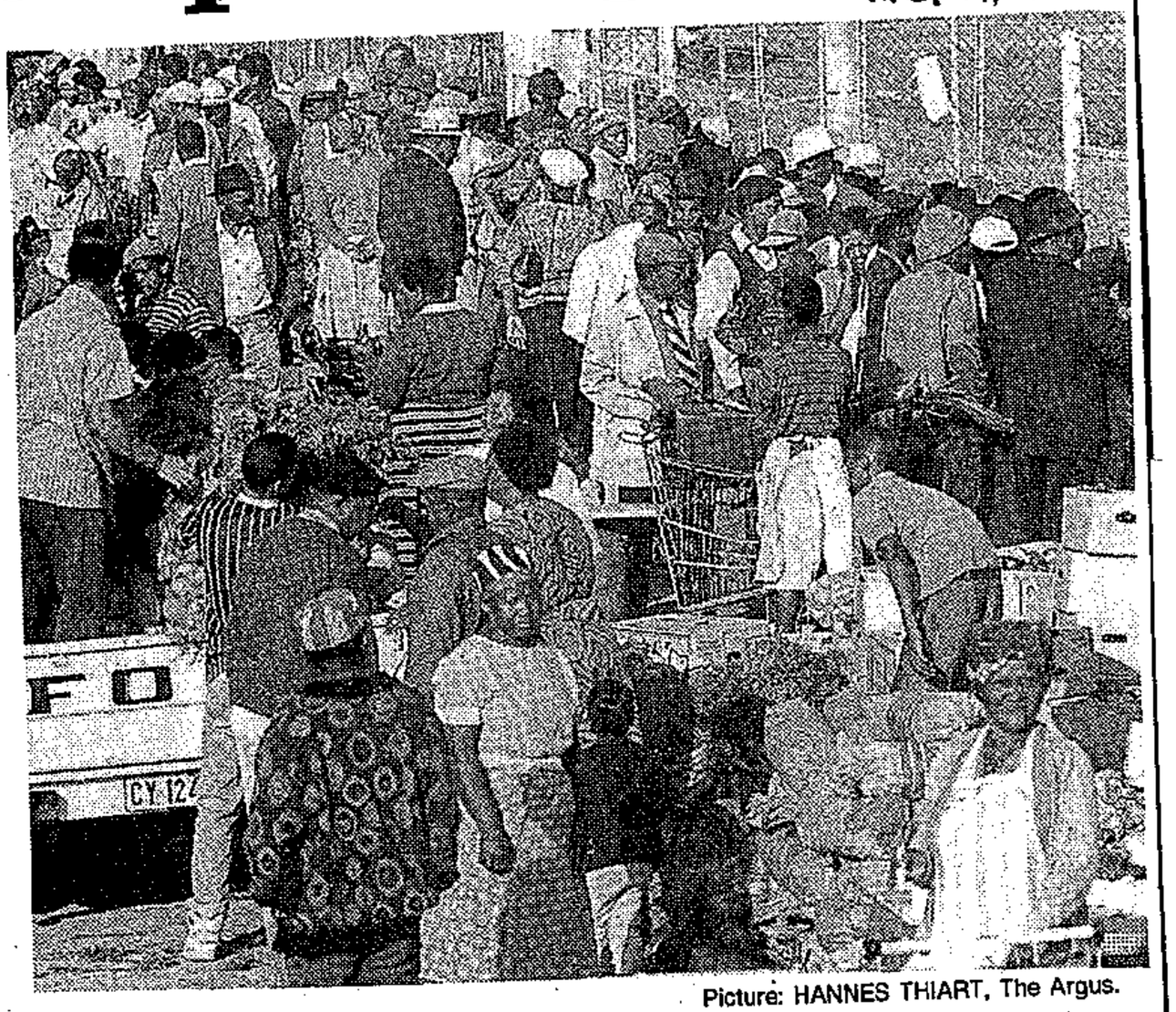
"There is a problem with people getting double pensions and these are those with double citizenship in South Africa and in the homelands. This will take time as we have to update our computers as well as the ones in the homelands."

Mr Carelse said a working group of representatives from the Department of Local Government and National Housing, National Health, Foreign Affairs and the homelands, were looking at long- and short-term solutions.

"We hope to have one department with one system for everyone, including the homelands. They, of course, will have the option of being incorporated or not," he said.

Although the new system was efficient, improvement was still a priority.

"However, pension applications are still a problem and take about six months to process because of all the channels through which they must go."



Picture: HANNES THIART, The Argus.

FLASHBACK: The "bad, old days" of not so long ago when pensioners had to queue for hours to get their money.

PENSIONS

FM 18/9/92

When you hang up your hat

300

Uncertainty rules as to what precisely is meant by the pensions promise

When Robert Maxwell, corrupt head of a UK-based international media empire, milked hundreds of millions from pension funds to prop up his investments, he unleashed a storm that is now lapping at our shores. The question of who ultimately owns pension fund moneys is being re-examined because either Maxwell was an outright thief or he used undue influence with the pension funds to redirect the money where it suited him.

The argument in SA centres on whether pensions are contractual deferred compensation — a promise to pay — or just a grace-and-favour benefit within an employer's discretion. If the former, the money — both the employer's and employees' contributions — is in effect the property of employees and may not be alienated. But some life assurers (and employers) argue that the money belongs to the fund itself, to reward only employees who reach retirement age with a particular employer or industry.

The issue urgently needs to be resolved. Since it involves individuals' retirement hopes, it would be best if it were decided by what is understood in the UK as a court of equity. SA labour relations, post-Wiehahn, have been administered on the equity principle and this could be applied to the pensions controversy. The Labour Court could be asked to rule on the issue, which is becoming important enough for such high-level clarification to be necessary.

The extent of disagreement is considerable. Several life assurers, all of which manage pension funds, questioned by the *FM* about fund ownership, came up with as many different answers. Liberty Life admits that there are at least two plausible answers.

Few people ask about pension rights when they accept employment. Usually they are just told they must join the pension fund and get a rule book, which few read. If they quit the job before retirement age, they are repaid their own contributions plus a rate of interest which is not market-related — and the payout is taxable. The employers' contributions usually remain in the fund, boosting the pension benefits of those (often, sadly few) members who do eventually qualify.

Normally an employer undertakes to put a percentage of the employee's package into the fund; the employee has to contribute a similar or lesser percentage. Once the money is in the fund, it is the trustees' duty to administer it.

Trustees were by convention appointed by management, though this practice has been altered since the 1979 labour dispensation, which recognised union power.

Two years ago, an investigation by the Life Offices Association decided that any surplus a fund may have belongs to the fund — not to anyone who helped to create it.

If this is generally accepted, it would cast doubts on the legitimacy of the common UK practice of employers whose funds are found to be in surplus giving themselves a "holiday" on their own contributions while continuing to levy employees. Any relief should surely be shared by employer and employee.

More frequent in the US, perhaps, is the even more questionable practice of companies — especially if in financial difficulties, or after takeovers — clawing back pension fund surpluses into their own pockets.

Concerns over who "owns" a pension fund and unhappiness over the rigid yet uncertain benefits they offer, have contributed to another local development: the spread of provident funds, again with union pressure, which clearly define the contributions from employer and employee, definitely belong to the employee and pay out fully in cash on departure, irrespective of an employee's age or length of service.

The *FM* asked leading life offices questions: specifically, is a retirement benefit deferred compensation?

Liberty Life responded that it depends on how retirement funds are viewed and the contract entered into by an employee. "Two basic paradigms apply. The first is that contributions by both employer and employee are part and parcel of the employee's package, to which he has a vested right (as in UK law). The second is that an employer has a moral duty to provide for his employees and no right vests in an employee unless he retires from that employer.

"The first paradigm supports the contention that a retirement benefit is deferred compensation; the second does not."

It is a vexed issue, Southern Life agrees, "connected with the notion of a pensions promise, which is no clearer. This notion seems to have been assumed in certain government circulars on pension funds and unions support the concept."

Sanlam says it could be argued that employer contributions to defined contribution funds are deferred compensation gradually earned during membership and held in trust until a member reaches normal retirement age. It seems, however, that the same cannot be said of defined benefit funds because there is no direct link between contributions and benefits.

"The offer of a retirement benefit is seen by some as part of the total remuneration package. Especially in the higher age brackets, retirement benefits are an important factor in deciding on employment options. The view that retirement benefits are paid voluntarily for humanitarian or moral reasons does not seem valid where the employer creates the expectation of payment of retirement benefits."

The *FM* also asked whether, in an employee/recruit interview, the offer of retirement benefits constitutes a contract.

Sanlam feels that the promise to pay a pension can be regarded as a term of a service contract. "The nature of the term could vary . . . the average employee does not discuss his retirement benefit in detail during the interview or when signing the contract. Normally, the contract stipulates only that the employee agrees to join the pension fund and be bound by its rules. To the extent that the rules empower the fund to amend the rules — which is normally the case — the average employee cannot be certain what his retirement benefits will be."

Liberty Life comments: "Clearly, the contract of employment is important. Should the employer make certain promises regarding the vesting of retirement fund proceeds on withdrawal or resignation, this would constitute a form of deferred pay.

"Should no such promises be made, the fund rules establish the position. If they provide for benefits on withdrawal or resignation, these would constitute deferred pay.

"It is, however, possible that not all contributions will vest in a member if he resigns. It is a requirement of the Registrar of Pension Funds that on withdrawal or resignation, a member receives at least his own contributions plus interest."

Southern adds that reference is seldom made to the pension fund other than that an employee must join it. This may be an implied term or part of a written contract. It is difficult to see the "promise" contained in this as constituting a right to a specific benefit or to specific contributions from the

3 blacks quit bus tour after objections

STAR 24/9/92.

By Mckeed Kotlolo
Pretoria Bureau

300

Three black pensioners from Atteridgeville, near Pretoria, were forced to withdraw from a 10-day tour of the Cape on Sunday after white pensioners refused to travel in the same coach with them.

A total of eight black pensioners, mostly former nurses, joined the Namaqualand/Cape-tour organised by Status Travel, based at Silverton in Pretoria. They each paid R1 450, meals included.

But three of them, Nathaniel Soko (73), his wife Winnie (67) and Cathrine Makuruntsi (65) — both former nursing sisters — withdrew from the trip after the tour guide ordered them off the coach occupied by whites only.

They said trouble flared at about 6 am on Sunday when two coaches were about to leave the Pretoria Holiday Inn.

Instructed

Mr Soko said they were already seated when a white female tour guide read out the names of all the black passengers in the bus and instructed them to leave the coach. Their luggage was immediately off-loaded, he said.

Mr Soko told The Star that no explanation was given for the action, "but we later learnt that some whites objected to travelling with blacks in the same bus".

He said it did not come as a surprise because "from the start our names were kept on a separate list as if we were on stand-by".

The coaches left the Holiday Inn shortly after 6 am and they waited for almost 2½ hours on the pavement for the director of Status Travel, Mike Spies, to arrive.

Mr Spies offered to transport them in a minibus to Upington, where they would take their seats in the buses with the rest of the touring group.

The three objected because they had paid for the use of a "luxury bus".

They also strongly believed the decision to transport blacks in a minibus was pre-planned by the agency because, they said, "one of the tour guides told us not to worry because our combi was coming".

Mr Soko said the other five sacrificed the comfort they had paid for and agreed to be transported in a minibus even though there was no mention of it in the contract forms they signed.

He said: "The old apartheid spirit has not died. It will only die when old people in this country die."

Mr Spies blamed an English-speaking couple for having refused to be in the same transport with blacks.

He said the man responsible for the incident had apologised for his attitude and everything went well after the five had joined the group at Upington.

It was the first such incident in the seven-year history of the agency.

Tread warily as golden years near

STM 26/9/92

300

WHEN you are young, retiring is the last thing on your mind. But when you reach 50 or 55, retirement is looming in the not-so-distant future.

THE LAST 10 years before retirement are extremely important. What you do in these 10 years will determine your standard of living in the years after retirement. Some suggest it is what you do in the first 10 years of your working life that determines how well you will retire. But then, we don't live in a perfect world.

When you're young, footloose and fancy-free, retirement is definitely the last thing on your mind. But when you're between 50 and 55, you suddenly realise that retirement is looming in the not-too-distant future. You cannot afford to make mistakes at this stage.

These 10 years should be used to build up as much capital as possible with the emphasis on as little income as you can afford. The reasons are twofold.

Firstly, the chances of being very highly taxed in your last 10 years are very strong. To have your investment returns watered down by additional taxation is downright foolish. Try to achieve as much capital growth as possible. This should be done by striving for tax-free capital gains in the form of direct investments in the stock market, unit trusts or endowment policies.

If you are comfortable with the unpredictable vagaries of the stock market, by all means do it yourself. But only after you've spent time and money educating yourself on stock market investments. Here I suggest taking a stock market course, such as Compushare.

The rewards of investing directly on the stock market can be stunning. In good years some investors can make as much as 100 percent on their money. However, realise that stock market investment is a fulltime and all-embracing occupation. You cannot hope to make an investment and sit back and grow rich. That is a short cut to disaster. You have to read newspapers, magazines and books to continually upgrade your skills and insights in an ever-changing market.

Tax-efficient

Many people don't like taking this route because it means taking responsibility for their financial affairs. Truly successful stock market investors often take years of hard work and many mistakes to achieve their goals.

The second route on the stock market is to invest in unit trusts. This is an excellent way to invest in the stock market without having the responsibility of managing your money on a daily basis.

A third way to build capital in a tax-efficient manner is to invest in an endowment policy. Personally, I have yet to be convinced of the investment merits of endowment policies in general. Trying to obtain the investment returns on endowment policies from insurance companies is a nightmare. These figures are not widely available, and when the companies do provide figures, they tend to be very selective.

But there must be a reason why so many invest in them. Excellent marketing with the promise of a tax-free lump-sum payout is one of them. Another is that many people do not want to be bothered with their investments.

For this luxury, you have to accept that you are going to (a) pay someone else to sell you the product and (b) pay someone else to manage it for you. In return you get a reasonably good hassle-free investment with certain tax concessions, which appeals to many people.

The stock market is not the only way to build capital. I still hold the view that people build most of their capital through property. Buying a second property is a good way of achieving handsome inflation-beating capital gains.

If I were 10 years from retirement I would be looking to purchase accommodation that would be ideal for my own purposes 10 years into the future. Not a house, but a townhouse or cluster home with good security, close to shopping centres, banks and churches.

Now is a good time to buy. Builders and developers are operating on paper-thin margins and you are getting good value for money. I would put tenants into that property. After retirement I would sell my own house, which would no doubt then be too large for my needs, and move into the smaller dwelling.

However, the biggest problem for prospective retirees is where to invest after retirement. This is where most people make mistakes.

● Next week: How to avoid making those mistakes.

Cheers . . . senior citizens of Phuthaditjhaba Care of the Aged Centre in Alexandra, with the centre's chairman Arthur Maggerman, say thanks to Operation Snowball.

Celebration as elderly receive blankets

Staff Reporter (300) Star 1/10/92

The Phuthaditjhaba Care of the Aged Centre in Alexandra yesterday thanked The Star's Operation Snowball for donating 600 blankets to its senior citizens.

Phuthaditjhaba centre organiser Linda Twala said the aged would have a fun walk, good food and prayers to celebrate the "Week of the Aged" at 61 17th Avenue in Alexandra tomorrow.

Four senior citizens who finish the walk on time will receive two television sets, a dinner set and a wristwatch.

The centre is trying, with the help of Operation Snowball, to raise funds for a new retirement village.

Mr Twala is appealing for more clothes, food or funds. Donations should be sent to Operation Snowball, Box 1014, Johannesburg 2000. For more information contact Mr Twala at (011) 443-3765.

46 500 pensioners face payments shock after error

The Argus Correspondent

PRETORIA. — More than 46 500 civil pensioners will have to tighten their belts as they return pension tax repayments made in error by the Department of Finance.

"I received a letter from the department advising me that during the tax year, tax repayments were either made to me in error or an amount less than the prescribed amount was deducted from my monthly pension benefit," said a Pretoria civil pensioner, who does not want to be named.

"The mistake was ascribed to a computer programme defect which, the department said, has now been corrected," she added.

The former employee of the CSIR said she had been advised she could pay back the outstanding amount (R561) in instalments over the next six months.

Mr H F van Antwerp, chief director of pensions administration at the Department of Finance, confirmed that tax over-payments had been made to 46 568 civil pensioners.

"Too little tax was deducted between March and June, 1992, while the money paid out too much occurred only during August this year."

Mr Van Antwerp said he was unable to give a total figure for the money concerned since "individual cases were involved".

He added: "Overpayments will be recovered automatically in monthly instalments from pensions over a period of six months.

"And pensioners who are unable to repay the amount in this manner will be judged on merit."

Barlan P1

Growing interest in retirement village projects

BIDAY 2/10/92

COASTAL retirement villages are springing up and reflecting sound interest as many upcountry buyers seek the quality of life offered in these areas.

However, many people already living at the coast are also buying into retirement villages in the same area because they want to continue seeing their family and friends and maintain use of their clubs and recreational facilities.

About 70% of the potential buyers inquiring about the new Cle du Cap retirement centre in Constantia Valley live within 10km of the centre, a development which will be sectional title and levy-free.

"Real ownership is an extremely important factor, especially with the poor history of some retirement developments, and risk-taking cannot be part of a retirement investment," says one of the developers, Jonathan Kark.

The elimination of levies is desirable as many older people were reluctant to buy into retirement villages for fear that levies might rise beyond a level they could afford, he says.

The elimination of levies would be achieved by a R1m injection into the levy fund by the developers for the maintenance and running of the village.

"This will be regularly supplemented by the profit made on the resale of units, where the original owner receives his initial purchase price in full, with the profit providing continuing finance for the village's operations," he says.

Other centres use varying percentages of the proceeds of resale profits to boost their levy stabilisation funds, which is used to help contain levies.

Grinaker Property Development's coastal branch director Roland McNamara says his group's developments are assured of success as they are on bond-free land and financed by purchasers who receive bank guarantees that their funds will be returned should the development not go ahead.

"These developments have also all had the backing of the financially secure Grinaker Construction group. Levies are also kept at reasonable levels due to stabilisation funds accumulated from profits on the resale of units," he says.

The company has been involved in the development of Milldene Park in Durban North and the Ramsgate retirement centre on the South Coast.

Russell, Marriott & Boyd Trust Cape executive director Carl Scheppening says the evolution and growing sophistication of retirement centres in the Cape has led to at least five categories of such developments. These range from those with no service and, in one case, no levies, to a totally comprehensive, fully serviced centre like its St James retirement complex.

People who criticise retirement centres for their high levies underestimate the costs involved in running and maintaining such centres, he says.

The Board of Executors Properties' involvement in the residential market is limited to Belvidere Park, a luxury retirement village overlooking the Knysna Lagoon, which is a joint development with Basil Read.

There has been a surge of interest in Knysna properties recently as buyers appear to be looking for a secure environment with investment potential.

"Knysna is perceived as a safe haven as it falls out of the mainstream urban metropolitan areas," he says.

Some buyers intend using the home as a second home until they retired, while others are investing in the future and buying the property now and renting it out until they are ready to use or resell it.

Move to tax pension premiums

STAR 7/10/92

By Sven Lünsche

The Government is considering proposals that could result in individuals paying tax on their pension fund contributions for the first time.

The Jacobs report on financial services, which was released today, recommends that only two-thirds of individuals' contributions to pension funds should be tax deductible and not the full amount as is the case at present.

At the same time 20 percent of pension fund contributions by companies could attract tax.

The report also recommends the scrapping of the "Sixth Schedule" for life insurers, which would allow the groups to offer products with no element of life cover and reduce the term on policies to five years.

● Report — Page 12

City Lodge listing a bonanza for two mine pension funds

Star 7/10/92

300

By Derek Tommey

The two major mine pension funds — the Mine Officials' Pension Fund and the Mine Employees' Pension Fund — stand to gain about R100 million from the listing of City Lodge next month, says Barry Botes, CEO of MPF Management Services, which manages the two funds.

City Lodge was co-founded by the two pension funds and Hans Enderle in 1985 and has proved a successful investment.

Botes says returns on the MEPF, which has total assets of R5,1 billion, grew 18,6 percent in the year to June, while the average annual return in the five years to June was 19,6 percent.

The MOPF, which has assets of R9,2 billion, had an 18,7 percent return in the year to June and an average return for the five years to June of 20,2 percent.

Improvements have been made to the benefits offered by both funds, including an increase in minimum pensions paid of 11,1 percent.

Employers, workers will pay more

Govt urged to tax pension contributions

BIDAY 7/10/92

GRETA STEYN

PENSION fund contributions will no longer be fully tax deductible and taxpayers will pay more to the Receiver if government accepts proposals in the Jacobs report on financial services.

The report, released today, recommends that only two-thirds of an individual's pension fund contributions should be deducted from income for tax purposes, and only 80% of an employer's contributions.

It recommends that some tax be paid on current pension contributions instead of being delayed until pension benefits are ultimately paid.

Finance special adviser Japie Jacobs said in an interview the tax on pensions would be shared by employers and employees. Employees would pay tax on a third of their contributions at the marginal tax rate. Companies would pay the company tax rate on 20% of their contributions to pension funds on behalf of employees.

"Government has been losing R5bn a year because of deferred tax on pensions. We are recommending a new system that will reduce the loss to the fiscus," Jacobs said. He could not, however, quantify how much extra tax the new dispensation would yield. He added it would be phased in and a new approach to the taxation of the eventual payout of benefits would have to be devised.

The change in the treatment of taxable income could push some individuals into higher marginal tax brackets. Jacobs, however, did not believe the new dispensation would prompt people to stop contributing to pension funds.

The report does not extend the new tax dispensation to provident funds, but said in a note this would have to be examined.

Jacobs noted that there would be no changes to taxation of lump sums and there would be no taxation of capital gains.

Other aspects of the report include the widely expected recommendation of the "four funds" approach to taxing life assurers. Asked whether the life assurers would pay more or less tax in terms of the new approach, Jacobs said some companies would pay more and others less. The report suggested that the "four funds" approach be phased in over three years.

A recommendation in the report that could reignite competition between banks and building societies is the scrapping of the Sixth Schedule of the Income Tax Act. This means policies will no longer have a minimum element of life cover and the minimum terms of policies will be reduced

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Pensions

BIDAY 7/10/92.

☐ From Page 1

from 10 years to five.

Another recommendation in the Jacobs report that could spark debate is that there should be only one regulating authority for all financial services. At present, banks are regulated by a Registrar based in the Reserve Bank while life assurers fall under the Financial Services Board. Jacobs said there were still some grey areas that would have to be tackled before the two could be married.

The recommendation of one regulatory authority stemmed from the principle that risk management should be approached in a functional rather than institutional way.

Jacobs said an important focus of the report was prudential control and ensuring that the public was aware of who carried the risk. A new approach had been devised for the treatment of principals and agents in investment transactions.

The report also recommended that marketing of financial services be subject to regulation. Jacobs said he hoped self-regulatory bodies would be created to ensure that norms were met.

LINDA ENSOR reports draft legislation is being prepared to give effect in the 1993 parliamentary session to the recommendations of the Jacobs report on the promotion of equal competition for funds between deposit-taking and contractual savings institutions.

Finance Deputy Minister Theo Alant said the draft amendment Bills would be released for comment in due course. He said the Jacobs report was obtainable from the secretary of the Financial Services Board, Private Bag X238, Pretoria 0001.

Pension fund tax move 'socially irresponsible'

Star 8/10/92.

By Sven Lünsche

The Jacobs Committee's shock proposal to scrap the full tax-deductibility of pension fund contributions has been described as "socially irresponsible and a short-sighted attempt to shore up the Government's short-term cash-flow problems".

The Jacobs report on financial services, released yesterday, recommends that blanket tax deductions on pension fund contributions by individuals and companies be phased out.

Other key proposals include the establishment of one regulating authority for all financial services and scrapping the Sixth Schedule of the Income Tax Act. (see box)

It is expected that the amended legislation to give effect to these proposals will be passed during the 1993 session of Parliament.

Tax analysts say the report should not be equated with impending legislation in that its contents are only recommendations published for comment by interested parties.

However, the key proposal, if accepted, will force individuals to pay tax on one-third of their contributions to pension funds.

At present, the full pension fund contribution is tax-deductible.

The burden will be worsened if it pushes taxpayers into higher tax brackets.

The committee's key proposals

- Employees would have to pay tax on one-third of their pension fund contributions.
- Employers would have to pay tax on 20 percent of their contributions to pension funds at the company tax rate of 48 percent.
- Benefits at retirement from all fund sources would be limited to a reasonable amount.
- Replacing the sixth Schedule of the Income Tax Act with legislation which would tax-exempt life insurance investments with no life cover and a term in excess of five years.
- A "four-front" approach to the tax base of life insurers, allowing life companies to run four separate funds for tax purposes.
- All providers of financial services to the public would be required to register in terms of a proposed Financial Services Act, creating one regulatory body for the industry.

Twenty percent of pension fund contributions from employers could also attract tax at the prevailing company tax rates.

Independent pensions broker Patrick Anderton says it is a measure of the Government's desperate need to tax every available source that it is prepared to sacrifice the previously sacrosanct area of retirement provision, Des Parker reports.

Mr Anderton believes the plan runs counter to all advice to the Government on pension funding over the years.

The proposal would also cut across ANC policy, which is that tax should be levied on the life assurance sector, rather than on the man in the street.

Tony Davey, Southern Life's general manager, legal and tax services, says implementation of the proposals would provide the fiscus with additional cash flows.

"There is also a socio-economic perspective, which is that the full current tax relief on contributions favours the higher income groups, which effectively results in the state granting disproportionate incentives to those who arguably need it least," Mr Davey says.

The second drastic recommendation is scrapping the Sixth Schedule of the Income Tax Act, a proposal that has been welcomed by the Life Offices Association (LOA).

Currently, investments with life companies have to be for a minimum of ten years and must have a certain level of life cover to escape tax liability.

The life cover requirement is now set to fall away from any investment of longer than five years, if the recommendation is accepted.

The report makes important recommendations on the tax base for long-term insurers, proposing a four-fund approach.

According to the deputy director of the LOA, Jury Wessels, the industry as a whole will pay less tax if the four-fund approach is adopted, although this will differ from company to company.

Life insurers which focus more on individual life products will generally pay less than those which offer retirement and pension fund products, he says.

Furthermore, if accepted, the proposals will result in one regulating body for the entire financial services industry to replace the Registrar for Banks (banks) and the Financial Services Board (life insurers).

The committee, which was headed by the special adviser to the Department of Finance, Dr Japie Jacobs, was appointed to investigate the factors affecting equal competition between banks and life companies.

Pension fund tax proposals slated

STAR 8/10/92

By Sven Lünsche

Shock proposals to scrap the present full tax exemption on pension fund contributions have come under fire from political and financial commentators.

The Jacobs report on financial services, released yesterday, recommends that only two-thirds of individuals' contributions to pension funds should be tax deductible. Twenty percent of company pension fund contributions could also attract tax.

Japie Jacobs, special adviser to the Finance Minister, also recommends scrapping the "Sixth Schedule", allowing life companies to offer products with no element of life cover and to reduce minimum policy terms to five years.

The proposal also cuts across ANC policy, which is that tax be levied on the life assurance sector rather than on the public.

Independent pensions broker, Patrick Anderton, described the proposal as an attempt "to shore up the Government's short-term cash-flow problems".

Democratic Party pensions spokesman Brian Goodall said: "It is surprising that steps are now being taken to discourage South Africa's major form of contractual savings — pension-fund contribution."

● Pension tax move "socially irresponsible" — Page 19

Govt urged not to tax pensions

CT 8/10/92

THE proposal to tax pension fund contributions was regressive and people should not be discouraged from providing for their retirement, the Democratic Party said yesterday.

Mr Brian Goodall was reacting to the shock recommendation of the Jacobs Committee that pension fund contributions no longer be fully tax deductible.

Taxpayers will pay more to the Receiver of Revenue if the government accepts the committee proposals.

"It is also hoped that the same rules will apply to both the public and the private sector.

"Lump sum payouts to the private sector are taxable, lump sum payouts to the public sector are not, despite recommendations by the Margo Commission that all should be treated equally," Mr Goodall said.

A spokesman for the life industry said it would lobby for public sector pension funds to receive the same tax treatment recommended by the report for private sector funds.

In terms of the Jacobs Committee recommendations, 80% of employer's pension fund contributions would be deducted from income for tax purposes and two-thirds of an individual's contributions.

Tax expert Mr Costa Divaris said the move to tax pensions was like "attacking motherhood and apple pie" because it might be politically easier than raising the VAT rate.

He said all taxes were eventually paid by the consumer and it would be simpler, and in line with stated tax policies, just to put up the VAT rate. He foresaw that the increase in taxable income would cause salaries to rise as people would want to be compensated for the increased tax payments — and inflation would follow.

Arthur Andersen's tax expert Mr Pierre du Toit said expressed concerned over the reference to the treatment of pension fund "build-ups". The Jacobs' report said that consideration should be given to place an upper limit on the investment returns that would be tax free. Mr Du Toit said it was of great concern if this meant government was considering taxing asset appreciation.

"This would represent a substantial change in philosophy and serious debate is required," he said.

Southern Life tax expert Mr A H Davey said any changes to the tax dispensation would only be acceptable if it gave concessions on the end benefits side — equivalent to what it takes on the contribution side. — Own Correspondent, Political Staff

Horror abuse of city aged

By IVOR CREWS
and EUNICE RIDER

A STARTLING picture of maltreatment of elderly people in old-age homes in the Peninsula was sketched by experts at a seminar in the city yesterday.

Details of theft from elderly residents, staff intimidation, lack of training and inadequate care were revealed at the Valkenberg seminar called by the Human Sciences Research Council Centre for Gerontology at UCT.

The seminar was called following a high number of complaints and allegations of maltreatment in homes for the aged received from elderly residents and their families.

Mrs Wilma Bryan, head of professional services of the South African Council for the Aged, said elderly people had "suffered physical, psychological and financial abuse" in some homes.

Interviewed afterwards, participants in the seminar said

- Elderly and infirm people had to pay nursing aids R50 for bathing them, R5 for a glass of water and R2 to have their rooms cleaned.
- Attention bells are often put out of the reach of the elderly so they won't disturb the staff at night.
- Clothes, jewellery and toiletries were stolen.
- Residents who complained were sworn and shouted at.
- Assaults by staff on residents had been reported.

Mrs Bryan said: "It's difficult to prove these allegations because the management of the old-age homes won't admit it and a lot of research still has to be done to discover how widespread abuse is."

Mrs Gerna Conradie, training organiser for the Centre for Gerontology, said residents of old-age homes were incensed that their requests were often ignored and they were threatened if they did not obey the "carers" who looked after them.

"The attitude of management is that the

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From page 1

residents should be grateful they were being looked after."

Angry children whose parents were living in homes also contacted the Cape Times last night. They said that:

- A healthy woman in her 70s lost 35kg in just over three months living in a home. The woman was taken out and placed in a private home.

"I was shocked," her daughter said. "There was not sufficient staff, and they were not trained."

- A vivacious 72-year-old grandmother put in a Peninsula old-age home to be nearer medical facilities could not be recognised by her granddaughter who visited her at the home one week later.

Another woman said her mother, who was sick, was left in a dirty, unmade bed for days, and staff did not bother washing her.

Another caller said she "had given up" taking clothing and toiletries to her mother. "When she arrived at the home she had over 100 items of clothing. Now there are two or three."

- Managers at two homes for the aged last night declined to comment on the seminar, saying they were "not authorised to talk to the press".

A Mr McGovern, manager of Constantia Place, said nurses were not substituted with lay workers at his home as far as he was aware.

Mr J Philbin, manager of Zerilda Steyn Memorial Place in Pinelands, said he had attended the seminar but could not comment on the meeting as he "worked for a head office".

- Mrs Bryan said the Aged Persons Act should include legislation to address abuse of the aged.

Other solutions included the need to ensure that management committees were properly educated in treating the aged, that staff were adequately qualified and trained and that residents be allowed to establish a residents' committee to voice their grievances without being victimised.

Mrs Hester la Grange, regional manager of the SA Nursing Association in the Western Cape, said that because old-age homes were welfare organisations they could not pay nurses a competitive salary.

"If control boards or the management of old-age homes are going to substitute trained nurses with lay workers not only will health care deteriorate but it's likely that abuse, mistreatment and mismanagement of the elderly will increase," she said.

Growing abuse of elderly comes under the spotlight

300 ARGT 8/10/92

ANDREA WEISS
Health Reporter

INSTITUTIONAL abuse of the elderly has come under the spotlight again as nurses, managers and concerned relatives grapple with a burgeoning problem.

Introducing a "think tank" organised by UCT's centre for gerontology, Mrs Wilma Bryan of the SA Council for the Aged said no research had been done to establish the extent of abuse of the elderly.

Most likely candidates for abuse were women between 70 and 80 who were depressed, confused or demented. They often had demanding physical and mental disabilities, were chronically ill, immobile, incontinent and unable to provide for their own needs.

Limited financial resources, little social interaction, a small living space and sometimes a history of family violence contributed to the problem.

Mrs Bryan said few abused elderly were willing to talk about their abuse often because they were afraid of the intimidation which would follow.

She said the constant supervision and care the elderly required could be a formula for disaster where nursing staff were under pressure to help with every activity of daily living.

She emphasised that abusers also needed help.

"While there is no excuse for their behaviour, we need to look at what causes that behaviour," she said.

Among situations making it difficult for staff were the responsibility of looking after more than one dependant, friction within old-age homes — possibly because of poor management — lack of professional help and little understanding of the ageing process.

She said people who worked in old-age homes were frequently not motivated by genuine concern but by economic necessity. This had to be recognised and pay and working conditions could influence commitment.

Mrs Bryan said people going into old-age homes often lost their most fundamental rights of freedom of movement, speech and association and the right to rent or own property.

Elderly people in institutions had their movements restricted, were afraid to complain, lost their privacy and the right to decide simple things like what to wear.

She said the system within institutions was often rigid and this in itself created problems.

A member of the audience said to applause that often the people who owned private old-age homes had no qualifications and left the day-to-day running to the staff who were frequently "underqualified and underpaid".

Warning on pension proposals

Jacobs plan 'will worsen tax burden'

B10my 8/10/92.

GRETA STEYN and LINDA ENSOR

TAX experts warned yesterday that companies would be forced to shoulder more of the tax burden if recommendations in the Jacobs report on financial services were implemented.

They also said any tax benefits accruing to individuals under the new proposals would be wiped out by inflation.

In terms of the recommendations, 80% of an employer's pension fund contributions would be deducted from income for tax purposes and two-thirds of an individual's contributions.

The report also recommended that some tax be paid on current pension contributions instead of being delayed until pension benefits were ultimately paid.

Arthur Andersen tax expert Pierre du Toit said the tax to be paid by employers had not been paid before and would be a new burden on companies.

He added that, for individuals, inflation could erode any tax benefits granted when the eventual payout took place.

"Once government starts milking the retirement cow, there is a danger it might never stop," Du Toit said.

He was especially concerned by the reference to the treatment of pension fund "build-ups". The report said consideration should be given to placing an upper limit on the investment returns that would be tax-free. Du Toit said it was of great concern if this meant government was considering taxing asset appreciation.

"This would represent a substantial change in philosophy and serious debate is required," he said.

Tax expert Costa Divaris said the move to tax pensions was like "attacking motherhood and apple pie" because it might be politically easier than raising the VAT rate.

He said all taxes were eventually paid by the consumer and it would be simpler just to increase the VAT rate. He foresaw that the increase in taxable income would cause salaries to rise as people would want to be compensated for the increased tax payments — and inflation would follow.

It was possibile that the eventual payout would be taxed as a saving on which income had been earned.

Other consultants said there were likely to be tax concessions when the pension payout was made, but felt there was a need for more clarity on the issue.

Southern Life tax expert A H Davey said any changes to the tax dispensation would be acceptable only if they gave concessions on the end benefits side — equivalent to what it took on the contribution side.

Du Toit said even if the concessions were equivalent, more tax would still be paid.

Deloitte & Touche's Willem Cronje said it was not sound policy to tamper with a rule such as the tax-free nature of pensions. Government lacked credibility and people would worry that the tax-free portion would be drawn into the net in future. The move to tax pensions contributed by business would generate uncertainty.

A spokesman for the life assurance industry said it would lobby for public sector

☐ To Page 2

Pension

B10my 8/10/92.

☐ From Page 1

pension funds to receive the same tax treatment recommended by the report for private sector funds.

Life Offices Association director Jurie Wessels said in Cape Town that the industry felt strongly that the public sector funds — which enjoyed huge advantages over the private sector — should be treated in an equal manner.

Not only did the inequalities distort the market and the patterns of employment, but they also meant that the private sector pension industry would have to bear a greater tax burden than would be necessary if the public sector was also taxed on a similar basis.

The pension fund industry was not thoroughly consulted on these proposals which were apparently included at a fairly late stage in the report, apparently at the request of Finance Minister Derek Keys.

Sanlam chief economist Johan Louw said the report confirmed the vitally important role of contractual savings in SA.

"It confirms our view that contractual saving does not interfere with discretionary saving. These forms of saving supplement each other — there is a need and place for both.

"Regarding the application of contractual savings, the report agrees that it is not the function of the mobilisers of these funds to act as entrepreneurs who establish new factories and mines. These are trust funds to be invested in the best possible way to the benefit of policyowners."

● See Page 8
● Comment: Page 10

Rush for revenue threatens future of private pensions

BDay 9/10/92 **LINDA ENSOR** (300)

THE outcry over the proposed taxation of retirement fund contributions by the Jacobs report on financial services is to be expected. No one except government likes higher taxes in whatever form. But the dismay seems to reflect a belief that the step, if implemented, will be merely the first of a stream of other erosions of the wealth of the privileged to fund socio-economic reconstruction.

Government is looking for additional sources of revenue to fund its mounting deficit and to meet its obligations to the underprivileged in the areas of health, welfare and education. Specifically, the report says, more tax is needed to correct the racial disparities in the state's social pension system.

In the process of searching for new sources of finance, sacrosanct principles such as tax incentives to encourage self-provision for retirement could be discarded. There is widespread fear in the assurance industry that tampering with retirement funds opens the way for taxation on ever higher proportions of retirement contributions.

So sensitive is the issue that the report says it had "proved difficult to hold objective and dispassionate discussions on the matter".

Some warn the proposals will lead to the destruction of the retirement provision system, as happened in New Zealand when the tax deductibility of contributions was scrapped.

Old Mutual employee benefits GM Garth Griffin notes that the taxation of retirement funds was not part of the brief of the Jacobs committee and is an "ill-considered proposal" driven more by government's need for revenue than by considerations of promoting a suitable system of retirement provision.

The report proposes that only two-thirds of an individual's retirement fund contributions be deducted from income for tax purposes, and 80% of an employer's contributions. To offset this, one-third of the lump sum benefit at retirement, death or withdrawal should be tax-free, and the remainder subject to tax. But Fedlife GM Dick Otto believes it unlikely that the one will offset the other, and benefits will suffer as a result.

The report argues that its proposals are preferable to maintaining the current system of full deductibility of contributions and attempting to change towards significantly higher taxation of lump-sum benefits. Furthermore, there will be no changes to the taxation of lump sums and no taxation of capital gains.

Not only is the principle of protecting incentives for retirement provision undermined, but the report contradicts its own stated principle that taxation should not be used to affect the flow of funds to life offices.

Some life office spokesmen say that if the proposal is accepted companies may decide to reduce the rate of contributions in order to neutralise the tax effect of the proposed measures and maintain the after-tax income of their employees. This would diminish the flow of funds to retirement institutions.

The more likely alternative would be for workers to demand higher wages to compensate for the effect of the tax, at a time when the economy can ill afford further cost pressures. This would be in addition to the higher tax bill for employers.

The report contradicts itself in yet another respect. Whereas it stresses that net capital formation, supported by a sound domestic savings ratio, is essential for economic growth, it nevertheless suggests measures which could discourage savings. "There is a great need for an increase in available savings, both to maintain a healthy investment ratio and to provide for the country's capital investment needs," it asserts.

Griffin warns: "We must avoid meddling lest we destroy the goose that lays the golden egg. Saving is vital to the economic development of SA and the retirement industry is a major contributor to savings."

It is no wonder that the pension fund industry has an irresistible lure for government. Together the pension, provident and retirement annuity industry controls an estimated R250bn in assets. The problem for government is that it has to await the end of the term of a policy before the benefits are taxed. Government estimates it has been losing R5bn a year because of the deferred tax on pensions. Furthermore, the tax exemption on interest earnings of retirement funds amounts to a concession of more than R1bn a year.

In 1991, according to Life Office Association figures, the industry received R3,4bn in lump sum payments and R6,5bn in recurring premiums for group schemes and pension funds, giving total group premium income of R9,9bn.

The industry welcomes, however, the uniform treatment accorded to pension and provident funds. In contrast to some initial interpretations, Inland Revenue's Ian Meiklejohn says the report's reference to "retirement funds" includes both provident and pension funds. It also applies to retirement annuities so that all funds would be treated in the same way.

Sanlam employee benefits GM Francois Marais believes this is a good move and is a step towards removing any distinction between the two types of fund.

He says that a uniform tax treatment would benefit provident funds which are currently allowed no tax deductions on member contributions. The reduction of the tax incentive to opt for pension funds will strengthen the trend towards provident funds, Marais says.

Already there is a trend in the industry to convert defined benefit pension funds (that is, where the benefit is defined in terms of a formula usually linked to final salary) to defined contribution funds (where the level of contribution is predetermined) because of fear of the vulnerability of defined benefit funds to high inflation.

Marais says if the proposal was implemented, the only remaining difference would be that the entire benefit of provident funds could be taken as a tax-free lump sum, whereas only one third of the pension fund benefit could be taken in a lump sum.

The report says that after debate on the taxation of the profit accummulation of retirement funds it was decided that this would be inappropriate as it is essential for the investment returns to exceed the inflation rate. Any such tax would have an impact on the benefits of millions of contributors who are currently not liable for tax owing to low incomes.

Also, there should be an incentive for retirement savings, even for contributors with a higher income. However, consideration should be given to an upper limit on the income on which such incentives apply.

The suggestion to cap benefits is largely acceptable, industry sources say. It would remove tax deductibility on pensionable earnings beyond a certain limit, and would specifically be targeted at the rich. But Otto warns that capping should not be at too low a level as it would then act as a further disincentive for retirement provision. And any capping should be automatically inflation-indexed.

Be that as it may, the proposals on retirement fund taxation came as a surprise to the industry and are likely to generate a storm of debate and controversy. The soundest comment in the report as it relates to the taxation of pension funds, say life industry spokesman, is its reference to the need for more discussion with all interested parties before a final decision is taken.

Reaction to Jacobs report

Blom 9/10/97. 300

LINDA ENSOR
and SHARON WOOD

CHANGES to the taxation of retirement funds suggested by the Jacobs report applied equally to pension funds, provident funds and retirement annuities, Inland Revenue's Ian Meiklejohn said yesterday.

Meiklejohn was on the committee chaired by Finance Ministry special advisor Japie Jacobs which investigated the relationship between life assurers and banks and building societies.

He said the report's reference to "retirement funds" included provident, pension funds and retirement annuities. All three were based on similar principles, in that contributions were pre-tax, the build-up was tax-free, and benefits fully taxed.

Fedlife GM Dick Otto said it was unclear how the suggested taxation on one-third of an employee's retirement contributions would apply to retirement annuities.

Meiklejohn believed there was a need for the maximum 15% deduction of taxable income allowed for retirement annuities to be increased. There was no intention to increase the maximum limits of R1 750 and R3 500 on RA contributions.

The uniform treatment suggested for pension and provident funds was welcomed yesterday by Sanlam employee benefits GM Francois Marais. He said this would benefit provident funds.

Meanwhile, Old Mutual has strongly rejected the suggested taxation of retirement fund contributions, saying it would begin to destroy the retirement system and irreparably harm the contractual savings capacity of the country at a crucial time.

Old Mutual employee benefits GM Garth Griffin said the suggested changes would lead very quickly to the reduction of pension fund contributions.

The suggested taxation of employer and employee contributions would make it more tax effective for employers to stop contributing to pension funds and increase cash payments to staff.

Banks yesterday welcomed the possible opportunity to provide insurance-related products, as recommended in the report.

Standard Bank senior GM Dennis Matfield said the report would not change the banking industry much, but allowing banks to enter the insurance market through subsidiaries presented possibilities.

However, banks needed clarity, he said.

The proposal to form one financial regulatory board was also greeted with optimism. The report recommends that a financial regulation policy board should replace the offices of the Registrar of Deposit-taking Institutions and the executive officer of the Financial Services Board.

● See Page 6

Pension tax plan gets some support

ARG 10/10/92
300 p 17

LIDE DASNOIS
usiness staff

'HE recommendations of the acobs Commission on taxing ensions have attracted a loud utcry in the assurance industry, nd from at least one trade nion federation. But others welcome them as a way to redistribute wealth to the underprivileged.

In an interview this week, Dr Japie acobs, special adviser to the Department of Finance, said he did not expect he plan to be changed much before its mplementation next year.

The Jacobs Commission has recommended that only two-thirds of employees' pension contributions — instead of 100 percent as is presently the case — should be deducted from income for tax purposes, and only 80 percent of employers' contributions.

This, said Dr Jacobs in his report, would provide revenue for the state to fund disparities in social pensions.

"The Jacobs proposals should at least get some support", said Mark Anderson of the Labour Research Service in Cape Town.

Noting that the current tax exemption on pension fund contributions costs the state between R5 billion and R8 billion a year in lost revenue, he said the money could be used as a starting point for a programme of social spending.

Until now, he said, the beneficiaries of the tax exemption for pension contributions have been those in the highest tax brackets.

"The justification for tax-free contributions to pension funds is that the ultimate burden on the state is reduced". Since private pensioners did not qualify for state old age pensions, said Mr Anderson, what the state lost in reduced tax was theoretically offset by lower spending on state pensions.

"In fact, this is an illusion. A married man with two children must earn R1 094 a month before paying any income tax at all. Up to R2 049 a month, income tax is less than 10 percent of gross income. And up to R3 912, income tax is less than 20 percent."

He rejected the argument that removal of the tax concession on pension fund contributions would add to the number of state pensioners. With state pensions ranging from R293 a month for black South Africans to R345 a month for whites, it was "extremely unlikely" that private pensioners would choose a state pension even if the tax benefits of private pensions were reduced, he said.

The Jacobs committee proposals, he added, would not affect most black workers, many of whom are members of provident funds. Contributions to provident funds are not deductable from wages for tax purposes.

And with 40 percent of the workforce unemployed, many workers could not in any case contribute to pension funds for their retirement, emphasised Mr Anderson.

Cosatu was still examining the implications of the Jacobs report this week and was expected to react shortly.

Fears of a tax assault on pension contributions were based on a wrong readig of the report, said Sanlam senior general manager George Rudman. The Jacobs committee had merely examined the possibility of taxing contributions — its only recommendations were that the matter should be dealt with "in a circumspect way", he said.

Johan du Plessis, president of the Federation of South African Labour Unions, said the proposals were an irresponsible attempt to solve the government's cash flow crisis.

Switch to provident funds foreseen

STAR 12/10/92.

By Derek Tommey

South Africans earning R5 000 a month could pay an extra R51 in tax if the Jacobs pension recommendation are accepted, says Francois Marais, general manager of group benefits at Sanlam.

Dr Japie Jacobs, special financial adviser to the Minister of Finance, has recommended that one third of an individual's pension fund contributions should be subject to income tax. At present pension fund contributions are fully tax deductible.

Marais says the marginal tax rate of a maried person with an annual income of R60 000 is 41 percent.

Income

If he contributes 7,5 percent of his income to his pension fund he would pay R375 a month.

If the Jacobs recommendations are accepted, he will pay an extra R51 in tax a month, or R615 a year — which is about one percent of his income.

Marais says that the adoption of the Jacobs recommendations would speed the switch by firms to providing provident funds in place of pension funds.

At present, an employer's contributions to provident or pension funds are tax exempt.

However, Jacobs is recommending that 20 percent of an employer's contribution to a pension fund should be taxable, while making no recommendation on the taxing of provident fund contributions.

This will favour provident funds over pension funds.

A member's contributions to a provident fund are fully taxable. But taxing pension fund contributions would reduce the advantages for employees that a pension fund has over a provident fund.

Marais says employers are already moving away from pension funds to provident funds because of misgivings about the open-ended liability of a pension fund payout based on final salary in times of high inflation and low investment income.

Members of a provident fund receive retirement benefits in full in cash.

Bloms 12/10/92

Jacobs 'irresponsible'

THE Jacobs commission's proposal to tax pension contributions was an irresponsible attempt to solve government's cash flow dilemma, Federation of SA Labour Unions president Johan du Plessis said at the weekend.

Du Plessis warned that workers' opposition to VAT would look like "a Sunday school picnic" once trade unions co-ordinated their opposition to the proposed tax.

REPORTS: Business Day Reporters. 300

Star 13/10/72

Attacks on elderly increase

Police yesterday expressed deep concern over the increase in violent attacks on the elderly in the past year. (300)

A total of 74 attacks involving 96 elderly people had taken place last month alone, according to police statistics. (96)

Thirteen were murdered, 53 robbed, seven raped and at least three seriously assaulted in September.

Most attacks occurred during the day when senior citizens seemed more lax about personal safety.

Men and women appeared equally at risk, with 46 of the victims women and 41 men.

In the latest incident last Thursday, three gunmen killed Jakobus Groenewald (79) and wounded his sister Maria Elisabeth (81) on their farm Braksloot, near Pietersburg.

Police spokesman Lieutenant Brahm du Preez said the murderers had posed as stock buyers. About R70 was stolen from the home.

Groenewald was in a serious condition in the Pietersburg Hospital yesterday, he said.

Police have offered a R5 000 reward for anyone with information leading to the arrest of the assailants.

In an appeal to senior citizens yesterday, police advised them never to leave doors and windows without burglar proofing open or unlocked; never to talk to strangers, especially when alone at home, on a farm or in a car; never to keep watchdogs on a leash; and to instruct domestic workers and labourers to report immediately the presence of strangers on the premises. — Sapa.

Retirement tax not 'a recommendation'

CAPE TOWN — Members of retirement funds need not fear a new tax assault on their pension contributions as a result of the Jacobs Report, says Sanlam.

Such fears according to Sanlam are the result of a wrong interpretation of the report.

Senior General Manager George Rudman emphasised in a statement yesterday the Jacobs Committee had made no specific recommendations on the taxation of retirement funds.

He said the report in fact cautioned against "the possibility of incorrect perceptions" and expressly stated that the views recorded in this section of the report were divergent and not necessarily representative, or a consensus.

One of the suggestions made by those consulted by the committee was that employees should pay tax on one third of their pension contributions, and that employers should pay tax on one fifth of their contributions.

At present member contributions to pension funds are deductible for tax purposes, to a maximum of 7,5 percent of the member's salary — while contributions to provident funds are fully taxed.

In practice the tax is deferred to the time when the pension is paid out. Pensioners may take a third of their pensions as a tax-free lump-sum, to a maximum of R120000, but they are fully taxed on the balance which is usually paid out as a monthly pension.

The Jacobs Committee submitted that, instead of taxing a portion of the tax-free lump sum (as recommended by the Margo Commission), it would be better to keep it tax-free and rather tax a portion of the contribution.

However, this was not a recommendation, Mr Rudman said. And the committee did warn that the macro-economic consequences had to be considered, including the possibility that people could reduce their pension contributions to offset the higher taxes.— Sapa.

Pension contribution tax 'an excellent idea'

LINDA ENSOR

CAPE TOWN — The Jacobs report's suggestion that one-third of pension fund contributions be taxed has been described as "excellent" by the trade union-linked Labour Research Service (LRS).

The LRS argued yesterday for 100% of pension fund contributions to be taxed to remove government subsidisation of the pension benefits of a privileged minority.

"The tax break on pension contributions is a tax break for high and middle-income members of pension funds only — the relatively privileged segment of our population. Pension funds and retirement annuity funds are increasingly used by wealthy individuals for tax planning purposes — not for ... pension. These are the very people who don't need tax breaks."

The LRS said the deductions allowed on pension fund contributions provided a tax break for those who earned enough to pay tax; helped high-income earners more than low-income earners; meant overall tax rates, including VAT, had to be higher to compensate for revenue lost to the fiscus; and carried no benefit for provident fund members or the unemployed.

LRS committee member Mark Anderson pointed out that a married person earning R2 000 a month would pay only R4 or R5 more in tax a month if the Jacobs proposal was adopted. The lower the wage, the less the cost. Provident fund members would pay no more.

He added that the wealthy had no need for government subsidies to provide for their old age, and said the removal of the tax break would be line with the current trend towards tax neutrality.

Wanted — a way to relieve the soaring pensions load

(306) CT 14/10/92

-101-

By TONY VAN RYNEVELD

ACCORDING to newspaper reports, the Government is considering setting aside some R800 million to meet the liabilities that have accrued in the pension scheme for members of Parliament.

It is a very unsatisfactory situation to have to face this emerging significant liability, in addition to others, and particularly at such a difficult economic time (which is par for the course for many promise now, pay later schemes).

There will be different views on whether this should be done now and, if so, how it should be done. Whatever is done about the past, however, I feel strongly that the scheme should be changed as soon as possible to a sound basis for the future with a reasonable (instead of over-generous) benefit structure and sound financial discipline.

I have written to the responsible Ministers. Right now is the time to do something about it.

Lead from top

It is obvious that many of the ways in which we have operated in the past in South Africa will have to change — in a sensible manner, I hope.

Many of the perks and tax exemptions we have enjoyed need to be challenged and checked whether they can be justified in the light of the great need for social and economic development — without which we cannot reasonably survive — and surviving on reasonable terms is surely one of our key aims even if our pockets are hit.

Of very great importance is a lead from the top, without which calls for review or sacrifice have no credibility.

In my opinion the benefits of the pension fund for members of Parliament and many related office-bearers is badly designed for the circumstances and unacceptably high for many members — and too low for others.

To quote just one example: after 15 years a retiring member of Parliament can get a pension equal to 100% of salary. In the private sector there are very few cases where this could be achieved in less than 50 years of service.

TONY VAN RYNEVELD: Perks need to be challenged and checked..

Taxation

Moreover, the parliamentary pension can start at a young age if that is when the member quits Parliament, instead of having to wait until the age of 60 or 65, the normal practice in the private sector, which would be more sensible.

On the other hand, the benefits are too weak for those who do not stay for at least 7,5 years.

Following the parliamentary example, some similar features have been incorporated in a number of municipal and local government pension schemes.

I have heard that, in some cases, people can qualify for more than one of these very generous pensions. If so, that also needs review.

The taxation of such benefits should also be reviewed and brought into line with the private sector.

It is important that members of Parliament be adequately rewarded so that people of calibre are attracted. However, I plead for a sound, clear system without distortions and significant hidden costs.

I suggest that the matter should be reviewed by a small committee, which should include people outside Parliament with knowledge of pensions.

This is a sensitive issue among many members of Parliament, office bearers, city councillors and further afield. However, the costs in the future of meeting present pension benefits will be significant and the sooner we change the better. For this, a lead from the top is essential.

Some formula could be designed to cover accrued pension rights for service up to the date of change.

Contributions

A further important issue is the method of financing.

In my opinion, a valuation of the large liability that has been built up should be done regularly and presented to Parliament.

In future, regular contributions to a fund should be made by the State as well as by members of Parliament and other members of the scheme. These contributions should be sufficient, on reasonable assumptions, to meet the accruing liabilities each year as well as to start reducing the accumulated deficit.

This would promote sound financing by the State and an understanding of the costs involved; and would also improve the security of members.

□ Mr Van Ryneveld is a member of the Mouton committee investigating pension matters and is a past general manager of the Old Mutual responsible for pension business. He wrote this article in his personal capacity.

MPs' pension group to go

A PARLIAMENTARY committee which has investigated gratuities, pensions and a code of ethics for MPs is to be dissolved.

The committee said in its report, tabled in Parliament yesterday, that in view of political developments, matters it still had to probe should form part of the process towards a new constitutional dispensation.

The last exaction

Fm 16/10/92

Over the past 20 years the advantage in disposable incomes in Western society has passed from the young to the elderly. Partly this is the outcome of demographics but a major cause has been the perceived need of caring societies to encourage citizens to make provision for their old age.

More latterly, this trend gathered pace as it became clear that governments were unable to provide out of the public purse the social benefits to which the elderly aspired or to which society believed growing infirmity entitled them.

The elderly can become very expensive. An American economist sympathetic to the provision of social sustenance for the elderly has calculated that close to 80% of medical expenditure on individuals in the US is spent in the last six months of their lives.

Therefore, if only to keep the burden of the aged on the fiscus at manageable levels, it is prudent to encourage as many people as possible to make provision for their old age. Those in the twilight of their years are also the most vulnerable to the bullying and coercive administrations that all governments of the Left have spawned.

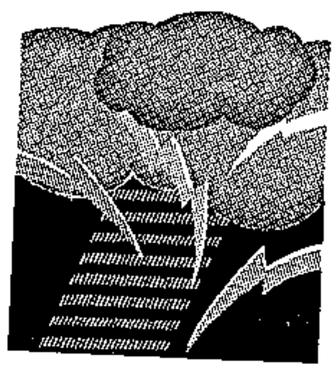
So to be both prudent and to avoid callousness, those who are prepared to forgo instant consumption for future security should be given every encouragement, regardless of whether they save through pension or provident funds or some other means.

Any taxation policy that aims to soak the rich is destructive of the economy as a whole and all those who share in it. But to regard pensioners, because of their relative affluence compared to the young, as the "rich" to be "soaked" to finance houses for those capable of being economically active, is financially absurd, morally wrong and callous in the extreme. ■

THE JACOBS REPORT

Stumbling over the playing fields

A far-reaching examination of institutional cash flows has provoked anxiety



Spare a thought for Japie Jacobs, special adviser to Finance Minister Derek Keys. He stands aghast at the row he has stoked up over the limitation of tax benefits on some pension provisions and the taxation of some pension benefits. His own support for the proposition — if it can be called support — is limited and tentative.

Jacobs is not a man of circumspection or tact. He is candid to the point of bluntness. And he has addressed pension provisions — a matter charged with the vested interest of all save the exceedingly wealthy — with the political finesse of a Blue Bull at a gate.

He has not learnt the lessons of Financial Institutions Registrar Wynand Louw, who tried to urge what was sensible legislation on pensions transferability — and instead ended up by sparking a retrogresssive fashion for provident funds. Nor the lesson of vanished Finance Minister Barend du Plessis, who thought that the innate economic logic of Value Added Tax (VAT) would ensure its smooth introduction. Need we mention Lady Thatcher and her poll tax?

The unfortunate political fact is that if you open the door to taxing pensions, however slightly, the chances are that any government strapped for cash will push it to the ultimate.

Jacobs is disturbed by the way his report on overhauling the financial services industry has been received. With reason — for it seems much of the published comment so far has emanated from those who have not read the report, let alone considered it. Jacobs says he is much more interested in whether the tax base can be broadened and made more equitable.

He is persuaded, however, that there should be some limitation (or capping) of the pension benefits created by State incentives to saving. That view has sympathy among the Life Offices Association (LOA), provided State pension schemes are administered and regulated in the same way as private funds.

There can be little doubt that Jacobs was set a curious task by his previous Minister, who extended his investigation into equitable competition (or lack of it) between competing financial institutions for institutionalised savings to include the examination of a pensions tax within the context of reforming financial services. Neither he nor State Actuary Piet Robbertse back the idea of the Australian-type pension tax.

There seems little likelihood of so sensitive an issue going to parliament without the support of extra-parliamentary groups. Jacobs says Cosatu, for example, has not responded to letters he sent inviting suggestions, though unofficially he believes the union movement may support an examination of the tax flow from retirement schemes.

In his report, Jacobs makes his reservations about pensions tax clear: "Since the matter is very complex in its practical scope and consequences, it requires further discussion before a final decision is taken. In the light of the sensitivity of the matter and the possibility of incorrect perceptions arising, the matter has to be dealt with in a circumspect way and discussions should involve as many interested parties as possible."

The trouble is, the variant of the Australian model discussed in his report provides for portions of contributions to be caught in the tax net. It is discussed at length in words which indicate some degree of approval — so Jacobs cannot simply shrug off the flak he has taken in the last week.

The Australian variant would have employers paying tax on 20% of their contributions to pension funds and employees paying tax on one-third of their own contributions. That happens to hit at the heart of tax law, which says that expenditure is fully deductible if used to produce income.

Newspapers have been inundated with faxes from life assurers protesting about aspects of the pensions tax. The two major life offices supported the examination of the Australian variant because they felt that if there had to be an improved tax flow, this model was better than most. Jacobs used as a sounding board George Rudman of Sanlam and Old Mutual's chief actuary, Theo Hartwig.

Jacobs also interacted with the Mouton Committee, which has been studying pension proposals for three years; it was decided any tax options should come not from Mouton but from Jacobs. The secretary of the Mouton Committee is an Old Mutual GM.

Yet one of the first criticisms of Jacobs came from Garth Griffin, who heads Old Mutual's employee benefits division: "The Jacobs Report's suggestions to tax pension fund contributions could sow the seeds of the destruction of SA's retirement system." He warned that the suggestions would lead quickly to a reduction of pension fund contributions and the contractual savings capacity of the country would be irreparably harmed.

Though Griffin acknowledges the report contained suggestions — not nascent legislation — "they are serious enough to raise alarm about the potential harm they could do to the industry in the event of the government adopting them."

Rudman went on a different tack, stating forcibly that members of retirement funds need have no fear of a "new tax assault" and added that such fears are the result of a wrong interpretation of the report. Rudman also draws attention to some key phrases in the report which expressly caution against incorrect perceptions and states that the views expressed in that chapter of the report were divergent, not necessarily a consensus.

To lay the pensions ghost, before examining the true value of the committee's research, it's helpful to recall the following sequence of events:

- ☐ In 1987, the banks and building societies became vociferous about the diversion of savings from their sector to the contractual areas offered by the life assurers;
- ☐ Two years ago, Jacobs was asked to investigate and report on the so-called "level playing fields" between financial institutions and assess whether the life assurers had any unfair legislative benefits;
- ☐ In an addendum to the Budget in 1991, Jacobs found that, broadly, there was no evidence that existing legislative provision favoured the flow of funds to assurers. Rather, the culprit was inflation, which made discretionary (bank/building society) saving unattractive;
- ☐ The scope of the Jacobs' investigation broadened, necessarily. It became impossible to deal with one sector without considering the interests of others and also those of the fiscus. Among the Acts of parliament which needed review were the Insurance Act of 1943, the Income Tax Act, the Harmful Business Practices Act, the Companies Act and several others with overlapping and contradictory intentions. These, according to Jacobs, were so constructed that it was possible for an operator of financial services to arbitrage them — to select which Act was most suitable for his particular operation.
- There have also been, for the past two years, two separate regulatory bodies, one for deposit-taking institutions, the other controlling insurers and unit trusts (the FSB);
- ☐ Barend Du Plessis had for some years been eyeing the pensions industry as a potential source of funds for the fiscus. He argued that the fiscus drew little benefit from the

Rudman

Continued on page 24

THE NATIONAL MOOD (304A) (11A)

A new kind of standstill

FM 16/10/92.

Originally intended to ratify constitutional agreements reached at Codesa 2, the short session of parliament which began this week had no agreements to ratify. So it ended up as a symbolic restatement of positions — government within the tricameral system defending its record of caution, the ANC/Alliance surrounding parliament with the now-familiar rhetoric of mass action and personal abuse levelled at President F W de Klerk.

While government will shortly be speaking — at bilateral level — to various notional participants in constitutional negotiations, there is still no indication when full-fledged bargaining will resume at Codesa or its equivalent.

Talk now is of elections for a constituent assembly being held late next year at the soonest. The September 26 Record of Understanding signed between De Klerk and the ANC appears even more irrelevant to a proper settlement than it did at the time. Yet it was bought with the notorious exchange of psychopaths that will haunt the constitutional process for years to come since it subordinates the rule of law to political expediency.

In his address to the nation, De Klerk was quite right to lay emphasis on the unacceptability of mass action — underpinned by the continued existence and activities of Umkhonto we Sizwe — and the evident ascendancy of communist factions within the Alliance. To continued and escalating economic travail has been added a degree of uncertainty that will freeze aid and investment so long as Joe Slovo, Chris Hani and Ronnie Kasrils lead marches to express their hatred of free enterprise.

Just as these men's interests are ultimately served by the Bisho massacre, economic destitution will turn the masses to their leadership in the name of a vindictive, one-and-for-all appropriation of wealth. It doesn't matter that there will be no wealth left after that — it will be the more formal talking heads of the ANC who, as participants in government, will take the blame when things go wrong.

To the extent that De Klerk has set new preconditions for a national election — of which the cessation of violence seems most impossible to achieve — the groundwork is being laid for a new round of meetings that lead nowhere and a new round of mass action. This may be too pessimistic a view, and exhaustion may yet bring the parties together where reconciliation bristles with cynicism and mistrust.

The national perception is that our leaders are not really leading. Exhaustion, indeed, seems a terribly applicable term for a conclave of political hacks whom outsiders believe are bent on feathering their own nests and who are shadowed by a sense of their own mortality. One is also made a little weary of ANC president Nelson Mandela making his rote statements of gratitude to the regime in China, so grudgingly conceding a "socialist market economy" even as the ideas of capitalism and human rights flash across its provinces.

So we have economic and political stasis interspersed with street theatre, rule by inertia, and a slow but inexorable degradation in the quality of life. Only the work of decent people in the National Peace Accord, the Goldstone Commission, and a few parliamentarians who keep the liberal flame alight pre-empt the kind of naked hostility which presages complete social breakdown.

Where would we be without them? ■

TAXING PENSIONERS (320) (300)

The last exaction

FM 16/10/92.

Over the past 20 years the advantage in disposable incomes in Western society has passed from the young to the elderly. Partly this is the outcome of demographics but a major cause has been the perceived need of caring societies to encourage citizens to make provision for their old age.

More latterly, this trend gathered pace as it became clear that governments were unable to provide out of the public purse the social benefits to which the elderly aspired or to which society believed growing infirmity entitled them.

The elderly can become very expensive. An American economist sympathetic to the provision of social sustenance for the elderly has calculated that close to 80% of medical expenditure on individuals in the US is spent in the last six months of their lives.

Therefore, if only to keep the burden of the aged on the fiscus at manageable levels, it is prudent to encourage as many people as possible to make provision for their old age. Those in the twilight of their years are also the most vulnerable to the bullying and coercive administrations that all governments of the Left have spawned.

So to be both prudent and to avoid callousness, those who are prepared to forgo instant consumption for future security should be given every encouragement, regardless of whether they save through pension or provident funds or some other means.

Any taxation policy that aims to soak the rich is destructive of the economy as a whole and all those who share in it. But to regard pensioners, because of their relative affluence compared to the young, as the "rich" to be "soaked" to finance houses for those capable of being economically active, is financially absurd, morally wrong and callous in the extreme. ■

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Continued from page 20

industry because employer/employee contributions were tax-deductible; the build-up of capital in the fund was not taxed; the one-third commutation of up to R120 000 was not taxed; and the tax on most annuities arising from the two-thirds remainder was almost invisible;

☐ In his 1992 Budget, Du Plessis suggested that a way to tax the flow of pension contributions should be found, without harming the retirement industry; and

☐ There was some official scurrying to find out how pensions were taxed elsewhere in the world. Robbertse, who, as State Actuary, has to be concerned with the viability of funds, convened a meeting which involved the life assurers and the Actuarial Society. The options considered were numerous and only the Australian variant made any sort of economic sense, though it did not draw general support.

Hartwig

The attitude of the life offices and the Retirement Institute was, in general, that a tax flow should be created — but there was no unanimity about methodology. The ANC and Cosatu were not invited to that meeting.

From there, things seem to have gone downhill, with no official contact with extra-parliamentary groups and the inclusion in the Jacobs Report of a "recommendation" which was surgically implanted rather than allowed to mature naturally. If one takes the suggestion seriously, it involves taxing a proportion of the amounts employer and employee contribute to retirement funds.

Some industry sources argue that if such a tax were introduced, it would merely accelerate the cash flow into government's coffers, rather than government waiting for the tiny amounts it gleans from people on pension.

Another view is that a pensions tax-flow would be counter-productive. The natural reaction of members would be to demand compensatory rises in their salaries and in the contributions made by their employers. And if Griffin's assessment is correct and the suggestion contains seeds of destruction for the retirement industry, there will eventually be a further burden on the State in the form of minimal benefits for the destitute.

Nor would it be a wise move to introduce the tax only in pension funds and retirement annuities, which are seen as retirement plans for the privileged. If tax provisions were not also applied to provident funds — seen as the favoured savings vehicle of the black trade unions — pension funds could simply convert their status. Jacobs insists any tax should be applied equally to all retirement funding.

Jacobs is patently irritated that the focus on the pensions issue has diverted attention from the true substance of the report. Chapters in the report deal at length with the need to stop arbitraging between Acts, by introducing a Financial Services Regulation Board — possibly replacing or merging the DTI office and the FSB — and creating suitable amendments to the Companies Act so that it becomes clear where all principals, agents and intermediaries are licensed.

The issues of risk management and of principal/agent relationships are explored in depth. "It's got a lot of consumer protection built in," Jacobs asserts.

In places, Jacobs refers back to the initial debate: whether the playing fields between financial services organisations are level. He seems to conclude that they are as level as legislators can make them — but the ideal playing surface is an impossible dream.

He also deals at length with the abolition of the sixth schedule of the Income Tax Act and the introduction of the four-fund approach for money committed as contractual savings to the life offices and retirement industry. The two matters are in some ways seen to be linked. By removing the sixth schedule, the life offices will have freedom to offer more products which are only savings-linked and which do not need to contain a minimal amount of life cover.

Hand in hand goes a proposal that the amount of tax paid by life offices on behalf of the policyholders for whom they are trustees, goes from the marginal rate of 43% to 30%. That comes as a slight surprise because most of the vociferous life office spokesmen had been hoping, at best, for the rate to drop to 32%. Jacobs says many formulae were submitted and he is by no means certain the 30% level he mentions will be the final result.

In the case of the four funds, these would comprise one, taxed at company rates, for a life office's free reserves or shareholders' funds; a tax-free fund for retirement savings (assuming the debate on that never again surfaces); a fund for life policyholders' money where income accruals are taxed at the presumed 30% rate; and a different fund for policies owned by companies or other forms of businesses, taxed at the full company rate. By introducing the fourth fund, the fiscus rids itself of the nagging problem that businessmen can arbitrage by investing in policies at the presumed 30% tax rate money which would otherwise attract company tax.

Jacobs also examined the question of capital gains tax on the life offices' unrealised assets. He says at this stage he is firmly against it, not least because of its negative effect on capital formation.

Overall, the committee has produced a thoughtful insight into the financial services sector. Its views will not please everyone and it is possible not every recommendation or suggestion will pass into law, though Jacobs says some preliminary drafting has occurred where there is unlikely to be much resistance. ■

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Members of pension funds: boardings

290. Mr B B GOODALL asked the Minister of Finance:

How many members of the (a) Government Service Pension Fund, (b) Associated Institutions Pension Fund, (c) Temporary Employees Pension Fund, (d) Associated Institutions Provident Fund, (e) Pension Fund for Persons in Authorities' Service and (f) Superannuation Fund for Persons in Authorities' Service (i) applied to be boarded and (ii) were boarded in 1989, 1990 and 1991, respectively?

B728E

The MINISTER OF FINANCE:

(i) The members of the various pension funds apply through their respective employers. Only the applications which are successful are passed onto the Department of Finance. The number of members who applied to retire early is therefor unknown to the Department of Finance.

(ii) According to the latest pension records early retirements and the reasons therefor are set out in the annexure:

	(a) GSPF			(b) AIF			(c) TEPF			(e) PFAS			(f) SFAS		
	1989	1990	1991	1989	1990	1991	1989	1990	1991	1989	1990	1991	1989	1990	1991
Ill-health	48	55	97	7	1	11	9	19	41	1	3	6	—	1	—
Reorganization	66	102	115	—	—	—	5	3	11	—	1	—	—	1	—
Incapacity to carry out duties efficiently	2	8	9	—	—	—	—	—	—	1	1	2	—	—	—
Retirement—own request	—	2	8	—	—	—	—	—	—	—	—	—	—	—	—

No cases for the Asscíated Institutions Provident Fund occurred and as far as the Associated Institutions Pension Fund is concerned, no cases where any gratuities were paid could be identified.

Total amount of personal income tax collected

324. Mr W U NEL asked the Minister of Finance:

What was the total amount of personal income tax collected in the 1990-91 and 1991-92 financial years, respectively, in (a) the Republic of South Africa, (b) the Orange Free State, (c) Bloemfontein, (d) Welkom, Virginia and Odendaalsrus, (e) Sasolburg, (f) Kroonstad and (g) Bethlehem from persons employed in (i) the (aa) agriculture, (bb) mining, (cc) manufacturing, (dd) construction, (ee) commerce, (ff) Government Service, (gg) transport and (hh) banks and financial services categories and (ii) other specified categories? B811E

The MINISTER OF FINANCE:

A meaningful breakdown of tax collected in magisterial districts cannot be furnished. Some 75% of individual tax is collected by way of Pay-As-You-Earn (PAYE), and many employers make their PAYE payments in areas other than those in which their workers are employed. Statistics are accordingly furnished on the basis of assessments issued and as a result thereof the 1991-92 figures are not available at this stage.

At the time an answer was prepared to a similar question, No 372, asked by Mr J J Walsh in May 1991, 56 per cent of assessments

for the 1989/90 tax year had been processed. The actual number of taxpayers and amounts assessed at that stage were for the purposes of the reply projected by that percentage to indicate what the position would be once all assessments had been raised.

It is now considered that these projections may, for a variety of reasons, not be within acceptable bounds of accuracy. The statistics furnished below accordingly relate only to taxpayers actually assessed to date, who represent 75 per cent of registered taxpayers in 1989/90 and 64 per cent in 1990/91.

PERSONAL INCOME TAX ASSESSED 1990-91

DISTRICTS

Sectors	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Agriculture	310 670 185	77 290 820	10 041 349	2 934 225	735 837	9 835 684	3 296 388
Mining	803 202 167	174 804 249	851 152	160 104 311	4 451 464	431 473	117 048
*Construction/ Manufacturing	1 741 669 510	60 408 388	8 504 225	5 054 001	37 613 925	1 901 760	938 301
Commerce	1 148 541 552	66 505 809	29 444 874	11 993 085	2 621 912	3 767 697	6 892 205
Government Services	1 910 548 939	119 254 877	67 507 785	13 664 420	4 365 288	9 406 700	4 293 711
Transport	407 894 157	27 425 139	15 651 958	1 063 868	763 575	5 452 986	2 279 138
Banks and Financial Services	581 375 740	24 783 206	12 789 096	3 779 241	714 531	1 491 620	1 439 232
Other	5 806 560 734	183 022 822	59 068 797	32 989 294	30 095 809	12 554 714	8 383 194

* No distinction between these two sectors can be made.

KEY TO DISTRICTS

(a) Republic of South Africa
(b) Orange Free State
(c) Bloemfontein
(d) Welkom, Virginia, Odendaalsrus
(e) Sasolburg
(f) Kroonstad
(g) Bethlehem

NOTE

Statistics in respect of taxpayers earning less than the applicable Standard Income Tax on Employees (SITE) limit are not available and therefore not reflected in the above figures.

Taxpayers: certain magisterial districts

330. Mr A E DE WET asked the Minister of Finance:

(a) How many taxpayers were there and (b) what total amount was collected in personal income tax in the magisterial districts of (i) Bloemfontein, (ii) Welkom, (iii) Kroonstad, (iv) Sasolburg and (v) Virginia in each of the eight income categories particulars of which have been furnished to the Minister's Department for the purpose of his reply, for the 1989-90 and 1990-91 tax years, respectively?

B817E

The MINISTER OF FINANCE:

A meaningful breakdown of tax collected in magisterial districts cannot be furnished. Some 75% of individual tax is collected by way of Pay-As-You-Earn (PAYE), and many employers make their PAYE payments in areas other than those in which their workers are employed. Statistics are accordingly furnished on the basis of assessments issued to taxpayers resident in the relevant magisterial districts.

At the time an answer was prepared to a similar question, No 372, asked by Mr J J Walsh in May 1991, 56 per cent of assessments

Cont'd →

August 1992 until 28 September 1992.

Minister P W Saaiman from 31 August 1992 until 16 September 1992.

Deputy Minister C B Herandien from 1 August 1992 until 23 August 1992.

(ii) (aa) Destinations:

Minister A A Julies — United States of America and Canada.

Minister A Williams — Taiwan, Japan and Hong Kong.

Minister G N Morkel — Singapore, Japan, Australia, England, Holland and United States of America.

Minister P W Saaiman — England, Holland, Italy and Israel.

Deputy Minister C B Herandien — Germany, France and Turkey.

(bb) Minister A A Julies — R177 209,25.

Minister A Williams — R102 933 (Accommodation expenses incurred in Hong Kong not immediately available).

Minister G N Morkel — R173 248,00.

Minister P W Saaiman — R74 538,38 (Accommodation expenses not immediately available).

Deputy Minister C B Herandien — R79 515,33 (Accommodation expenses not immediately available.)

(2) Yes.

Minister A A Julies — Spouse, Private Secretary, Chief Director and Spouse.

Minister A Williams — Spouse and Private Secretary.

Minister G N Morkel — Spouse and Private Secretary.

Minister P W Saaiman — Spouse, Private Secretary, Administrative Secretary and Chairman of Development Board.

Deputy Minister C B Herandien — Private Secretary, Chairman of Housing Board and Director of Housing.

(3) No.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Drivers' licences: remedial measures

40. The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Transport:

(1) Whether he is taking or intends taking remedial measures to prevent persons allegedly obtaining drivers' licences in self-governing and independent Black states from driving vehicles on South African roads; if not, why not; if so, (a) what measures and (b) when;

(2) whether he will make a statement on the matter? D220E

The MINISTER OF TRANSPORT:

(1) No, measures are not being taken and there is no intention to take measures to prevent persons whose drivers' licences have been issued in the independent states or self-governing territories from driving vehicles on South African roads.

Although drivers' licences are from time to time allegedly issued in an irregular manner in the independent states and self-governing territories, measures with the above intent cannot be taken for the following reasons:

(i) Not all drivers' licences obtained by persons in these territories, have been issued in an irregular manner.

(ii) If persons who obtained their licences in these territories were to be prevented from driving on South African roads outside the relevant territory, similar measures would be introduced by these territories in respect of licences issued in South Africa with counter-productive results to holders of such licences who have to travel on roads in parts of the territories.

In order to attempt to combat the alleged irregular issuing of drivers' licences, I convened a meeting of Commissioners-general of the self-governing territories, provincial administrations, the Department of Home Affairs and the SA Police on 27 August 1992. Several actions were identified at the meeting, and are being pursued by the departments concerned.

(2) No. I consider that I have elucidated the matter adequately.

Mouton Commission: investigations/report

44. Mr M RAJAB asked the Minister of Finance:

(1) Whether the Mouton Commission has completed its investigations; if so, what matters were investigated;

(2) whether the Commission has submitted its report to him; if so, when;

(3) whether the report will be made public; if so, when; (300)

(4) whether he will make a statement on the matter? D226E

The MINISTER OF FINANCE:

(1) Yes; The Terms of Reference of the Committee were as follows:

To produce guidelines for a proposed new dispensation for retirement provision for all people in South Africa, together with details for implementation thereof, taking into account items such as:

(a) affordability (by the State/employers/employees/individuals);

(b) retirement needs;

(c) the responsibility of the State/employers/employees/individuals;

(d) the role of the State;

(e) pre-retirement needs of individuals —

— death

— disability

— housing

— unemployment and other lifetime crises;

(f) fitting into the existing social assistance system;

Cont —y

(g) wider acceptability;

(h) flexibility and ability to deal with different and changing circumstances.

As Short-term Goals to:

Address priority problems that currently exist in the retirement provision field, such as:

(a) Voluntary preservation and transferability;

(b) Pension payment problems;

(c) The means test;

(d) Unemployment benefits;

(e) Surpluses in funds;

(f) Pensions Ombudsman;

(g) Increasing of pensions.

As Interim Goals to:

(a) Conduct a situation analysis of the existing position dealing with human as well as statistical aspects, including migratory labour;

(b) Produce models;

(c) Address the issues in the goals;

(d) Achieve the widest possible understanding and co-operation

(2) No;

(3) To be decided at a later date;

(4) No.

Racism in Police Force

45. Mr M RAJAB asked the Minister of Law and Order:

(1) Whether the South African Police have investigated alleged accusations made by senior Police officers in the media regarding racism in the Police Force at Dundee as far as the use of facilities is concerned; if not, why not; if so,

(2) whether the Police have completed their investigation; if not, why not; if so, what were the findings;

(3) whether the comments allegedly made in public by a senior officer, whose name has been furnished to the Police for the purpose of the Minister's reply, reflect the official policy of the South African Police; if so, (a) to what extent are these comments consistent with the recently announced initiatives regarding the credibility of the Police and (b) what is the name of the officer concerned;

(4) whether any steps have been taken in respect of the said officer; if not, why not; if so, what steps;

(5) whether he will make a statement on the matter? D227E

The MINISTER OF LAW AND ORDER:

(1) Yes.

(2) Yes.

Allegations in the media distorted the facts regarding the matter out of proportion.

(3) According to the official policy of the South African Police which is actively applied, all institutions in the Force which make use of State facilities shall be open to members of all population groups.

(a) Falls away.

(b) Colonel Moon.

(4) No, in the light of details supplied above.

(5) The South African Police does all in its power to maintain the harmony between the different population groups. No discrimination is tolerated. Remarkable progress has been made in this area and caution must be exercised that the situation is not exacerbated as a result of distorted representations or exaggerations.

Juvenile prisoners

46. Mr M RAJAB asked the Minister of Correctional Services:

(1) (a)(i) How many (aa) awaiting-trial and (bb) convicted juvenile prisoners are being detained in gaols falling under his control and (ii) in respect of what date is this information furnished and (b) for what average period are awaiting-trial prisoners detained in gaol before being brought to court;

(2) whether any juvenile prisoners were released recently in terms of (a) a general amnesty or (b) any other such concessions; if so, (i) how many, (ii) when and (iii) in terms of what other concessions;

(3) whether he will make a statement on the matter? D228E

The MINISTER OF CORRECTIONAL SERVICES:

Juvenile delinquency is an alarming world-wide phenomenon which in fact deserves more public attention than it receives in South Africa and in many other countries.

In accordance with section 1 of the Correctional Services Act, 1959 (Act No 8 of 1959) a juvenile is any person under the age of twenty-one years.

In accordance with section 1 of the Child Care Act, 1983 (Act No 74 of 1983) a child is any person under the age of 18 years.

(1)(a)(i)(aa) *Awaiting-trial children:*

Younger than 15 years	:	80
15 but younger than 16 years	:	114
16 but younger than 17 years	:	231
17 but younger than 18 years	:	506
Total		931

Awaiting-trial juveniles (excluding the above mentioned children):

18 but younger than 19 years	:	1 044
19 but younger than 20 years	:	1 215
20 but younger than 21 years	:	1 199
Total		3 458

For the sake of completeness, I refer the hon member to the stipulations of sections 50 and 71 of the Criminal Procedure Act, 1977 (Act No 51 of 1977), which are self-explanatory. To summarise, statutory provision has been made that a probation officer and the parent or guardian of a person under the age of 18 years who has been arrested, must be informed of the arrest. Any arrested person must also be brought before the court within a period of 48 hours, whereafter the court may issue an order for his further detention and determine the date of the next appearance in court.

Section 29 of the Correctional Services Act, 1959 (Act no 8 of 1959) stipulates *inter alia* that a person under the age of eighteen years who is accused of having committed an offence, may not be detained in a prison before his conviction unless his detention is essential and no suitable place of detention mentioned in the Child Care Act, 1983 (Act No 74 of 1983) is available for his detention. In each such case the judicial officer concerned issues a certificate to this effect. When deciding on the suitability of the place of detention, the nature of the offence with which a person has been charged as well as age, sex, character etc. are taken into account.

A juvenile who is detained in terms of section 29 of the Correctional Services Act, 1959 shall not be permitted to associate with a person over the age of 21 years who is in custody, with the exclusion of a person who has been charged jointly with him, provided that the head of the prison is of the opinion that such association will not be detrimental to him. Juveniles are also separated with regard to age groups where facilities permit.

Discussions are regularly held between the Department of Correctional Services, the local magistrates, prosecutors and the South African Police with a view to keeping awaiting-trial juveniles out of prison.

(bb) *Sentenced prisoners*

Younger than 15 years	:	0
15 but younger than 16 years	:	19
16 but younger than 17 years	:	94
17 but younger than 18 years	:	446
18 but younger than 19 years	:	2 097
19 but younger than 20 years	:	2 608
20 but younger than 21 years	:	2 431
Total		7 695

South African courts do have the option to, amongst others, impose prison sentences on juvenile delinquents.

Section 21 of the Correction Services Act, 1959 (Act No 8 of 1959) states, *inter alia*, that any part of a prison may be used for the detention, treatment and training of juveniles. Existing prisons or parts thereof are therefore set apart when required for this purpose and sentenced juvenile prisoners are transferred to these prisons on a regional basis for detention, treatment and training.

In regions which do not yet have separate prisons for sentenced juvenile prisoners or where centralised detention has not yet been implemented, they are accommodated in prisons in separate sections or cells as far as possible, and depending on their needs, the

continue

PROPERTY

Legislation 'hampers retirement market'

BIDM 21/10/92

300

PETER GALLI

THE retirement village market is underdeveloped because onerous legislation has tended to frighten away institutional and responsible developers, says Grovewalk Holdings MD Gerard de Rauville.

"The Housing for Retired Persons Act of 1988 creates as many problems as it solves. The requirement to forecast levies three years forward is burdensome in our uncertain and inflationary climate," he says.

With laws like the Sectional Title Act and the Share Block Control Act, there was enough legislation to deal with retirement developments.

"Every time suspect developers move into a particular sector, legislation is rushed through to protect unsuspecting buyers. But legislation will never prevent shady operations. It simply outlines what needs to be done and what penalty one incurs for failing to do certain things," says De Rauville.

However, the mid-'80s saw the demise of a number of retirement developments, with many people losing their savings and investments. Legislation was regarded by some people as inadequate, and government introduced the 1988 Bill to protect the consumer further from unscrupulous developers.

Grovewalk Projects director Pieter Venter says the situation in Durban reflects the national retirement housing crisis. Durban's wealthier pensioners have little choice of accommodation, and the two main retirement villages in the area cannot cope with the demand.

"In answer to the growing shortage of retirement accommodation on the Berea, we are assembling a R25m Garden Grove project, located on Musgrave and St Thomas' Roads, close to the Musgrave Centre," he says.

Finance for the venture is being provided by the Board of Executors, and Stocks & Stocks is the building contractor. Situated on a 2,5ha site, the first phase will be ready in February. The project will have 126 suites. It will also offer on-site health care. Prices range from R173 000 to R510 000. Levies will be between R425 and R2 055 a month, and increases of about 15% have been forecast for the next three years.

Ownership will be by share block and be subject to the Retired Persons Act. It will also be possible for the owners to convert the property to sectional title at a later stage.

Ridge development comes on stream

PETER GALLI

IN SPITE of poor economic conditions, residential developments catering for the upper end of the market continue to come on stream.

The latest — an eight unit sectional title development known as Westcliff Ridge — was launched by Tiber Developments at the weekend, with units priced from R2,6m to R3,2m.

Situated on a 1,5ha site at the end of Pallinghurst Road on Westcliff Ridge, the terracotta units command views of the northern suburbs, including the Johannesburg Zoo.

Tiber has held the property for about 10 years and the initial development was postponed in the mid-'80s due to a recession. However, the directors decided that at this level of property buyers were not really affected by recessionary conditions, and went ahead.

Unit areas, including terraces and atriums, range from 622m² to 957m² on between two and four floors. Some units have plunge pools and lifts.

BIDM 21/10/92

The development was designed by Louis Karol Architects in conjunction with Michael Sutton.

No estate agent will be appointed. Marketing will be done by Marketing Concepts, and all sales negotiations will be directly with Tiber.

Marketing Concepts director Kathryn Payton said between 250 and 300 people had attended the first by-invitation-only viewing on Sunday, and the development had been "well received".

PROPERTY

Legislation 'hampers retirement market'

BIDM 21/10/92 (300)

PETER GALLI

THE retirement village market is underdeveloped because onerous legislation has tended to frighten away institutional and responsible developers, says Grovewalk Holdings MD Gerard de Rauville.

"The Housing for Retired Persons Act of 1988 creates as many problems as it solves. The requirement to forecast levies three years forward is burdensome in our uncertain and inflationary climate," he says.

With laws like the Sectional Title Act and the Share Block Control Act, there was enough legislation to deal with retirement developments.

"Every time suspect developers move into a particular sector, legislation is rushed through to protect unsuspecting buyers. But legislation will never prevent shady operations. It simply outlines what needs to be done and what penalty one incurs for failing to do certain things," says De Rauville.

However, the mid-'80s saw the demise of a number of retirement developments, with many people losing their savings and investments. Legislation was regarded by some people as inadequate, and government introduced the 1988 Bill to protect the consumer further from unscrupulous developers.

Grovewalk Projects director Pieter Venter says the situation in Durban reflects the national retirement housing crisis. Durban's wealthier pensioners have little choice of accommodation, and the two main retirement villages in the area cannot cope with the demand.

"In answer to the growing shortage of retirement accommodation on the Berea, we are assembling a R25m Garden Grove project, located on Musgrave and St Thomas' Roads, close to the Musgrave Centre," he says.

Finance for the venture is being provided by the Board of Executors, and Stocks & Stocks is the building contractor. Situated on a 2,5ha site, the first phase will be ready in February. The project will have 126 suites. It will also offer on-site health care. Prices range from R173 000 to R510 000. Levies will be between R425 and R2 055 a month, and increases of about 15% have been forecast for the next three years.

Ownership will be by share block and be subject to the Retired Persons Act. It will also be possible for the owners to convert the property to sectional title at a later stage.

Retirement and disability security

300

Gerard Ehmke, a deputy general manager of Fedlife Assurance, gives advice on employee benefits packages:

Sowetan 22/10/92.

JUST imagine. One of your valued workers dies suddenly, leaving behind a sickly wife and three children. Who will care for them?

More and more, workers are turning to their employers in times of crisis, looking for financial help. Although it's not a law, employers do have an obligation to look after their workers and their worker's families.

A retirement benefit, for instance, should not be seen as a gift but rather as wages which have been put aside for past service with a company. It makes sense to spread the future cost of a worker's retirement by making monthly payments to a pension or provident fund.

The difference between these two is that a pension is paid out at retirement with a maximum of one third of the pension taken as a cash lump sum. This worker would still receive the rest of his monthly pension until he dies.

In the case of a provident fund benefit, the worker receives all the money invested in the fund on his behalf in cash.

Pension or provident fund

A pension or provident fund takes care of a worker and his family when he is too old to work, but if he dies before retirement a cash lump sum can be paid to his family. Once this payment is made by the retirement fund, employers can be satisfied that they gave the family financial assistance.

Then there's the problem of the funeral. A funeral insurance benefit which is part of the worker's retirement fund makes sure that should a worker or a member of his family die, a cash sum is given to assist with funeral costs.

If a worker is injured or is too sick to work, many retirement funds today take care of disabled workers. Further benefits are possible if serious illness like blindness or stroke occur.

When a worker changes jobs he is paid back his own contributions to the fund plus interest. It is becoming very common today for a refund of the employer's contributions made on behalf of the worker to be included in this withdrawal benefit.

Provision of all the benefits described (retirement, death, disability, funeral and serious illnesses) are usually trade union requirements. The provision of these also helps to attract and maintain good staff. Most people would far rather work for a business which offers financial security.

Fedlife offers all these employee benefit products. If you'd like more information please contact Vincent Sepuru at 332-6376.

PENSIONS

FM 23/10/92

And now ... the Ciskei option

Ciskei plans to copy Venda by dissolving its R1bn State pension fund and distributing the benefits — which have probably been largely funded by SA taxpayers. A Ciskei spokesman confirmed this week that, "due to the wishes of some of the civil servants and the directors-general forum, it has been decided to look into the matter of the privatisation of pensions. The Ciskei government is presently making investigations as to how to handle this to the best possible advantage of the civil service."

This is the third recorded State fund dissolution in which Sanlam has been involved.

The first was when Namibia was heading for independence and the second was in Venda. Though Sanlam is seen as close to some of the so-called independent States, a spokesman in the employee benefits division says it disapproves of the destruction of the pension programmes. He adds that retirement benefits should be "almost sacrosanct."

There is a suspicion that Ciskei's rulers have been persuaded of the benefits of dissolving the fund by "somebody shrewd enough to spot an opportunity for earning huge commissions, by converting the pension payouts to individual life products."

If the pensions are converted to annuity-type products, there will be at least some pension preservation. However, if Ciskei follows the Venda example, the capital sums can be transferred to unit trusts — effectively turning them into tax-free cash.

In the case of Venda, Sanlam was merely the investment manager and it was the actuary, Alexander Forbes, that was asked to apportion the fund between beneficiaries. In the case of Ciskei, Sanlam is both manager and official actuary. Sanlam now has to apportion the R1bn between 28 000 civil servants and about 1 000 pensioners.

It is easy to follow the reasoning for the independent States to dissolve their schemes. They have mostly fully funded their pension schemes, in stark contrast to SA's own State schemes which are at best about 40% funded. At the last valuation, Ciskei's scheme was 20% overfunded. In 1980, a sum based on a simple head count was transferred from the RSA fund to Ciskei and, as Ciskei low-level workers are poorly paid, the opportunities for those higher up the scale seem obvious.

Faced with the threat that they will be drawn back into an SA from which the TBVC countries will disappear, as will the politicos' jobs, it makes sense to the leaders of such States to protect their futures.

As the Jacobs Committee has hinted at support of the concept of capping pension rights, the scurrying for full pension payouts is understandable.

While Sanlam refuses to be drawn into controversy because Ciskei is still, in theory, a client, a source at the Bellville-based assurer questioned whether SA taxpayers had in reality funded the scheme. The fact it is overfunded, he suggests, derives from good investment performance and the fact that Ciskei had not prescribed where its fund should be invested in the narrow manner adopted for years by the SA authorities.

Also, Ciskei has not encouraged buybacks of pension rights to the extent that this was practised in SA. He suggested that, to protect retirement benefits, Ciskei should not try to follow the Venda route. Instead, it could close the existing fund but keep it intact for the benefit of existing members.

How much more scurrying for pension protection will there be?

Parliamentarians must be conscious of their own insecurity. There is no fund as such for MPs and Cabinet Ministers. After they have duly served 7,5 years, they obtain handsome pension rights. Then there are the members of the President's Council. To spread the net even further, many local authorities provide for pensions for their councillors as well as running the conventional pension or provident schemes for employees. In most cases, these perks for serving councillors are not funded.

It has been estimated that a one-off funding of pensions for MPs and Ministers would cost more than R800m. Triple that for people who have served in local government.

An elected representative who has done honest service for many years is entitled to some sort of retirement benefit and few would argue with that principle, even if he stands on the other side of a political fence. But a homeland leader or Cabinet member who has already made use of the position for self-enrichment might reasonably be placed in a different category.

Very rarely are there cases where retroactive law is good law. In the present situation, those who will make up a future government might be forgiven if they looked at the self-enrichment process, including the disposition of pensions, and act accordingly when they come to power.

Bryan Deans

UK FM 23/10/92

Into the fire

To the relief of financial markets, as the *FM* went to press, it seemed probable that UK PM John Major's government would survive its third crisis in five weeks.

The partial U-turn on the wholesale closure of 31 coal mines undoubtedly humbled Major and consigned the political ambitions of Board of Trade president Michael Heseltine to the dustbin. But it seemed to have assuaged the wrath of enough rebellious Conservative MPs to ensure the government weathered the vote in the Commons, on Wednesday, on Labour's motion calling for a suspension of all closures pending a full inquiry and formulation of a UK national energy policy.

However, it was essentially a damage limitation exercise as was the sudden additional one point cut to 8% in base lending rates.

Following sterling's devaluation, the resignation of Arts Minister Michael Mellor over his extramarital flutter and, above all, the deepening recession, the Major government stands discredited, accused of drifting — even in the editorial columns of the Conservatives' most avid press supporters. Not since the Suez adventure of 1956 has any Tory government suffered such a mauling.

What astounded observers was that the government, which has been aware since 1989 that a massive shrinkage of the coal industry was inevitable, could have so badly misjudged public reaction. The blunt announcement that 22 Mt of annual output was to be axed and, with it, the jobs of 30 000 miners — affecting as many as 60 000 others in transport and the industry's suppliers — came at a time when unemployment was rising at the rate of more than 30 000 a month.

The causes of coal's demise is straightforward. Privatisation of electricity left the power generators and distributing companies free to compete on price. British coal at £43,50/t was twice as costly as free market imports and, in terms of generating costs, 31% more expensive per kWh than North Sea gas.

This produced the dash for gas among generators and distributors who are building their own gas-fired stations. So, even though coal will come down in price to £31,25/t under the new contracts with the electricity companies, demand will not be there.

Coal once accounted for 80% of power station fuel; now about half the need is supplied by gas and the heavily (£1,1bn) subsidised nuclear industry. Hence, from April generating companies will cut their use of coal from 65 Mt/year to 40 Mt. Stockpiles are already 35 Mt tons.

Heseltine's retreat, to jeers in the Commons, offered a three-month moratorium on all closures with only the loss-making 10 mines to shut at the end of it, and the number of lay-offs to be reduced to 7 400. The Treasury will fork out up to £37 000 a head in redundancy money.

But the reprieve still means British Coal

continued

Workers fund still on target

ARG 24/10/92

ALIDE DASNOIS
Business Staff

INFLOWS of money into the new Community Growth Fund are still well on target, says Ian Hamilton of Syfrets.

The CGF is pulling in between R2 million and R3 million a month, he says, and annual cash flow commitments of R50 million are within reach.

The CGF was started in June to channel workers' money into companies which meet trade-union defined social responsibility stardards as well as financial criteria.

The brainchild of the Cape Town Labour Research Service, it is jointly managed by Syfrets and a trade-union owned company, Unity.

The fund published its first statement at the end of September, showing an inflow of R7 million from 249 accounts. Since then, says Mr Hamilton, the amount of money in the fund has risen to nearly R12 million. The fund has just started making its first investments on the market.

"We're very happy with the results so far," says Mr Hamilton. "It's hard to sell the idea of equity investments with the market dropping."

Across-the-board retrenchments have also put the squeeze on provident funds — which are the biggest contributors to the CGF — he says. Some big provident funds are even reporting net outflows of cash.

"Another problem we've come up against is the requirement that pension and provident funds can't hold more than 75 percent of assets in equity. The rest has to be invested in property, fixed interest securities and cash."

Cut-price tips on unit trusts

366 ST Times (Buss) 25/10/92

MICHAEL BELLING, senior manager, marketing, at Sage Life, suggests that, whereas in the past an investor could only obtain unit trusts by direct investment, today there is a better way.

He points out that by investing in unit trusts via a Sage Life retirement annuity linked to either the Sagelink or Multitrust investment portfolios, one can effectively buy unit trusts at half price.

Because of tax savings of up to 43% and the savings in initial charges, the insurer receives as a bulk buyer and passes on to the investor almost double the amount that can be invested in an RA than could be invested in a direct unit trust plan for the same cost.

There are other advantages, too. No tax on income distributions and tax concessions at the end of the period.

Endowment policies, even with their poor early cash values, offer good potential. Endowment policy holders are much less likely to cash in their assurance plans than their unit trusts.

Plan completion is more certain with an endowment so that money is far more likely to be there when you really need it. Other advantages: low-cost life cover providing guarantees on death and no problem investing a lump sum, avoiding the nightmare of finding the right time to invest.

Lump sum investment in unit trusts through a life assurance policy is spread over 10 years, giving all the advantages of rand-cost averaging while providing a high guaranteed return on the balance.

Pension alarm bells should ring at 40!

INSURANCE brokers say that the financial affairs of the average retired male in South Africa are in such a mess he cannot afford to die. And if he does, his wife will probably have to find work immediately after his funeral.

A major reason is high inflation, for at an average inflation rate of 15% a year, the value of money halves every five or six years.

This is seldom appreciated by people when they plan for their retirement — that's if they do any real planning at all. Only one white person in 10 in South Africa retires with an adequate pension. The rest are dependent on family, friends or the State.

To add to the misery of an inadequate pension, the average 65-year-old man can now expect to live to 80 and the 65-year-old woman to beyond 84.

To ensure you enjoy those extra years you must have financial independence. Experts say this involves a two-point programme, involving effort at employer level and by the individual.

Companies should give pre-retirement counselling to their employees at least 20 years before they retire — that is, around the age of 40 — in order to give them enough time to provide additional private retirement income.

CHECK

If this is not done, inflation will continue to exact its toll on the value of pension benefits.

In addition to pre-retirement counselling, companies should look at increasing company and member contributions to pension funds, and the investment returns being obtained by funds must be constantly monitored.

It is in your long-term financial interest that your company should be doing these things now, so keep on checking with your union, staff association, company secretary or company insurance broker.

Now for the individual effort involved in an effective retirement programme. The first question to ask is: How much time do I spend on planning my financial affairs?

A Business Times SURVEY

Think carefully.

Checking your salary slip at the end of the month doesn't count. It has to be active financial planning involving systematic saving.

You will probably be surprised to find how little time you spend on this essential exercise.

You may well object that by the time you have paid the income tax man, insurance company, medical aid society and pension fund, there isn't much left to plan.

But even the more affluent members of the community are not noted for their financial foresight.

That highly respected pub-

-lication. Harvard Business

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M

tive financial planning. On your side you have more free time in which to plan, and this involves investigating investment in retirement annuities, unit trusts, direct stock market investment or some form of involvement in property revenue.

For example, have you considered letting out a room or rooms in your house or moving into a smaller home and making a profit on the sale of your present house?

Also investigate how much life cover you have.

You should have enough to ensure your family's standard of living will not suffer if anything were to happen to you.

SECURITY

As a general rule, you should have life insurance cover of around 10 times your annual income. And once you get to the required amount of life cover, don't be tempted to reduce it whatever happens.

Life insurance policies are often one of the first things to be chopped when jobs are axed (as often happens today) and the affected person looks round desperately for ways of saving money.

Insurance companies emphasise that to talk of saving money when it comes to lapsed or surrendered policies is a short-sighted view.

They point out that there are a number of cases where the person who has terminat-

have been released.
or representation will be entered
appointment or to appoint at a

ars may be obtained.
ension 2004, from whom applica-
n Bophuthatswana, P O Box 83,

Where there's life there's Life...

A Business Times SURVEY

South Africa's life assurance industry has held up extremely well given the current economic adversities. But it is an industry which, like the political structure of SA, needs to adjust to meet popular demands. Precisely what are the issues facing the administrators of the huge mutual societies and the host of limited companies which offer life assurance? What shape is the industry in? What are the challenges it will have to face in the years to come? SID LANE reports from Cape Town

ST Times (BUSS) 25/10/92.

THE life assurance industry is in a healthy state. So says Marius Smith, managing director of Metropolitan Life, and Pierre Steyn, chief executive of Sanlam.

Annual benefits paid out in 1991 amounted to R15,7-billion, with the latest available annual premium income amounting to R26,5-billion — an increase of almost 19% compared with the previous year.

Marius Smith points to AIDS as probably the major problem and forecasts major changes in market segments over the next few years.

No doubt the new dispensation will mean more insurance business being conducted with the black community and, as Metropolitan Life is already well entrenched in this market, it should benefit accordingly.

He sees a new government possibly prescribing investment possibilities and social security benefits replacing insurance at the lower end of the economic scale.

Pierre Steyn has faith in the sophistication and effectiveness of the South African insurance industry and believes that it will play an increasingly important and beneficial role in the new

Steyn believes that a healthy life assurance policy in the private sector is vital for mobilising capital to finance job-creating projects, such as Columbus and Alusaf, which are not only crucial to the country but are also expected to yield investment returns that will satisfy policy owners and pension fund members.

VITAL

The two mutual societies, Old Mutual and Sanlam — which at present account for about two-thirds of the market share in the life assurance industry — are expected to at least maintain their share, largely because of their economy of scale.

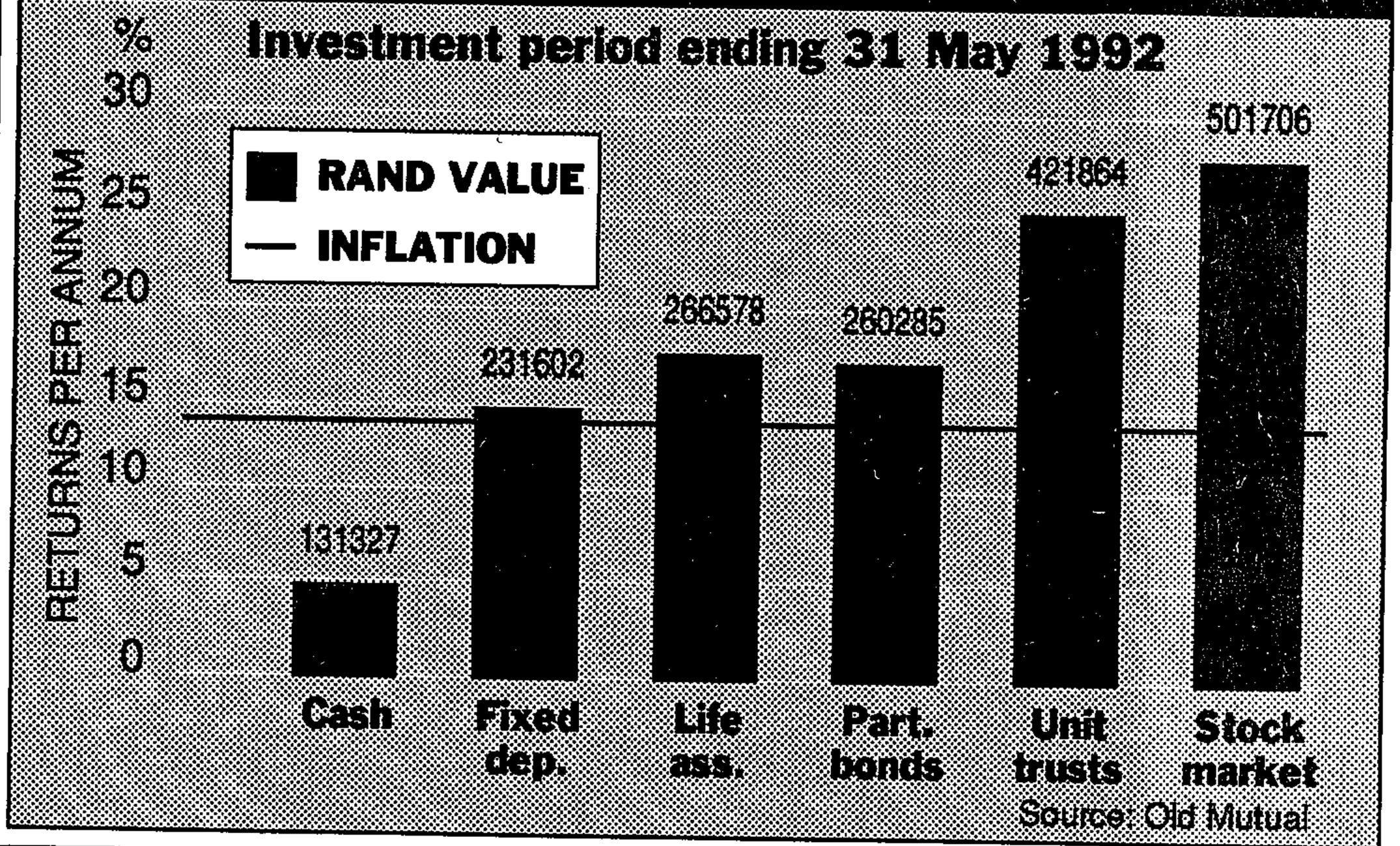
It is generally accepted that in the future, even more than now, it will be the quality of service that will determine the success or otherwise of life assurance companies.

...Africa, particularly in the area of job creation through capital investment.

He points out that net domestic investment was 14% in the 70s, 8% in the 80s and today stands at about 1%. To create new jobs the economy has to grow, and this requires capital investment on a far greater scale than at present.

R10 000 P.A. INVESTED FOR 10 YEARS

Investment period ending 31 May 1992



Source: Old Mutual

Insuring the Windsors

IT WILL surprise many to find that the lives of Di, William and Harry are covered by the South African Shield Insurance Brokers. The trio — known familiarly as "The House of Windsor" — are, however, not the familiar royal faces that dominate the world's media although their own, considerably more hirsute, visages have had considerable exposure through cinema and television. They are chimpanzees, trained to perform before the cameras. ST Times (BUSS)

Shield, only formed in mid-1990, discovered a niche in the life assurance world and made it all its own. 25/10/92.

They assure the lives of the principals working on film and TV features, mini-series and commercials, with the production being the beneficiary. Producer, director, cameraman, principal performers, stunt man ... all are covered.

"With a typical 30-second TV commercial costing R500 000 to make," explains Shield MD Steve Levitt, "the illness, incapacity or death of any one of the production's principals can be extremely expensive.

"We have just prepared a scheme for members of the Association of Advertising Agencies that gives accidental death, disablement and medical benefit for every artiste on a production. Being a group scheme, we have been able to keep cost to a minimum."

Principal artists, as already stated, may not be human. Levitt then went on to describe how they assured the life of a camel from Paarl.

Move to aid pensioners

300

Political Staff

THE government yesterday appointed a working group to inquire into problems with the payment of pensions to black people.

CT 5/6/92

The group, comprising representatives from the government and the private sector, will report within 30 days.

Its brief is to find ways to "streamline" the system of payment with the "minimum inconvenience to the beneficiaries".

The chairman is Dr N E Chinkanda of the Department of Local Government.

Black pensions to be probed

AN INQUIRY into problems with the payment of pensions to black people was appointed yesterday by government. Bloom 5/6/92 (300)

Comprising representatives from government and the private sector, it will report within 30 days.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

SAA: total cost of new uniforms

278. Mr A J LEON asked the Minister for Public Enterprises:

With reference to the new uniforms for air and ground staff of South African Airways, what was the total cost of the (a) design, (b) manufacture and (c) advertising and promotional and public relations work done in this regard?

B684E

The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of Transnet Limited replied as follows to the hon member's question:

(a) R811 000.

(b) R17,6 million.

(c) R55 000.

Own Affairs:

Subsidizing of old-age homes: amount spent/budgeted

67. Mr L FUCHS asked the Minister of Health Services and Welfare:

(1) What total amount (a) has been spent by her Department on subsidizing old-age homes for the 1991-92 financial year and (b) has been budgeted for subsidizing old-age homes for the 1992-93 financial year;

(2) whether it is the intention to increase the number of old-age homes available to her Department; if not, why not; if so, what are the details?

B658E

The MINISTER OF HEALTH SERVICES AND WELFARE:

(1) (a) R221 932 848.

(b) R222 046 000.

(2) Only a few additional old-age homes will be put into operation in 1992/93. It is not intended to increase the number of old-age homes. Provision is already made for the treatment of 7,4 % of the White aged population in old-age homes whereas the norm is 6 %. A shortage of funds prevents that additional obligations are entered into.

Cash crisis blamed

A SHORTAGE of funds would prevent additional old age homes being built in the 1992/93 financial year, Minister of Health Servies and Welfare Rina Venter said yesterday. In a written reply to a question by Lester Fuchs (DP, Hillbrow), she said R222,046m had been budgeted to subsidise old age homes this financial year.

HEALTH AND WELFARE 300

A SHORTAGE of funds will prevent additional old age homes being built in the 1992/93 financial year, according to Health and Welfare Minister Rina Venter.

She said R222-million had been budgeted to subsidise old age homes in this financial year compared with R221-million for the previous year.

12/6-18/6/92

RETIREMENT FM 12/6/92 300

ANC deals with Sanlam

A decision to invest the provident funds of ANC staff through Sanlam caused some surprise but it is a measure of the extent to

FM 12/6/92 300

which the Bellville assurer has managed to change its image from a mutual set-up for Afrikaner savings.

"It was a very democratic decision," says an ANC official, adding that several presentations were received and then voted on. Derek Hanekom, of the ANC economics unit, says Sanlam made the best all-round presentation from "an investment point of view."

What is not clear is whether Sanlam will be requested by the trustees to put any of the money into the Community Growth Fund, the unit trust announced last month that will invest only in "socially responsible" companies.

It makes sense that the ANC would want to join trade unions sending money to the CGF. So far, apparently, that issue has not been discussed. Hanekom suggests it is possible to separate ANC policies, to some extent, from the wishes of the 600-plus staff who ultimately control the fund. But the question was raised, when Sanlam presented, to what extent the sensitivities of fund members would be taken into account when the portfolio was compiled. Hanekom says satisfactory assurances on this issue was one of the factors in Sanlam's favour.

Sanlam says it will under no circumstances divulge details of a client's investment policies and directions but adds that clients' wishes are always taken into account. ■

Billions transferred to bolster govt pension fund

(300) CT 13/6/92

THE SA government yesterday sought parliamentary approval to transfer R5,77bn to a major government pension fund and the gold and foreign exchange Contingency Reserve Account.

Henri Kluever, Director General of State Expenditure, said R3,77bn would be transferred from the stabilisation account to the contingency reserve.

"These funds will effectively be destroyed ... permanently sterilised, and will not affect money supply," he said.

The separate transfer of R2bn from the State Revenue Account to the Government Service Pension Fund would be reinvested by the public investment commissioner.

Minister of State Expenditure Amie Venter told Parliament the gold and foreign exchange Contingency Reserve Account, which is used to absorb gold and foreign exchange fluctuations, had a total shortfall on March 31 of R12,5bn.

"The government is, however, reducing its outstanding statutory commitment as regards the gold and foreign exchange Contingency Reserve Account by R3,77bn," he said.

He said the increased shortfall in the contingency reserve was a result of long-term public sector loans that matured in the past year as well as the downward adjustment of gold valuations and the rand's depreciation.

Kluever said the reserve account had a long-standing deficit which would remain at R8,7bn.

Venter said the separate transfer of the R2bn surplus on the state revenue account would go entirely to the Government Service Pension Fund.

"Recent actuarial reports on state pension funds show that the Government Service Pension Fund is recovering most slowly on the route to a healthy financial position," he said.

A ministry spokesman said three state pension funds needed additional funding to get back to financial viability.

● Had the state pension fund been better invested it would not have been necessary to pump in R2bn from the State Revenue Account, Brian Goodall (DP Edenvale) said.

"We are dealing with a surplus after borrowing; we are using borrowed finances to try and bolster the assets of an actuarially insolvent pension fund.

"This may be very innovative, but not very sound, accounting." — Sapa-Reuter

Govt misuse of pension fund continues — DP

BILLY PADDOCK

CAPE TOWN — Government's mismanagement and misuse of its pension fund continued, DP finance spokesman Ken Andrew said in Parliament on Friday.

He said it continued to use foreign borrowings to offset the fund's shortfall.

Andrew slammed government's request to Parliament on Friday to approve a R5,77bn transfer from the Stabilisation Fund, of which R2bn would go to the Government Pension Fund and R3,77bn to Gold and Foreign Exchange Contingency Reserve Account.

The DP had opposed the pension allocation clauses in the Finance Bill, he said.

Government had borrowed more than necessary last year and, instead of reducing its high interest loans, was using the surplus to reduce the pension shortfall, he said. This should rather have been used to pay off some of the loans.

Andrew said the return on interest earned from the pension funds was much lower than the interest paid on borrowings.

He said the total shortfall on the State's pension funds was between R40bn and R50bn. This was a result of the stopping of actuarial evaluations during the 1970s, cheap buy-back schemes, huge occupational differentiations of the 1980s, and money used to buy public servant's loyalty after the formation of the CP.

The funds were also used to invest through the Public Investment Commission at much lower rates of return than could be found in the private sector.

State Expenditure Minister Amie Venter said it was necessary to pump the R2bn into the Government Pension Fund because it was recovering slowly.

He also announced that R3,77bn was being transferred from the Stabilisation Account to the Gold and Foreign Exchange Contingency Reserve Account, which had a total shortfall on March 31 1992 of R12,5bn. The increased shortfall was mainly a result of long-term public sector loans maturing in the past year, the downward adjustment of gold valuations and the rand's depreciation.

Government's debt to the Reserve Bank on the contingency reserve was offset by crediting from the Stabilisation Fund and would not affect the money supply.

Inland Revenue homes in on retirement annuities

BD 18/6/92 . LINDA ENSOR 300

CAPE TOWN — Inland Revenue has taken steps to stamp out avoidance of SITE payments on retirement annuities by making them subject to PAYE, despite the objections of the Life Offices' Association (LOA).

In terms of an amendment to the Fourth Schedule to the Income Tax Act, contained in the the Income Tax Bill tabled in Parliament, annuities will be subject to PAYE from March 1 1993. Thereafter, tax returns providing information on all annuity income will have to be submitted to the revenue authorities.

Inland Revenue's Ian Meiklejohn said a significant reduction and even the total elimination of a SITE liability on retirement annuity income could be achieved by taking out several retirement annuities with different life assurers.

This would mean that the income from any one policy would fall below the minimium SITE threshold of about R12 000 for people under 65 years, and about R22 000 for those over 65 years in those cases where annuities or pensions were the sole source of income.

Meiklejohn said this method of reducing tax liability had been widely propounded and it was necessary to take steps to prevent it as the life industry could not come up with a way to control the practice.

But LOA policyholders taxation committee convener and Old Mutual legal services manager Abri Meiring said yesterday the abuse of the system was not widespread and did not justify the huge expense which life offices would have to bear in switching their systems from SITE back to PAYE. Also, Meiring said, the difference in tax treatment of pensions, which were subject to SITE, and annuities was not healthy.

Eskom sets stage for major staff cuts

B|Day 18|6|92

300

TIM MARSLAND

ESKOM has reduced the voluntary retirement age of its employees to 45 years from 50 years ahead of what unions believe are imminent major payroll cuts.

The offer is generally available to employees with at least ten years' service.

National Union of Metalworkers of SA national organiser Tony Kgobe said it had been estimated Eskom planned to cut employee numbers to 33 000 over the next five years. At the end of 1991 the electricity utility's payroll totalled just fewer than 47 000, down from 65 000 in 1987.

Eskom spokesman Bongani Khumalo acknowledged yesterday that Eskom had surplus staff on its payroll, but added that redundant employees who did not volunteer for early retrenchment would not be made to go. Final numbers had not yet been decided on and retrenchment proposals would be put to the trade unions once this had happened.

Another spokesman said talks with unions were scheduled for July.

Last week messages were sent to the computer screens of the utility's generation division warning of possible redundancies and assuring workers that Eskom would act compassionately and provide all possible assistance to those under threat.

The 10-year service period could include bonus service and any potential service that the employer wished to award the worker. Sources at Eskom said staff who opted for voluntary retrenchment would probably get about six months' pay.

Planning documents indicated that Eskom itself would bear two-thirds of the early retirement costs to the pension fund and that the business units from which staff were cut the remaining third.

A fund spokesman said this had been normal practice at Eskom since 1986.

According to the documents, restructuring in the generation division would inevitably result in a number of surplus staff being identified.

"The fear of becoming surplus brings uncertainty, insecurity and feelings of failure and loss of personal value. However, management appeals to you ... to continue

☐ To Page 2

Eskom

B|Day 18|6|92 300

☐ From Page 1

with your normal day-to-day tasks."

Reacting yesterday, Khumalo said Eskom was restructuring itself to keep pace with the changing circumstances and environment in order "to achieve its strategic priorities of business efficiency, electrification of households that can afford it, and harmonisation with the new SA".

The restructuring was at present the subject of discussions with trade unions where it affected employees.

Available alternatives were discussed one-on-one with the employee to be retrenched and his union representative.

"If the employee does not opt to agree to any of the alternatives, there is no question of him being forcibly retrenched at this stage."

Labour relations experts said one-to-one negotiations ran contrary to agreements reached in the Industrial Court regarding collective bargaining.

Kgobe said Numsa had told Eskom to discontinue one-to-one negotiations and regarded it as "extremely serious" that they were continuing with this programme.

Eskom told the union at a meeting last week it did not intend retrenching workers.

Numsa, the National Union of Mineworkers and the Electricity Workers Union would discuss what action to take at a meeting of their National Shop Stewards Council this weekend.

■ PS: Don't forget Sunday

Minister's claims over food prices 'naive, misleading'

The Argus Correspondent

ARG 19/6/92

JOHANNESBURG. — The private sector has labelled as "naive and misleading" claims by the Minister of Agriculture that concentration in the food processing and distribution sectors has been partly to blame for soaring food prices.

Defending the marketing boards, Dr Kraai van Niekerk said on Wednesday that the private sector must take some of the blame for spiralling food costs.

According to Housewives League president Mrs Jean Tatham, government figures showed an increase of nearly 30 percent in food prices between April 1991 and April this year.

Econometrix spokesman Mr Tony Twine said the entire supply chain carried the blame for increasing costs — and logically all were trying to secure the greatest margin possible.

"If the food sector was completely de-controlled this situation would continue, with each one trying to optimise his position.

"My worry about the piecemeal deregulation of certain areas of the economy is that the area not deregulated would begin to enjoy huge leverage in negotiating prices.

"While everyone tries to get the most out of the economic system, the presence of additional middlemen — such as control boards — means there are more players than necessary trying to optimise their positions."

He said this must add to the cost chain.

"The ultimate answer is to deregulate on a broad front."

Fireworks at pensions payout: Official fired

COLESBERG. — An official has been fired by the Cape Provincial Administration after firecrackers were set off at a payout point for black pensioners here.

Complaints were laid after officials let off the firecrackers, made a joke of the collapse of an old man who died soon afterwards, and generally displayed insulting behaviour.

ARG 19/6/92

The official's dismissal was confirmed by the director-general of the CPA's pensions department in a letter to Ms Nomthandazo Gaqa, a Black Sash field worker based in Coleberg.

She said yesterday a table used by the officials on March 24 was "full of firecrackers used to frighten our people. When people reacted by running and screaming it was seen as a big joke by the officials."

A pensioner in poor health, Mr A Stuurman, collapsed. "He was lying on the ground and having fits".

An official whom she named, "shoved people aside to see what was going on, and when he saw the man lying on the floor he made a joke of it". It is this official who has been fired.

Mr Stuurman was taken to hospital where he died soon afterwards. — Ecna.

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Sowetan 22/6/92

Woman of the Week

Marjorie Manganyi

MARJORIE Manganyi's dream of becoming a nun was shattered the day her mother told her the church would have to pay lobola to keep her.

But her will to help the needy remained undeterred and today she runs the Ithlokomeleng Association for the Aged and Disabled in Alexandra.

Not only that. She also heads a project that helps the aged who cannot be kept at the home.

Help

At the age of 62, Manganyi, a mother of three and grandmother to nine, is energetic. "I am not tired yet," she said. "I have not even thought of retiring.

"There are still a lot of old people out there who need help. My goal is to see them properly housed in an old age home with trained nurses and a doctor on call," she told me.

Her involvement with the aged began in 1978 when she helped pensioners on pay days. The death of an old woman in the queue was the turning point in Marjorie's life.

include sewing, cookery and health lessons organised by Manganyi.

She has also started an outreach programme called Thusanong run by the oldies themselves. The programme focuses on the aged not on the home.

Through the programme new cases of destitute old people are identified, clothing and food handed out to them and those with health and other problems referred to the relevant organisations.

Community work for Manganyi did not begin with the aged though. In the 1970s she worked as a tuberculosis information officer at Alexandra Clinic.

She visited TB patients at home to ensure they took their medicine and later started a sewing group.

"I grew up in a family where we were taught to love our neighbours, share what we had with others and help in any way we could those who were worse off," she said.

Manganyi now qualifies as a nominee for the *Sowetan*/Eskom Woman of the Year Award.

Tireless ... Marjorie Manganyi

Lice

"I organised a few people to start a project which could identify problems for old people in our area," she said.

"Most did not have proper housing and were not cared for. They were full of lice and lived in filthy shacks all alone."

Manganyi sold her general dealer's business because she gave all the food to the poor. She was broke.

Sandton Rotary Club came to her aid and gave her two Portacamps (prefabricated buildings).

The two prefabs were built and 16 old people moved in.

That was the start of Ithlokomeleng which she intends improving and expanding into an old age village. Today 60 people are housed at the home.

"Now we have six cottages, a little hall which we use as our lounge and a workshop," she said.

Retrenched

"The workshop was really started by a young potter who was retrenched from work and two fine artists who had no place to work from.

"The little rent money they contribute towards the centre goes a long way," explained Manganyi.

The grannies are kept busy with activities. These

ntries such as Mozambique, nd Zimbabwe."

penny stock range — it is a very substantial company now."

Pension funds, trusts to trade in futures?

CT 24/6/92 (300)

UNIT trusts and pension funds could be permitted to trade in futures and options before the end of the year, said Syfrets investment manager Rob Nichol yesterday.

An investigative committee from the unit trust industry was presently putting the final touches to a framework that could achieve this goal, he said.

Derivatives (futures and options) are legitimate instruments in their own right and a fundamental part of any fund manager's tool kit, said Nichol.

Nichol was speaking at a Pension Fund Performance conference at Johannesburg's Indaba Hotel attended by top institutional and pension fund representatives.

Derivative instruments presently trade on the South African Futures Exchange (Safex), where strong daily volumes are running at around 4 000 contracts a day worth over R150m.

Safex offers futures contracts on the key JSE indices, the gold price, the 3-month liquid BA and the Eskom 168 bond.

"We are satisfied with the way Safex is developing," said Nichol. "Many fund managers are now well down the track in their understanding of derivatives."

Derivatives allow fund managers to change the asset mix of their portfolios without actually buying or selling the underlying shares, he said.

"The speed and flexibility of such transactions mean funds are managed with fewer resources."

The challenge for fund managers is to convince conservative pension fund trustees of the use derivatives can play in enhancing returns and reducing risk.

A useful approach, Nichol said, is the British investment philosophy of Efficient Portfolio Management which states that all portfolio transactions should be "economically appropriate" to the reductions of relevant risks and cost while not being of a "speculative nature".

Uniform retirement age soon law

B/Day 25/6/92

MICK ELLINGHAM

LEGISLATION in the pipeline could soon see men and women retiring at the same age, industry sources said yesterday.

Already many SA companies are setting a uniform retirement age of 63, the custom in the past being for men to retire at 65 and women at 60.

Alexander Forbes Shepley & Fitchett consulting actuaries senior director John Hayward said: "The reason for the age gap was traditionally to mirror the age gap between a man and his wife so that both could retire at roughly the same time."

However, changing social trends — such as moves toward equality in the workplace — had closed the gap in retirement age.

SA's re-entry into the world community should cause many companies to assess overseas trends.

It was possible that legislation would be passed in the future to set the same retirement age for both sexes, said Hayward.

Of the 52 companies surveyed in the 1991 Alexander Forbes major employer survey, 47 showed a uniform retirement age.

Old Mutual assistant GM: employee benefits Chris Newell confirmed that many SA companies had equalised the retirement age of their employees.

The SA insurance industry has inherited the trend from the UK and US.

However, many pension schemes were now increasing the range of options open to their members by allowing for flexibile retirement dates, Newell said.

Fedlife actuary: employee benefits Philip Hellig said lowering retirement ages had the effect of reducing a country's work force, increasingly a trend in developed states.

RETIREMENT FM 26/6/92

Watching portfolios 300

Though variations in the investment performance of guaranteed retirement funds may seem trivial, they can affect the funding demands on an employer by as much as 50% over the long term, say brokers Willis Faber Enthoven.

Most investment attention is given to the managed unitised funds of the life assurers, says Willis Faber's Peter Dean. While these funds are undoubtedly important, most pension and provident funds invest all or part of their assets in guaranteed funds underwritten by life offices. Such arrangements impose an obligation to see that the fund is capable of meeting its stated benefits.

The survey of leading guaranteed funds shows Southern Life declared the largest bonus in 1991 of 20,5% for pension funds and was second in performance on provident

FM 26/6/92 300

funds, behind Norwich Life which declared a yield of 22%.

But, over five years, Old Mutual outperformed the others with an average 21,34% for provident funds and 20,97% for pension funds. Dean points out that Old Mutual's performance is more volatile than most.

A fund which out-performs the average by only 3% could, says Dean, halve the long-term funding requirements. ■

Sanlam calls for standard retirement fund

B'Day 26/6/92

MICK ELLINGHAM

SANLAM has called for the introduction of one standard retirement fund in SA, with uniform requirements and benefits for all.

Sanlam group benefits GM Francois Marais said yesterday: "The unproductive, artificial and sometimes discriminatory distinction between pension and provident funds should be eliminated."

He said in terms of legislation the main differences between pension funds and provident funds were:

☐ Member contributions to a pension fund were tax-deductible up to 7,5% of salary, while contributions to a provident fund offered no tax relief;

☐ At retirement, one-third of the benefits from a pension fund could be taken in cash — while the rest had to be paid as a pension. On the other hand, the full benefit of provident funds could be taken in cash.

"At the moment, many companies offer more than one fund for different employees, because trade unions in particular prefer provident funds. Accusations of discrimination could arise in future, since factors such as benefits, member contributions and tax relief differ between funds.

"The fact that contributions to provident funds offer no tax relief, can be viewed as discrimination against the members of provident funds, which are the mode of provision for retirement most favoured by trade union members," Marais said.

He suggested that parity between the funds could be attained by:

☐ Scrapping the names of "pension fund" and "provident fund" and replacing them with a general name such as "retirement fund";

☐ Affording all members of the new retirement funds the same tax relief as that which applied to contributions from pension fund members, namely 7,5% of salary;

☐ Eliminating the differences in the payment of benefits by allowing the full benefit up to a certain limit — for instance R100 000 — to be taken in cash. One-third of the benefits over this amount could be taken in cash, with a pension being compulsory for the remaining amount.

Time for retirement fund revamp

STAR 27/6/92

Arguments about the advantages of pension versus provident funds continue. Now it is suggested the best elements of both can be melded into one. MAGNUS HEYSTEK reports.

SCRAP the differences between pension and provident funds and create a new kind of retirement fund. This is the call by Francois Marais, general manager, group benefits, at insurance giant Sanlam — a call echoed by many commentators in the past.

"There certainly is merit in such a suggestion," says Roger Wellstead, group personnel manager at the Argus Group.

One fund with the best characteristics of both is far superior to the current system, which is not only confusing but also unproductive in certain instances.

"It is high time that the unproductive, artificial and sometimes discriminatory distinction between pension and provident funds be eliminated," he says.

"In its place there should be a comprehensive new type of retirement fund with uniform requirements and benefits, in which everyone can take part."

Differences

Although these two types of funds are viewed as alternatives, the alternatives are not equal.

In terms of legislation, there are only two differences between pension and provident funds.

Member contributions to a pension fund are tax-deductible up to 7,5 percent of salary, while similar contributions to a provident fund offer no tax relief. At retirement, one-third of the benefits from a pension fund may be taken in cash — while the rest must be paid as a pension. On the other hand, the full benefit of provident funds can be taken in cash.

"At the moment, many companies offer more than one fund with different benefits for different employees, because trade unions in particular prefer provident funds," says Marais.

"This could easily lead to accusations of discrimination in future, since factors such as benefits, member contributions and tax relief do differ. Pressure for equal treatment of all members can be expected in the future.

"The fact that contributions to provident funds offer no tax relief can be viewed as discrimination against the members of provident funds — the mode of provision for retirement most favoured by trade union members. The argument that tax considerations are less important to these members won't always be accepted."

What is more, the differences between pension and provident funds sometimes lead to long and unproductive debates, conversions, the formation of new funds and various administrative systems, without any real benefit to the members or the employers."

Parity can be attained without affecting existing rights and benefits of present funds, by taking the following steps, for example:

□ Do away with the differentiating names of "pension fund" and "provident fund", and replace them with a general name such as "retirement fund".

□ Afford all members of the new retirement funds the same tax relief as that which currently applies to contributions from pension fund members, namely 7,5 percent of salary.

□ Eliminate the differences in the payment of benefits by allowing the full benefit up to a certain limit — R100 000 for example — to be taken in cash. One-third of the benefits over this amount could then be taken in cash, with a pension being compulsory for the rest.

Still available

"The benefits of most existing provident fund members should therefore still be available in full in cash at retirement, while existing pension fund members would have the option of taking a greater part of their benefit in cash," adds Marais.

TPA pays up cash denied to oldies

TEN readers received their pension payments from the TPA in person on Friday after complaining to City Press when their pensions were not reinstated in June.

Most of their pensions were cut off because of the controversial review procedure introduced by the TPA.

Christina Tsotetsi of Katlehong received R2 524 for the nine months the TPA cut off her pension.

The 70-year-old grandmother had her pension cut off in September 1991 because of a mistake with her date of birth in her new ID book, which made her 12 years younger than she is.

At her latest trip to the pensions office in June, she was told to make yet another new application.

City Press complained to the TPA, the pension was reinstated and the arrears paid to Mrs Tsotetsi.

Magdeline Lebojoa of Heidelberg has also had her pension reinstated and will get arrears of R3 250.

Her pension was cut off in 1989 and reinstated in January 1991, but she received none of the arrears for the year of payments she was owed.

After complaints by City Press, TPA paid out the full arrears.

Several other readers received one month's arrears, which was missing from the payments they received at the paypoints in June.

TPA promised to pay out full arrears in June, but several pensioners found they were paid out for two, instead of three months, in June.

Disabled pensioner Eunice Nzama of Soweto got arrears of R2 163 when her disability grant was reinstated. The grant was cut off in August and at the Zola payoint in June she was told to come back in July.

The TPA says the money was at the paypoint in June, but could not say why it had not been paid out.

Another disabled pensioner, Daniel Mosime of Stilfontein, has had his grant reinstated and received his arrears.

Like other disabled people, Mosime will not have to go through this review procedure every year.

The TPA has abandoned the policy it introduced in 1990 which was to make all disabled people, even those permanently disabled, undergo a thorough medical examination every year to prove they still qualified for a pension.

From now on, it will be sufficient for disabled people to convince pensions officers of their continued disability.

■ The TPA says no new applications for disability grants can be considered until the strikes at Baragwanath, Hillbrow, Johannesburg and Leratong Hospitals end.

There are usually 1 000 disability grant applications in the Johannesburg and Soweto areas a month.

TPA director of development activation, Willie van Niekerk, says the TPA will make "every effort to help those who are in danger of having their disability allowances suspended bacause they lack a medical certificate".

Van Niekerk says that in cases of permanent disability, district officers will be given discretion.

Readers' Hotline

Helping you with your problems

☐ PO Box 548
Kengray 2100

How to have a good old time

AFTER a lifetime of work, senior citizens look forward to settling down to enjoying their golden years. But spiralling inflation means even basic foodstuffs are being regarded as luxuries. For those on fixed incomes, the poor economy takes an added toll.

"It is well-known," says author Pam Black, "that South Africa as a whole is not geared towards the needs of the elderly, the pensioner in particular.

"With inflation continuing at peak levels, this deficiency in our society has become a serious matter for the senior citizen attempting to survive on diminished savings or a meagre pension."

Balancing

In her book, "Senior Citizens' Money-Saver", Mrs Black says balancing the budget these days is similar to being a funambulist. A what? A tightrope walker.

"In today's economic climate, with the rand falling, inflation rising and unemployment on the increase, there are many of us who feel that we are economic funambulists, walking a fine tightrope trying to balance our budgets!"

The best and probably the only way to keep an even keel is to budget. While the word might have connotations of "cheap" or "inferior" goods, its literal meaning is "to make provision for".

Expenditure is divided into four main groups: fixed, variable, optional, emergency, plus saving.

Housewives' League past president Lyn Morris says the most important aspect of retiring is that people usually know when they will retire and so can save towards that goal, ensuring that all their major expenses, such as a house or caravan, are paid for before them.

"All they will have to pay for then is their day-to-day living expenses."

"Ensure," says Mrs Morris, "that discounts offered to pensioners are in fact a good buy. Things like meat can be bought in bulk and stored in the freezer."

It is important to freeze only enough for one or two people; this can be supplemented when family visits, but storing in bulk always means food — and money — is wasted.

Another way in which money can be wasted is when pensioners who live alone are forced to buy vegetables in bulk. So, says Mrs Morris, the league has fought to keep the loosely sold veggies in the stores.

However, senior citizens living in a self-catering retirement village are in an ideal position to start co-operatives where groups save by buying vegetables, meat and other food in bulk, and save by splitting the products and costs.

Like any consumer, Mrs Morris advises pensioners to "be careful when you shop".

Ideas

One thing she would not advise pensioners to buy is 250 g of margarine. It's always much cheaper to buy 500 g, cut it in half, seal it and keep in the fridge.

Mrs Black advises pensioners to talk to their peers and swop ideas on saving money.

"If you feel that you do not have the self-discipline to stick to a budget, try talking a friend into keeping a budget as well. Knowing that someone else will be checking up on you may motivate you to keep it up-to-date," she added.

But, says Mrs Black, a hot money tip remains: "The best way to double your money is to fold it over and put it in your pocket."

● Safety, fitness, legal aspects as well as a full list of discounts and concessions are included in Mrs Black's book, which is available from local bookstores or by telephoning (021) 762-6910.

Look for suitable accommodation before retirement

300

BIPay 2/7/92

SPECIAL arrangements must be made with regard to the best time to retire and to ensure one's accommodation is suited to this new phase in life.

Southern Life GM (legal and tax services) and Ilpa member Nigel Scott says retirement is the most important provision for anyone over 50 and accommodation is an important consideration.

"Satisfy yourself that your current home is a suitable dwelling for retirement. If not, it is preferable to move before retirement," he says.

Such a move gives one time to become accustomed to new surroundings before having to deal with the changes of retirement.

Take account of factors such as security, the gradient of the property, single-level dwelling with no steps, low maintenance buildings such as face brick and ensure the grounds are of a manageable size.

An employee who receives adequate benefits from his pension or provident fund and who has also invested in a retirement annuity fund should defer retiring from the annuity fund as long as possible. Advantages include:

☐ Tax deductible contributions can continue to be made;

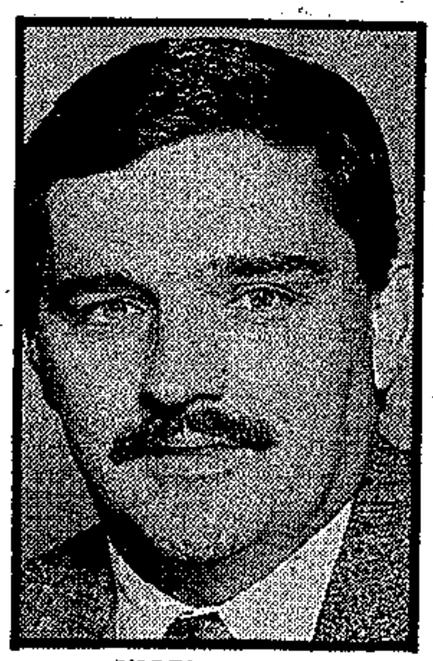
☐ Funds accumulating in the annuity are tax-free;

Boost

☐ One avoids unnecessary payment of tax on income that is not required;

☐ The annuity paid on retirement will boost retirement income at a time when inflation would have eroded the buying power of the original pension.

Under the deferred compensation arrangements, an employer can make a further contribution of up to 10% of his income to a life assurance policy.



NIGEL SCOTT

This is tax deductible in the employer's hands and is not added to the employee's income for tax purposes.

He says the investment returns in pension funds, whether determined in terms of the rules or as a consequence of the growth in the contributions, are "hardly taxed".

"Such yields in the hands of the right investment manager can be exceptionally good."

Pension fund benefits track inflation rate

(300) CT 2/7/92

By ARI JACOBSON

GOOD investment returns throughout the 1980's allowed pension fund benefits to keep sight of the inflation rate said Sanlam's GM group benefits Francois Marais yesterday.

Speaking at a press gathering, at which Sanlam's 1992 pension fund survey was released, Marais pointed out that of the 330 pension funds canvassed some 80% "now made provision for pension increases (after retirement) of at least 75% or more of the inflation figure, based on the consumer price index (CPI)".

"These and other improvements were largely made possible by the strong performance of the JSE."

He said pension funds made profits on withdrawals — even though almost 50% of the pension fund sample had increased the (compound) interest on funds withdrawn, from the 1987 level of about 4% to the current 8% or higher.

Marais mentioned that surpluses in pension funds were passed on to the beneficiary by way of higher payouts.

But he warned that this was unlikely to be repeated in the coming decade without higher contributions to pension funds.

"The area of focus in the 1990's should preferably be an attempt to link post retirement pensions fully to inflation."

Marais also talked of the new trend in the industry, which has already seen a swing from pension to provident funds, with the new SA in view. He believed that investment returns in this new and uncertain phase may not be as favourable as in the previous decade.

"And so instead of the employer having an open ended liability via the defined benefit pension scheme — this liability can be fixed to contributions, through the provident fund."

He added that about 30% of the companies surveyed now had provident funds.

Other pension patterns picked up in the latest survey include:

- Most large funds still link post-retirement benefits to the final salary;
- A more flexible package now exists for those that retire before completion of service;
- Over 50% of pension funds now not only provide for the widow but also for the widower; and
- Only 28% of employers in the survey have a formal policy on Aids.

Investment for the over-50s

No short cut to wealth, says Fedlife's Ehmke

CHOOSE your investment advisor with care as this could make the difference between financial success or failure. (300)

This is the advice of Institute of Life Pensions Advisers (Ilpa) vice-president Gerard Ehmke, with particular reference to the over-50s.

He says it is not only crucial for people close to retirement because they happen to have substantial sums to invest but because more senior people "do not have time on their side to attempt to recoup losses arising as a result of poor investment decisions".

To ensure money for investment purposes does not fall into the wrong hands, Ehmke, Fedlife's employee benefits deputy GM, offers guidelines on choosing an investment advisor. One should ask oneself:

☐ How long have you known him;

☐ Is he independent or associated with a sound financial institution;

☐ How long has he been in business;

☐ Can he adhere to a code of conduct;

☐ Can he supply references from satisfied clients;

☐ Does the advisor carry professional indemnity cover for the protection of clients; and

☐ What are his qualifications?

B Bam 7/7/92

Understands

Ehmke further suggests that the investor ascertains whether he fully understands the nature of the investment or, if not, has it clearly explained — preferably in writing.

"Risk and reward have a direct bearing on each other. Remember, there is no short-cut to wealth — unless you are prepared to speculate. If so, are you able to live if your entire investment is lost?".

Generous pensions trend is easing, says Sanlam

B|Day 2/7/92

LINDA ENSOR

CAPE TOWN — The trend towards more generous pension benefits had continued over the last two years, although it had recently tended to level off, Sanlam group marketing GM Francois Marais said yesterday.

Speaking on the release of Sanlam's sixth biennial survey of SA pension and provident funds, he said benefits had improved consistently over the last decade as funds gained from high investment returns.

But this trend was not likely to continue as investment returns were likely to be lower.

The survey covered 330 pension funds and 99 provident funds in the public and private sectors.

Particularly encouraging, Marais said, were steps taken to adjust pension benefits to take inflation into account. The period for determining the average salary on which a pension was based had been shortened — the shorter the period the higher the average salary. About 66% of the funds used a three-year average in 1987. Last December, 68% used the last two years and 31% the last year.

Secondly, the funds were making more generous provision for pension increases after retirement. Of all the funds, 32% granted pension increases on a par with the inflation rate, compared with 12% of them two years ago. The average pension increase between 1987 and 1991 was 11,4%, or about 75% of the increase in the consumer price index, and 80% of funds said they planned future pension increases of 75% or more of the index.

The trend was towards more comprehensive withdrawal benefits. The survey found interest on the repayment of contributions by provident funds was generally higher than with pension funds.

About 67% of provident funds allowed the total employer's contribution or part of it to be paid out at withdrawal, against about 33% of pension funds. Equal benefits for men and women were increasingly being introduced as the gap in retirement ages narrowed. Spouse's pensions were becoming more popular.

Other trends noted included that 11% of funds were considering a switch from a fixed-benefit to a fixed-contribution fund or had already done so, while 27% of companies had recently established a provident fund. There had also been a significant trend to include fringe benefits in pensionable remuneration.

The survey found that 86% of provident funds were based on a fixed-benefit structure with the average rate of employer contributions at 7,5%, compared with over 10% for pension funds. The average member contribution to provident funds was 5,5% compared with 8% in pension funds.

Innovative schemes target the over 50s

BL Pay 21/7/92 (308)

MORE investments are being developed for people above the age of 50 — including a unit trust package from Old Mutual and a fixed deposit from Saambou Bank.

Known as Profit Grow, the Saambou option calls for an investment over 32 days and guarantees a minimum interest rate of 15,25% with an extra 0,5% to people aged over 50.

Saambou Bank senior GM Dawie Botha says the product offers the best of both world by yielding a high and guaranteed minimum return.

"In these times of fluctuating interest rates, this is the ideal investment for people in their golden years," he says.

Old Mutual Unit Trusts is offering various packages tailored to meet various investor needs.

Its Retirement Trust is aimed at those who want to supplement their retirement annuity or who want to invest a cash lump sum received from an annuity on retirement.

Lump sum

With Old Mutual's Phased Portfolio a lump sum can be invested in the relatively secure Income Fund unit trust comprising interest-bearing securities and government stocks with minimal capital fluctuations.

The lump sum is swapped to any of Old Mutual's high risk, higher growth equity funds when the timing is right.

Annuity benefits must be protected

B/Day 2/7/92

PROTECTING retirement benefits requires greater attention, particularly if the value of payments is to withstand inflation.

Timelife Insurance GM (marketing) Tony de Munnik says taking out a retirement annuity is one thing; protecting the value of the pension after benefits start flowing is another.

Safeguarding annuity beneficiaries and pensions against inflation's eroding effects has been tackled by Timelife with its new Pension Plan.

The period between the time one takes out an annuity and the time it is paid out is the period which receives maximum attention, says de Munnik.

Timelife's Pension Plan, which is managed by the Board of Executors, is aimed at retirees of a retirement annuity, pension or provident fund — or its beneficiaries should the breadwinner die.

300

Portfolio

Payment benefits from any of these schemes are invested in a portfolio of carefully selected equities, properties, bonds and cash.

The plan provides a guaranteed minimum pension payable for the lifetime of the beneficiary, says de Munnik.

At the end of each year, Timelife calculates the investment performance of the portfolio and declares a bonus in the form of an increase in the guaranteed minimum pension payable.

In addition and depending on the nature of the investment performance, a cash sum is paid to the beneficiary as a year-end bonus.

Payouts bonanza for pensioners

300 ARGT 2/7/92

TOM HOOD, Business Editor

MORE employers are stepping up their payouts to pensioners to help them cope with inflation, according to the latest Sanlam biennial survey of retirement benefits.

The norm 10 years ago was to base pensions on the average of the last three years' salary but more companies were switching to the final year's salary as the basis of calculating pensions, said Mr Francois Marais.

The most generous of all, the government pension fund, was based on the final day's salary. This meant senior employees could be given a 30 percent rise in his final month at virtually no cost to a department but the practice played havoc with the pension fund.

The government pension fund was one of 429 funds examined by the survey.

The majority of funds based pensions on 2 percent of final salary and the number of years service but there was a trend to go for 2,5 percent of final salary.

"We don't encourage this," said Mr Marais. "If a company wants to improve pensions because of inflation it should rather add to the final salary or pension.

About 32 percent of funds gave pension increases in line with the consumer price index. Two years ago only 12 percent of funds made this kind of provision.

A total of 49 percent of funds gave addition increases last year over and above their normal pension adjustments. This was made possible by high investment returns.

The average pension increase was 11,4 percent last year, representing 75 percent of the inflation rate.

Eighty percent of funds surveyed were planning to give future pension increases of 75 percent or more of the rise in the CPI.

RMBT is celebrating 130 years in business

B/Day 2/7/92

ONE of SA's oldest investment groups, Russell Marriott & Boyd Trust, is celebrating its 130th year in business.

The Durban-based financial services and property group, which manages assets worth R1,2bn, has a strong focus on the over-50s group, with 2 600 of its 4 000 clients in this age bracket.

RMBT MD Michael Mun-Gavin says that 10 years ago the company had no more than R60m of client funds under its management. "A major contributing factor to this growth was RMBT's concerted drive in the late-1980s to become a recognised diversified financial services organisation.

"This is in addition to maintaining the strong position it has traditionally held in the property investment market."

The independent company currently administers two equity trusts and acts as portfolio manager to the Natal Building Society fund.

It also manages four listed property trusts in addition to its broader range of financial services activities.

In the space of a few years financial services, including equity portfolio and cash management, have grown from almost nothing to R400m of total client funds under its management today.

Mun-Gavin says RMBT will continue its strong thrust into the financial services market and look to providing more gilt-edged investment options for more senior citizens.

Simple principles are frequently overlooked

B/Day 2/7/92 300

OVER-50s should follow some simple but often overlooked financial principles if they are to retire in comfort, says Fincorp (Ernst & Young) financial consultant Vernon Cresswell.

Financial planning is seldom more challenging than when one is at this age, he says.

It is often a time when one must fund tertiary education and when making provision for retirement becomes more demanding.

What exacerbates matters is the lack of certainty in financial markets, he says.

Assuming a 50-year-old is looking at another 10-15 years of a paid career, his current situation could be:

☐ Monthly cash flow is likely to cover expenses with a small surplus;

☐ He almost certainly will own his own home;

☐ He should be receiving or be due to receive the proceeds of matured endowments; and

☐ There may be extra cash invested in unit trusts, or he may have received some form of inheritance.

VERNON CRESSWELL

Cresswell says his major expense would probably be teenagers' education.

Had he not provided for this his monthly surplus cash would be used for it.

He suggests a fairly low-risk approach to investment, which should be growth related.

It is not a time to view new life assurance products as the ultimate form of investment.

"This is because of the long period (at least 10 years) required.

"I believe better growth and flexibility would be found in other instruments such as unit trusts."

However, life assurance such as matured endowment contracts could form a most valuable part of one's portfolio as they have distinct advantages, Cresswell says.

"The cost of acquiring these contracts is far superior to the upfront costs usually associated with new contracts — not to mention their flexibility."

It is essential to have a balanced portfolio, made up of a sound spread of property (a home plus possibly a small holiday home) and equities (unit trusts and a small portfolio).

In addition, some form of cash holding for emergencies should definitely be considered as this provides a hedge against retrenchment, which is prevalent during this career phase.

Property must be chosen carefully

B/Day 2/7/92 300

BULLISH sentiment is returning to the homes market, but aspirant investors should look carefully at what and where to buy if they seek value and good resaleability.

Options include well-situated and properly managed flats, which are in growing demand — ostensibly as they provide better security for residents — cluster home complexes and retirement villages.

Investment in retirement village units could offer investors and owners the biggest returns at present, say property specialists.

Camdon's retirement village divisional MD Laureen Schneider says factors behind pressure on retirement village prices include:

☐ The percentage of the overall population officially classified as "aged" is growing faster than demographers expected; and

☐ The decline in the number of new retirement village units coming on to the market arising from "meddlesome" legislation.

Camdon's group MD Scott McRae says the Retired Persons Housing Act requires developers to provide costly financial and completion guarantees which translate into higher prices. This discourages smaller developers and leaves the market open to larger institutional developers with heavy overheads, which also mean higher prices.

Increasing lawlessness makes the secure environment of a retirement complex highly attractive.

"We have a classic case of rising demand and falling supply — a scenario which is bound to cause prices to rise," says McRae.

Camdon's, which claims to have the largest national cross-section of properties in this market, has only about 20% of the retirement village stock it had a year ago.

Schneider says the emerging scenario offers attractive investment opportunities. "Returns over the medium-term could arguably outstrip other property investments, and the message is buy now."

Boosting pensions can pay off later

B/Day 2/7/92.

PENSION benefits can be boosted to help take care of retirement needs by making extra contributions.

Fedlife deputy GM (employee benefits) Gerard Ehmke says no matter how attractive a person's pension scheme, it is unlikely to be such that inflation will not take its toll during years of retirement.

Generally the average person turning 50 is likely to have about 120 to 180 pay days left. 300

Preserving

"But by setting aside, say, R150 a month during the rest of their working life they can do something about preserving the value of their pension."

Ehmke says at about the age of 50 many people start looking forward to retirement which is probably 10 to 15 years away.

Assuming they have 15 years before retirement and pay an additional R150 a month contribution to the pension fund, at retirement the fund will be worth an additional R120 000 (at an assumed interest rate of 18% per annum).

Beauty

This "maturity" value of R120 000 must be used to buy an annuity (pension), says Ehmke.

"The beauty of this sort of investment of R150 a month is that such additional contributions to pension funds by an employee are tax deductible up to R1 800 per annum.

"Hence, if a marginal tax rate of 43% applies to the member, they are effectively only paying just over R84 a month — a small price for the handsome return they will enjoy once they retire," he says.

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CAPE TOWN

Getting to grips with the value of unit trusts

B1Day 2/7/92 (B) (300)

MORE older people are seeing the value of unit trusts as a long-term investment medium.

This disclosure by Old Mutual Unit Trust — SA's largest — is supported by unit trust managers Guardbank and UAL Management Company.

Assistant GM Bastiaan van der Westhuizen says older investors, who are financially better able to support their retirement annuities (RAs) and other assurance policies, number more than 115 000 among its 400 000 client base.

The inflation-beating returns offered by unit trusts are the major factor attracting these investors.

UAL Investment Planning Services development manager John Kinsley says there is a growing realisation among more senior people of their need for a greater stake in equity-linked investments.

SA Association of Unit Trusts chairman Clive Turner says unit trusts provide excellent returns and continue to attract greater overall investor interest.

"Unit trusts have become an established savings and investment vehicle which cannot be ignored in today's inflationary environment. The range of trusts offered and their inherent flexibility will attract interest whatever the immediate outlook for equities might be," he says.

Growing

Guardbank assistant GM (sales and marketing) Georg Mikula says Guardbank has a growing number of unit holders over the age of 50.

"Unit trusts are ideal for them, provided they do not rely on them for income. Anyone who purchases unit trusts should not draw on them for at least five years if they want the best return."

Turner, also MD of UAL Management Company, says total unit trust assets increased dramatically last year to a R11,4bn high. A further 202 800 accounts were opened, bringing the 1991 total number to 938 000.

About 18 general equity funds make up 80% of the unit trusts, which achieved an average total return of 34,2% in 1991.

With returns ranging from 25,1% to 45,2%, they comfortably outstripped the 15,5% inflation rate last year.

Taking a five-year view, the average total return (capital growth plus income) on a lump sum investment for the longer-established general equity funds was 19,7%, or 20,7% when calculated on a monthly regular investment basis.

Specialist equity trusts earned an average total return of 20,8% in 1991.

"These more volatile funds are better suited for the risk-taker, as can be seen from the fact that total returns in the past year ranged from 44,8% to -7,7%," says Turner.

All six high-income funds enjoyed the benefit of high fixed interest rates. The average total return for 1991 was 16,5%.

Rewarded

He stresses, however, that unit trusts should not be considered as short-term investments.

"Investment in the medium- to long-term will be rewarded, whereas this may not always be the case over a short period."

Financial Services Board CEO Piet Badenhorst says the industry's maintenance of excellent returns in 1991 should serve as an incentive for further future growth and investor confidence.

Balancing high income against capital growth

B1Day 2/7/92 (B) (300)

CAREFUL financial planning, including a balance between high income and capital growth after retirement, can make the difference between retirement being fun years or a time of loneliness and dependency.

Sage Life senior manager Mike Belling says most can expect a long retirement — on average 14 years for a man of 65 and 17 for a woman that age.

"It is a time when career earnings usually stop and we have to live on accumulated assets and perhaps a pension. Provision must be made to preserve the purchasing power of funds."

With the average pension fund paying about 2% of an employee's final salary for every year of contributions to such a fund, the most one can expect is about 80%.

However, if it pays a level monthly pension, this loses half of its value over five years should inflation average 15% a year.

Financial planning after retirement should aim to provide an adequate income and ensure that provision is made to preserve purchasing power.

Ravages

Two types of investments are commonly selected. The first is fixed-interest investment which provides a high income without capital appreciation, and is subject to the ravages of inflation, he says.

The second lays far greater stress on capital growth to provide a hedge against inflation. These provide lower income growth, but should grow in value for use later on.

They include unit trusts, direct share market investments, property, hard assets and life assurance.

"Although the potential risk with these investments varies greatly, ideally there should be a balance between both types to cater for present and future income needs. But care must be taken to avoid those that are too risky or speculative as most people cannot afford serious losses after reaching retirement."

Belling says a personal share portfolio is not recommended.

MIKE BELLING

Tax planning is also important. Income and investments may be structured in ways to make them as tax efficient as possible.

employee's final salary for every year of contributions

ravages of inflation, ne... says.

Belling says a personal

ways to make them as tax efficient as possible.

more senior citizens.

ment

Retirement annuity benefits are often overlooked — Sage

ALL investors should re-examine the often-overlooked benefits of retirement annuities (RAs), particularly as huge profit losses arise from delaying investment.

Sage Life MD Bruce Ilsley says RAs are a vehicle with which to obtain "half-price" unit trusts.

The advantage of monthly contributions over annual year-end or mid-year payments should also be re-examined. Cost of delay arises as many decide on an RA bearing in mind the final date to obtain tax relief on contributions is the last day in February.

"People often neglect the primary purpose of an RA, which is to provide a retirement income, and remain unaware of the effect a delay of even one year can have on that income."

BRUCE ILSLEY

Remarkable

Long-term compound interest can have remarkable effects. For example, a 40-year-old investing R100 a month for 25 years (assuming 15% growth and 15% contribution increases) would receive R876 076 at the end of the term.

A one-year postponement would reduce the fund by 16,5% to R731 287 — or R144 789. A four-year delay could mean a loss of more than half the fund.

It is also possible to buy unit trusts at a discount of almost 50%, depending on the individual's tax rate, through an investment in a Sage Life RA with either Sage Link or MultiTrust profit participation.

Sage Link's portfolio is invested in Sage Fund and Sage Resources Fund and MultiTrust's portfolio is linked to a selected range of leading unit trusts.

The discount arises from tax relief of up to 43% on RA contributions. Sage Life's bulk buying facility means the normal 5% initial charge is not paid.

For example, R100 a month for 20 years in Sage Fund was worth R380 734 at year-end 1991 (assuming income was reinvested) — or a compound return of more than 23% a year.

Lose

Those preferring annual contributions at the end of a tax year to regular monthly payments in effect lose a year of their contributions.

"The maturity value after 20 years (assuming a level premium and 15% portfolio growth) with a premium of R100 a month is R125 294. An annual R1 200 premium realises a value of only R116 918. Both total premiums amount to R24 000."

Income/gilt funds			
Guardbank Income	113,82	111,48	16,24
Metboard Income	102,91	101,83	16,24
Old Mutual Income	107,18	106,02	14,13
Standard Income	91,88	90,89	14,85
Syfrets Income	106,42	105,35	15,41
Syfrets Gilt	1045,84	1035,39	na
UAL Gilt	1157,92	1146,35	13,86

AUSTRIAN
DUTCH
SPANISH
FRENCH
PORTUGUESE
JAPANESE
BELGIAN
DANISH
ECU

FINANCIAL FUTURES

Contract Type	Spot	Closing Prices/Yields Bid	Offer	M-t-M	Days Movement High	Low
Sep 92 ALSI	3 652	3 630	3 640	3 635	3 645	3 629
Dec 92 ALSI		3 645	3 655	3 650	3 655	3 645
Mar 93 ALSI		3 663	3 675	3 669	3 680	3 660
Mar 94 ALSI		3 815	3 825	3 820	3 820	3 809
Sep 92 GLDI	1 092	1 150	1 170	1 160	1 165	1 160
Dec 92 GLDI		1 195	1 210	1 202	1 232	1 230
Sep 92 INDI	4 516	4 485	4 497	4 491	4 517	4 490
Dec 92 INDI		4 505	4 540	4 522	4 505	4 505
Sep 92 DGLD	343,20	345,25	346,75	346,00	—	—
Dec 92 DGLD		348,60	350,60	349,60	—	—
Aug 92 E168	15,530	15,560	15,510	15,530	—	—
Aug 92 LBA3	13,74	13,53	13,46	13,50	13,52	13,52
Nov 92 LBA3		13,03	12,88	12,96	12,97	12,97
Feb 93 LBA3		12,70	12,50	12,60	12,65	12,65
Nov 93 LBA3		12,60	12,40	12,50	12,55	12,55

TOTALS
Interest on Initial Margin: 11,03% Source: SA Futures Exchange.

NEW YORK COMEX OPENIN

GOLD	OPEN	P SETT	SILVER

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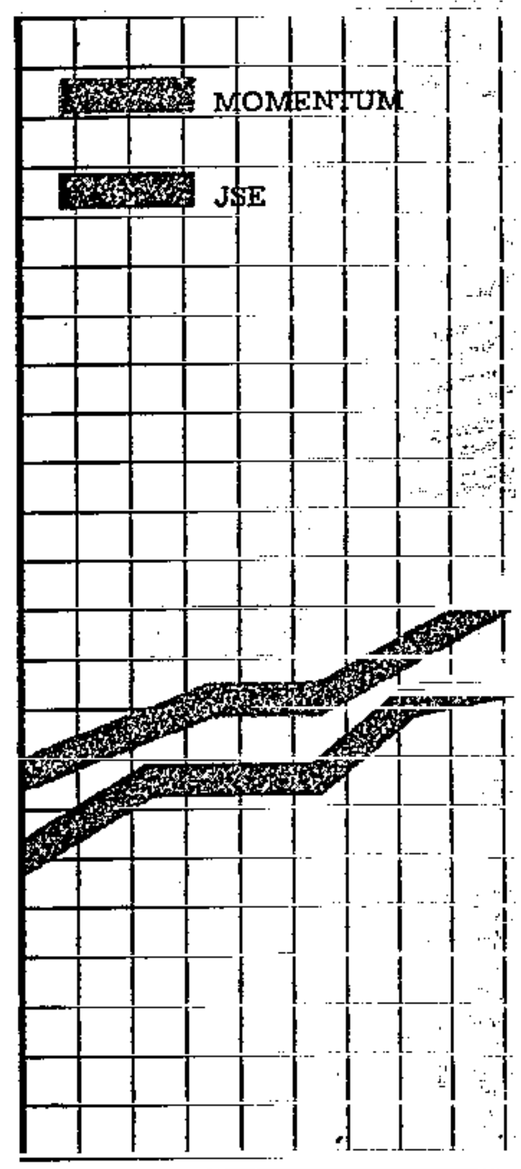

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Women must tackle financial planning

Bloomy 2/7/92

ALAN KEEVY

LIFE Officers' Association (LOA) figures show that 91% of white South Africans are dependent during retirement — 34% have to continue working, 32% rely on state pensions, 17% are supported by families and 8% rely on welfare.

Chartered accounting firm KPMG Aiken & Peat's Financial Planning Services director Alan Keevy says the problem stems from when people think about funding their retirement years.

"They tend to underestimate their expected lifespan. At 50 years you should actually plan to live to 90."

In most cases, inadequate forethought is given to financial planning for retirement years.

"Such complacency is astonishing in the face of daily evidence that the buying power of money is decreasing by 50% over every five-year period.

"It is particularly surprising that women, who are constantly made aware of the relentless upward spiral of living costs in the supermarket, do little to prepare for when they may no longer be able to fend for themselves."

Lessen

Keevy says the sooner women begin to plan sensibly for their personal retirement the better.

Not only will they help themselves, but in the case of married women who take responsibility for their personal income they can lessen their tax burden because married women are taxed at a higher level and might be entitled to rebates.

Married women rely too much on their husbands to look after their finances.

"Current statistics further indicate that, on average, wives in SA outlive husbands by about 15 years. They cannot afford to leave whatever financial arrangements are made for retirement entirely to their husbands, who might die before them."

With SA men still tending to play a patriarchal role, some husbands assume absolute financial control of the marriage.

Keevy urges women to face reality before it is too late. They should ask how they would fare financially if they were widowed or have to cope with being divorced, and whether they are prepared financially to shoulder the additional responsibility of caring for and educating children on their own.

He says it is never too late to start investing.

One should never stop saving — even in retirement, if possible.

Regenerate

"Unless you have at least 50% of your capital working to regenerate itself for the future you will not match inflation.

"If you have no capital to speak of, it will be necessary to commit the maximum income available to disciplined savings on a monthly basis."

He says regular modest sums invested in something like unit trusts, which offer steady growth through rand-cost averaging over three to five years or longer, eventually mature into "encouraging" nest-eggs.

An alternative would be a well-managed share portfolio where the most effective spread of investments is generally to be found in a spread designed for 15-20 years or more, five to 15 years and one to five years.

He also advocates assurance products, including after-tax savings endowment policies and pre-tax savings generated through retirement annuities.

Areas of concern as retirement looms

B|Day 2|7|92 (300)

PEOPLE with limited earnings years should take note of possible pitfalls before deciding where to invest their money.

Metboard investment marketing manager Greg Nowitz says there are five main areas to be wary of when earning power is about to be reduced:

☐ Credit risk. The investor must carefully choose an institution with a proven track record and good risk rating. "Better still, the older investor may prefer to spread his funds among several financial institutions, spreading the risk."

☐ Price risk. The price or value of one's investment funds may change. Nowitz again suggests diversifying to reduce the volatility of, say, equity investments.

☐ Purchasing power risk. This is mainly the risk of inflation. The over-50 should look at investment mechanisms that will grow faster than inflation, taking "cognisance of the future cost of living and mix the investment to yield sufficient income now and capital growth for later years".

☐ Changing legislation. The over-50 is usually paying maximum tax and might have significant property investments which could attract high tax rates under a new government. "Moving into retirement annuities (RAs) is one answer, but again there is always the threat of changing legislation which alters the tax shelter status of RAs."

☐ Flexibility. Here Nowitz suggests investors consider accepting lower returns to maintain liquidity as they must having quick and easy access to funds.

"This is especially important when one starts to consider medical costs and other emergencies. Obtaining an overdraft from a bank at age 60 is extremely difficult," he says.

MAKING PROVISION FOR MEDICAL EXPENSES SHOULD BE A PRIORITY

B|Day 2|7|92

A GOOD investment plan should not only include investing in tax-effective mediums such as assurance products and property, but also make provision for higher medical expenses later on.

Liberty Life legal and technical marketing manager Helita Mankowitz says given the inflationary rate of medical costs, one should invest in the health care products offered by life assurers.

"Comprehensive cover for the future is a must as it is usually in a person's later years that he or she needs such cover."

Mankowitz suggests over-50s ask:

☐ Has consideration be given to potential estate duty liabilities;

☐ Has the spouse been properly provided for in the event of the death of the other partner;

☐ How recently was your will reviewed;

☐ What will it cost to continue living in the style to which you are accustomed;

☐ Do you have any amount outstanding on your mortgage bond; and

☐ Are sufficient funds available to meet emergency needs?

Vehicles

"There are many investment vehicles that meet these needs, but among those most commonly used are whole-life policies — for potential estate duty liabilities and which provide benefits for one's dependants.

"Other popular vehicles include (tax-free) maturing endowment policies, unit trusts for their capital growth and retirement annuities (RAs) with their reduced tax liability," she says.

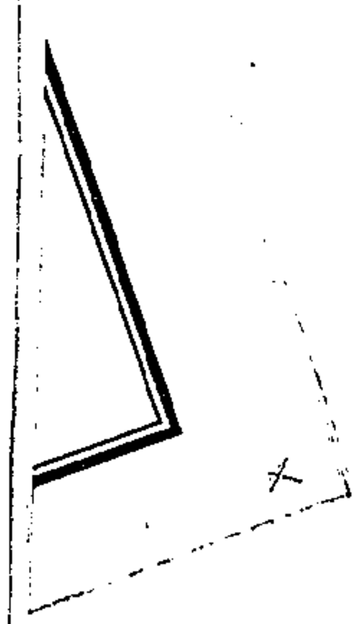
One's home should be virtually paid off.

Avoid speculative investments and look for low-risk retirement planning vehicles that offer some sort of guarantee.

"The minimum guaranteed returns offered by life assurance products are a unique feature among those investments with inflation-beating potential," she says.

"For instance, if you retire from an RA fund the one-third cash lump sum received should be wisely invested to provide capital appreciation or to generate high income."

She recommends opting for the one-third lump sum and not using the entire proceeds of an RA fund to purchase an annuity, since it is fully taxable. "About R120 000 of the one-third cash lump sum is tax free and can be more beneficially invested," she says.



Lifestyle sacrifices essential

Provide for your own retirement

300 STAR 4/7/92. 300

DEREK TOMMEY examines the idea that current pension systems are financed on entirely the wrong principle.

MOST workers expect to retire on a comfortable pension. But with the average actual monthly pension in South Africa at present being only R850 a month, according to figures recently compiled by the Old Mutual, there is often a considerable gap between expectation and reality.

This figure draws into question the effectiveness of many pension schemes. The situation occurs in even the most developed countries.

This has led the British magazine, The Economist, noted for its insight into economic and social problems, to take a close look at pension systems, and it has come up with some thought-provoking points.

Patronising

Among other things, it argues that conventional methods of financing pensions out of taxes or company/employee contributions should be stopped, and the matter left entirely to the individual.

The magazine says that despite all the changes in attitude in the world's rich countries over the past 40 years, one powerful prejudice shows few signs of decay. It is the idea that people in retirement are "dependants". One way or another, it is presumed, today's workers must support their unproductive forebears. That is patronising nonsense.

Pension schemes based on myth

If the demographers are right, the balance of population in today's rich countries will shift a lot in the next 30 to 40 years. The baby-boomers who were born in 1945-65 will retire. Since they outnumber their children, the "dependency ratio" will rise. This will put a great strain on the pensions systems that have grown up since World War 2, says the magazine.

It does not make any observations about South Africa which, with its huge population growth, is not directly comparable to the rich, low-population-growth states, but if economic conditions in South Africa do not improve dramatically in the next few years, what is likely to happen overseas could happen here — a small number of highly paid skilled workers will have to support an increasing number of pensioners.

The Economist says that contributors to state pension funds believe they will be getting back their money when they retire, but this is a con. Almost all governments finance state pensions on a pay-as-you-go basis, raising current revenue to cover current spending.

In 20 years' time, when the ratio of retired people to working people rises, taxes in some countries will have to rise steeply to pay for the state pensions that today's workers are being led to expect they will receive.

Higher taxes will blunt incentives and reduce economic growth, further narrowing the base from which taxes are gathered. And when the tax bill for pensions starts to mount, governments may be tempted to curb benefits.

At the same time, the flow of savings from private pension schemes into bond and equity markets will dwindle. This will put upward pressure on real interest rates, threatening growth and living standards.

Surpluses

As for company pension funds, employers in many countries can legally draw down pension fund surpluses, reducing company contributions rather than providing full inflation-proof benefits.

Both pension state and company pension systems reflect the dependency myth, says the magazine. And both approaches are wrong. Responsibility for saving for retirement should not rest with the government, nor with employers, but with the individual.

If this is accepted, state pensions should not be thought of as a universal entitlement, but as part of society's safety net for those in need.

THE WRONG ROAD TO RETIREMENT: The idea that people in retirement are "dependants" and should be supported by today's workers is nonsense, maintains The Economist.

The need for certainty in taxation

STAR 4/7/92

CHANGES in taxation are often unexpectedly announced, leaving industrialists with little lead time. DAVID CLEGG, a partner at Ernst & Young Associates, comments.

ONE of the "canons" of taxation and generally accepted in all civilised and democratic nations, is that taxes should be certain. "Certainty" of course, is a relative concept and it does not mean immutability but it should mean that a taxpayer, considering his possible courses of future action, should be able to plan in the reasonable certainty that the tax laws affecting a transaction will not change so dramatically as to seriously affect the commercial viability of his decision.

For many years South Africa was based, if that is the word, with an annual Budget which announced changes in tax rates and major changes in tax law proposed for the year concerned. The annual amending legislation was later released and inevitably contained a variety of technical amendments, (some previously unannounced) and details of major changes earlier announced.

Furthermore, significant changes, such as the introduction of the manufacturing building investment allowance (in 1959), stayed in force subject to occasional changes of the rate applicable for many years (in that case until 1986), and warning of their demise or replacement was announced with sufficient lead time not to affect the concrete plans of industrialists. Unfortunately, it is no longer the position.

In recent years, major changes have been announced unexpectedly with lack of publicity or with little or no lead time in others and have just as frequently been reversed. For example:

□ The introduction of the 50/30/20 allowance under Section 12 B

which endured for only one year before being replaced by the different 20 percent per annum allowance under Section 12 C.

□ The introduction, out of the blue, of the new Section 37 E for beneficiation processes at a time when the removal of "tax expenditures/incentives" is still apprently firm policy.

□ The on-again, off-again debacle with VAT invoicing requirements, and zero-rating on foodstuffs.

□ The amendment of directors' PAYE rules and the confusion over the related "labour brokers" taxation.

□ The accurate, but unhappily phrased, statement on non-resident's liability for tax on interest.

All of these reflect a Department of Finance out of touch with, or careless of, commercial realities.

We fully appreciate the concern that the Department must have from time to time when the commercial world makes use of the taxation laws to reduce its burden in a manner which resembles a feeding frenzy. There is a legitimate need to be plugged; but counter-balancing that need is the damage that sudden changes in tax law do to the principle of certainty, and to Revenue's legitimacy, in the eyes of business.

In addition, as South Africa enters the transitional phase to a new representative form of government, we need to uphold the best possible principles of law-making. A new South African government removing industrial incentives without warning, in order to promote employment at the expense of mechanisation, could hardly be blamed.

We, therefore, call on the Department of Finance and the new Minister of Finance and Commissioner for Island Revenue in particular, to resist the temptation to announce ad hoc changes to the law throughout the year, and when changes are announced on an annual basis, to ensure that their commercial and political consequences have been carefully thought through and will not shortly be reversed.

Retirement products offer flexibility

STAR 4/7/92 (300)

Syfrets and UAL have unveiled two retirement products that break new ground in terms of flexibility, taxation and the nature of the underlying investments.

They are the latest in a series of financial innovations by the two financial institutions since they combined their expertise in the field of investment products in November 1991.

The new products are the Equity-Linked Retirement Annuity and the Equity-Linked Life Annuity.

"These are the first annuities that are fully based on unit trusts and represent a serious alternative to existing retirement products available from life institutions," says Kevin Hinton, Syfrets unit trusts marketing manager.

The Equity-Linked Retirement Annuity allows the investor to contribute monthly, annually or in a lump sum to a range of unit trusts. These can be any one, or all, of UAL's unit trusts or the Syfrets Growth Fund.

Tax efficiency results from the use of an annuity, while flexibility results from the investor being able to switch between the different unit trusts to maximise return. Minimum monthly contributions are R100, and the annual and minimum lump sum investment is R1 000.

The Equity-Linked Life Annuity, which is underwritten by life assurer Crusader Life, is a growth annuity linked to the performance of UAL and Syfrets unit trusts. The annuitant (the person holding the annuity) is not only able to decide on the mix of the underlying unit trusts he wishes to invest in, but is also free to control the initial rate of annuity payments.

Furthermore, on the annuitant's death, the balance of the annuity is not lost but continues to be paid out to his dependant(s).

ducts SA can buy are coffee, tea, cashew nuts, curios, sisal, soda ash, salt, fruit, cut flowers and soya beans.

Kenyan import duties range from 5% to 70%, but are about 35% on average, says a customs and excise official.

VAT of 18% is applied on imports, but it is zero rated or exempt in some cases.

Importers require licences to bring in goods. The allocation of licences is divided into orders of priority.

There is some concern among SA exhibitors about festival will attract further trade and tourism interest in Kenya among SA businessmen," she says.

The festival aims to make a statement about modern Kenya and show the rich variety of art and culture in its mixed society.

The project is expected to cost about $500 000. Lady Wood leaves this weekend for London and New York to raise funds. She will speak to the Rockefeller and Ford foundations. She is also looking for SA sponsors.

US Expo for Johannesburg

S/Times (Buss) 5/7/92

By ZILLA EFRAT

A MADE in the USA exhibition will be held in Johannesburg in May.

About 200 American companies are expected to take part. Show organiser David Altman says it will be the largest US Expo in Africa.

It is expected to attract businessmen from SA and other Southern African countries, including Kenya and Tanzania. It will be marketed to more than 35 000 companies in the US, says Mr Altman.

Mr Altman has already received more than 100 serious inquiries from US companies.

He says the exhibition at the World Trade Centre has the backing of Amcham (US Chamber of Commerce).

Mr Altman, who put together this week's Contact Kenya show, is also organising a SA pavilion at the biggest exhibition in Africa, the Cairo International Fair in April next year.

He expects about 100 SA companies to take part in the two-week fair, which is usually visited by a million people, mostly from the Middle East and North Africa.

The fair is expected to have about 1 700 companies exhibiting and there will be 31 national pavilions.

Mr Altman says the show will be launched to SA businessmen in September. The SA Government has indicated support.

In other developments, Mr Altman says he has been officially approached by officials from China to mount an exhibition in Beijing or Shanghai.

He is also involved in discussions with the governments of two East African nations and an Indian Ocean island to help them market their countries to SA.

Better deal in pensions, but...

S/Times (Buss) 5/7/92 300

By JULIE WALKER

A SPELL of high investment returns has allowed pension funds to increase benefits to members, says Sanlam's biennial survery on retirement.

But, says actuary Chris Bosenberg, employers are shifting away from having an open-ended liability in the three-legged equation determining final benefits. This means final pensions are not defined years in advance.

Pension on retirement is mostly based on a formula. The pension relates to the number of years' membership of the fund, multiplied by a salary figure.

Abuses

The norm used to be the average salary over the last three years, but this has been improved to two years or shorter in two-thirds of the funds surveyed. Only 2% of funds base the formula on the average of the last five years' service.

Mr Bosenberg says 11% of funds indicated they were considering changing from a defined benefit system to one of defined contribution. This would limit employers' liabilities to the pension funds and is seen as a reflection of their concern about future economic risks.

About half of the 756 invited funds responded to the survey, resulting in a 330-strong pension fund sample. A total of 99 provident funds replied.

The survey's objective is to allow employers and trustees to compare their benefits with those of other funds.

The survey observed certain trends when compared with the previous one in late 1989.

There has been a swing to providing the same benefits for both males and females. A smaller reduction factor is applied when early retirement is taken in good health.

Spouses' pensions have generally improved, as have disablility income benefits. They are more widely based on a percentage of salary rather than past or potential service.

Fringe benefits are being increasingly incorporated in pensionable remuneration. Companies are also adopting policies on AIDS.

Funds provide for greater future increases in pensions in the course of payment. Finally, there is a strong move to enhanced withdrawal benefits — previously the last in line.

Mr Bosenberg describes as near criminal a company that retrenches employees and does not pay its contributions to the fund to the departing worker.

CHRIS BOSENBERG: Companies worried about the future

Mr Bosenberg lists some abuses in the past — and no doubt now. New York's municipal employees boosted their pensions, which were based on the final year's salary including overtime, by fictional overtime entries. The increased pension liability almost bankrupted the city.

In SA, government employees' pensions were based on the last month's salary in addition to the lucrative buy-back scheme. In some cases, people were promoted to absurd positions and salaries before retiring.

SA prefabs for export

S/Times (Buss) 5/7/92

By DON ROBERTSON

ENTERPRISING businessman David Poole plans to export SA-made prefabricated houses to Europe and the US.

Using an A-frame design developed by his company, PMM Holdings, Mr Poole plans to market the houses in Britain for £65 000 a single unit and £100 000 a double unit.

Mr Poole says this is about half the price of a modest brick house. The price includes shipment from SA.

Ahead of an international marketing programme, orders for two houses have been received from the UK and eight from Los Angeles.

The Country Lodge houses consist of a lounge, bedroom, shower, kitchen and upstairs recreation room. By adding a second A-frame module with connecting walkway, a four-bedroomed house can be built.

The prefabricated houses will be delivered to the site and put up by an SA team on a concrete slab in about three weeks. The houses are equipped with all electrical appliances, made in SA, and the windows have double glazing.

Underfloor heating is provided by solar panels. There is generous cupboard space and each house has a hi-fi system.

Local content is about 95%.

Thatch is protected by a fire-proof coating material, developed by the company. The walls consist of plywood, polyurethane and gypsum board.

The design and specifications comply with UK building regulations and qualify for bond financing and insurance.

Mr Poole has received help from the Department of Trade and Industry. It will help him to take part in international exhibitions.

A plot has been acquired in the UK on which a permanent show house will be built.

Kitchen to cost R18m

AIR Caterers, a joint venture between the Fedics group and Swissair, is to build an R18-million kitchen at Jan Smuts airport to cater for the expected increase in tourism.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change

More pension funds increase payments in line with inflation

ST Times (Metro) 5/7/92 300

GOOD news for employees nearing retirement age or for younger workers trying to plan a long-term pension strategy in an inflationery era is that an increasing number of pension funds are granting pension increases in line with the inflation rate.

This is revealed in Sanlam's latest biennial survey of retirement benefits in South Africa, the sixth survey in the series since 1981.

At a presentation in Cape Town, Francois Marais, Sanlam's general manager, group benefits, said a total of 85 percent of funds participating in the survey indicated they granted increases to pensioners.

"An encouraging feature is that 32 percent of these funds are already granting pension increases on a par with the inflation rate, compared with only 12 percent two years ago," said Mr Marais.

"As a result of high investment results, about half of the funds gave once-off additional increases during the last three years, over and above their normal pension adjustments."

The survey analysed 330 pension funds and 99 provident funds in 13 different categories of employer, including the public service, financial institutions, and trade, mining and service organisations.

For the first time the survey gave details of companies' policy regarding Aids, with 28 percent adopting a formal Aids policy.

"A total of 37 percent expect new members to have a medical test, but an HIV test is a requirement for only 10 percent at present, while 18 percent include an Aids exclusion clause in their contract, meaning they don't pay death or disability benefits for members as a result of Aids," said Mr Marais.

Protea pension fund ranked no 1

CT 8/7/92 Business Staff (300)

A MASSIVE 42,5% increase in value during the 12 months to December 1991, has placed the Protea Assurance pension fund as SA's top performer.

This has emerged from a survey of 169 pension funds, conducted annually by Carsons, a leading firm of consulting actuaries. The next best performing fund had a 40,3% increase, while the average performance was 28%.

Since 1989 when Protea first participated in the survey, the company's pension fund has achieved an average return of 30% per annum, ranking it second out of the 130 funds measured for that period.

Commenting on the fund's performance, Duncan Carmichael, head of Protea's investments department, said that he believed the market had now caught up with their thinking.

"Many of the predictions on which we have based our research, have proved accurate and we are reaping the rewards. For example, the fund has held Trencor over many years but this company has only recently been noticed by the larger players — its consequent rerating has been a powerful contributor to the fund's performance.

"A timely investment in M-Net in 1991 also gave a major boost to growth."

"We have also tended to steer clear of property investments except via property trusts.

"Our main emphasis has been on investing in those companies which have demonstrated consistent performance, balance sheet strength and purposeful management," he said.

... a technical hitch ...

Return on pension fund investments seems set to dip

LINDA ENSOR

CAPE TOWN — Pension fund investment returns averaged 28,2% in 1991, but there was little possibility of such a level being reached this year, Carsons Investment Consulting actuary Howard Rodd said yesterday.

The moving average for the quarter to end-March was 24%. With the equity market taking a knock during the past week, returns were likely to decline.

Protea Assurance outstripped the average for the 169 pension funds surveyed last year with a return of 42,5%, beating a 40,3% return achieved by an in-house portfolio manager.

Rodd said Protea had performed consistently well since 1989, when it first took part in the survey.

Protea investment manager Duncan Carmichael said the average return since 1989 was 30%, placing the Protea fund second out of the 130 funds measured during the period.

"Many of the predictions on which we have based our research have proved accurate and we are reaping the rewards. For example, the fund has held Trencor over many years but this excellent company has only recently been noticed by the larger players." Its rerating had contributed to the fund's performance. "A timely investment in M-Net in 1991 also gave a major boost to growth." Carmichael said the fund invested in property only through property trusts.

Venda pension plan sit-in

ET 14/7/92

VENDA. — More than 2 000 government employees staged a sit-in here yesterday to demand the return of pension contributions if the government goes ahead to privatise their pension fund.

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23 JUL 1992

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STAATSKOERANT

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VOL. 325

KAAPSTAD, 15 JULIE 1992
CAPE TOWN, 15 JULY 1992

No. 14141

KANTOOR VAN DIE STAATSPRESIDENT

No. 1925. 15 Julie 1992

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 138 van 1992: Wet tot Aanvulling van Pensioene, 1992.

STATE PRESIDENT'S OFFICE

No. 1925. 15 July 1992

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 138 of 1992: Pensions (Supplementary) Act, 1992.

PENSIONS

Tax stays put

A new tax formula for pension savings, mooted in this year's Budget, has been placed on the backburner.

The practical difficulties — not to mention the socio-political sensitivities — are, it seems, too great to be tackled now.

After ex-Finance Minister Barend du Plessis referred to the possibility of raising additional revenue from the pensions industry, State actuary Piet Robbertse called a thinktank of tax and pensions specialists, representatives of the Actuarial Society and the Mouton Committee. Organised labour was not invited. *(Economy,* April 24).

Between the Budget and the thinktank, the Life Offices Association (LOA) and some of its members had researched how retirement funds are taxed in other countries. Robbertse says their suggestions have been studied but no recommendations will be forwarded yet. He indicated that all parties with a legitimate interest in the subject would need to be consulted. For now, there seems to be no suitable forum to debate the pensions tax issue.

The thrust of Du Plessis' Budget reference was to link the raising of taxes on formal retirement savings to the separate issue of creating parity for the various classes of social pensioners. There were prompt complaints that it would be invidious to tax those who have provided for their retirement to subsidise those who have not.

There is agreement in the life offices that the fiscus receives little from the pension industry and some accept that a new tax structure could be introduced to improve government cash flow without drastically impairing the pool of savings at the end of the savings chain. But to change the system now, with pension/provident funds such a sensitive labour issue, could cause another big protest to add to government's woes. ■

WALTONS STATIONERY REF W 79

Unions' growth fund already has R50-m

ALIDE DASNOIS, Business Staff

JUST a month after its launch by seven trade unions, the Community Growth Fund is already halfway to its first year target of R100 million.

R50 million has already been pledged for the fund, set up in June by four Cosatu-affiliated unions — including the powerful National Union of Mineworkers — and three Nactu affiliates for the placing of workers' provident and pension fund money.

The CGF plans to invest in JSE-quoted companies which satisfy social as well as profitability criteria. Job creation, wages, trade union recognition, health and safety and affirmative action programmes to promote blacks and women will all be taken into account. Through their representatives on the trade union-controlled company Unity which controls the fund jointly with Syfrets, workers will have a decisive say in where their money is invested.

Thirty to 40 companies are under investigation for the final list, says Mr Ian Hamilton, senior manager of Syfrets which administers the fund and which is contributing R2 million.

"Management attitude towards unions is emerging as a key selection factor," he says.

But, insists Mr Hamilton, the first criterion is one of profitability: "We've been approached by companies which claim to satisfy all the social criteria. If they don't have the growth record we're looking for, we don't consider them".

The fund is looking for cash flow rather than lump sum investments, says Mr Hamilton. "We recommend that the provident funds leave their capital sums in guaranteed funds so if the market slumps, members don't suffer losses when they leave or are retrenched. Cash flow can be invested in non-guaranteed funds which offer better returns".

None of the potential investors approached so far has refused to invest, says Mr Hamilton, who is confident that the fund will easily reach its first-year target of R100 million.

Individuals can invest from R30 a month or a minimum lump sum of R500 and more than R1 million has already been pledged by the general public.

The fund's first quarterly report will be published at the end of September.

Pension problems plague taxpayers

STAR 18/6/92 (300) (300) 18/7/92

JUSTIN COWLEY,
Tax Partner, Ernst & Young

THE Receivers of Revenue in Johannesburg and other local offices appear to have adopted a new avenue of attack on unsuspecting employees. They are disallowing certain contributions to approved pension funds made by employees, often without comment or explanation.

Contributions by employees to approved pension funds are deductible to the extent that they do not exceed the greater of R1 750, or 7,5 percent of remuneration included in retirement funding income.

For years these limitations posed no problems as the typical private-sector pension fund requires contributions of commonly no more than 7 percent of income, and frequently stipulates lower percentages.

However, after the introduction of the Seventh Schedule imposing strict rules applicable to benefits in kind, many employees now receive a considerable proportion of their income in the form of such benefits. These benefits are included in remuneration at their taxable value, which may be significantly different from their cost to the employer.

Part of the difficulty over pension contributions appears to arise from employers making contributions based on the cost of the benefit, while the Receiver will only grant a deduction taking account of the extent to which the benefit is included in the employees' remuneration as defined.

A classic example of this situation is the travel allowance, where only 25 percent of a travel allowance is, in fact, included in remuneration.

Consideration must also be given to the rules of the pension fund and the amount in terms of which the employees' contributions are based.

However, Revenue's assumption that most commonly an employer contributes only on an employee's basic amount is clearly unfounded. If this were so, it would be unlikely any employee would be contributing more than 7,5 percent of his basic remuneration as reflected on his IRP5.

Notwithstanding, Revenue's actions in enforcing the law would normally be understandable. But the current practice is to assess the remuneration declared on the IRP5 and exclude from it the total amount of all fringe benefits reflected on the IRP5 and allow a deduction to a taxpayer of only 7,5 percent of the net amount.

Subject to the terms of the pension fund rules and the arrangement with the employer, such treatment is often incorrect. I suspect it is frequently accepted by taxpayers who are unaware of the disallowance or feel the costs and/or effort involved in objecting to an assessment would not warrant the benefits of the additional deduction.

Where these circumstances do exist, I counsel taxpayers to make a record of the amounts not allowed as deductions,

Choose what to do with your pension

STAR 18/7/92 (300)

FINANCE STAFF

MANY employers and employees are not aware of the various choices available at retirement age from pension funds and retirement annuities.

□ Recognised option: Take one third in cash and balance as a monthly pension.

□ Open market option: Allows for the highest pension available to be purchased from assurer. The difference between highest and lowest can be as much as 20 percent.

□ Capital preservation-for growth: If the pension is not required, the payment can be automatically transferred to a savings plan to achieve maximum growth while preserving the capital in the event of death.

□ Capital preservation for income: As above, but income would be paid while preserving the capital against death.

□ Escalating pension payment: Pension payment would increase each year by a fixed agreed percentage.

□ Escalating pension with profits: Pension payment would increase in line with insurance company declared bonus increases.

□ Joint life pension: Payable to the death of both husband and wife.

□ Reducing pension on first death: Pension payment can reduce by agreed percentage on death of spouse.

□ Pension with no guarantee: Payable till the death of the pensioner.

□ Pension with guarantee: Payable till death of pensioner, but payment guaranteed for agreed period in any event, normally 5/10/15 years.

□ Care must be taken as some older pension funds do not allow the alternatives. Remember, the choice is yours.

funds. ... tions about the current uncertainties ... over 1 million accounts.

Unions' growth fund already has R50-m

ALIDE DASNOIS, Business Staff

JUST a month after its launch by seven trade unions, the Community Growth Fund is already halfway to its first year target of R100 million.

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New tax deal seen for life assurers

Business Staff

JOHANNESBURG. — There has been broad agreement on a new taxation basis to ensure equitable life assurance tax treatment, says Sage Life chairman Mr Louis Shill.

Writing in the Sage Life annual report, Mr Shill says he believes the sixth schedule to the Income Tax Act, which he claims puts an unfair burden on life assurers, will be abolished in the coming year.

He says it would be unwise to pre-empt the move by offering policies or rights to policies which attempt to take advantage of the situation before the event.

The life assurance industry will soon show its willingness and ability "to respond to the socio-economic development needs of the country without necessarily sacrificing sound investment criteria".

In a reference to the call by Absa boss Mr Piet Badenhorst to level the playing fields between life assurers and other financial institutions, Mr Shill says that the flow of savings has not been influenced by artificial forces such as taxation and other alleged "unequal playing fields".

In an example of cross-fertilisation, Mr Shill points out that a range of insurance products has been launched by Absa's Allied Bank division.

Bank alliances, share swops kill independents

■ The threat of predators has sent many smaller banking institutions into the arms of industrial and insurance giants for protection.

Business Staff

JOHANNESBURG. — The share swops and the new alliances of the past 18 months have left the banking industry with four major players and very few independents.

In the KPMG Aiken & Peat 1992 Banking Survey, analyst Mr Alan McConnochie attributes the changes in the industry to the introduction of the Deposit-Taking Institutions (DTI) legislation and the formation of the Absa conglomerate.

The DTI and the threat of predators after the Absa merger sent the smaller building societies into the protective arms of the big industrial and insurance groups.

NBS, in a bid to ensure its continued independence, acquired the backing of the Barlows group through a share swop involving the French Bank.

The major shareholders are now Barlows (18 percent) and life assurer, Norwich (25 percent).

Mr McConnochie says NBS is well-placed to continue its independence unless a very high offer price is made.

Saambou strengthened its independence through a deal with insurance company Fedlife, in which Fedlife converted their debentures and so acquired a 35 percent stake in Saambou.

Fedlife also acquired a 22 percent holding in independent Investec Bank through a cross-shareholding transaction.

The control over Stanbic (Standard) was sewn up by Liberty Life which now has about 45 percent of the bank under its control. Mr McConnochie adds that Old Mutual retains a blocking stake of 25 percent in Stanbic.

Old Mutual also controls Nedcor. Nedcor has not been affected by changes in ownership but continues to strive for complete rationalisation between its bank and its home loan division, the Perm — a building society it acquired in 1988.

No major changes took place at FNB.

Absa has continued its acquisition trail with the purchase from Sanlam of the ailing Bankorp group.

The takeover will make Absa 60 percent bigger than its closest competitor, Stanbic.

Unit trusts attract the veteran investors

STAR 20/7/92

Older investors have been quick to grasp new long-term investment opportunities offered by unit trusts, says Old Mutual Unit Trusts assistant GM Bastiaan van der Westhuizen.

He says: "This group of investors makes up more than 115 000 of our 400 000 investors. Furthermore, holders of unit trusts administered by the life assurer who are over 50, represent approximately 11 percent of all account holders in the entire industry."

The outstanding inflation-beating returns offered by unit trusts is clearly a major factor attracting these investors. Another contributing factor is that most people who fall into this age group no longer have dependants and can therefore afford to supplement their retirement annuity with a unit trust investment.

Old Mutual Unit Trust offers various packages tailored to meet the investor's retirement needs. One of these packages is Old Mutual Retirement Trust — an investment in the R3 billion strong Investors' Fund.

Retirement Trust is aimed at investors who want to supplement their retirement annuity or who want to invest the cash lump sum received from their annuity on their retirement.

A good example of investing in the Retirement Trust is when Darby and Joan Wilks (not their real names) invested R10 000 in June 1981. Darby was 50 and planned to invest the money for 10 years (all distributions were reinvested).

By the end of May 1991 his investment had grown by 25,02 percent a year, leaving him with units to the value of R93 273.

Darby and Joan did not need the money immediately, but instead decided to have the half yearly distributions paid out to them. Over the following year, to May 1992, they received more than R4 000 and their capital had grown to R115 925.

A second option available to the investor who has a lump sum to invest is Old Mutual's Phased Portfolio.

State urged to give priority to better care for SA's elderly sick

JOHN VILJOEN, Staff Reporter

THE government should give urgent attention to the cost and availability of health-care services for the elderly, according to an important study.

It says financial hardships experienced by the majority of elderly people when paying for medical services should be eased and the government should reduce the exorbitant price of medicine. One way of doing this would be to scrap VAT on medicines and health care.

The study, which will be released on Wednesday, was done under the auspices of the Centre for Gerontology in Cape Town, run jointly by the Human Sciences Research Council and the University of Cape Town.

Dr L R Tibbit's study, *Costs And Availibility Of Health Care Services For Elderly Persons,* makes several suggestions and says some require the "urgent investigation" of the Minister of Health.

The study was conducted among a sample of 425 coloured, Indians and white residents aged 60 and older in Durban and the Peninsula.

Three-fifths of the coloured and Indian respondents, and two-fifths of whites had joint incomes with their spouses of less than R1 000 a month.

Only three in 10 coloured, Indian and white respondents had incomes greater than R2 000 monthly.

The study suggests it is time for the government to consider establishing a social security plan making provision for pensions as well as health care.

It suggests that health education and regular medical check-ups be constantly encouraged, to reduce health-care costs in later life.

It proposes health-maintenance organisations rather than a medical insurance option which offers limited help in covering medical costs.

The Department of National Health and Population Development should investigate the high costs of medicines, the privatisation policy and free-market principles, as well as the poor service some elderly people get at hospitals.

Medicines were the largest single component of health costs and profit margins should be reduced.

To do this, medicine prescribed should be appropriate to the seriousness of the illness.

No elderly person should be denied admission to a provincial health-care facility on the grounds of having an income higher than the set limit.

Health facilities should charge maximum fees within the reach of the average elderly person.

Norwich launches first frail care policy

B/ness Day 21/9/92

LINDA ENSOR

CAPE TOWN — Norwich Life has launched the first frail care insurance policy in SA as part of its improved package of medical insurance benefits.

Life division GM Robin Sharp said at the launch yesterday that the frail care policy guaranteed the holder cover for his entire life when, as a result of frailty, he was dependent on regular assistance to perform daily activities.

The frail care policy was available as an independent plan with a minimum entry age of 55 years (maximum 75 years). Sharp said the benefit would be a specified tax-free monthly amount which would be determined by the severity of the frailty, defined into three categories: where the person was mobile but required occasional daily nursing assistance; where day-care assistance was required; and where permanent assistance was needed.

At the time of death an additional month's payment would be made to the policyholder's beneficiary to help with funeral or other expenses," Sharp said.

In another new development Norwich Life's Medical Security Plan, which insures against listed diseases or surgical procedures, would now pay a tax-free lump sum up to an increased maximum of R75 000 to offset medical costs.

Pensioners paid too much

300
CT 24/7/92

By WILLEM STEENKAMP

THE CPA admitted yesterday to a computer error in its pension payment system earlier this year, resulting in an overpayment of R268 818 to 829 black pensioners — who have to pay the money back — at Zweletemba, near Worcester.

In a letter published in the Cape Times yesterday, Zweletemba resident Mrs Nobantu Matros described the "overwhelming but shortlived" excitement of the pensioners, who spent the extra money on heaters, warm clothing and accounts.

"They had only one thought — that the government has at last fulfilled its promise of equal pay for all South Africans," the letter said.

On being told of the error, "the disappointment and confusion (among the pensioners) was heartbreaking".

However, Mr J Genis, director of CPA welfare promotion, ex-

Computer error, says CPA

plained in a statement yesterday that a power failure had resulted in a computer malfunction, erasing all records of the April pension pay-out.

The April pension was therefore automatically added to the May pay-out, which pensioners received in June. A total of R268 818 — an average of R324 each — was paid out to the pensioners, on top of their normal R290 allowance.

The CPA explained "this unfortunate state of affairs" to pensioners at a meeting on July 3. The money would be recovered by deducting R10 a month from the pensions of those affected.

A letter in English, Afrikaans and Xhosa was also circulated with the July pension pay-outs.

● White and coloured pensioners had not received less than their normal pay-outs this month, the government said yesterday.

In reaction to a Cape Times query, Mrs Rina Lombard, of the Department of Health Services and Welfare in the House of Assembly, said all pensioners had received a 10% increase from April 1.

Because the increase had originally been set at 8%, pensioners received an 8% increase in April and May. The rest of the money was added to the June pension, leading pensioners to believe that their July pay-out was less.

"Letters informing pensioners were sent out, and it was also broadcast on radio and TV," Mrs Lombard said. Despite this, she said, she had received many inquiries from pensioners.

ANC slams late pension payouts

STAR 25/7/92

PETER DAVIES

300

THE Transvaal Provincial Administration is to postpone next week's payments to pensioners in the Soweto area because of "planned mass action". The decision has been condemned by the ANC.

A TPA spokesman said: "We are not sure there'll be transport next week because of the planned mass action. To prevent our pensioners struggling to reach paypoints, we will postpone the payments for a week."

ANC spokesman Carl Niehaus said the TPA's decision was a political move. "We find this situation totally unacceptable. There's no reason for pensions to be postponed. Its a blatant political manoeuvre by the TPA.

"They should stop playing political football with people, many of whom rely on their small weekly pensions to survive. The TPA are targeting the most helpless people."

Payments that are usually made from the third to the seventh of each month will now be paid out from August 10-14.

Payments normally made on the 10th-14th of each month will be paid out on August 17-21.

Make use of planning strategy to increase your capital gain

STAR 25/7/92

FOOTSTEPS TO FORTUNE

RICHARD *Cluver*

IF you listen to the campaigns of the unit trust marketers, the path to fortune is the monthly instalment, for with it comes that instant panacea, rand-cost-averaging which, they argue, allows one to ignore market ups and downs. Well yes...

Consider my long-term graph of the JSE Actuaries Overall Average. It is plotted on a basis of month-end prices which in fact makes it very much a replica of the average "general fund" which is invested in a wide spread of shares.

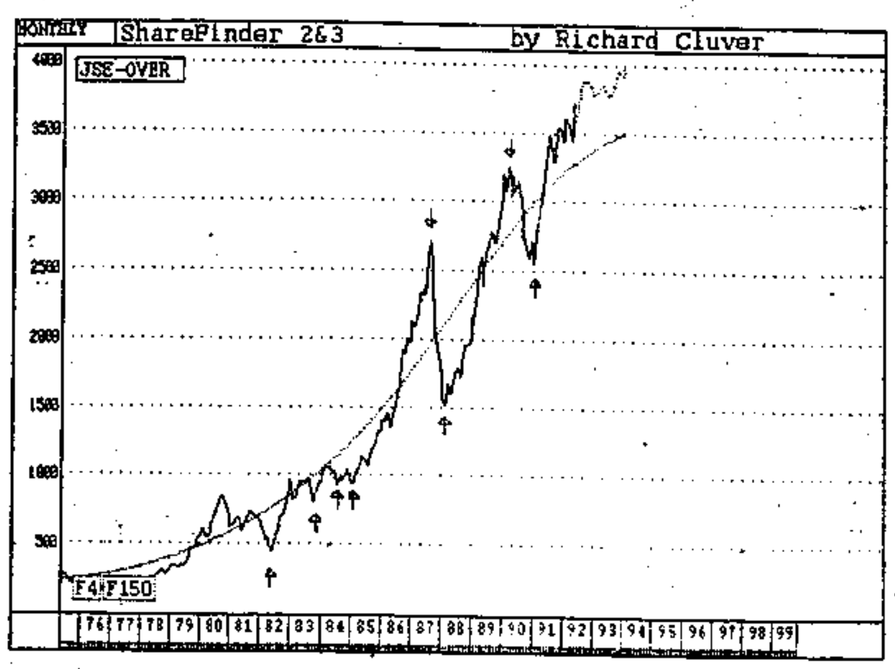
On to it I have overlain an average line which plots a moving average of the buying price one would obtain were the index in fact the selling price of a unit trust and one were buying into it on a regular monthly basis.

31-day call

Four distinctly different investment strategies are possible. Let us start each one on January 1 1982 and assuming we have R100 a month to invest, run computer models of each one from then to the present.

□ Rand cost averaging:
Unit trust salesmen constantly extol the virtue of investing a fixed sum every month. Had one done so one would have invested a total of R13 000 to date and the current value would have been R33 988. That is an attractive overall growth of 161,44 percent.

□ Averaging at the bottom:
This strategy would have one investing R100 a month in the bank on 31-day call and buying every time the index line cuts below the average line, continually investing R100 a month throughout the time the index is below the average. Once the index line cuts above the average line, one ceases buying units and diverts the monthly



R100 once again into the bank call account.

Such a strategy would by now have won you a 188,43 percent capital gain. This strategy is, in other words, 16,72 percent more efficient than rand cost averaging.

□ Buying only at the bottom:
Refining the above strategy, one might save the monthly R100 in a call account and, ideally by using computerised share market analysis techniques, attempt to make lump sum buys at the precise moment when the the market reaches the bottom of each cycle — the points indicated by the bottom line of arrows in my graph. In practice it is very hard to precisely hit these bottom points, but not at all difficult to average in at the bottom by splitting your money into three or four lots and buying at timed intervals when you think the bottom has been reached.

The result of buying in at the bottom and staying in for the rest of the ride would have been a 235,5 percent capital gain. That is, in other words, 45,9 percent more efficient than rand cost averaging.

□ Buying at the bottom and switching out at the top:
It stands to reason that the most profitable strategy of all would be to not only buy in at the bottom, but to attempt to switch out every time the market peaked. Since the unit trusts permit their customers to switch around within their family of funds at an up-front charge of just one percent, it is practical to switch to a gilt fund whenever the market peaks and switch back to a general fund whenever the market hits bottom. In between times one would, of course, continue saving R100 a month in a call account.

The result of this fourth strategy would be a remarkable 585,5 percent capital gain. It would, in other words, be 263 percent more efficient than rand cost averaging.

FundFinder 2

Past experience has taught me that advocating this buy-at the-bottom, switch-at-the-top strategy invariably brings forth criticism from the unit trust industry which, understandably shudders at the prospect of vast numbers of investors simultaneously liquidating their units. Their response has always been that it is fine in theory but it cannot practically be done. I am accordingly delighted to be able to now retort that it can.

To prove it I have created a very simple computer programme, FundFinder 2, which anyone can operate and which tells you precisely when to buy and when to sell.

Next week I will explain how you can pick out market tops and bottoms with considerable accuracy.

□ Footsteps to Fortune is a serialisation of Richard Cluver's latest book "How To Make a Million" which, together with his other titles, "Making Money With The Mutuals" "Investment Without Tears" and "Advertising For Free" is available from The Promotions Department, The Daily News, Box 47549, Greyville 4023. They are priced at R40 each inclusive of postage and VAT. Demonstration disks of his ShareFinder share-market analysis computer programmes cost R35.

IGI Life's new angle on RAs

STAR 25/7/92

If you thought until now that retirement annuities are a standard package, IGI Life has a new angle on it with its Domestic Provider policy.

The Domestic Provider, launched last year, is aimed principally at looking after the late life needs of domestic workers, but it can have — and is having — a wider application.

IGI Life's MD, Paul Cushway, says the Domestic Provider may be viewed as an alternative to the standard RA as it can incorporate some of the RA features — notably the post-retirement income — but has greater flexibility in line with the circumstances of the average domestic worker or small business employer.

Among the package's flexible components are the fact that it can be transferred from one employee to another and also contains a provision for access to cash to provide for an employee's emergency needs.

Another important way in which it offers more than the typical RA is that it makes provision for money for retirement as well as funeral benefits and basic accident benefits.

The policy is unique in that it comprises an owner (the employer) and a second life assured (the worker). This means that the employer has a savings scheme held on behalf of the employee and a small amount of life cover, whilst the employee enjoys a range of other insurance benefits.

SAD SIGHT . . . a pensioner struggles to the Luyolo Community Centre in Guguletu to collect her pension, while others wait for the gates to open Picture: FANIE JASON

Pensioners brave the cold and rain for their pittance

(300)

ST Times [C/metro] 26/7/92

THE extraordinary cold and wet winter is playing havoc with the health of pensioners from Guguletu, many of whom are forced to spend hours in icy-cold conditions queueing for their monthly pensions.

Pensioners from Section 3 and 4 in Guguletu draw their pensions at the Luyolo Community Centre, but because of the cramped conditions at the centre, standing in the open for six hours and more has become the norm for many of these pensioners.

By RENÉ DU PREEZ

"It's bad enough standing in the open in summer waiting to get your pension, but when the winter comes along, most of our money is spent on regaining our health," said Mr Jackson Mzimela, 74.

"I leave home at one o'clock in the morning on pension day so that I can be one of the first in the queue and one of the first to leave," he said.

When Cape Metro visited the Luyolo Community Centre this week, we found hundreds of elderly people, some barely able to walk, waiting for hours in pouring rain for their R290 monthly pension.

Exposed

The centre does not have the space or basic needs to accommodate the almost 2 000 pensioners who qualify for pensions at this venue.

Although many of the pensioners leave their homes in the early hours of the morning, the outside gates and doors to the Centre are only opened at seven o'clock . . . which means that the old, sick and frail are exposed to the wintry, and often wet, weather, for extended periods.

Two of the four rooms in the centre had no electricity when we visited there this week and there were not enough benches and chairs.

Some squatted on the floor huddled under plastic to ward off the cold, while others sang religious songs and held a church service waiting patiently for officials to arrive and start paying out pensions.

Mr Banzi Bam, 74, is also an early arrival at Luyolo on pension day.

"I come at four o'clock in the morning and, if I'm lucky, I leave by midday."

Mrs Milicent Mgamzana, 64, who was sitting on a milk crate and wearing a drenched overcoat, said she had left home at 3 am.

"Because this place is so small, I come early so when the doors do open, I at least have a shelter over my head for the next five hours while waiting for my pension," said Mr Herbert Myaki, 70.

In response to questions from Cape Metro, the Senior Communications Officer for the Community Offices in the Western Cape, Ms Penelope Horwood, said facilities at the Luyolo Centre were those of the Ikapa Town Council who were aware of the shortage of seating. Due to a lack of funds, they had been unable to increase the number of seats although a request in this regard had been submitted to the Cape Provincial Administration (CPA).

There were no plans to provide bigger premises, as Luyolo was the only facility conveniently situated for the payment of pensions.

Ms Horwood said it was possible to open the gates earlier to accommodate early arrivals and that arrangements in this respect had al-

Pensioners to get payments a week late

Sowetan 27/7/92

■ Civics unhappy with Administration's postponement of pensions to Soweto's elderly:

By Victor Tsuai

THE African National Congress' mass action programme planned for Soweto this week has backfired on pensioners.

According to the Transvaal Provincial Administration (TPA), payment of pensions in the area has been postponed for a week.

A statement released by the TPA said: "Payments that are usually made from the 3rd to the 7th of each month will be paid out from August 10 to 14 1992, while payments paid out on the 10th to 14th of each month will be paid out from 17 to 21 August 1992.

"This pro-active action is taken with regard to the possible inaccesibility to the area during the period of planned mass action."

The Soweto Civic Association (SCA) said the TPA acted hastily by suspending payments without consulting the civics.

SCA secretary Mr Isaac Mogase said: It is quite unacceptable to us that people should not be paid out because of mass action.

Shot in the arm for stokvels

CT 27/7/92

JOHANNESBURG. — The economic downturn and township violence had given stokvels a shot in the arm, National Stokvels Association of SA (Nasasa) president Andrew Lukhele said at the weekend.

Last year, stokvels in urban areas throughout the country collected an estimated R83m a month compared with R52m in 1990, according to a recent Markinor survey. Membership also grew by 45% from 680 000 in 1989 to 989 000 last year.

"The recession and the violence have resulted in stokvel members cutting down on big parties," Lukhele said.

Many stokvels were helping their out-of-work members to start small business ventures.

Overpayment leaves pensioners in the lurch

ROGER FRIEDMAN
Staff Reporter

HUNDREDS of Worcester pensioners battling to make ends meet are even worse off than usual because of a Cape Provincial Administration bungle.

When the 829 pensioners in Zweletemba were overpaid a total of R268 818 last month, many assumed long promised pension parity had finally come to fruition and they were being paid the same as whites.

Blacks social pensioners are paid R290 a month compared with R381 for whites.

"The thought was that the government had at last fulfilled their promise," said Mrs Nobantu Matross of Zweletemba.

The pensioners spent the money on "heaters to fight the cold, television sets to prevent loneliness, and others bought blankets and warm clothes".

Some paid off longstanding accounts and rent arrears.

But two weeks later, they were informed they would have to refund the money and were offered no official explanation.

Many simply did not have the money any more, Mrs Matross said.

Mr James Genis, CPA director of welfare promotion, said the overpayments were due to a power failure "during the backloading of the Worcester data on to a PC in Parow".

The paymaster in Worcester "assumed that the beneficiaries were entitled to the higher amounts as indicated on the computer".

In terms of the provisions of the Social Pensions Act any overpayment of pensions had to be recovered.

The pensioners were informed of this "unfortunate state of affairs" and had been told the money would be recovered at R10 a month.

A trilingual letter to this effect was handed to each pensioner during the July pension payouts, Mr Genis said.

'TPA is sacrificing pensioners'

STAR 28/7/92

By Abel Mushi

300

The Civic Associations of the Southern Transvaal (Cast) — angered that payouts of state pensions in Soweto will be delayed by a week — yesterday accused the Transvaal Provincial Administration (TPA) of sacrificing black old-age pensioners in a "political ballgame".

Cast's general secretary Dan Mofokeng said the Government could have made arrangements to pay the pensioners a week before next week's general strike, which he said was being used by the TPA as an excuse to pay pensions late.

The pensioners — who could have "stocked groceries in advance" — were being held to ransom by the Government in its bid to hit back at the black community, Mr Mofokeng said.

"The authorities have a tendency to undermine the legitimate representatives of the people. They are too prescriptive and they never consult our communities.

"The fact that the postponement only affects blacks is proof that the Government is only geared towards satisfying its own interest," he said.

Mr Mofokeng said it would not be surprising if old-age and disability pensioners in other black townships were also made to wait a week longer.

The postponements were also criticised by the Soweto Civic Association.

A Spokesman for the Department of Health Services and Welfare was not available for comment yesterday.

Pension payouts delayed

STAR 30/11/92

By Charmeela Bhagowat

Pension payments in 22 black townships in the East Rand, Vaal Triangle and West Rand would be postponed by one week because of planned ANC mass action, the Transvaal Provincial Administration announced yesterday.

Spokesman Metzi van der Merwe said the decision to postpone the payments, which were due to be made from August 3 to August 7, was prompted by "concern for the security of the pensioners".

The TPA had no guarantee that pensioners would have transport to the pay points, that TPA workers would work during the campaign or that the townships would be accessible, Miss van der Merwe said.

300

She stressed that the move was not a political one but the ANC condemned the postponement as "a clearly political position on the campaign for democracy, in which the TPA is targeting the old and the sick".

ANC spokesman Gill Marcus dismissed the TPA's reasons for postponing the payments as "absolute nonsense", saying their approach to pensioners was "a disgrace to any society".

The TPA announced the postponement of pension payments in Soweto earlier this week.

Listen to common sense about your retirement

STAR 31/7/92

300

Finance Staff

Why is it that only a small percentage of people can afford to retire comfortably?

Most people have to accept a radical reduction in living standards or even have to keep on working just to stay alive.

Planning a carefree retirement is a lifelong process and should ideally start the day one starts working.

Come and find out more about all aspects of retirement planning at the Star/Allied Bank retirement planning conference to be held at the Sandton Sun on Friday August 28.

The conference will be repeated the following day in order to enable working people to attend.

The conference is aimed at ordinary people with a limited knowledge of financial matters.

All talks will be given in plain and simple English with plenty of time allowed for questions you might like to ask.

The subjects to be discussed at the seminar include:

- Will your pension be safe in a new SA?
- What you should know about your own pension fund.
- What is a provident fund and does it work?
- How to use unit trusts as a pension fund.
- The best way to retire.
- Preparing for retirement.
- The most tax-efficient way to retire.
- What everyone should know about reitirement annuities.

The fee for the conference is R220 per person (including VAT).

A buffet lunch is included, plus working notes on all the topics.

Booking is essential and seating is limited. For more information call Rosemary at Corldev Marketing at (011) 483-3215.

All proceeds of the seminar go to charity.

Estate planning sorely neglected

ESTATE planning is often the most neglected of the three major pillars of financial planning, the other two being investment and retirement.

Roxburgh Trust financial director Kees Segers says: "It is surprising that many responsible people die every year without leaving even a basic will."

Segers says the best methods of estate planning should be left to the specialists.

Firstly, you should analyse your present situation in the case of death and establish your objectives, which may include:

- ☐ Sufficient liquidity to cover the estate's liabilities;
- ☐ Adequate provision for your spouse and dependents and necessary measures regarding business interests. These could include private life insurance, keyman/loan account protection, and partnership buy and sell agreements;
- ☐ Protection of assets from forced sale by providing sufficient liquidity to meet estate duty, executors fees and administration costs;
- ☐ Keeping the incidence of estate duty to the minimum.

"In SA, estate duty is donor-based which means that the duty or tax is levied on the net wealth of the deceased at the time of death," says Segers.

Until March 1988, the maximum marginal rate of estate duty in SA was 35%, while the maximum rate of donations tax was 25%. The Margo Commission's recommendation on a capital based transfer tax was accepted in the White Paper and there is now one flat rate of 15% in respect of both.

Segers says the situation was further simplified when the commissions's recommendations on deductions and abatements were accepted. With effect from March 1988, the following rules were implemented:

- ☐ A non-cumulative deduction of R20 000 a year in respect of donations by natural people;
- ☐ One overall estate duty lump sum deduction of R1m;
- ☐ A disposition between spouses is exempt from estate duty and the same applies to dispositions to religious, charitable and educational institutions.

Security in retirement needs careful planning

300 (a)

BIDAY 3/7/92.

THERE are a host of challenges, opportunities and problems facing prospective pensioners, with financial security being one of the biggest bugbears.

Roxburgh Trust MD Onno Zaayer says: "No matter how non-materialistic an individual is, the ability to enjoy the twilight years depends on the amount of wealth he's managed to accumulate over the years. Research by a local assurance company shows that less than 10% of people over 65 are financially independent.

"The state cannot accept responsibility for providing adequate income for pensioners; only very wealthy First World countries can afford this luxury, and even then the problems encountered can lead to a breakdown of these welfare provisions.

"A country like SA, with its economic problems, cannot even contemplate providing this type of social welfare. The individual is expected to provide for his old age and certain tax driven incentives are offered to encourage the individual to save."

Zaayer says important steps have to be taken in order to ensure a financially comfortable retirement.

One of these is to look for professional advice to assist in formulating a plan to achieve predetermined goals.

"The plan should consist of various elements, firstly some sort of insurance policy to ensure against unforeseen events such as disability and retrenchment.

"Tax effective retirement plans such as pension and provident funds, deferred compensation and retirement annuities must be used to the full extent. A professional advisor should assist you in selecting the right mix for your needs.

"Your own personal investment preferences should also be discussed with your financial advisor."

These investments should be made in a structured and disciplined manner on a monthly basis by stop/debit order.

ONNO ZAAYER

Annual reviews are important to ensure investments are increased to maintain the purchasing power which is constantly eroding due to inflation.

Debts such as hire purchase, lease hire and mortgage bonds should be settled prior to retirement date.

The timing of retirement is important, says Zaayer.

It is worthwhile to have a trustworthy advisor to assist in making decisions, because literally thousands of rands in tax can be saved during the year in which you retire,he says.

MERVYN FREEMAN

Mature endowment policies open a variety of options

B1DAY 3117192

MOST policyholders are unaware of all the options when it comes to maturation of their endowment policies.

Although life assurance policies provide an amount of death cover until "death do us part" — or for a specific timespan — policies can also have an investment portion that grows in value to be used for loan purposes or to be cashed in when life assurance cover is no longer needed.

Roxburgh Trust director Mervyn Freeman explains that the endowment policy is issued by the life office concerned, with an immediate life cover protection up to a specified date.

"The objective of this type of contract is to ensure that if death occurs before the termination date, the life cover amount will be paid out.

"If the life assured survives the period he and/or the owner will be paid out a cash amount. The objective of an endowment policy is to give the individual the benefit of having a cash amount as opposed to leaving the cash in the estate."

With the introduction of linked policies, where policy values are determined by the performance of a portfolio similar to the unit trust concept, investment performance improved considerably.

"This meant that such investments became an important area to consider for one's financial planning.

"Clients then took out more 'pure' endowments, which are pure investment policies which have either no life cover or the minimal amount recently prescribed by statute. In this way they were able to maximise the investment potential.

Popular (300)

"Also, instead of having a policy maturing at age 65, for example, the minimum 10-year term became a more popular option."

The importance of all this is that the life assurance industry, via its investment expertise, has been performing very well and consequently plays an important part in financial planning, says Freeman.

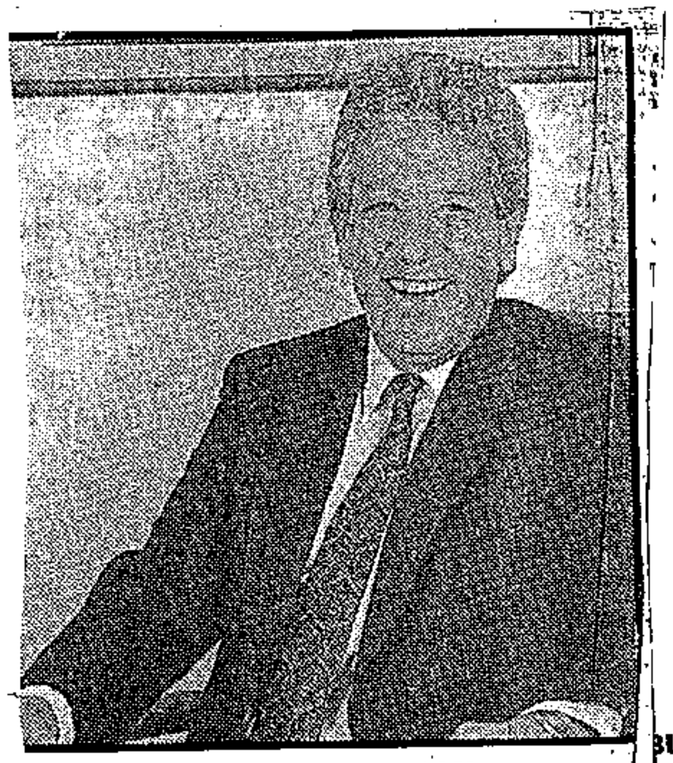
When endowment policies mature, the insurance company notifies the client, who signs a maturing statement hands over the policy document. A tax-free lump sum is paid out.

"The client now has a lump sum of money to use, either to offset some liability, to go on a world trip or to invest in an interest bearing account to provide income.

"In fact, most clients are often totally unaware of other options which are opened up on the policies' maturation."

The fact that the policy matures at any time after 10 years opens up a future investment opportunity. The policy has acquired a "tax sheltered" status. This means:

- ☐ The policy can continue to run indefinitely with or without premiums earning tax free growth;
- ☐ Premiums can be increased up to four times the lowest premium paid in any one year prior to maturity for as little as one year earning tax free growth;
- ☐ Clients can part-surrender the policy, cashing in part of the value from time to time. As the policy grows from the date of maturity, all or part of the growth can be cashed in. This allows the client to use tax free money instead of doing the same exercise via an interest bearing investment which is subject to tax after the first R2 000 a year.



MERVYN FREEMAN

Roxburgh Trust

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B'DAY 3/17/92

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for the group's mail order products dropped. return to the previous excellent compounded growth."

Funds to air asset stripping fears

B|DAY 31/7/92

LINDA ENSOR

CAPE TOWN — Greater obstacles were likely to be raised against asset stripping of pension funds by those companies involved in mergers and takeovers when the Financial Institutions Amendment Act was implemented later this year or early next year, Southern Life employee benefits GM Roy Lennox said yesterday.

Any transfer of retirement funds' business would have to satisfy the Registrar that it was reasonable and equitable and that it recognised the rights and reasonable benefit expectations of beneficiaries.

However "reasonable benefit expectations" needed further clarification, said Lennox.

Other changes included heavier penalties of as much as R2 000 for late payment of contributions and a fine of R2 000 multiplied by the number of members of funds in cases of failure to pay over contributions to the fund.

Lennox said in a statement Southern Life welcomed the principle of protecting fund members in the legislation. 31/7/92.

However, he expressed concern over the power given to the authorities to make arbitrary decisions on matters such as the waiving of statutory reporting requirements for exempt funds.

The Act has passed through Parliament but the effective date has not been announced and regulations still have to be finalised.

Southern Life was concerned the changes would probably result in higher costs to the industry and to fund members.

The Act would also have a major impact on underwritten retirement funds which enjoyed exemptions from several provisions of the Pension Funds Act.

The administration of these funds was likely to become more costly as a result of the more detailed reporting requirements, the need for the insurer to comply with the Registrar's requirements for administrators, the need to revise existing standard rules and the possible increased costs of fund registration where non-standard rules were used.

Lennox said discussions between the industry and the Financial Services Board indicated that the regulations to the Pension Fund Act would incorporate details of "model rules". The board was promoting standard rules in an attempt to reduce the burden on its own staff.

Medi-Clinic outlook bright

LINDA ENSOR

CAPE TOWN — Rembrandt's hospital group Medi-Clinic was on track for a good financial year to end-March 1993 and would see a further improvement in earnings, chairman Prof Jan de Villiers said after the AGM yesterday. B|DAY 31/7/92.

The group was quite happy with its performance and while there had been a slight drop in occupancy levels, this had only been in the order of 1%, he said

Depending on geographic area, occupancies were running at between 60%-75%.

De Villiers said all the group's projects were on schedule. The latest hospital built, the Stellenbosch Medi-Clinic, had accepted its first patients in April and its performance had exceeded expectations.

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Pension payment postponed (300)

PAYMENT of social pensions at 22 black townships on the East Rand, Vaal Triangle and West Rand has been postponed for a week, because of the mass-action campaign. Cl/rem 2/8/92

The Transvaal Provincial Administration said transport for pensioners might not be available.

The areas affected include Soweto, Sebokeng, Boipatong, Bophelong, Sharpeville, Orange Farm, Poortjie, Thokoza, Katlehong, Vosloorus, Thembisa, Daveyton, Wattville, Kwa-Thema, Duduza, Rathanda, Siyathemba, Botleng, Zonk'izizwe, Ivory Park and Tsakane.

Payments made from the third to the seventh of each month will now be paid from August 10 to 14, while payments usually paid from the 10th to the 14th day of the month will now be paid from August 17 to 21.

PEOPLE'S LIVES *Getting the youth into safe sex ● A talented woman who looks after the aged*

your help centre

CLAIRE JOYCE looks at the problems of talking to children about Aids. How do we explain the deadly disease to youngsters?

TALKING TO our children about sex is often difficult and embarrassing. They are asking sophisticated questions about condoms, about sexually transmitted diseases (STDs) and about responsible sexuality and contraception.

And what are we telling them? Are we misleading them by saying that condoms destroy sex, and that the only way to be with another person is "flesh on flesh". Are we saying that Aids is a white disease or a gay disease and lying to them? By not being honest we are not making our children realise that anyone who does not practise safer sex can be infected.

We need to sit down with our children and explain that Aids is a deadly disease. A disease that is transmitted in sexual fluids and through the blood.

To prevent being infected all we need to do is practise safer sex - that means using a condom every time we have sex, and avoid contact with other people's blood.

Imagine our pain and despair when our child comes home HIV positive and we have not told them about safer sex? For more information on Aids call the *Sowetan* Help Centre, FREE OF CHARGE, on 473-2505 between 6pm - 9pm, Monday to Sunday.

Keeping elderly healthy, happy

Sowetan 4/8/92

woman of the Week

By Lulama Luti

■ FORGOTTEN SOULS *Dabula has dedicated her life to caring for the aged:*

POINT-SIZED Mrs Rose-May Dabula is a woman of immense talent and qualities.

Instead of sitting at home lazing in the sun, this 70-year-old retired social worker dedicates her time to the formidable task of caring for the "forgotten souls".

And because she has given her heart and mind to seeing to the welfare of more than 7 000 pensioners in Daveyton on the East Rand, she often forgets about hers.

"Why should I stay at home and bask in the sun when there are constructive things I could be doing for people?

"I've always wanted to be of help to others, and this provides me with the opportunity to do just that," she said.

While Dabula has always had an interest in creating resources for the aged, her qualification as a social worker stood her in good stead for this community-based project.

An educationist, she was instrumental in the building of schools in Daveyton.

After graduating from the Kilnerton Training Institute, Dabula taught in Boksburg before she took up a principalship at the Jandrell Junior Secondary School in Barberton from 1949 to 1956.

During the resettlement of people from the Apex Emergency Camp to Daveyton in 1955, Dabula was approached to help start "tent" schools in the township.

The realisation that there was a dire need for recreational facilities in the new township led her to leave the teaching profession in 1957.

She then enrolled at the Jan Hofmeyr School of Social Work and graduated in 1960. It was during her 20-year stint as a social worker employed by the Benoni City Council that she realised that the care of the aged was a neglected field.

Together with other people, they revived the existing Daveyton Society for the Aged which was established in 1978. Today it is headed by a nine member committee which sees to the needs of the pensioners. (300)

According to a survey by the organisation, old people need company and to be kept busy is healthy for them.

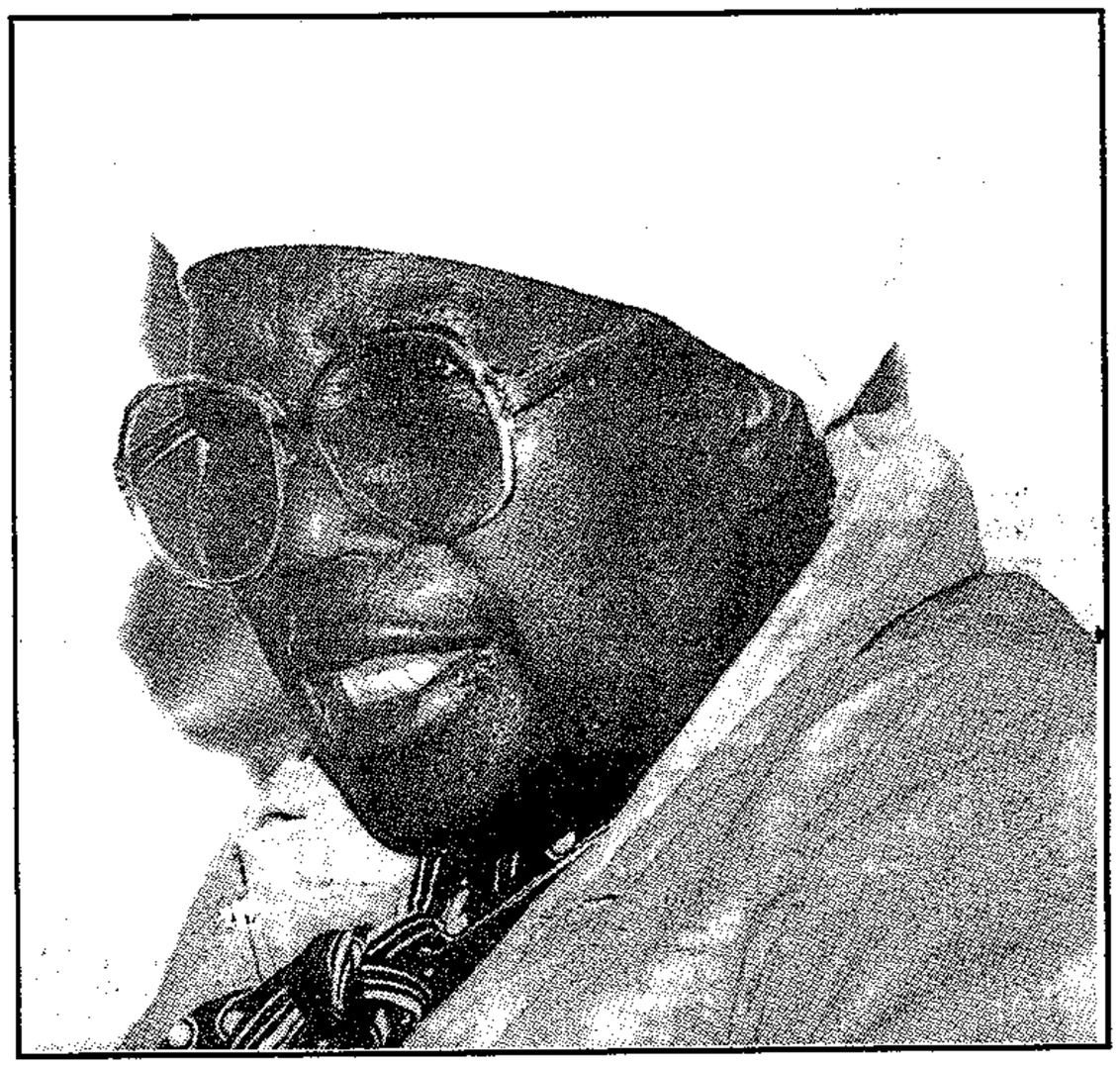
To this end, the Daveyton Society for the Aged launched the Zakheni luncheon club which not only keeps the grannies well on their feet, but they also get food for a small fee.

While the club was initially intended for pensioners in Daveyton, it has now been extended to cater for Etwatwa West as well.

The grannies are outgoing too. They have been on several educational tours and these included visits last year to Sun City in Bophuthatswana and Durban.

A relentless worker, Dabula is a widow and has four children. She is a member of the Benoni branch of the SA Black Social Workers Association, the Cripple Care Association and Famsa.

Dabula now qualifies for the *Sowetan*/Eskom Women of the Year Award.



Mrs Rose-May Dabula is caring for the aged

FM 11/5/92. ECONOMY & FINANCE

PENSIONS 300

Taxation headache

Last week's meeting convened by State actuary Piet Robbertze, to consider equitable ways of taxing pension funds, was inconclusive. It was, apparently, more an effort to glean ideas than reach a verdict. By mid-May Robbertze has to have a report ready for Japie Jacobs, special adviser to the Finance Minister. It will be included in Jacobs' own analysis of the taxation of financial institutions.

Pension industry leaders invited to the discussion were close-lipped afterwards because, apparently, it was not to be public knowledge that a pensions tax was being considered. This, despite the fact that former Finance Minister Barend du Plessis referred to the issue in his March Budget speech.

Contributions to retirement schemes are, within limits, tax-deductible. There is no tax on the periodic accrual in value of the pension fund. When retirement arrives, one-third of most pensions may be taken tax-free in a lump sum, while the annuity purchased with the balance is taxed at normal rates. Effectively, the fiscus receives little in the way of tax from an amount which averages between 15% and 20% of the remuneration paid out in the formal sector. ■

Your Money

PENSION FUNDS: *The 'backservice' funding must come from somewhere*

Transferring from the poor to the rich . . .

STAR 2/5/92. (300)

ROGER WELLSTED, group personnel manager of Argus Newspapers, wraps up his series on the ins and outs of pension funds.

A MAJOR disadvantage of the Defined Benefit Pension Fund is that members who are granted merit or promotional increases benefit more from the fund than members who retire at the same status as when they joined.

A person who joins as a clerk and retires as a clerk, without any significant increase in salary level, would be distinctly worse off than a person who joined as clerk, was promoted several times over a long period, and retired as a manager.

Each time a person is granted an increase over and above the inflation rate, the "back service" portion of the individual's pension has to be funded.

Most pension funds makes special provision for these merit and promotional increases. This special provision comes out of the total contributions paid into the fund.

So, in practice, a portion of the company's contribution paid in on behalf of the labourer, may be used to fund the manager who has received promotional increases.

An example of the costs to the fund for a promotional increase is as follows:

Assume a 55-year-old employee has 20 years' service. The salary is R2 000 a month. The employee is promoted and is granted an increase of R500 a month.

The cost of funding the "back service" portion might amount to R25 000.

Of course, the reverse also holds true.

If managers are granted average inflation-related increases and, as a result of union pressure, labourers are granted increases above the inflation rate consistently for a few years, the funding of the "back service" may be taken from the company contributions paid in respect of the managers.

The point is that actuarially, company contributions are not allocated to members equally. Some members receive a far larger portion than others even though the overall company contribution may be determined as a set percentage of the total payroll.

Provision for thismerit component in the fund is one of he reasons why the company contributios for Defined Benefit Pension Funds re often higher than for a Provident Fud or Money Purchase Pension Scheme.

Pensioners, regretably, often land up subsidising the impct that merit salary increases to curren staff members have on a fund. This hapens when insufficient provision is made by the fund to cater for these increases.

Investment yield on the portion of the fund's assets allocted for the benefit of pensioners are theoften used to fund this cost of back-servic.

As a result, lessmoney is available to grant reasonable icreases to pensions.

ALLOCATION OF CONTRIBUTIONS: Most pension funds have very good death and ill-health benefits.

These benefits re expensive and must be funded out of the total contributions paid into the fund.

Some pension funds have these benefits under-writter by an insurance company. The cost could range between two to five percent of the total contribution paid into the fund.

A typical pensbn fund would be:

Employee contribution .. 7% of salary
Company contribution .... 9% of salary
Total Contribution 16%
Less death and disability 4%
Amount used by fund for basic pension benefits 12%

The allocation of these funds would also vary considerably according to the age of each member. A 20-year-old member might receive about nine percent of the total allocation while the 60-year-old member might receive a 20 percent allocation.

POLICY AMENDMENT — PROTECTION FOR PENSIONERS: Turning again to the question of pensioners being penalised to fund improvements to current members benefits, company contribution holidays, and a number of other costs, it is possible to introduce a rule that will protect the interests of pensioners.

The amendment is designed to ensure that any profits realised on the yields earned on the pensioner's portion of investments, must be used for the direct benefit of those pensioners. The wording could be as follows:

"At the end of each year the actuary shall determine the yield in the fund during that year based on the assets as determined for the valuation of the fund. The amount which represents the excess of that yield over 4 percent (or the long term real rate of return/assumed investment yield) on the liability for pensioners, shall be reserved to pay increases to pensions. The trustees shall also grant such additions to pensions as, after consulting the actuary and with the consent of the company, they decide."

In recent publications it appears that some actuaries are recommending a change in pension fund legislation to enable pension funds to refund to a company, in cash, any surplus reserves.

This pay-back facility will depend on the pension fund granting regular increases to pensioners over a three-year period. But the proposed amendment falls short in determining the amount of the regular increase.

These increases could be based on two-thirds of inflation which could leave a large pension fund with millions of rands surplus every year.

Accordingly, I see a protection clause for pension increases as an essential element in any pension fund.

If a primary responsibility of a pension fund is to ensure that the purchasing power of existing pensions is maintained, increases granted to pensions should be directly related to the yield of the fund and the inflation rate.

MONEY PURCHASE PENSION FUNDS: The "Money Purchase" or "Defined Contribution" Pension Funds are gaining popularity. A possible advantage of these funds is that each member receives a pension based solely on the contributions paid into the fund on behalf of the individual member.

The member receives an annual statement recording both members' and company contributions for the year, rate of investment yield and total balance to date.

On retirement the member can withdraw one third in cash and the balance is used to purchase a pension in the fund based on the personal circumstances of the member, as is done when purchasing a retirement annuity.

It must be remembered that, as with Provident Funds, the company contribution rate is often lower for a Money Purchase Fund than with a Defined Benefit Pension Fund because provision for a merit component is excluded.

PROVIDENT FUND: Although Provident Funds are currently enjoying considerable popularity, they are likely to be superseded by Money Purchase Pension Funds.

The disadvantage of Provident Funds is that five years after retirement, few Provident Fund members have much of their original capital intact.

Poor investment, demanding children and extravagant tastes leave the majority of members dependent on relatives for support soon after retirement.

PE

Surrender: last resort

R500-m flushed down the drain in 1990 lapses

STAR 25792 (300)

Insurance might seem the easiest item to drop from a shrinking budget, but in the long run it can be extremely costly, writes MAGNUS HEYSTEK.

THE tight economic situation is forcing thousands of people to lapse or surrender their insurance policies.

The total value of policies lapsed and surrendered in 1990 was just less than R500 million — literally money down the drain, leaving many individuals and households without any form of life cover.

The Registrar of Insurance's latest annual report (for the year to end-1990) discloses the shocking extent of policy surrenders and lapses in that year — a trend which has since worsened, according to insurance insiders.

The report says that a total of 2,08 million policies with a combined premium income of more than R7 billion was sold during 1990, but 227 648 worth R140 million in annual premiums were surrendered and 468 076 — representing annual premiums of R355 million — lapsed.

Concern

At some companies the lapse and surrender ratio was as high as 80 percent of the total number of policies sold in 1990 (see table).

Life Offices Association (LOA) executive officer Dick Geary-Cooke says the life-assurance industry is "extremely concerned" at the high level of policy lapses.

"While it is a perennial problem, it always gets worse during times of economic slowdown. When people land in financial difficulty, they sometimes have no money to pay for their insurance and investment policies. But people must realise that the surrender or lapse of a policy is the worst alternative. Only if there is no way out should such a step be taken."

Few policy-holders can accept that the surrender values of investment-based insurance policies are low.

What is often not understood is that most policies "front-load" costs and commissions; only after about four years on average does such a type of policy acquire a meaningful surrender value. Any policy surrendered within those first four years will have no surrender value at all.

To surrender any type of investment-based policy within that period is a huge waste of money — it is literally money down the drain.

The LOA has produced a booklet which is sent to policy-holders who have signalled that they intend surrendering their policies. Here are some of the questions it discusses:

● Is your life-assurance in danger if you stop paying premiums?

It may become difficult to continue paying your policy premiums. Check your priorities first. A wrong decision could cost you — and your family — dearly. Here's why.

Should you fall behind in your premium payments, particularly during the early years, your policy will be in danger of lapsing. This means that it ceases to exist and all its benefits will be lost.

The most vulnerable period is usually the first two years. During this time the premiums you pay are needed to meet the initial processing costs of the policy, including commission. These costs have to be met whether or not you keep your policy in force for its full life span, which could be 20 years or more.

Only after the initial cost of your policy has been paid will it start building up its own value. The danger of lapsing will then be reduced. But remember, had you died during this early period, the full sum insured would have been payable to your dependants.

● What happens when you surrender your policy?

When your policy has started building up its own value you may be tempted to surrender it in order to draw the value in cash. This is a simple way of raising cash, but as a last resort only, for the drawbacks far outweigh the advantages.

Firstly, your policy value will have been debited with the initial costs already mentioned as well as the cost of the life cover you have enjoyed, so your return will probably be less than expected.

Furthermore, you lose all the benefits that you hoped for. A new policy means initial costs all over again, plus premiums that have been increased because you are older and possibly less healthy than you were when you initially applied for insurance.

● What are the alternatives?

Most life companies allow you to borrow from your own policy against its value; you could use your policy as security for a loan from your bank.

Pay it back

Always view borrowing against your policy as a short-term measure only. Arrange to pay it back as soon as possible. Accumulated interest could endanger your policy's life.

● What happens if premium payment is your problem?

If your policy has accumulated value, you will benefit from the "non-forfeiture provision" which allows you to have the premiums borrowed against the policy's value.

But beware: unless you resume the payments the policy will lapse when its value has been used up.

If there is no likelihood of your resuming premium payments, you might be able to make your policy "paid-up". You'll pay no further premiums, but will enjoy the benefits of the policy at a proportionately lower level.

Policy lapses, surrenders

Company	Total Policies	Surrenders	Lapses	Total	%
Total	2 080 165	227 648	468 076	695 724	33,4
A A Life	113 404	2 918	32 798	35 716	31,7
Anchor Life	21 619	5 571	11 870	17 341	80,2
Charter Life	34 914	1 073	10 178	11 251	32,2
Metropolitan	133 688	16 675	52 008	68 683	51,4
Liberty Life	1 224 387	18 864	22 900	41 764	34,1
SA Mutual	671 212	88 748	99 261	188 009	30,5
Sanlam	505 108	40 000	80 801	120 871	23,9
Commercial Union	25 880	1 925	4 930	6 855	26,5
Fedlife	20 676	1 524	9 139	10 663	51,4
African Life	37 866	2 603	12 836	15 439	40,8
Southern Life	70 238	15 108	18 190	33 298	47,4

(For 1990)

Agency finds jobs for older workers

ST Times [Cape Metro] 3/5/92

AN increasing number of companies and older employees are using the services of the Senior Citizens Employment agency of Cape Town.

The agency is being approached by older employees who are being retrenched because of the recession, and they are being matched with companies trying to find cost-efficient means of surviving in a harsh economic climate.

Businesses fighting a shrinking market share, increased and intense competition, budget cutbacks and uncertainty and change in the workplace are desperately looking for an answer to some of their problems.

They are finding it by employing older people on a temporary or permanent basis.

Senior Citizens Employment Agency says these people represent the best use of human resources because they are:

- Hands-on and value driven and get back to the basics of business with minimum training.
- Are less inclined to "job hop".
- Most likely to develop loyalty to their new employer.
- Not usually looking for the fast track up the corporate ladder.

"We have many older employees on our data base, from engineers and technicians to accountants and secretaries and from storemen to caretakers," says a Senior Citizens Employment Agency spokesperson.

The Cape Town branch manager of Senior Citizens Employment Agency, Deborah Leigh Kenny, says the agency is getting many applications from people aged 45 upwards.

"We are successful at placing several of them, but the trouble is that they get comments like 'We don't take anyone over the age of 45' or 'You don't have many years of work left in you'.

"Despite this, companies are increasingly on the lookout for older employees and we are pleased to say we have been able to help."

How strong is your retirement safety net?

STAR 21/9/92 (300)

By BERNIE GOLDMAN
General Manager (Life Division), at Fedlife Assurance Ltd

IF YOU want to know what popular thinking is, read the bumper stickers on cars. One I saw reads "Get Even — Live Long Enough to be a Burden on your Kids".

South African social welfare programmes are neither the best nor the worst in the world.

This is fitting for a country that has suddenly realised that its future lies in its entrepreneurial spirit and ability to become economically successful.

A country, like an individual, cannot build its business without investing for its future growth, but it must have working capital on a day-to-day basis.

A young enterprise does not have the capacity to carry passengers.

This is a harsh law and contrary to our First-World thinking, but a Third (or partially Third) World cannot afford the luxury of First-World thoughts until it has earned the funds to support itself.

So, whose problem is it today? It is the individual's problem.

South African society is built around the extended family system, from the large family groups in Soweto, to the Sandton family whose 28-year-old "child" lives at home.

But the burden on the economically active increases annually. In 1988 one third of the population were under 27, and at the other end of the scale the numbers of retirees had increased dramatically.

The choice is yours. First you support your children, then your parents, and then yourself ... have you got the time before you retire, and are you making the most of the time available?

Company pension and provident funds provide a safe form of saving, but for the majority of people they will not provide sufficient monies for a satisfying retirement.

Ask yourself these questions. How much time do you have until you retire? How long could you live on the money you've saved? If the answers cause you some discomfort, find a broker you like and trust, and talk it over with him so that together you can structure a future you can live with.

That way you'll know how strong your safety net is.

Generally you should:

- retain a wide spread of investments and instruments;
- set your targets on putting away as high a percentage of your income as possible; and,
- be conscious of any investment which may be risky.

Key areas include:

- the impact of inflation;
- tax and other legislative changes and conditions;
- likely major political shifts;
- long-term economic trends.

Whatever the outcome for the new South Africa is in, say, 10 or 20 years' time, one thing is clear: individuals will have to rely increasingly on themselves for their future financial security. Government already has its plate full.

And with some 12 million black people, for example, under the age of 15, the costs of catering for them in terms of education alone will be astronomical.

Some form of national health care and pension provision cannot be ruled out, but this would be restricted to the "needy".

Times of uncertainty may make long-term planning more challenging but, at the same time, they make some form of planning essential.

Renewal issue — Province relents on pension payouts

(300)

ARG 5/5/92

SHARON SOROUR
Staff Reporter

CAPE Provincial Administration black pension payments, maintenance and disability grants will be made to about 17 000 people in the Peninsula and Boland over the next two weeks.

According to communications officer Miss Penelope Horwood, payments by the Community Services branch of the CPA began yesterday at Mfuleni in Kuils River, Kayamandi in Stellenbosch and Lwandle in the Strand.

"Everyone will receive their pensions and grants this month, irrespective of whether their renewals were completed last month or not," she said.

A recently introduced system now allowed old-age pensioners and people receiving disability grants, which did not require a medical certificate, to renew them at the same time as receiving the payments.

"This means about 60 percent to 70 percent of this year's renewals can be done at the same time as the payments are made.

"Pensioners only have to take along their ID books to the payment points where they will receive their pension slips, be thumb-printed for identification purposes and receive their money," she said.

Pensioners would be reminded at each month's payout of the time, date and place of the next payout.

The Community Services ran a counter service every week from Mondays to Thursdays for people qualifying for an old-age pension. Women over 60 years and men over 65 years were eligible to apply.

Miss Horwood said the service was rendered in the community halls in Khayelitsha on Mondays, in Nyanga on Tuesdays, in Guguletu on Wednesdays and in Langa on Thursdays.

● Payments, at 9am, will be made at Langa today, Nyanga tomorrow, at Site B, Lingelethu, on May 7, at Khayelitsha on May 8, in Guguletu 1 on May 11, Guguletu 2 on May 12, Guguletu 3 and 4 on May 13, in Crossroads on May 14, in Paarl and De Doorns on May 15, in Worcester, Ashton and Robertson on May 18.

Trade unions set up unit trust fund

STAR 5/5/92

By Mike Siluma
Labour Reporter

Major trade unions have launched an investment fund to deploy a part of their workers' pension and provident fund contributions into socially responsible JSE-listed companies.

The Community Growth Fund (CGF), a unit trust fund to be administered and managed by Syfrets, was unveiled yesterday by Syfrets executives and officials from the seven participating Cosatu and Nactu unions.

The fund could eventually attract about R15 million a month in pension and provident fund contributions by union members as well as individuals.

Union criteria

Union spokesperson Manoko Nchwe emphasised that although the fund — initiated by the union advisory group, the Labour Research Service — would seek to invest in companies which provided strong growth in earnings, such companies would have to meet union-defined criteria for social responsibility and not act in conflict with union interests.

The criteria included fair employment practices, job creation, union recognition, safe working conditions, protection of the environment, equal opportunity and affirmative action policies.

Ms Nchwe added that unions would not invest in companies which were involved in the production of arms or allow workers' money to be used to finance the privatisation of companies which were government-owned.

Companies involved in offshore investments would also be excluded.

However, said Miss Nchwe, as the unions saw investment in the fund as a long-term decision, they would not attempt to use the fund to influence the day-to-day labour disputes of companies in which they invested.

Syfrets has already put R2 million of its own money into the fund, which is expected eventually to receive up to 30 percent of the cash flow of participating unions' pension and provident fund contributions.

The fund, which begins to operate next month, will also be open to individuals in the same way ordinary unit trusts are.

Although neither the unions nor Syfrets would put a figure on the amounts of union money likely to flow into the CGF, it is understood that provident fund contributions on behalf of members of a key union in the venture, the National Union of Mineworkers, amount to about R25 million a month.

Independents

Union officials involved in the project are confident that more Cosatu unions, as well as a number of independents, will eventually participate in the fund.

Cosatu unions taking part in the initiative are the National Union of Mineworkers, the Paper, Printing, Wood & Allied Workers' Union, the Construction & Allied Workers' Union and the Transport & General Workers' Union.

The Nactu unions are the Transport & Allied Workers' Union, the Metal & Electrical Workers' Union of SA and the National Union of Food, Wine, Spirits & Allied Workers.

Syfrets chief executive John Cragg said: "We are delighted that the unions chose Syfrets' expertise in this bold investment venture, which could over time become one of the largest unit trusts in the country."

First step

ANC support for the CGF was pledged by former NUM secretary-general Cyril Ramaphosa, who was involved in the initial stages of the fund before moving over to the ANC.

"This is a fund which represents a break with the past, the first step into a future where workers will no longer be mere spectators, but active participants in shaping their economic destiny.

"The formation of the fund should send a very clear message to companies, especially those with bad employment policies, that the silent giant is awakening and will challenge those who have ridden roughshod over the interests of workers," said Mr Ramaphosa.

The Registrar of Unit Trusts has in principle approved the fund, which is scheduled to start operating on June 1.

The interests of the fund will be looked after by a joint board to be chaired initially by Professor Anthony Asher of the Department of Actuarial Science at the University of the Witwatersrand.

The board will make its decisions after receiving investment advice from Syfrets and acceptability research from Labour Research Service.

...as yet another snub to the chairman ... position will be reviewed".

...Parliament today.

200 'sleaze lines' to be cut today

CT 6/5/92

By EUNICE RIDER

TELKOM will today cut about 200 premium 087 "sleaze" phone lines.

Yesterday Telkom contacted companies running the phone lines and told them that services which contradicted Telkom standards and advertising standards would be discontinued with immediate effect.

According to the fax sent to the companies, message and advertising standards were based on the principle that all persons using the services were "entitled to protection from exposure to services of an indecent, obscene, provocative or sexually suggestive nature".

IVR Communications spokesman Mr Dieter Etzel said there was a clear demand for the "titillating" lines his company offered. He said "public morals are flexible" and material that some regard as offensive is seen as innocuous by others.

Mr Andrew Robertson of TRS Communications said his company would be affected by the cuts and would resist "in the interests of a free market".

Mr Tubby Roy, of Parrot Publishing, said he was "glad sleaze lines are being cut".

Telkom spokeswoman Ms Amanda Singleton said yesterday certain datelines and so-called medical service lines would also be cut this morning.

"In future medical advice pertaining to sexual matters will have to be backed by written approval of the Medical and Dental Association of South Africa."

She refused to disclose the more-than 200 services that will be disconnected today saying it would be "unethical".

Ms Singleton warned that if stipulations were disobeyed by the same company more than twice their services would be terminated and they would not be eligible for new lines.

crack of dawn

This is not a riot really. More like a free-for-all.

Unions form unit trust

SOC

JOHANNESBURG. — Several of South Africa's largest trade unions have formed a unit trust to invest portions of workers' pension and provident funds in "socially responsible" JSE-listed companies.

The trust will be managed and administered by Syfrets. CT 5/5/92

● Full report — Page 13

Dene Smuts makes history

MS Dene Smuts (DP Groote Schuur) has been elected a Whip by the party's caucus and is possibly the first woman in South African parliamentary history to hold the position. Ms Smuts was yesterday also appointed chief spokesman for home affairs.

2 die as police ambushed

CT 5/5/92

DURBAN. — A police patrol was ambushed on the Natal South Coast yesterday and in the ensuing shootout two men were shot dead by police and four policemen wounded.

The wounded policemen were airlifted to Addington Hospital yesterday after about 10 gunmen opened fire on them at Umgababa.

Police said officers of the internal stabilisation unit based at Merebank were patrolling in Umgababa when their vehicle reached a cul-de-sac.

As they were making a U-turn, they were fired upon by people hiding in a nearby shop.

The gunmen then threw a handgrenade at them and continued shooting as the policemen jumped out of their vehicle.

The policemen returned the fire and their attackers fled from the shop.

Four policemen, Lance Sergeant Deon Meintjies, Constable Cedric Gaza, Constable Craig Benn and Constable B I Sithole, were wounded.

Two of the alleged assailants, Mr C Luthuli and a Mr Hlatswayo, were killed. Police said they were believed to be ANC marshals.

A third assailant was injured and at least eight others taken in for questioning. — Sapa

Investors awaiting new govt

MAJOR decisions on foreign investment in SA were being delayed until an interim government was in place, a member of a top-level Belgian government and business delegation said.

Textile industrialist Philip Verbeke said it was critical that Codesa did not lose its momentum.

Speaking at a city press conference hosted by the Belgian Minister of Foreign Trade and European Affairs, Robert Urbain, Verbeke said it was hoped that the ANC would embrace foreign investment.

Unions launch trust fund

JOHANNESBURG. — Major trade unions have launched an investment fund which will deploy a portion of their workers' pension and provident fund contributions into "socially responsible" JSE listed companies.

The union-directed fund, called the Community Growth Fund, will take the form of a unit trust to be administered and managed by Syfrets.

It is the brainchild of Labour Research Service, a Cape-based union advisory organisation.

The Community Growth Fund, scheduled to start operating on June 1 will seek to invest in companies which provide strong growth in earnings and capital and which at the same time satisfy certain union-defined criteria of social responsibility.

These include fair employment practices, job creation, union recognition, safe working conditions, equal opportunity policies, black advancement and protection of the environment.

The Community Growth Fund will favour companies which adhere to such "progressive policies" and avoid investment in companies which act in conflict with union interests. However, its primary purpose is long-term investment performance, and it will not be used to influence the outcome of day-to-day labour disputes.

"The aim of the fund is to marry high returns with socially responsible investment. Members' pension contributions will be carefully protected," said Manoko Nchwe of the National Union of Mineworkers.

A number of financial institutions were examined and Syfrets was eventually selected to manage the fund.

Syfrets, which is putting R2m of its own money into the Community Growth Fund, has accepted the leading role of the unions in the project.

Workers now have a stake — Ramaphosa

SECRETARY general of the ANC, Cyril Ramaphosa, yesterday warned companies careless of employee rights that workers were now active participants in the economy and no longer spectators or exploited victims.

"A silent giant is awakening that will make a challenge in the boardrooms of those companies which ride rough shod over the interests of workers," he said.

Legislation to stop excessive tracing charges

Hday 6/5/92.

ANDREW KRUMM

GOVERNMENT is introducing legislation to prevent tracing agents from charging excessive amounts for work done in connection with the state-run Guardians Fund.

Some agents have been accused of duping heirs, who are unaware of their inheritance in the fund, by claiming exorbitant commission for arranging payouts.

The Estate Affairs Amendment Act 1 of 1992 will allow the Justice Minister to set a regulation tracing tariff and impose a fine or imprisonment for contravention of the regulations.

Andre Roothman of Sanlam Legal Research said unscrupulous tracing agents were demanding "hefty commissions of between 30% and 40% of inheritance" for tracing beneficiaries through the Master of the Supreme Court's office.

Roothman said in terms of the Administration of Estates Act the Master had to publish an annual list of unclaimed amounts of R100 or more in the Guardians Fund.

Unclaimed amounts are forfeited to the State after a period of 50 years.

In February this year R357m remained unclaimed in the Guardians Fund.

During the Bill's second reading debate in February, House of Representatives MP A J Roper, who said he had been a victim of "unscrupulous agents", said government was not attempting to kill off an industry, but was trying to stem a "tide of malpractices".

The Amendment Act will amend the Administration of Estates Act, 66 of 1965, and the Maintenance of Surviving Spouses Act, 27 of 1990, coming into operation on a date which will be set by the State President.

Attacks on elderly increasing, says Kriel

STAR 6/5/92

There has been a dramatic increase in attacks on senior citizens, according to Law and Order Minister Hernus Kriel.

Speaking at the launch of a national senior citizens safety campaign in Johannesburg yesterday, Mr Kriel said the number of attacks on elderly people had increased from 229 during the period January to April 1991 to 319 during the same period this year.

There had been 52 murders by April this year compared with 40 during the same period last year.

Robberies had increased from 139 to 220 and rapes from eight to 15.

Most of the attacks occurred during the day and most were on farms or in small towns, Mr Kriel said.

The safety campaign will comprise three rounds of seminars to be be held countrywide between June and October, supplemented with videos and leaflets on security measures. — Sapa.

Life industry payouts rise

BENEFITS amounting to R15,7bn were paid out by South African life assurers in 1991. This was an increase of 27% over 1990, figures released yesterday by the Life Offices' Association (LOA) showed.

But LOA chairman Louis Shill expressed concern over "the very high level of policy surrenders". BDay 5/5/92.

"Amounts paid out on individual policies that were surrendered increased by 28% from 1990 to 1991. This might be partially due to the difficult economic times but each surrender means that somebody's long-term savings plans have been discontinued or reduced, or that a breadwinner's beneficiaries have lost financial protection. This is an extremely worrying trend," said Shill.

"The life assurance industry's main purpose is to provide benefits to policyholders and their beneficiaries, and last year's figures are testimony to the industry's success," he said.

"Over the past 10 years, our benefit payments increased by an average of more than 32% per annum — an achievement of which we are justifiably proud."

Total premium income rose by almost 10% to R26,5bn for the year. This includes recurring premium income of R18bn, which went up by 19,5%. Investment income increased by 16% to R12,4bn.

Business Day Reporter

Shill said investment income had risen off a very high base in 1990. "Investment income is still very high, even if it did not grow by as much as premium income did, for instance. Interest rates were high in 1991, but they were not at quite the same levels as in 1990, while the immediate returns on new equity investments dropped sharply." (300)

Expenses amounted to R4,8bn, the equivalent of 12,4% of total income. Between 1981 and 1991, expenses as a ratio to premium income dropped from 21,4% to 18,1%.

Income tax paid by the industry on policyholder income increased by 20,7% to R606m.

At the end of 1991, assets held on behalf of policyholders amounted to R171,6bn. This was made up of R46,7bn in fixed interest securities and cash, R89,4bn in shares, R20,3bn in property and the remainder in a miscellaneous variety of assets. A year previously, total assets amounted to R132,4bn.

The increase is the result of new investments and asset growth.

Pensions to be paid

ST Times (Cape Metro) 10/5/92

ABOUT 17 000 pensioners and disabled people in Western Cape townships are to receive their pensions within the next two weeks. A spokesman for the Cape Provincial Administration said May payments of pensions and maintenance, as well as disability grants, were begun on Monday at certain townships. (306)

Union unit trust on the way to big time

THE Community Growth Fund (CGF) to be launched on June 1 by trade unions could become one of the largest unit trusts in South Africa, says Syfrets chief executive John Cragg.

Syfrets will manage the fund.

Trade unions have made it clear this is not the last move they will make with the money accumulating in pension and provident funds to which their members contribute. They could seek to increase the 30% ceiling they have put on their own pension and provident fund investments in the CGF.

They are also investigating other investments.

Trade unions have long been unhappy about their lack of influence on the investment of money from workers' pension and provident contributions. Few black workers had pension rights in the past, but the unions have tried to change the system. Former general secretary of the National Union of Mineworkers Cyril Ramaphosa was a prime mover in bringing about change.

Clout

Others involved in the new scheme include the Transport and General Workers Union; Paper, Printing and Allied Workers Union; Construction and Allied Workers Union; and Nactu's National Union of Food, Wine, Spirits and Allied Workers; Transport and Allied Workers Union and Metal and Electrical Workers Union of SA.

Now that unions and their members realise they have growing financial clout they intend to make their money work — on their terms.

Manoko Nchwe, collective bargaining official at the NUM, says they will not use the fund "to influence the outcome of day-to-day labour disputes".

The NUM said in its biennial report this year that its provident fund "has 330 000 members on the gold and coal mines and total investments worth over R250-million".

World

"The members contribute about R10-million every month from their wages and the employers contribute the same amount. All of the money is invested by Old Mutual. Most of the money is invested in firms like Barlow Rand and Anglo American. The union has no say on where the workers' money is invested. We need to discuss if this is correct."

Discussions are under way between the Labour Research Services (LRS), represented by Gordon Young, and Syfrets Managed Assets team.

Mr Young says: "The unions have been disenchanted with the performance of the economy over the last 10 years. Cosatu unions have called for more union involvement in the investment of their money.

By CHARLENE SMITH

"We have established a cautious scheme that won't set the world alight, but it is not meant to. This is a blue-chip investment vehicle. There will be others."

Mr Young says other options are being considered — for example, "establishing greenfield projects for job creation".

But the unions realise that such projects carry higher risks than relatively safe unit trust investments.

"When we have more experience we would like to try other options. They may carry higher risk, but could yield higher returns."

Seal

LRS surveyed the market before choosing Syfrets.

"We selected what we thought would be the best company from our point of view and made an offer. We looked at four factors: did it have a unit trust; a reputation for integrity; was it prepared to acknowledge the importance of unions and did it have a proven track record."

Mr Young says Syfrets — it has placed R2-million of its money in the scheme — provided a lot of support.

"Union members have been extremely enthusiastic, we have had meetings with them throughout the country. There is an underestimation of the savings drive among workers. They are keen that we should put more than our 30% limit into the fund, but we are taking a cautious approach."

About 500 000 workers will initially invest in the fund — which is also open to the public.

Merit

TML managing director Steve Mulholland put R1-million of his company's pension fund in CGF this week.

Mr Young says an investment by the Community Growth Fund will "by no means be a seal of approval for the company we invest in. I don't think any company would meet all the criteria we set, but we will back more progressive companies."

Investment decisions will be set according to such criteria as a company's job creation record, its industrial relations, its health and safety practices among others.

"Unions will get together soon and decide on a weighting system. A company that does badly on one item may fare better on others. It may, for example, have a good health and safety record, but be a known union basher."

A Syfrets spokesman says it will recommend "shares with financial merit to the LRS. LRS will then select according to their criteria of socially responsible companies.

"We have done some research, and most successful companies have a social conscience.

"Several pension funds have given us between 20% to 30% of their cash flow. We cannot give more details until the official launch."

Higher pensions for coloureds

STAR 12/5/92

CAPE TOWN — House of Representatives social pensions would be increased by 40 percent in addition to the 10 percent increase given to all population groups announced in April, the Minister of Health Services and Welfare, Andrew Julies, announced yesterday.

Opening the debate on his Budget Vote, he said old-age pensions would be increased from R273 a month to R318 and veterans' pensions from R330 to R363 a month.

Pensions for the blind would increase to R345 a month from R314.

Allowances for foster parents would be increased from R200 a month to R220 and allowances for children would be increased from R78 to R94.

The new increases would make parity in pensions easier to attain, he said.

The total budget of R1,497 billion would include R1,3 billion for the promotion of welfare, care of the aged, blind and the physically disabled, child and family care, and rehabilitation services.

An amount of R11,27 million would go to the overall management of the department and R64,213 million for mental health to provide a comprehensive psychiatric service.

He said R115,875 million would go towards the services of district surgeons, community health services for the aged, school health services, day hospitals, clinics and community health services.

A further R5,55 million had been allocated to services to prevent nutritional diseases and accommodation for staff at hospitals, care and rehabilitation centres.

(300) (2~~88~~)

The amount allocated for the vote was inadequate if health and the eradication of poverty for all was to be accomplished by the turn of the century.

Parity in the means test had been accomplished this year with increases in the minimum income level from R3 036 a year to R3 816 for old age pensions, disability grants and maintenance allowances.

The minimum for pensions for veterans and the blind has been increased to R4 152 a year from R2 928 and R2 916 a year.

President de Klerk entered the House just before the pensions increases were announced and his presence there was welcomed by the Chairman, Philip Sanders, after Mr Julies had completed his speech.

Mr de Klerk left the Chamber soon after. — Sapa.

Security for aged

Star 12/5/92 300

A leading supermarket chain has linked up with the South African Council for the Aged in a countrywide security campaign for pensioners. Three rounds of seminars have been arranged by Checkers/Shoprite between next month and October. Telephone Sarita van Wyk at (011) 335-0626 or Birgit Kleyenstuber at (011) 335-0621.

Subsidy bonus for single home-owners

Star 13/5/92

CAPE TOWN — In future the rent subsidy scheme for first-time home-owners would be applicable to single people as well, Minister of Housing and Works in the House of Assembly Adriaan Vlok said yesterday.

Introducing debate on his vote, he also said the qualifying income limit for State-financed family housing units had been increased from R1 000 a month to R1 200. The maximum unit-cost limit had been raised from R30 000 to R35 000.

The income limits for calculating rentals of welfare housing projects for the aged had been increased from R300 to R450 a month for single people and from R600 to R900 for couples.

The loan scheme for the protection of the aged would be extended.

Mr Vlok said 1 500 low-cost housing units would be erected at a cost of R35 000 each.

The Ministers' Council had also approved the free transfer of redundant schools to registered welfare organisation and the Development and Housing Board for conversion to low-cost housing. — Sapa.

Controls keep pension trustees in check

Bloan 14/5/92

300

PETER McCULLOCH

NOT TOO long ago, management control of pension and provident funds was totally in the hands of company management.

A few years ago, with the advent of negotiated provident funds, this began to change. Members of provident funds, represented by their unions, demanded representation on the boards of trustees of the negotiated funds.

In recently issued draft guidance notes, the Inland Revenue Commissioner effectively approved this development by suggesting that all funds should include member representatives on the board of trustees.

In recent negotiations, certain unions have demanded majority representation on the board of trustees, arguing that pension and provident fund contributions are deferred compensation and therefore from the time the money is invested in the fund it becomes the workers' money. The workers should therefore determine how this money is invested and control management of the fund.

Many fund members also regard the assets invested in pension and provident funds as a source of wealth for potential worker empowerment. Suggestions have been made that at least part of these assets should be invested in "socially desirable investments" which to some extent redress the wrongs of apartheid.

Are there risks that worker majorities on the boards of trustees of pension or provident funds together with the call for worker economic empowerment could lead to fiscal irresponsibility?

I would tend to think not. SA legislation imposes a number of controls on trustees and their advisers.

Trustees must at all times act in the best interests of all the fund's members and they will have the Financial Services Board, the fund's auditor, and the fund's actuary looking over their shoulders.

Furthermore, the prudent investment guidelines and other investment controls limit the trustees' flexibility in investment matters.

Recently a new unit trust, the Community Growth Fund (CGF), was launched. It is managed by Syfrets and has union participation on its management committee. The CGF is being marketed as a potential investment for pension funds and provident funds and will be constrained in the investments it makes. This unit trust is a nod to socially acceptable investment, but although the companies' track records in job creation, trade union relations, and environment issues will be monitored, investments made in JSE-listed companies and investment returns will be of paramount importance.

Before the advent of this unit trust, member trustees on negotiated funds were already setting constraints on investment managers. Thus, through individual provident funds, workers already have some say on the suitability of investment decisions on assets they partly control.

It has been our experience in working with member trustees on provident funds that however much they are concerned at the social inequalities existing in SA there is a keen awareness that the provident fund can only be of limited assistance in addressing these issues. However, the economic difficulties facing the country will always be on the agenda.

The author is joint MD of Alexander Forbes Negotiated Benefit Consultants.

REVIEW

Suspended pensions: TPA to pay some grants

By Shirley Woodgate

About 25 000 out of 270 000 pensioners in the Transvaal who have had their monthly grants suspended since October have been assured that they will be paid — but without interest — by next month.

Transvaal Provincial Administration deputy director of community development Len Dekker made this declaration at a press briefing yesterday.

A total of R1,1 billion will be handed over in social grants to blacks in the province in the 1991/92 financial year, amounting to about a sixth of the total funds paid out over the whole of South Africa, he added.

The briefing was called by the TPA to "put our side of the story", according to an official. It followed this week's "Agenda" television programme on the plight of black pensioners.

The official admitted that since the TPA had taken over the payment of grants five years ago, there had been administration and staff problems, but the TPA had constantly striven to make it as easy and convenient as possible to receive allowances at 600 pay points.

But a spokesman for the Legal Resources Centre (LRC) said that despite assurances, major problems still existed.

Citing the suspension of payment to 51 pensioners whose money had been withheld since December, she said the TPA had telephoned this week, only days before their case was to be taken to the Supreme Court, to say they would be paid out.

Hundreds of people had asked the LRC for legal assistance.

TPA chided on halting of pensions

By SONTI MASEKO

THE Legal Resources Centre yesterday accused the Transvaal Provincial Administration of acting unlawfully when it suspended payment of pensions to thousands of black pensioners.

The TPA suspended the pensions last year to force them to fill in forms for the review of their grants.

The centre, acting on behalf of scores of pensioners, said the TPA was by law required to advise the pensioners seven months in advance before implementing a review.

It said that instead, the TPA first cancelled or suspended pensions before reviewing the grants.

"There is no basis in law for the summary suspension of our client's pensions," the LRC said.

It also lashed out at the TPA for what it called the "obstructive and insensitive" treatment of black pensioners.

Administrative problems

At a Press conference yesterday, the TPA admitted that "administrative problems and logistics" caused the present crisis experienced by black pensioners.

It added that steps had been taken to resolve further recurrences of such problems.

Letters intended to advise the pensioners to fill in review forms in time were delayed at the Johannesburg office, causing thousands of pensioners to have their pensions suspended without prior warning.

"I am the first one to admit that if you had the task of paying 270 000 people more than R100 million a year, there will be mistakes no doubt. It is a difficult task," Mr Len Decker, the deputy director-general of Community development, said.

Avoiding high start-up costs

STAR 16/5/92

300

ONE of the great attractions of unit trusts is that you can use them to effectively structure your own assurance policy ... without having to pay the very high start-up costs that all assurance companies extract from their clients.

Depending on which fund you invest in, income is distributed either quarterly or half-yearly and is made up of both dividends and interest.

The money that you receive at these times is the income generated by the trust after deducting the service fee.

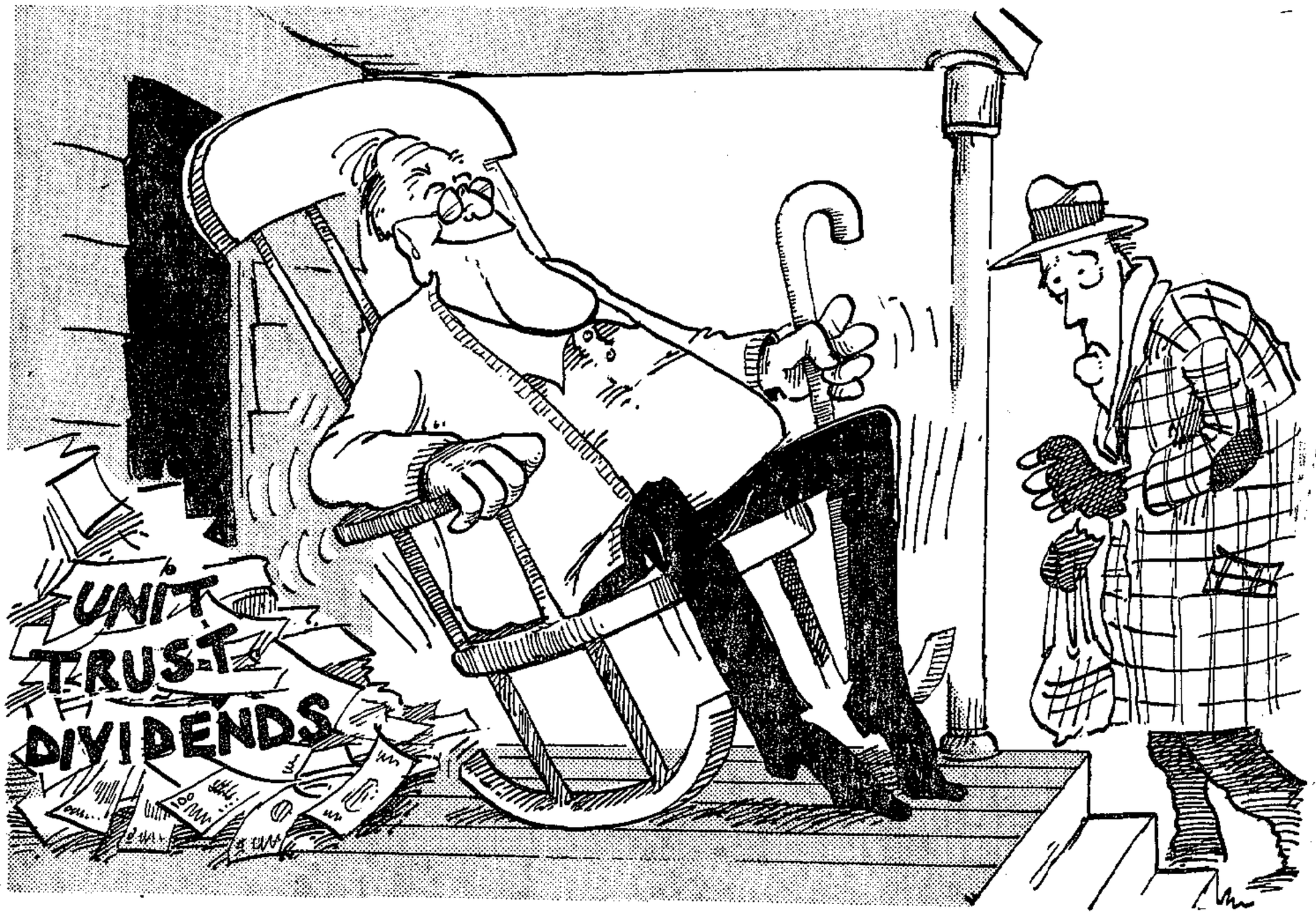
If you do not require immediate income you can select an investment plan that allows for the income that is generated to be reinvested immediately.

This buys more units and speeds up your savings plan.

Currently the dividend portion of the distribution is tax-free in your hands and, provided your total interest income for the year is less than R2 000, so is the interest portion.

As unit trusts are considered to be medium to long-term investments, the capital appreciation that may be made on holding a unit trust investment is also tax-free currently.

However, unitholders should investigate their own tax positions as any person speculating in unit trusts with the intention of making short-term capital profits could be taxed accordingly by the revenue authorities.



The first South African unit trust, the Sage Fund, opened its doors to investors on June 14 1965, offering units to investors at a price of 104 c each.

Had you taken advantage of the offer, invested R1 000 and done nothing more but enjoyed spending your steadily rising dividends, you would by June last year have built up a capital sum of R14 678,94.

However, you might during the intervening 26 years have just once a year performed a few simple tests in order to determine the state of health of the share market, bought or sold units accordingly and by the same point in history have achieved a capital sum of better than R48 000.

You might, furthermore, have chosen to switch back and forth between the specialist funds and general funds which enjoy market peaks at different times, and you might then have done at least twice as well.

And, had you reinvested the dividends you received year by year in additional units, you would have at least re-doubled your money.

You might, in other words, have achieved a sum of well over R192 000 and still have had the potential to make more.

In stark contrast, had you left your R1 000 in a savings bank, you would still have had your R1 000.

But, given the erosion of inflation, it would by the same date have been able to buy you the same value of goods that R64 would have bought back in 1965.

Of course inflation would also have been at work gnawing on the capital unit that your unit trust investments had so substantially improved.

Instead of being worth R192 000, it would have had a 1965 buying power of only R12 288. But R12 288 is massively more than R64; if you care to calculate it the benefit of going the whole hog with a good unit trust is a multiplier of 192.

As the problem of South African monetary inflation gets steadily worse, nobody can any longer afford to simply put away savings and hope that one day they will have enough to retire on.

You need to invest wisely and you need to know how to regularly review your investments in order to make them grow.

But how is the man in the street to cope, the family man with dozens of other worries who has neither the time nor, quite frankly the interest, to become a share market expert?

Anyone with information is asked to contact Detective-Sergeant Grobbelaar at the Woodstock CID, ☎ 448 4202.

☐ **GRIEVING:** Mrs Mumeebah Peters hides her face from the camera. She was with Mr Miller in the cash store at the time of the shooting. Inset: Mr Terry Miller, the murdered man.

Picture: LEON MÜLLER, Weekend Argus.

Printers get pension boost

ARG 16/5/92

Weekend Argus Reporter

WORKERS in the printing industry will get a 29 percent increase on the 1991 investment performance of their pension fund — believed to be the highest return declared by a union fund in the country.

The Printing Industry Pension Fund — for members of the 35 000-strong SA Typographical Union — had an overall return of 31,5 percent for the year January 1 to December 31 1991.

"We believe this is the highest return ever declared by a union fund in South Africa," said spokesman Mr Derick Fredericks.

Indaba's 'R60 m travel trade boost'

ARG 16/5/92

Weekend Argus Correspondent

DURBAN. — At least R60 million worth of overseas travel trade has been generated during Indaba '92 held in Durban this week.

This is the estimate of Mr Reg Swart, marketing director of Satour, organisers of this year's travel show, the largest held in Southern Africa.

And there are strong indications that Durban will host it again next year. This is to be decided by the Satour board within six weeks.

The show coincided with the tabling in parliament of the government's White Paper on tourism which contained a firm commitment to promoting South Africa as a top eco-tourism destination. It has been widely welcomed and many local exhibitors at the show said it had contributed to the buoyant mood.

"Indaba has been an overwhelming success in Durban," said Mr Swart. "My estimate of R60 million worth of business is a conservative one based on feedback from exhibitors."

A record number of 750 overseas delegates and journalists have attended from a total of 50 countries.

The overall cost of holding the Indaba, including a grant-in-aid from Durban City Council and discounted air fares for international delegates and exhibitors from SAA, amounts to R4,5 million.

"Durban has really done its utmost to make it a success," he said. "The Exhibition Centre was given free and furniture and floral displays provided by the municipality. The total grant-in-aid package amounted to R310 000.

"But it has been money well spent, putting Natal and Durban firmly on the tourist map."

The feeling among exhibitors and delegates interviewed, who have attended previous indabas in Johannesburg and Cape Town, is that Durban has proved to be the best venue.

But there have been some complaints about overcrowding at Tuesday's civic reception at the city hall attended by 1 700 people.

How insurance can help you save

STAR 16/5/92. (300)

Inflation-beating options available

FINANCE STAFF

SOUTH Africans today have dreadful records for personal saving, and very few reach retirement with the money needed for a secure future.

One of the excuses is that ordinary savings plans do not offer a real rate of interest in times of high inflation.

Over the past few years the insurance industry has developed as one of the few havens for savings that can offer secure investments with inflation-beating returns.

Nevertheless, many South Africans are unaware of the various investment opportunities offered by life insurance groups.

Bernie Goldman, the general manager of Fedlife Assurance's life division, says life offices are in a unique position to spread their investors' money where the markets are most productive.

A typical investment portfolio will be based on the equity market, gilts and bonds and property.

Mr Goldman outlines some of the options open to investors. They are used to provide pension payments or life cover by using the life assurer's investment expertise:

Retirement annuities: RAs were developed about 30 years ago for people who wished to supplement the pension rights being built up through their employment, and for people who had no pension-fund membership.

Contributions can be made regularly or occasionally, and build an investment that can be matured between the investor's 55th and 70th birthdays. Contributions up to 15 percent of non-pensionable income are fully tax deductible and no tax is levied on the RA fund. However, the pension itself is taxable.

As for the pension, its value depends largely on the amount of money that has been invested, which creates a capital sum that can be used in two ways. Firstly, up to one-third may be drawn as cash (the first R120 000 being tax-free under current legislation).

Secondly, whatever is not drawn as cash is used to generate a monthly income with various options.

Endowments: An endowment policy calls for a regular injection of premiums that go into a high-performing investment portfolio. Under current legislation, the life company meets the tax liabilities of the portfolio.

In compensation, the investor enjoys a lump-sum maturity value that is tax-free in his hands as long as he does not cash in during the first 10 years.

At the moment, a family unit is allowed to invest up to R125 a month in a pure endowment. Once that limit has been reached, endowment policies must by law include life cover of at least eight times the annual investment.

In other words, an investment of R500 a month or R6 000 a year needs to include life cover of R48 000. For most people, the cost of this cover is very low, and makes little difference to the investor's budget.

Life policies: Most straight life insurance policies include at least some element of growth, and can reach a worthwhile cash value over the years. However, for more and more people, as the rand devalues and fixed assets become worth more in rand terms, it is a good idea to hold on to these policies until death.

The problem is that estate duty is imposed at 15 percent on any value over R1 million — and R1 million is fast becoming a very modest estate. In other words, for an estate of R2 million, the Master of the Supreme Court will demand immediate payment of R150 000.

While the estate is being wound up it is often difficult to raise that sort of cash.

But a life policy pays cash direct to the named beneficiary, who can then cope with the estate in a far more planned way. So continued life cover could be an important part of an investment strategy.

RAs offer you shelter from the tax storm

STAR 16/5/92. R300

ALMOST half-a-million South Africans took out retirement annuity policies over the past six years, bringing the number of RA policy holders to about 1,4 million.

Figures from the Life Offices Association show this involves over 1,8 million contracts.

"The RA represents sound money management," says Old Mutual's senior legal analyst Peter Stephan.

"It's a popular way to build up retirement capital and income, at the same time denying the taxman access to a slice of present income by up to 43 percent of yearly contributions paid."

Tax savings are achieved in a number of ways.

An individual without a pension fund can deduct up to R3 500 or 15 percent of his taxable income for contributions to an RA.

A pension fund member can deduct R3 500, less pension fund contributions (a minimum deduction of R1 750 is permitted). Separately taxed married women can claim their own specific RA deductions.

Investments held in an RA fund accumulate entirely tax-free until the retirement date.

At retirement (age 55 to 70), a tax-free benefit is obtainable.

Up to a third of the total accumulated fund may be commuted into cash, the balance being used to purchase an annuity.

Usually the first R120 000 of the cash lump sum taken under the contract, aggregated with other sums from pension or provident funds, is tax-free.

Where the cash lump sum exceeds the tax-free limits the balance is taxed not at the marginal rate, but at the more favourable average rate.

"Since the taxable balance is not added in to increase this average rate, the tax position with regard to the cash lump sum is extremly advantageous," Stephan says.

"It's also worth adding that RAs offer three valuable guarantees — minimum payouts and guaranteed pension amounts, as well as the options of a guaranteed pension payout period to dependants in case of death within the guaranteed period."

People who belong to pension funds should not be complacent about their retirement positions, Stephan warns.

"You need exceptionally long service with your employer to get anywhere near your final salary as a pension.

"A typical pension fund based on two percent of your average salary over your last three working years, multiplied by your years of service, will only give you 80 percent of this average salary as a full pension after 40 years' service.

"Very few retiring employees have built up this length of service, the average being around 15 years.

"This means a pension of less than 30 percent of salary. With the current high inflation rate, the buying power of such a pension will be halved every four years — a serious position to be in. The RA is, therefore, an ideal way of filling this income gap."

However, it should be remembered that taking out RA's does not avoid paying tax, it merely postpones the tax payment.

Penniless pensioners could take TPA to court

Battling the bureaucrats

By COLLETTE CAINE

A ROW over the legality of the Transvaal Provincial Administration's decision to cut off all black pensions which have not been "reviewed" could see hundreds of old-age and disability pensioners taking the TPA to court.

The Legal Resources Centre says the TPA's pension review procedure is illegal, and has threatened to take a test case to the Supreme Court if its client, 83-year-old great grandmother Priscilla Ramasodi, is not paid her pension by tomorrow.

LRC acts for hundreds of old and sick people who have had their pensions cut off by the TPA in recent months.

"The procedures in the Social Pensions Act do not entitle a summary termination or suspension of a pension. The relevant regulation authorises a review of particular pensions. It does not authorise a blanket review," a LRC spokesperson said.

TPA deputy director of community development Len Dekker said earlier the review system was obligatory in terms of the Social Pensions Act.

The LRC disagrees.

"It is left to the discretion of the Director of Pensions to call for proof that any pensioner is still alive. The director is not obliged to call for such proof. Other provincial administrations have also cut off tens of thousands of pensions which were not reviewed."

Meanwhile, the TPA has undertaken to reinstate the estimated 25 000 pensions it cut off in recent months, whether the pension has been reviewed or not.

Pensioners will get their money, including all backpay, in June. They will have until February 1993 to submit reviews.

The TPA instituted the review procedure, failed to give notice to pensioners, then cut off their pensions when they did not comply with the new procedure.

Letters, written in English, were supposed to have been sent to the province's 270 000 pensioners giving them several months to review their grants.

The review procedure entails pensioners and disabled people to report in person at a pensions assessment centre, filling in review forms and being finger-printed to prove they are still alive.

The TPA admitted this week "administrative problems" were responsible for pensioners not receiving notice of the review procedure before their pensions were cut.

What this means is that tens of thousands of these letters, especially in the Soweto area, were never sent out.

TPA official Jalette Steynberg denies there have been two blanket cut-offs of Transvaal pensions, claiming unreviewed pensions are cut off annually in the month the original application was made.

But of the hundreds of cases investigated by City Press and the LRC, cuts happened mainly in October and March.

Many who did the review and applied for reinstatement immediately their pensions were cut off in October last year are still waiting for their money – more than six months later.

The cuts have caused untold hardship to elderly and disabled people whose only income is the R235 State pension.

Steynberg described the operation as "a great success" which had trimmed R14-million rand in "unauthorised expenditure" from the departments budget in the 1991/92 financial year.

She claimed the review procedure had picked up more than 5 000 cases of people illegally collecting pensions.

LRC has labelled the TPA's pensions bureaucracy "obstructive and insensitive".

Granny Priscilla.

Granny Priscilla takes on TPA

EIGHTY-THREE-YEAR-OLD great grandmother Priscilla Ramasodi is to bring a test case against the TPA to force them to pay her pension.

Heading the fight for thousands of Transvaal pensioners, the lively Soweto mother of nine is demanding that the TPA immediately reinstate the pension it cut off two months ago, and pay for the months she has received nothing.

She said: "I live with my 12-year-old granddaughter and for the past two months I have had no income at all. My children and grandchildren have helped me, but they also have their own families and it's a strain for them.

"Some of my children have recently returned from exile and they are busy settling down trying to establish new homes. They shouldn't have the extra burden of supporting me because the government cut off my pension for no reason."

Provident fund popular

MICK ELLINGHAM

MANY SA companies are offering employees the option of joining provident funds as an alternative to pension schemes.

Sanlam group benefits GM Francois Marais said local companies started introducing provident funds 10 years ago, but only recently had they begun doing so willingly.

"Some companies are now in fact proactively encouraging the formation of provident funds," he said.

Marais expected provident funds to remain popular, but predicted that the legal differences between provident funds and pension funds would eventually disappear.

Metropolitan Life operations manager Derek Pead said: "Many of the perceived benefits of provident funds could probably be structured into pension funds."

However Fedlife employee benefits deputy GM Gerard Ehmke said: "A reassessment of the benefits of provident funds by employees may occur when they have to ensure that the investment return on a lump sum provides them with a liveable income."

am not at all ashamed of that. I am very proud of it.

Debate concluded.

Black citizens: pensions/disability grants

2. Mrs C H CHARLEWOOD asked the Minister of Local Government and National Housing:

(1) Whether steps are being taken to ensure the complete and regular payout of pensions and disability grants to Black citizens of South Africa; if not, why not; if so, what steps;

(2) whether measures are being taken to inform recipients of such pensions and grants of alterations in procedures at any time; if not, why not; if so, how effective are these measures?

B660E.INT

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING: Mr Speaker, the payment of pensions and grants is administered by the Provincial Administration, and there have been problems in regard to the complete and regular payout of pensions and disability grants for Black citizens of South Africa.

Payments are made on a monthly basis at the various district offices and pay-points. Beneficiaries who prefer to do so, can have their monies paid into their banking accounts and can withdraw their grants from the 10th of the month, if it is on a working day; if not, the first working day thereafter.

Each branch office has a staff complement to handle the payments and administration for social grants in a specific area. However, only approximately 17% of the pensioners prefer to have their money paid into a bank account at this stage.

In order to encourage the payment of grants into banking accounts, negotiations are held with the various banking institutions on an ongoing basis. The Transvaal administration has offered to make a contra-investment to enable banks to open accounts for pensioners. The next meeting is arranged for 26 May this year.

Various factors, such as the high illiteracy rate, the increase in the number of people who qualify for allowances, the high rate of urbanisation and the massive concentration of people in informal settlements, as well as the identification problems, complicate the administration of social pensions and allowances payable to Black people. To overcome these barriers and to ensure the continuous and effective payment of pensions, attention is being given to the expansion and training of staff.

Information leaflets dealing with all matters in respect of social grants are being prepared in different languages. These leaflets will be made available at the pay points. A 24 hour toll-free number will also be established to enable people to air their grievances. Each grievance will be dealt with specifically and feedback will be given to the respective people.

Recipients are informed in writing of changes and alterations, such as reviews, cancellations, suspensions and requests for additional information or documents, six months in advance. Any messages are printed on the voucher which the pensioner or recipient receives with his money.

The officials operating the pay-point computers have instructions to inform the beneficiary verbally of these messages in the language preferred by the pensioner. In order to improve communication with beneficiaries, consideration is at present being given to furnishing notices in the language of the recipient. The contents of notices are verbally explained to the recipients. Written notices are mailed to recipients who receive their pensions through banking accounts.

Mrs C H CHARLEWOOD: Mr Speaker, having heard the hon the Minister, one can only say that the proof of the pudding will be in the eating. I find his solutions very simplistic, they sound very short term to me. We have had experience of these *ad hoc* solutions before.

South Africa has a long history of man's inhumanity to man. One would have hoped that the so-called dawn of February 1990 would have brought an end to the cavalier treatment of many of the people of this country, and yet the past few months have seen a tragedy enacted in which the victims have been old and disabled Black people, probably the most vulnerable members of our society.

Mr C L FISMER: What is your solution?

Mrs C H CHARLEWOOD: Wait. [Interjections.]

These people have struggled—painfully and slowly—to make their way to the pension payout points, many of them walking six kilometres or more, only to be told when they arrived that there was no pension or disability grant waiting for them.

Bewildered, hungry and afraid, they have tried to understand a system that has not been properly explained to them. In many cases these people cannot even read or write, let alone understand a payout slip that has the words "to be reviewed" printed on it. I do not know what the pamphlets are going to do for them.

Were these people properly informed in their own language on the radio? Were loud-hailers used to explain to them what the new system would entail? Was a symbol rather than lettering used on the slip to indicate that review was required?

I think not, because what has ensued is chaos, deprivation, illness and even death, with reports of old people collapsing regularly at the payout points, having walked all day and sat up all night to get into the next day's queue.

The Transvaal Provincial Administration, for one, has admitted that thousands of letters addressed to pensioners last August, were only sent out in March, leaving no time to respond. The pensions had already been stopped by the time those letters arrived. Thousands of old people returned home empty-handed.

Many of the people who have been receiving pensions and have been turned away were told that they were "too young" and that the new ID-book showed a wrong birthdate. This, too, is the result of administrative errors and inaccuracies dating back to the days of the old reference books.

Those people who had their pensions paid directly into a bank or building society account received no warning about review at all. They were simply informed by the financial institution that no money had come into their account.

People receiving disability grants are in the same plight. There has been a mass cancellation of these grants which they discovered only when they went to the payout point to collect their money and were told it was cancelled because they had not been for a medical review. These are people who hobbled there on crutches, many in pain, many even unable to see. I quote the example of a man without any legs at all—legs that will never grow again, irrespective of the medical review—who pulled himself to the payout point in a mealie sack to be told he had to come back with a new medical certificate. [Interjections.] [Time expired.]

*Mr H J COETZEE: Mr Speaker, with this interpellation the hon member for Umbilo once again set the cat among the pigeons. Typically of the DP, there were no questions about the pensions of Whites. They are not interested in the Whites. [Interjections.]

The hon the Minister must tell us how the State controls the payouts to these Black people. It is being alleged that some of these Black people who live in South Africa, also have citizenship of other countries and that they therefore receive pensions there as well as in South Africa. It is being alleged that some of them have citizenship of as many as three countries. How does the Government control and prevent this? We put the question to the hon the Minister.

How is the age of these people determined? Are they, like the Whites, also subject to the means test? [Interjections.] When these people pass away, how does the Government know that they are no longer there? It is being alleged that those pensions are still being paid out after their deaths. In an edition of *The Citizen* in October 1990 there appeared an article which amounted to the following: If Black people are not satisfied with the age which is given in their ID-books, they must bring persons who can testify that they are older than the age given in their ID-books. In this way such person can qualify for old-age pension.

I ask whether it is the State's policy to favour these people in this way—because surely hon members know how difficult it is for a White to get a pension—or was it just once again another demand of the ANC? As we know, the Government gives in to them all the time. I put it that there are thousands of people in South Africa in receipt of pensions who are not entitled to them. [Time expired.]

*The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING: Mr Speaker, the hon member for Middelburg has no contribution to make and he demonstrated that in these two minutes. The hon member should

cont'd

know that the function of paying out pensions to Whites, does not fall within my sphere of responsibility. Dragging Whites into this is therefore totally irrelevant.

Furthermore I want to tell the hon member that between R14 million and R18 million have been saved and recovered during the past few months because it has been established by way of proper control that payouts had been made within and across the borders and that people had been receiving pensions in two places. [Interjections.]

It is the CP's policy which causes these problems. [Interjections.] Owing to the failed homeland policy people receive pensions in the Transkei, Ciskei, Venda and Bophuthatswana, and after they have claimed their pensions over there, they claim pensions here as well. We have identified this problem and that is why we are busy centralising these matters as well.

†The most valuable contribution from the DP came by way of an interjection from the hon member for Bryanston when he said this was a disgrace. I wish to say to that hon member that that comment actually highlights the predicament we are faced with.

We are dealing with old people, people who should be treated with compassion. I have had several discussions with various Directors-General, and I wish to assure him that, first of all, there is no malice on the part of any of the officials involved on that level and secondly, that that does not mean that we condone negligence, if there was negligence. I want to give the hon member the assurance that the various administrations dealing with this are training the officials who are dealing with this aspect at the communication centres. They want to address this particular problem. [Time expired.]

Mr B B GOODALL: Mr Speaker, the social old-age and the disability pensions are of critical importance, both to the individual who receives them and to the community. If one looks at an area such as Gazankulu one will find it estimated that half of the people who receive a regular income receive it from pensions.

We know that in rural Zululand 32% of household income comes from pensions. Therefore the delivery system is of critical importance. In South Africa we have two delivery systems. The one works relatively well for the urban area or more sophisticated element of the population. But for the rural segment of our population the delivery system is not working. South Africa's problem is similar to that of many other developing countries.

The World Bank made recommendations with regard to input, saying that one ought to improve the social service delivery system, have better targeting of services, more co-ordination between the various agencies involved, more involvement of the poor and more use of non-governmental agencies. It seems to me that that is where the solution lies.

The solution is to use the very sophisticated financial structure that South Africa has, and we need to give them an incentive to do that. We have to pay them. It is better to pay them than to build up the bureaucracy. However, we also have to give another incentive. We have to give an incentive to the people who receive the pensions to encourage them to use that financial services sector.

In other words, one needs a two-tier social old-age pension. I think we have every right to do that, because that money comes from the taxpayers of South Africa and they have the right to know that the people who need the money are receiving it in the cheapest and most efficient manner possible.

Mrs C H CHARLEWOOD: Mr Speaker, it is also vital for all pensions and grants that were cancelled through this recent bungling to be restored immediately—plus arrears, plus interest.

All those currently in receipt of old-age pensions should continue to receive them, irrespective of the birth date shown on their IDs. They should not be penalised for the errors made by bureaucracy in the past.

Future review dates should be staggered and the pensioners informed clearly and timeously as to what they need to do by local officials who have been adequately trained.

The system should contain provision for permanent disabilities that do not require review—those that are obviously incurable—and only classify for review those conditions that can be cured. The district surgeons at present cannot

cope with the demand. Their offices are being flooded. Appointments are being made months ahead for people. How are they to survive in those months until a new medical certificate has been submitted and the paperwork processed? [Time expired.]

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING: Mr Speaker, I want to compliment the DP. They are working as a team. The one member came down hard on the problem and the other member came down hard on the solution. I want to thank the hon member for Edenvale who made a valuable contribution. I think the points he raised related to some of the sentiments I expressed, and I believe they are worth looking at in my future deliberations with the Provincial Administration. I want to thank him for that.

I want to put the hon member for Umbilo's mind to rest. We are aware of the magnitude of the problem. We know the problem ought to be addressed. Furthermore, I want to tell that hon member that we were threatened with legal action by the Legal Resource Centre in the Transvaal in particular. We said that instead of having an argument in court, we should discuss the matter and solve it amicably amongst ourselves. What we did was to solve each and every case they had registered and cited peacefully out of court so that each was settled to the satisfaction of the Legal Resource Centre.

As far as I am aware, the Administrations do have the open-mindedness to install toll-free telephone numbers, etc. They have exactly that in mind.

I want to thank hon members for this debate, but I must add that it would be grossly unfair to imply that the Provincial Administrations are dealing with this matter in an insensitive manner. Although the results were devastating to those old people and therefore do create that impression, I can assure each and every hon member that people in the highest echelons of the Provincial Administrations want to deal with this matter with compassion.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Additional allocation for health care services: Natal

*1. Mr M J ELLIS asked the Minister of National Health:

(1) Whether an additional allocation of approximately R50 million was made available to the province of Natal for health care services in a previous financial year; if so, when;

(2) whether a similar allocation is to be made available to this province in the current financial year; if not, why not; if so, (a) what will be the amount of this allocation and (b) when is it expected to be made available?

B597E

The MINISTER OF NATIONAL HEALTH:

(1) Yes, on 20 November 1990;

(2) no, the above-mentioned allocation was not recurrent. Recurrent expenditure must be funded out of the annual allocated amount.

Document on financing of education: local authorities

*2. Mr A GERBER asked the Minister of Local Government and National Housing:†

(1) Whether the Co-ordinating Council for Local Government or any person in his Department has drawn up a document containing proposals for the financing of education by local authorities; if so, (a) by whom and (b) when was this document drawn up;

(2) whether he will make the document available to members of Parliament; if not, why not; if so, what are the main recommendations;

(3) whether he will make a statement on the matter?

B609E

TPA pays withheld pensions

STAR 20/5/92

By Shirley Woodgate (300)

Threats of court action by the Legal Resources Centre (LRC) have forced the Transvaal Provincial Administration to back down over its stand on the suspension of allowances to black pensioners.

In the case of Elsie Ramasodi, the breakthrough means a payment of R1 995, withheld since October last year when she allegedly failed to submit proper "review" papers.

Another pensioner, Rosaline Nkosi, who has been forced to survive without her monthly grant of about R235 since March, yesterday received a cheque for R760.

These two senior citizens are among hundreds whose plight has been taken up by the LRC, which challenged the TPA claim that its practice of "reviewing" pensions was legal.

But despite the TPA claim, in the face of threats to start court action on Monday, TPA deputy director of social services Jalette Steynberg conceded that at least these two cases would be settled immediately.

The cheques were delivered yesterday. Interest is not paid on withheld payments.

An LRC spokesman said Mrs Steynberg had assured the organisation that the TPA would negotiate over the remaining 189 pensioners whose cases were being investigated.

Although there has been an apparent softening of approach by the TPA's pensions department, the LRC said it would continue with investigations into the string of other cases of summary suspensions.

The TPA claimed that thousands of pensions had continued to be claimed after certain pensioners had died.

Penioners set to get toll-free hot line

(300) ARGT 21/5/92

A 24-HOUR toll-free telephone service is to be instituted so black social pensioners can air their grievances, according to Minister of Local Government Mr Leon Wessels.

He said during an interpolation debate yesterday that pension and disability grant payments made by the Provincial Administrations were complicated by the high illiteracy rate, rapid urbanisation and identity problems.

And thousands of people were being given pensions to which they were not entitled.

Mr Wessels said that between R14 million and R18 million had been recovered during the past month because people were receiving pensions from two sources.

Mr Wessels said that all problems brought to the Transvaal Provincial Administration's attention by the Legal Resources Centre had been settled out of court. — Sapa.

STAR 21/5/92

Service for black pensioners

A 24-hour toll free telephone service would be instituted where black social pensioners could air their grievances, Local Government Minister Leon Wessels said in the House of Assembly yesterday. (300)

Calling all veterans

50 veteran 22/5/92

THE need to care for veterans of the liberation struggle in South Africa has become painfully clear over the past year.

As exiles are coming home and some political prisoners are being released, a number of them are too old or disabled to find work and most of them cannot qualify for a South African Government pension as they have been in exile or in jail.

In other cases, family support structures no longer exist.

Former combatants and veterans from within the country, who were disabled before February 2 1990, also lack family support or Government aid.

Matla Trust, a charitable organisation, has been formed to try to co-ordinate a programme to help alleviate the plight of veterans - irrespective of their political affiliation.

This will cover all people regardless of age, especially those who are over 50 and are unemployable because of chronic illnesses.

300

A questionnaire has been drafted to assess their needs and problems so that they can set up a programme at a conference in July.

The trust is busy trying to determine the number of veterans and to enlist the support of other relief organisations to take part in this venture.

The trust will be visiting a number of areas to collect information on the veterans. Over the next few days, the trust will be in Zeerust (ANC offices tomorrow at 11am), Rustenburg (Sunday at NUM offices at 10am), Transkei on Wednesday (Unity Hall 12pm), Northern Transvaal (Mimosa Building, Market St, Pietersburg at 10am) and at Ipelegeng for Soweto, Alexandra and the Vaal next weekend at 12.30.

For more information, phone Matla Trust at (011) 834-5301 or fax (011) 838-1910. You can also contact them at 54 Sauer St, 3rd Floor Munich Re Centre or write PO Box 7748 Johannesburg, 2000.

Pensioner, 80, raped in farm cottage

South 23/5- 27/5/92

ELDERLY PENSIONERS on farms who spend long hours alone are vulnerable — as shown by the case of a woman aged about 80 who was raped by two youths in a labourer's cottage.

The woman, too old to work, was alone in the cottage when the attack occurred.

The pensioner, who cannot be identified, worked for a Worcester farmer for more than 30 years until she was too old to continue.

There are no old age homes in the area, so she had no choice but to remain in a single-roomed cottage on the farm.

Like many other elderly people, she is not sure how old she is, but can recall coming to Cape Town in the 1920s to work in a factory.

When the factory closed, her employer "gave" her to a friend, the Worcester farmer.

"Ouma", as she is affectionately known by the other labourers, stopped working last year when she became sick.

She spent weeks in hospital but was discharged because the hospital could not care for chronically ill people and needed the bed.

After she was raped, allegedly by two white youths, another labourer volunteered to spend the evenings with her as she was afraid to sleep alone and could not defend herself.

"Ouma needs full-time care, but there aren't facilities here to provide that for her," said a Worcester social worker.

"The hospital refused to care for her; they've just dumped her back home to wait for death."

Take another close look at RAs

STAR 23/9/92

WITH inflation remaining a bugbear for all investors, one should examine some of the often-overlooked aspects of retirement annuities.

Dr Bruce Ilsley, marketing director, Sage Life, pinpoints these as:

- The cost of delay.
- "Half-price" unit trusts.
- The advantage of monthly contributions throughout the year over annual contributions at the end of each year and mid-year lump-sum injections.

COST OF DELAY: Dr Ilsley says 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 neglect the primary purpose of an RA — to provide a retirement income — and remain blissfully unaware of the effect the delay of even one year can have on that income.

"The earlier people begin to save for retirement, the better, due to the remarkable effects of compound interest over longer terms."

As the accompanying table shows, a delay in beginning a retirement plan can be very expensive and adversely affect the end benefit.

Taxable income	Effective "discount"
R	%
Over R90 000	46
R70 000	44
R45 000	35
R25 000	27

Source: Sage Life

FINANCE STAFF

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 the loss of more than half the fund.

"HALF-PRICE UNIT TRUSTS: "It is possible," contends Dr Ilsley, "to buy unit trusts at a discount of almost 50 percent, depending on your tax rate, through an investment in an RA.

"Anyone who had put money in unit trusts over the years would certainly be more than happy with the results.

"For example, an investment of only R100 a month for 20 years in Sage Fund was worth a staggering R380 734 by December 31 1991 (assuming income was reinvested). This is a compound return of over 23 percent a year.

"This 'discount' is available by investing in a Sage Life RA with either Sage Link or MultiTrust profit participation. The Sage Link portfolio is invested in Sage Fund and Sage Resources Fund and the MultiTrust portfolio is linked to a selected range of leading unit trusts."

He says the "discount" arises from two savings:

- The tax relief of up to 43 percent on RA contributions.
- Because of Sage Life's bulk buying facility, the normal five percent initial charge is not paid.

An indication of the effective discount is set out in the accompanying table.

MONTHLY AND ANNUAL CONTRIBUTIONS: "Some investors prefer making their contributions annually, at the end of the tax year, to regular monthly contributions from the beginning of the year. In this way they are effectively losing a year of their contributions," Dr Ilsley observes.

For example, the maturity value after 20 years, assuming a level premium and 15 percent portfolio growth, with a premium of R100 a month is R125 294. If the premium of R1 200 a year is paid annually, only from the end of the year, the value would be only R116 918.

In both cases R24 000 would have been paid. With premiums escalating at 15 percent, the difference would be almost R40 000.

LUMP-SUM INJECTIONS: Many investors wait until the end of the financial year to make extra single-premium lump-sum injections into their RAs.

"If they know earlier in the year that they will be able to pay more into their retirement annuities they should do so as soon as possible, for the reasons outlined earlier.

"They will gain all the benefits of the extra period of investment and avoid the cost of delay by making mid-year payments instead of waiting until the end of the year."

Give us this day our daily bread

(300) South, 23/5-27/5/92

IT'S NOT unusual to find pensioners queueing outside the payout point in the Worcester township of Zwelenthemba at 2am.

It's also not unusual to find that many have not slept before coming to Zwelenthemba as they have to walk for hours from distant farms or small towns.

And many pensioners come from surrounding farms and villages only to find there is no money for them.

"Ignorance is the biggest problem we face in trying to organise pensions and other state benefits for people in the rural areas," said a Cape Provincial Administration (CPA) official.

"A lot of people don't know just how old they are and if mistakes were made when they applied for their identity documents, then the Department of Home Affairs will not correct it without a birth certificate, which many old people just don't have."

It is aso a battle to get child maintenance grants.

Married women qualify for state assistance for only four children, and in rural towns some women have large families.

"Another problem is that the aid is only available until the child turns 16, not until he completes his schooling, so most children don't stand a chance of reaching matric, they just become farmworkers like their parents," the official said.

Unmarried women can only receive support for one child, at R70 a month, and it is not unusual in rural towns to find entire families living off the allowance.

Disabled people complain about stringent regulations which make it difficult for them to receive grants.

A number of cases reviewed recently by the Worcester district surgeon have been disqualified from state support with the recommendation that they find "light work".

But the biggest problem facing people at the Zwelenthemba payout point was the long wait between an application for financial aid and the time the money became available.

Last Monday, many people who had walked long distances and waited for hours, left empty-handed.

Mrs Evelyn Mbaxa left after queueing for five hours, empty-handed and spitting mad.

"I applied for a pension and have been coming here for a year and five months already to see if my money has arrived," Mbaxa said.

"I share a house with my mother and today we have nothing to eat. Our neighbours are getting tired of us coming to beg for food all the time."

TO THE QUEUE: A pensioner is helped to payout point

Rising HIV rate worries assurers

ST Times (Buss) 24/5/92

By CIARAN RYAN

SOUTH African life assurers are watching the rise in HIV infection in Africa anxiously — in spite of the fact that the AIDS scare of the 1980s has faded in Western countries.

The average HIV infection rate in the US is estimated at less than 0,1% — no more than it was 10 years ago and largely confined to homosexuals and intravenous drug users.

Studies in SA suggest an average infection rate of 1,35% compared with almost zero five years ago.

When AIDS was discovered 10 years ago, the forecast leap in death claims was expected to rip holes in company reserves. Many life offices wrote AIDS exclusion clauses into their policies or demanded compulsory HIV screening for life cover above certain limits.

Risk

Metropolitan Life (Metpol) is particularly exposed to AIDS-related death claims, 80% of its total business coming from high-risk groups in the black and coloured markets.

Metpol actuary Peter Doyle developed the Doyle model, which predicts a peak HIV infection rate of 27% of the population by 2005. He says testing among new policyholders shows an HIV infection rate in line with the national average of 1,35%.

MARIUS SMITH: A thousand HIV tests every month at Metpol

Metpol managing director Marius Smith says about 1 000 tests are made each month.

"Even if the rate of HIV infection rises to 27%, our products are designed to limit our financial risk. For people under 35, we require HIV testing for life cover above R50 000. For people older than 35, HIV testing is required for life cover of more than R150 000.

"Most of the premium goes into an investment fund and a smaller proportion to the life cover. The products are so designed that the accumulated money in the investment fund will become greater than the life cover."

Given its exposure to the AIDS threat, one would expect anti-selection — a person with AIDS or HIV or any other serious disease takes out an insurance policy with a view to receiving a quick payout — to be increasing.

Mr Smith says anti-selection can occur only where individuals take out life cover of less than R50 000. Above this they must undergo HIV screening. A survey by reinsurer Mercantile & General found that the number of AIDS claims received by the SA assurance business industry increased from 172 in 1990 to 281 in 1991.

The AIDS debate is hotting up and threatens to unseat some entrenched assumptions about the disease's causes.

Several scientists, supported by some compelling statistical and medical analyses, challenge the orthodoxy that HIV infection alone is sufficient to cause AIDS. They argue that other co-factors are required to destroy the body's immune system.

The dissenters include the discoverer of the HIV virus, Luc Montagnier, and American virologist Peter Duesberg.

Profile

If they are proved right, countless forecasting models will hit the shredder and billions of research rands will have been wasted.

Life assurers could be forced to recalculate their risk profile and develop appropriate policies.

Those companies that increased their reserve allocations in fear of higher death claims will be able to release these funds for other uses.

Mr Doyle says: "Our research is not based on medical argument. For the purpose of finding a medical cure for AIDS I agree that research must be directed in as wide an area as possible.

"But from a statistical point of view, there is a strong correlation between AIDS and HIV infection. Our forecasts are based on what we know of the disease."

The Doyle model forecasts that about 3,75-million people will be infected with HIV by the year 2000, the cumulative death tally being about 407 000 by that year.

This assumes no change in behaviour, no cure and that the pattern of the disease in SA will follow that of other African countries where HIV infection rates are already between 20% and 30%.

Lower

The AIDS threat has done little to dent Metpol's earnings growth — up 24% to 70c a share for the year to September 1991 in spite of a 25% increase in transfers totalling R425-million to meet future liabilities.

Premium income was R703-million — 29% up on the previous year — and investment income rose by 16% to R317-million.

Mr Smith says premium growth this year will be slightly lower because of a strike by salesmen last year. About 90% of premiums are recurring, cushioning Metpol against the economic downturn. The lapse rate, generally higher than average, is falling.

Bureaucrats told 70-year-old: 'You're 60'

AT LAST ... Roselina Nkosi gets her pay.

SOWETO grandmother Roselina Nkosi was paid R1 995 this week by the Transvaal Provincial Administration, which cut off her old age pension eight months ago.

The 70-year-old grandmother of five threatened to bring an urgent court application to force the TPA to reinstate her pension.

Nkosi received no warning of the impending cut – her pension money was simply not paid into her bank account last October, and has not been paid since.

She has been to complain to the TPA's Department of Community Services in Albert Street three times.

Three times the department has taken her fingerprints, but until forced to do so this week to avoid a court case, had not paid her a cent.

Last month she received a letter from the TPA saying she was 60 years old, so did not qualify for a pension yet. They said her date of birth was 1932.

"I don't know where they got that information, but it is wrong. I am 70 years old and was born in 1922, not 1932.

"My old reference book and my new ID book have the correct date of birth, 1922. Where does the TPA get its information that I was born in 1932 and what gives them the right to cut off my pension because of their mistake?" she asked.

The TPA confirmed it had cut off Nkosi's pension because their records showed her date of birth as 1932.

Priscilla paid

TPA acts as legal threat looms

THE Transvaal Provincial Administration this week paid three months' pension to Soweto pensioner Priscilla Ramasodi to avoid her bringing an urgent application in the Rand Supreme Court to have her pension reinstated.

City Press last week reported the intention of the 83-year-old grandmother to take the TPA to court, with assistance from the Legal Resources Centre, in a test case that would affect thousands of pensioners.

The TPA also undertook to immediately pay out all 189 pensioners for whom the LRC acts.

The remainder of the 25 000 Transvaal pensioners whose payments were summarily cut off in March will get their money at the pension paypoints on their usual pay days in June.

Readers' Hotline

Helping you with your problems

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TPA officials will meet LRC lawyers next Tuesday to discuss the legality of the "review" procedure under which the TPA cut the pensions off, causing massive hardship and suffering among old and disabled people whose only income is their R235 monthly pension.

LRC maintains the annual compulsory review procedure, and the suspension of payments to pensioners who have not completed a review, is unlawful.

Pensions department official Martiens Oosthuizen travelled to Johannesburg on Tuesday to hand over cheques to Priscilla Ramasodi and Roseline Nkosi, who had also instructed LRC to bring a Supreme Court application.

Ramasodi received R760 representing three months' arrears, and Nkosi got R1 995 for the eight months' pension she has missed.

Oosthuizen said the pensions department was working out new procedures to ensure that unauthorised payments were not made without resorting to cutting off legitimate pensions.

THREE MONTHS LATER . . . Priscilla Ramasodi is given her pension by Martiens Oosthuizen.

These oldies are hard at work

By DAN DHLAMINI
Citizen 24/5/92

DESPITE the hassle faced nationally by black pensioners in obtaining their pension money, life goes on for oldies in Khutsong, near Carletonville.

The oldies' Luncheon Club, under the auspices of the Khutsong Care for the Aged (KCA), has started a self-help project where the aged, mostly pensioners, are divided into working groups where they manufacture various articles such as dresses, vases, ashtrays, powdered soap and polish, just to mention a few items. (300)

KCA founder and chairwoman, Mirriam Magogodi Phatedi, said the Luncheon Club, whose chairman is retired Reverend Daniel Mathikge, 73, consists of about 220 members and every pensioner was welcome to join. Annual membership was only R2.

Phatedi said the South African Council for the Aged also sends vouchers to augment what the oldies already have.

The members get their food ration daily and converge every Tuesday at Phatedi's humble home where they manufacture goods which, if taken to the flea market, could rake in a few hundred rands for the club.

AID TO VENDA (Continued)

	1986/87 R	1987/88 R	1988/89 R	1989/90 R	1990/91 R	1991/92 R
D. Technical and other assistance						
Manpower provision	9 307 295	9 254 836	11 551 110	14 549 855	10 964 806	19 081 000
Flour subsidy	1 861 605	2 033 652	1 762 451	1 130 893	921 744	—
Technical assistance	641 579	1 080 985	928 541	545 222	197 296	2 083 820
Salaries of judges	196 801	162 659	191 541	401 041	204 729	398 000
TOTAL	12 007 290	12 532 132	14 433 643	16 627 011	12 288 575	21 562 820
GRAND TOTAL	256 053 964	331 413 872	428 311 714	508 117 017	591 822 288	743 749 774

1) Actual figures
2) Estimates

NOTE: Transfer payments in respect of customs union share and common monetary area appear on the budget vote of the Department of Finance.

AID TO CISKEI

	1986/87 R	1987/88 R	1988/89 R	1989/90 R	1990/91 R	1991/92 R
A. Direct financial assistance						
Budgetary aid	221 789 034	301 692 499	384 930 928	440 033 134	561 934 117	708 431 700
Incentive scheme for industries	29 871 423	23 516 112	31 310 570	16 098 888	35 324 135	28 371 959
Non-recoverable financial assistance	603 262	—	99 278	—	—	201 308
Relief of distress	—	—	—	—	—	—
Job creation	14 770 105	10 830 000	6 457 660	4 995 317	—	—
TOTAL	267 033 824	336 038 611	422 798 436	461 127 339	597 258 252	737 004 967
B. Transfer payments						
Tax compensation	24 386 346	24 563 000	33 141 862	40 523 332	53 000 000	64 886 000
Customs union	107 291 000	156 117 000	180 489 000	221 776 000	265 989 000	265 989 000
Common monetary area	2 999 893	3 702 400	4 794 133	6 561 400	7 993 440	9 869 600
TOTAL	134 677 239	184 382 400	218 424 995	268 860 732	326 982 440	340 744 600
C. Loans from RSA (Project aid)	7 638 332	7 585 000	11 544 730	20 359 114	11 649 000	9 323 272
D. Technical and other assistance						
Manpower provision	9 697 851	24 758 130	17 570 022	17 122 280	13 786 329	22 998 000
Flour subsidy	611 092	498 723	454 278	322 036	117 755	—
Technical assistance	243 572	305 377	432 276	573 049	473 421	3 715 448
Salaries of judges	214 424	232 754	345 508	726 976	382 505	790 000
TOTAL	10 766 739	25 794 984	18 802 184	18 734 341	14 760 010	27 503 448
GRAND TOTAL	420 116 134	553 800 000	671 570 345	769 081 526	950 649 702	1 114 576 287

1) Actual figures
2) Estimates

NOTE: Transfer payments in respect of customs union share and common monetary area appear on the budget vote of the Department of Finance.

SA Medical and Dental Council: disciplinary cases

265. Mr L F STOFBERG asked the Minister of National Health:†

(1) Whether members of the South African Medical and Dental Council are required in considering disciplinary action to adjudicate on colleagues who are or have been involved in suspected irregularities; if so,

(2) whether any of these members have the necessary legal knowledge and experience to perform such a task; if so, what are the relevant details;

(3) whether consideration is being given to having disciplinary cases of this nature heard by magistrates or judges in courts; if not, why not;

(4) whether she will make a statement on the matter?

B630E

The MINISTER OF NATIONAL HEALTH:

(1) No, it is required of members of the South African Medical and Dental Council, in the consideration of disciplinary action, to pronounce judgement on the professional acceptability of the conduct of colleagues involved in suspected irregularities;

(2) falls away;

(3) no, because the South African Medical and Dental Council, as constituted, was established to perform this function. Disciplinary cases of the South African Medical and Dental Council are not criminal or civil cases which are judged in the courts and require the knowledge and experience of the ethical norms of the medical and dental professions, which the members of the Council possess. The Supreme Court has referred to the South African Medical and Dental Council as the body, *par excellence*, to take decisions on disciplinary cases. Every colleague has the right to take decisions of the Council on revision to the Supreme Court which will ensure that such a person is not wronged by a possible legal error on the part of the Council;

(4) no.

Own Affairs:

Social old-age pensioners: amount of pension

68. Mr L FUCHS asked the Minister of Health Services and Welfare:

(1) What was the amount of the pension received by a social old-age pensioner (a) during the 1991-92 financial year and (b) as at the latest specified date in the current financial year;

(2) whether this pension is to be increased in the current financial year; if not, why not; if so, (a) when and (b) by how much;

(3) whether the amounts paid monthly to pensioners are in step with the rise in the rate of inflation; if not, what is the rate of growth of the amounts paid monthly to pensioners?

B659E

The MINISTER OF HEALTH SERVICES AND WELFARE:

(1) (a) 1 April 1991 to 30 September 1991 = R304 pm
1 October 1991 to 31 March 1992 = R314 pm

(b) R345 per month.

(2) Yes.

(a) Pensions have been increased as from 1 April 1992.

(b) R31 per month.

(3) No.
Pensions have been increased by 10% as from 1 April 1992.

Mr K M ANDREW: Mr Speaker, further arising out of the hon the Minister's reply, may I ask him whether he is saying to this House that nobody will be suspended from his post in the SA Defence Force as long as something still remains under investigation by way of an inquest or a court case? In other words, is he saying that until such time as rulings are made, nobody will ever be suspended from the SA Defence Force? If he is not saying this, is the inference not that the Government does not accept the evidence and is therefore not prepared to take any action?

The MINISTER: Mr Speaker, it seems to be very difficult to explain this to the hon member. The point is that an allegation is contained in the report of *New Nation*. I am saying that there is evidence to the contrary as well, but unfortunately I am not in a position to divulge that information to the House at this stage, because it has been presented to the Attorney-General of the Eastern Cape. That is the situation. In view of the fact that the Attorney-General is still conducting the investigation, I am not in a position to present that evidence now.

I am not saying that it would prevent steps being taken at any stage, if necessary. All I am saying is that according to the information I have available, and in terms of the general regulations of the SA Defence Force, the Chief of the SA Defence Force is entitled to act if he has sufficient evidence to do so, which is not the case in this particular matter.

Financial assistance to families of four deceased

*12. Mr K M ANDREW asked the Minister of Justice:

Whether the families of Matthew Goniwe, Fort Calata, Sparrow Mkhonto and Sicelo Mhlauli will be given financial assistance to enable them to have legal representation at the re-opened inquest into the deaths of the above-mentioned four men; if not, why not; if so, on what basis will the assistance be provided?

B672E

The DEPUTY MINISTER OF JUSTICE:

If the families concerned require financial assistance they are welcome to approach the Director of the Legal Aid Board. The Legal Aid Board assists persons, who satisfy its requirements, to obtain legal representation. As far as can be ascertained, the families of the deceased have not yet applied for legal aid.

Mr K M ANDREW: Mr Speaker, arising from the reply of the hon the Minister, may I ask whether, given the abnormal circumstances of this case and the fact that it is a re-opened inquest, he believes that the stature and quality, in terms of experience and seniority, of the legal assistance that would come to the families by way of the Legal Aid Board would be adequate?

The DEPUTY MINISTER: Mr Speaker, the Legal Aid Board is a semi-autonomous body. It will decide, possibly with the assistance of the attorneys, who will represent the families. It does not necessarily mean that it will be a junior advocate.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Elderly citizens removed from residences

1. Mr J J WALSH asked the Minister of Housing and Works:

(1) Whether he is taking any steps to alleviate the problem of elderly citizens being removed from their residences as a result of *inter alia* sectional title developments; if not, why not; if so, what steps;

(2) whether he will make a statement on the matter?

B705E.INT

The MINISTER OF HOUSING AND WORKS: Mr Speaker, the reply is as follows.

At present we are experiencing a very serious housing shortage amongst all population groups in South Africa. The recent De Loor Report confirmed this with indisputable facts. In respect of the White population group, the shortage is estimated at approximately 104 000 housing units and it is still growing. I am extremely concerned about this situation.

The biggest need in respect of low-income housing appears to be where the monthly income of a family is below R1 200 per month. It is a fact that many of these unfortunate people are aged

persons. This unfortunate situation can be attributed, *inter alia*, to the following causes: problems in the South African economy, which have led to a decline in economic activities at all levels, increasing unemployment at all levels of the South African community, the fast population growth, urbanisation and a tendency in the private sector to only cater for the middle-income and high-income groups. The last-mentioned aspect unfortunately leads to the conversion of normal housing units, especially flats, to sectional title units.

Legal protection for, *inter alia*, the aged lessee is granted by means of the Sectional Titles Act as well as the Rent Control Act, Act 80 of 1976. The basic elements for the protection of lessees are, firstly, that in terms of the Section Titles Act lessees must be granted the first option to purchase such units.

Certain restrictions are placed on the sale of the relevant unit for as long as the lessee occupies it. No conversions may be made without prior approval from the local authority. The lessee may continue to occupy the unit uninterruptedly, subject to the stipulations of the Rent Control Act of 1976. I would like to state that the Sectional Titles Act is administered by the hon the Minister of Regional and Land Affairs.

This brings me to protection in terms of the Rent Control Act. Lessees have to comply with certain conditions of the Act. They have to be 70 years of age or older. The lessees should have reached this age at the time rent control was abolished, while continuing to have uninterrupted occupation. They have to fall within the laid-down income bracket, namely R1 250 per month for single persons and R2 000 per month for married couples.

The decision to phase out rent control was taken by the Government many years ago, and these reasons are still valid today. Reinstatement of rent control will not be considered lightly. However, where exploitation is proved, I will not hesitate to intervene. I would like to invite lessees who feel that they are being prejudiced to bring this to the attention of my department.

As far as the legal position is concerned, I want to tell hon members what is being done in practice to address and alleviate the serious housing shortage in respect of the Whites. I want to mention some of the steps we are taking. The Development and Housing Board, acting on behalf of the department, is involved in the following . . . [Time expired.]

Mr R V CARLISLE: Mr Chairman, the hon the Minister says he is extremely concerned. What we want is not concern, but action. He gives a number of causes for his concern, but allow me to give him some others too.

Rent control has been phased out, but inflation and the restructuring of this economy as a result of the NP Government's maladministration have had as one result the increasing homelessness of both elderly people and single parents. Those who are not yet homeless live in the dreadful certainty that rapidly rising rentals and rapidly devaluing rands will sooner or later render them homeless as well.

The hon the Minister refers to sectional title and says this does not come under his particular portfolio. He obviously lives in the wealthiest constituency in the country.

He does not have these kinds of problems. Let me tell hon members how developers get around sectional title.

An HON MEMBER: It is the first time you stand up for old people!

Mr R V CARLISLE: Come and look at my constituency, friend.

They move people out of a block of flats until only the protected tenants are left on their own. They withdraw security and leave frightened people 70 years old and older all alone in the block. They soon go! Such a practice is not unlawful, but it is immoral, and it is being done.

Another tactic is to say they require the old person's flat for repairs. They tell them they can go off for six months and that when they come back they can have the flat back on new terms. That is allowable in terms of the Act. Where does the person go for six months? Who bears the expenses? They do that specifically to drive protected tenants out.

The next cause of this lies with the developers themselves. I want to say that that Government is far too prone to influence from the representatives of developers and builders in South Africa. They quiver when they hear the word Sapoa. I want to ask the Government to look after the interests of these old folk and single

cont

parents rather than looking after the interests of the developers' industry.

Dr P J STEENKAMP: Well, that is the DP speaking!

Mr R V CARLISLE: That is the DP speaking. It speaks for the people of South Africa, but that hon member would not understand that. [Interjections.] He speaks for the big interests of South Africa. He speaks for squashing the little people of South Africa. That is the problem with this government.

Rent control provides no protection. That is the reality of the matter. The hon Minister says he invites people to intervene. We come to his department without effect. It achieves nothing. I am not criticising his officials. They are sympathetic, but what can they do in terms of the existing laws and facilities?

The fact of the matter is that something has to be done and it has to be done now. We owe it to those people—I do not care what their colour is—who have served South Africa. Some of them have been turfed out of their flats in which they have lived for 30 and 40 years. I actually wonder what happens to a developer and to his lawyers that they can put people out without concern. Some major financial institutions have a story to tell in this regard as well. [Time expired.]

*Mr H J COETZEE: Mr Chairman, I find it comical that the party which is normally not worried about the Whites is today pleading for the Whites. [Interjections.] It is typical of the DP which . . . [Interjections.]

I want to state categorically in this Chamber this afternoon that I do not think there is anyone in this House of Assembly who is not concerned about the elderly people in South Africa. [Interjections.] There is no-one who is not concerned, but we must look at the solutions. We cannot prohibit these sectional title developers. Those people have to make money and carry on, but do hon members know that the Government has a report of the De Loor Commission which recommends that rent control be phased out? It is ten times worse than they make out.

I want to say to hon members that we must look at the problems of these particular people who are still living in flats at the moment, elderly people who can take care of themselves. As a result of the Government's policy of power-sharing, South Africa has been bankrupted and even those old people who still live in their own homes in South Africa are becoming impoverished. Over the past two or three years interest rates alone, for these people who have a small investment, have fallen by 30%. People who can take care of themselves are now starting to reach the stage at which the Government will have to take care of them.

I want to leave hon members with a few thoughts, namely that we must examine the situation. The inflation rate is exorbitant. It is between 16% and 25%. No-one knows precisely what it is. Food prices are rising astronomically. While everything is going up, we must bear in mind that these little old people who are pensioners in South Africa, the State pensioners and those who can look after themselves, have for years paid tax to develop the country. They should no longer have to pay tax. [Time expired.]

The MINISTER: Mr Speaker, earlier I was saying what steps we were taking, I would just like to conclude by saying that State-financed low-cost housing units are protected and retained for rent purposes. A project is being planned to build 1 500 low-cost units in the bigger centres of the country during this financial year. [Interjections.] I announced this two weeks ago.

Local authorities and utility companies are encouraged to approach the department for funding.

Vacant properties not required for State purposes are sold in order to generate the necessary funds to build further low-cost houses, and loans are discounted.

The Ministers' Council also approved that unutilised schools not required by other education departments and education institutions may under certain conditions be transferred to registered welfare organisations and the Development and Housing Board at no cost for conversion into low-cost housing.

This is a serious problem that we have and we realise that. We are utilising all avenues available to address this problem as effectively and as soon as possible.

*I would like to express my thanks to the hon members who made a positive contribution. The hon member for Wynberg, however, tried to

bring in a bit of politics, but I do not think that we should do that today. [Interjections.] The hon member just said that the NP's policy over the years had been the cause of our not being able to control inflation, and that that was the cause of the problems. [Interjections.]

Hon members of the CP should actually not speak on these issues, because if we apply their policy in this country, there will be even less money to build houses. [Interjections.] Yes, of course—that is so. [Interjections.]

There will be no money to build houses, because that is precisely one of the reasons why we are now faced with this problem. We have sanctions and boycotts against us, and that is why we have the problem of having no money to build houses.

Miss M SMUTS: Mr Speaker, we are pleased to hear that the hon the Minister is looking at various projects. We commend him, but we must tell him that he will have to return to the problem of sectional title, because it will not go away.

When the Sectional Titles Act was amended recently, protected lessees retained the right to stay where they were, as long as they qualified for protection. This was a gesture by the State towards poor elderly people. However, the amendment, which lifted the prohibition on sales to persons other than protected lessees, was a concession at the request of developers, and that is where the pressure is coming from. My hon colleague has rightly referred to the relationship between the Government and developers.

Sectional title should ideally have provided new housing stock. However, developers are converting older blocks where elderly people live.

This is fine as far as it goes—it is free enterprise—except that developers are ducking the protection provisions and section 9(1) provisions by giving lessees notice;+ selling by share block for later conversion to sectional title; sometimes, as in a Sea Point case I have here dated 12 May, getting prospective buyers to sign a deed of sale claiming the offer was unsolicited, thereby exonerating the developer; and so forth.

The State cannot just sit back and say that its duties are discharged by the protection section, section 10. It is being abused. It is also so unintelligible that they say one can get as many legal opinions on its meaning as the number of people consulted.

Thirdly we believe—and this is perhaps the difference between the NP and my party . . .

*An HON MEMBER: The university buys it out!

Miss M SMUTS: . . . that the State should intervene—some private developers play their part, and the university does try to help—to help those displaced by developments, if only by subsidising private initiatives like the Abbeyfield Society, which buys houses for older people to share and where residents pay rent and running costs, but no capital contributions.

Mr R V CARLISLE: Mr Speaker, the hon the Minister's predecessor set up a departmental enquiry. I gave evidence to it. Some of the things the hon the Minister can do re the following . He can make his rent boards pro-active, instead of sitting there waiting for things to happen. He can get out information to these old people on what few remedies do apply. He can put a legal disincentive on sectional title and a legal incentive on new housing starts, which is the way round this particular problem.

I should like to know what has happened to that particular report. Above all, the Government has to stop bending to the pressures in this regard. The hon the Minister does not deal with that. We were told by Sapoa that if we did away with rent control we would see blocks of flats pop up all over the place. I ask hon members to show me one new block for rental anywhere in the greater Cape Town area. They have not appeared. We have been had by Sapoa. The hon the Minister must stop listening to Sapoa and start listening to the people who are taking the thick end of the wedge here. [Time expired.]

The MINISTER: Mr Speaker, I would once again like to thank hon members for positive suggestions that we can follow. The hon member for Wynberg said that what these developers were doing was not unlawful.

Mr R V CARLISLE: It is immoral. Make it unlawful!

The MINISTER: However, two minutes later he said I must use the Rent Control Board to do something about it. As I have pointed out, the Rent Control Board is working according to the Rent Control Act. If those people are doing nothing unlawful, what can the Rent Control Board do then? [Interjections.] The hon member

cont

in the front bench here said we must change the Act. If this will help I am prepared to look at the matter, because I am concerned about the aged who are being chased out of their flats. [Interjections.] I am concerned about this. If it will help, the hon members are welcome to give me information and evidence which will enable us to review the Act.

*I am not prepared to allow people to be thrown out and left on the streets while we try to build houses and some people become rich.

That is why it is not correct to say that we are giving in to pressure from the large concerns. It is not true. We want to look after the interests of the ordinary people and the poor people. If hon members can help me . . . [Interjections.] The hon member for Carletonville must keep quiet. What nonsense is he talking again now? [Interjections.] Excuse me, Sir, but that hon member is interrupting me again. He does not know what it is about. [Interjections.] I want to invite hon members to give me information. I undertake to investigate the matter if necessary, and if any amendment must be made, I shall submit it to the Cabinet. We shall then look into what we can do in relation to this matter.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

Own Affairs:

Voluntary retirement by teachers: offer

*1. Mr A GERBER asked the Minister of Education and Culture:†

(1) Whether his Department indicated earlier this year that some teachers could retire voluntarily on accelerated, adjusted pension; if so, (a) what are the relevant details and (b) for how long does this offer apply;

(2) whether he will make a statement on the matter?

B675E

The MINISTER OF EDUCATION AND CULTURE:

(1) Yes.

(a) In a joint media statement by the Minister of National Education and myself on 17 February 1992 it was announced that where it was up to now on grounds of personal circumstances not possible for teachers to retire prior to reaching the stipulated retirement age, measures are being taken to make it possible for teachers to retire earlier with adjusted pension benefits. The new benefit will be available to teaching personnel who have already reached the age of fifty years and who have completed at least ten years pensionable service.

This matter is currently being handled by the Department of National Education. Further information will be made available at a later stage.

(b) Falls away.

(2) No.

†Mr A GERBER: Mr Speaker, arising from the hon the Minister's reply, I want to ask whether he can give an indication to us as to when more particulars will be available in this regard.

†The MINISTER: I suggest that the hon member puts a question to the hon the Minister of National Education next week.

For written reply:

General Affairs:

Protection against poisonous chemicals and metals

264. Mr L F STOFBERG asked the Minister of Agriculture:†

What steps is his Department taking to protect the population against the undue, accumulative intake of (a) pesticides, (b) fungicides, (c) iodine, (d) steroids, (e) antibiotics, (f) vermicides, (g) growth hormones and (h) other poisonous and dangerous chemicals and metals found in agricultural, meat and horticultural products for human consumption?

B629E

The MINISTER OF AGRICULTURE:

The Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act 36 of 1947) contains various provisions aimed at the efficient protection of the population against hazardous substances.

The Act requires that any person who applies to register a remedy must submit the following information:

— The results of sufficient trials to substantiate claims made for the product. Specialist scientists are called upon to evaluate such data, pass comments, and to make recommendations.

— In the case of crop protection agents designed to control insect and diseases on crops, trial data must be submitted to prove that such agents have no phytotoxic effects on the crop it is intended to protect.

— Results must be submitted to illustrate a breakdown curve of the active ingredient following its last application in order to ensure a safety period.

— The results of research and development trials that were undertaken to establish the likely ultimate fate of a compound after it had been introduced into the environment and the effects it may have on non-target organisms.

— A toxicological report on the active ingredient's likely effect on mammals and other vertebrates and invertebrates, especially regarding carcinogenicity, mutagenicity and possible side-effects on the offspring. It is expected that data shall also be submitted to illustrate the compound's likely impact on the environment, plant and animal life.

— A proposed user label that will inform the user regarding warnings, precautions, storage and disposal of the product and its original container.

The afore-mentioned information is carefully evaluated with a view to registration and before an application is granted the following steps are also taken:

— Liaison with other Government departments, where applicable, as regards applications for registrations and collating the opinions of relevant specialists.

— All applications for registration are discussed at INDAC—the Standing Inter-Departmental Committee for Safeguarding Man against Poisons—which consists of representatives of the Departments of Agriculture, National Health and Population Development, Environmental Affairs, Water Affairs and Forestry, the Agricultural Research Council and the Faculty of Veterinary Sciences of the University of Pretoria.

— This committee advises the Registrar: Act 36 of 1947 on the desirability of the registration of all compounds. In this way the committee serves as a barrier to prevent toxic compounds from ending up in the people's food basket.

The following control measures, in terms of the Act, are further taken:

— Remedies shall not be contrary to the public interest. Continued use can be reviewed, or restricted, or even be withdrawn. For instance it can be mentioned that the use of synthetic growth hormones in livestock has been forbidden since 23 September 1983.

— Regulations were published in 1991 which prohibit the acquisition, disposal, sale or use of an agricultural or a stock remedy for a purpose or in a manner other than that specified on the label of a container or on such container.

— As part of its function to regulate Act 36 of 1947 the Directorate: Livestock Improvement and Agricultural Production Resources maintains an inspectorate. Members of this inspectorate regularly draw samples of all registered products which are then analysed to verify that they conform to declared standards. Any complaints lodged by producers are also investigated as to the abusive or indiscriminate use of remedies.

— Training to make persons aware of the responsible use of remedies is also receiving attention. For the past year the Department has been involved in the training of more than 800 staff members of co-operative societies and representatives

New fund calls for extra diligence

B Day 29/5/92

JOE GATES

ALLEGATIONS of financial impropriety against the late Robert Maxwell led the Economist to comment (November 9 1991) that "entrepreneurial capitalism needs capital, but capital always needs guardians".

This appears true for pension fund trustees, owing to the emergence of the trade union-sponsored Community Growth Fund (CGF). This alternative investment vehicle is welcomed for a variety of reasons. But, as with most innovations, there will be obstacles to overcome and learning curves to master.

It is welcomed in the hope that its advent is a signal that nationalisation is relegated to the history books of economic and political posturing. If not, pension funds will once again be hampered by prescribed investment sponsored by interventionists.

It is also welcomed if it is a signal to all that trade unions underwrite the free market — a system which is always willing to receive new entrants and competition. If not, it will be a well-disguised socialist plot to co-opt market forces.

In the race to subscribe to the CGF or equivalent facility, pension fund trustees must remain conscious of their fiduciary duties and use them to advantage — to act with care, good faith and diligence; to obtain expert advice if their own knowledge is wanting; to avoid conflict of interest; to invest assets for the benefit of the fund and its members; and to act with impartiality in respect of members and beneficiaries.

It is not difficult to find justification in each of these duties when assessing the CGF as an investment vehicle, especially in regard to the economic and social environment of members and beneficiaries. However, trustees might feel obliged to maximise investment return on monies under their control.

The pursuit of investment performance is not necessarily in the best medium- or long-term interests of members and beneficiaries, and trustees should contemplate the responsibility that comes with freedom of choice offered by pension fund investment regulations.

Through diligent analysis and research, pension fund trustees can contribute to the economic enrichment of our country and its people as well as pension fund members while ensuring competitive returns.

Social responsibility does not mean that investment performance can be disregarded in favour of ethics and conscience, as the latter do not necessarily meet the bread-and-butter issues members need to finance in their retirement.

What is called for in trustees is a fine blend of conscience and reality, theory and practice, and an empathetic understanding of the present as well as the future.

Ultimately trustees are going to have to define their funds' boundaries regarding risk and reward, and find solace in the notion that optimising returns on funds they control might well be as important for their own funds' members as maximising returns for other funds' members.

If they are concerned that they might breach their fiduciary duties and find an action in law against them, perhaps the defence of *volenti non fit injuria* — there can be no action if a person voluntarily consents to the prospect of suffering injury — might allow for this.

Our courts have recognised the need to adapt the law to fit the changing times: "There comes a time in the growth of every living system of law when old practice ... must be modified in order to keep pace with the requirements of changing conditions." (Innes C J, Blower v Van Noorden 1909 TS 890).

And "however anxious the court may be to maintain the Roman Dutch law in all its integrity, there must, in the ordinary course, be a progressive development of the law, keeping pace with modern requirements." (De Villiers C J, Henderson v Henderson (1903) 20 SC 513).

Pliny the Elder knew more than most when he observed that there was always something new out of Africa. Our trustees must ensure that, above all else, they discharge their fiduciary responsibilities in a careful, honest and diligent manner, for the CGF or its equivalent will be one instance of there being no doubt (with apologies to Juvenal for what is lost in translation) as to who guards the guards.

☐ Gates is AA Life Assurance Association Ltd MD and president of the Institute of Life and Pension Advisers.

Honesty, the best for policy?

South 30/5 – 3/6/92

IF YOU ADMIT in an application for life insurance to having had a voluntary Aids test you could find your lifestyle being "investigated" — even if the result is negative.

Old Mutual chief actuary Mr Theo Hartwig says the company will enquire why an applicant was tested. "This might lead to an investigation with regard to the applicant's lifestyle."

Indications of gayness will reduce chances of getting a policy, he says.

Southern Life's general manager of life actuarial services, Mr Paul Truyens, says that while Southern Life asks similar questions, these are to establish whether the applicant is HIV positive. Southern will never investigate an applicant's lifestyle, he says.

Life insurance policies are not granted to people who test positive, for the same reason that they will not be granted to a person with a history of heart disease. The increased risk of insuring someone with a relatively short life expectancy will involve raising premiums for all other clients.

Companies therefore demand the HIV testing of life insurance applicants.

But application forms containing questions about Aids testing or counselling have raised fears that applicants who answer "yes" will be discriminated against, even if the result of the test was negative.

Admitting to have had an Aids test or counselling could be interpreted as an admission of being in one of the high-risk groups.

Southern Life and Old Mutual are aware that only a small fraction of Aids cases occur among gay people. Southern's policy already reflects this realisation, while Hartwig says Old Mutual intends adapting its policy.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Prosecution of national servicemen

256. Lt-Gen R H D ROGERS asked the Minister of Defence:

Whether all persons who were required to report for (a) national service and (b) camps in 1992 but failed to do so, have been prosecuted; if not, (i) why were not all of them prosecuted and (ii) what percentages of such persons had been prosecuted as at the latest specified date for which information is available?

B612E

The MINISTER OF DEFENCE:

(a) and (b)

(i) The prosecution action is an ongoing and time consuming process. All cases of failure to report are investigated.

(a) (ii) Prosecutions completed: 8%
Prosecutions in process: 92%

(b) (ii) Prosecutions completed: 6,3%
Prosecutions in process: 47,6%
Prosecutions in investigation stage: 46,1%

Information is supplied as at 30 April 1992.

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version.

For written reply: (300)

Own Affairs:

Riverlea: village for aged

1. Mr T R GEORGE asked the Minister of Local Government, Housing and Agriculture:

(1) Whether the village for aged persons envisaged for Riverlea is still to be developed; if not, why not; if so, when;

(2) whether an amount of approximately R2 million was allocated for this project; if so,

(3) whether this money is still available; if not, why not;

(4) whether he will make a statement on the matter? C11E

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

(1) Approval was granted for the allocation of an amount of R2 million to the Johannesburg City Council to finance the erection of the project during the 1992/93 financial year.

(2) Falls away.

(3) Falls away.

(4) No.

Pension plan is pending

300

Staff Reporter

A MORE efficient system of renewing pension grants will be instituted from January next year, the Cape Provincial Administration (CPA) announced yesterday.

CT 2/6/92

CPA communications officer Ms Penelope Horwood said pensioners would be divided into groups according to their ID numbers. This should streamline the procedure by making the renewal process easier for both officials and pensioners.

The new permanent system would not have a two-month deadline for renewals, as has been the case.