SOCIAL SECURITY- PENSIONS AND CARE OF THE AGED

1993

Picking the best places to retire to

ST Times (B455) 14/2/93.

AN INCREASING number of South Africans intend retiring overseas to improve their quality of life.

The Prescon Group has produced a 197-page report on suitable destinations for retirees, including Britain, Australia, New Zealand, America, Canada, Ireland, Portugal, Spain and South American countries.

Malta is recommended as extremely suitable for South Africans, who are more than welcome. English is widely spoken, the climate and living costs are similar to SA, health care is free or cheap, financial requirements can easily be met, taxes are low, it is politically stable and the people are friendly.

Quality

The report describes Australia as having a lifestyle similar to SA, New Zealand as being safe and friendly, America having something for everyone, Canada as being great — if you get right of entry. Costa Rica is affordable and sunny and Uruguay has an excellent quality of life.

The report suggests that Britain is probably the first

By DON ROBERTSON

choice of most retired couples "if you are allowed in". British immigration laws are among the toughest in the world. Even British passport holders are not guaranteed permanent residence.

Physical security is substantially better than in SA, although the weather is "shocking". Health care is generally free and the tax rate and the cost of living is lower.

The report suggests a monthly income a retired couple would need, provided accommodation and a car have been bought for cash.

These range sharply from country to country. In Italy, an income of R5 400 would be needed each month, while in Australia it would be R3 500. A move to Britain would require R4 700 and R4 200 in America.

Income in France and Ireland would be R5 000, while the cheapest is the Philippines at R1 500.

Factors such as personal and financial safety and the likelihood that health care costs will continue to increase in SA are matters which are foremost in the minds of retirees looking to emigrate.

What must be considered are factors such as the price and suitability of accommodation, climate, opportunities for part-time work, proximity of friends and relatives, tax rates and, most important, acceptance.

Prescon says that most countries allow parents as permanent residents if their children are legally established. Prescon also advises on health care costs, which will become more important as people get older.

Expensive

Exchange control requirements are fully reported. A settling-in allowance of R200 000 per couple for the purchase of a home and an annual R17 000 a year for each person is ample in most cases, says the report, although perhaps not Britain, where houses are more expensive.

Additional income of R300 000 left in SA can be repatriated at the commercial rand rate, with more at the financial rand rate with Reserve Bank permission.

The report also offers information on insurance and retirement annuity policies, which investments to consider for optimum growth and even advice on furniture removal, but it warns that all this could take many months or even years to resolve.

DEEPER IN DEBT

MORE than 1 200 000 summonses were issued during 1992, half of which will end up in court, says

Business Times Reporter

Private fund managers fail to impress PIC

(300)

ST 15/2/93

JOHANNESBURG. — The Public Investment Commissioner (PIC), which administers R51bn in various public sector pension funds, has confirmed it will not renew about R3bn in contracts it has with private fund managers. They expire next month.

Director Badie Badenhorst said at the weekend the contracts of six private institutional investment managers had expired in September and some had been extended to March 31.

The six — Investec Asset Management, Southern Life, Standard Merchant Bank, Old Mutual, Syfrets and Sanlam — had been appointed on a two- and three-year experimental basis to see if they could achieve better returns than the PIC.

It is believed only one improved on the PIC's performance.

Badenhorst said the six had not been appointed to boost government employees' returns to reduce the actuarial deficit.

The biggest public sector fund administered by the PIC is the government pension fund at R33bn.

Scheme 'too difficult to implement'

Jacobs dumps plan to tax pension funds

BIDAY 16/2/93 (300)

THE Jacobs committee had dropped the proposal to tax pension funds, Finance special adviser Japie Jacobs said yesterday.

He told an AIC/Euromoney banking industry conference in Johannesburg the proposal, which was widely criticised, had been a highly emotional and sensitive issue and had proved to be extremely difficult to implement. "It may help to put the minds of some people at rest if I mention that the proposal that part of the employee's and employer's contribution to a pension fund be non-deductible for tax purposes is dead, if it ever lived."

GRETA STEYN reports life assurers had expected government to limit tax breaks on pension contributions for top income earners in the Budget. However, Jacobs' statement seemed to indicate the idea had been put on the backburner.

Life Offices Association spokesman Jurie Wessels said it had become clear government could not limit tax breaks on pension contributions without overhauling the entire system. "Nothing can be done before the public and private sector's pensions taxation have been placed on an equal footing."

President F W de Klerk said earlier this month the status quo on public servants' taxation would remain in place.

Jacobs said the four-fund approach for

SHARON WOOD

taxation of the long-term insurance industry and the abolition of the sixth schedule were generally accepted but banks felt the reduction in the investment period from 10 to five years was likely to cause greater competition for them in this area.

He said the Melamet committee had been appointed to advise on the implemention of the Jacobs committee recommendations and its report should reach government by the end of March. This would allow appropriate legislation to be passed during the current parliamentary session.

Jacobs also dealt with the supervision of agents and principals in the financial market. He said supervisors could not protect the public against losses caused by the failures of financial institutions. In the case of an agent, he said, the risk of the investment rested entirely with the investor and not the agent. "It is up to the investor to ensure that his savings have been invested prudently and profitably."

The committee recommended that the activities of agents, brokers and portfolio managers be self-regulatory.

The deregulation of financial markets had increased the risks but the authorities had to guard against overreacting.

● Comment: Page 14

Pensions tax plan gets the chop

SVEN LÜNSCHE

JOHANNESBURG. — The Jacobs Committee has shelved its controversial proposal to tax a portion of employer and employee pension contributions.

Dr Japie Jacobs, chairman of the committee, told a banking industry conference yesterday the tax proposals had met widespread resistance from interested parties.

"It may help to put the minds of some people at rest if I mention that the proposal that part of the employee's and employer's contribution to a pension fund be non-deductible for tax purposes is dead," he said.

However, the committee's other key recommendations — the creation of one regulatory body for the financial services industry and replacing the Sixth Schedule — could become law before the end of the year.

In terms of the committee's proposals, employees would have had to pay tax on one-third of their pension fund contributions and employers on 20 percent of their contribution at the company tax rate of 48 percent.

The proposals were widely criticised and were also in apparent contradiction with the key findings of the Mouton Committee on the retirement industry, which called on the State to support retirement provision actively through laws and other means.

Commenting on response to the other issues of his report, Dr Jacobs said the Melamet Committee, appointed to investigate the implementation of the Jacobs proposals, should reach the government by the end of March.

"This means there is scope for appropriate legislation to be passed by parliament during the current session."

Dr Jacobs said a financial regulation policy board could be established soon to co-ordinate the supervisory functions of the two supervisory offices for the financial services industry — the Financial Services Board and the Registrar of Deposit-Taking Institutions.

While this had met with resistance from some banks, it could be an interim step to the eventual merger of the two offices.

The government was also likely to reject bank proposals that they engage in business similar to that conducted by insurers through their own divisional structures rather than subsidiaries, as suggested by Jacobs.

"While this is their choice, they must be aware of the fact that different classes of business need to be registered and supervised in terms of different Acts."

However, the key proposals, to level the playing field from a tax point of view between banks and insurers, were generally accepted by both industries.

These included the "four-front" approach to the tax base of life insurers, which will allow them to run four separate funds for tax purposes, and replacing the sixth schedule of the Income Tax Act.

The latter has paved the way for insurers to issue tax-exempt investments with no life cover and an investment period that has been brought down from 10 to five years.

At the same conference, former deputy chief executive of Absa Piet Liebenberg said he did not expect the regulatory authorities to allow further large scale concentration of the banking industry.

He expected further rationalisation within the industry only by means of takeovers between smaller and medium-sized banks and internal streamlining.

Mr Liebenberg also predicted that merchant banks could soon become active brokers on the JSE, while bigger banks looked set to take a stake in member firms on the stock market.

Proposal to tax pension funds axed

Own Correspondents

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Star 16/2/93

Plan killed to tax pension fund contributions

(300)

By Sven Lünsche

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Dr Japie Jacobs . . . putting people's minds at rest.

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Star 16/2/93

Jacobs plan to tax pensions is 'dead'

The Jacobs Committee has shelved its controversial plan to tax a portion of employer's and employee's pension contributions. (300)

"It may put minds at rest if I mention that the proposal ... is dead," committee chairman Dr Japie Jacobs said. — Finance Staff.

● Report — Page 12

No money for pension reforms

BDM 17/2/93. 300

LINDA ENSOR

CAPE TOWN — Government did not have the funds to act on the Mouton Committee recommendations for upgrading pension provision in SA in the immediate future, Deputy Finance Minister Japie van Wyk said at an Institute of Life and Pension Advisers function yesterday.

While the recommendations were good in themselves, they were all long-term and could not be implemented at this stage, he said.

The Mouton committee released its report on the future development of retirement provision in SA in December. It recommended a R2,4bn package of measures, including the abolition of racial discrimination in pensions and slashing the "penalty tax" of the means test which taxed people with low incomes by 100% if they provided some income for their retirement.

Changes to the means test and pensions parity would raise state spending on social pensions by R2,4bn in the next fiscal year compared with the current level, the report said.

Van Wyk said a statement would be made shortly regarding the future of politicians' pensions. He said while steps had been taken to privatise civil servants' pension funds and have them registered under the Pensions Fund Act, it was difficult to do this with politicians' pensions as this would mean they would relinquish certain benefits.

DP spokesman on pensions Brian Goodall said yesterday the demise of the President's Council had probably brought the future of the Members of Parliament and Political Office-holders Pension Scheme to a head. Whereas the civil servants' pension fund had accumulated assets which were now worth about R45bn, the MPs' scheme did not accumulate funds and contributions were paid straight into state revenue.

Van Wyk said another development pending was the release shortly of the Financial Services Board's consultative bulletin outlining guidelines for intermediaries on the disclosure of details such as status, product and commission.

He emphasised that intermediaries might have to fight harder in future to get contractual savings in an environment of low inflation. Low inflation would reduce the gap between the investment performances of the different financial institutions and might make investors think twice about committing their funds.

Inflation-proof pension?

South 6/2-10/2/93. (300)

YOUR money halves in value every five years — the result of South Africa's high inflation rate. This is why pensioners on a fixed income are finding it difficult to pay their bills.

One in four South African pensioners is receiving less than R150 a month from retirement funds. Forty percent are getting less than R300 per month.

The punishing effect of inflation on pensioners means that insurance companies have a moral commitment to devising "inflation-proof" pension schemes, says Old Mutual general manager of employee benefits Mr Garth Griffin.

He was speaking at a seminar in Johannesburg which focussed on the findings of the Mouton Commission, which was set up to review retirement provision systems. One finding was that pension schemes have previously made inadequate provision for the effects of inflation.

On retiring at age 65, almost 70 percent of men and 80 percent of women can expect to live for another 10 years. Twenty-five percent of men and 40 percent of women are likely to live to 85.

At the present inflation rate, ten years of retirement cuts the real value of a fixed income down to one quarter. After 20 years, a fixed pension is worth only one sixteenth of its original value.

South Africa has no laws to guarantee that pension increases to keep pace with inflation.

In the United Kingdom a law passed in 1990 stipulates that all defined pension benefits must be granted guaranteed increases in line with inflation.

Griffin said that rather than accumulate capital as most pension funds do at present, pension funds should use this surplus money towards increasing pension payments to keep up with inflation.

In Britain the law prioritises this use for surplus funds.

Old Mutual Employee Benefits recently declared a bonus of 15 percent for all pensioners participating in its pensioner increase product, Pensions Plus, effective from the end of January.

This means that a member who retired with a pension of R1 000, will now be receiving over R4 000 from Pension Plus.

Govt must clarify reasoning

THE South African government should avoid taxing retirement funds in order to finance the disparity in state old-age pensions.

This is according to Old Mutual general manager of employee benefits, Mr Garth Griffin, who was addressing a seminar recently.

Griffin said the government must clarify its reasoning for wanting to change taxation policy with regard to retirement provision.

It would cost R2,5-billion to improve state old-age pensions, according to the government's Mouton report.

He speculated that the government believed it could raise this amount through tax on retirement funds.

Griffin said the life assurer would like to see that the system of taxation of retirement provision unaltered, but there needed to be an "aggressive" overhaul of tax on lump sum benefits.

To reduce tax leakages the state needed to:

- improve access to state old-age pensions;
- clarify its thinking on the future of tax-free lump sums;
- and, develop clear policy on the desired balance between lump sum and income-type benefits from approved retirement vehicles.

Living Annuity beats capital drain

ST Times (BUSS) 7/2/93. (300)

By JULIE WALKER

SAGE Life's Living Annuity has been designed to overcome two major drawbacks facing pensioners at retirement — being locked into a fixed pension rate for life and retirement payments stopping at death.

Senior manager of marketing at Sage Life, Michael Belling, says Living Annuity's benefits include a flexible annuity income adjustable yearly to meet your changing needs. This removes any problem that might arise should you retire when rates are low.

The balance of your capital is also secured for your beneficiaries when you die without costing extra. Previously a substantial premium was payable to preserve your capital for your family.

Inflation

The third feature of Living Annuity is investment flexibility. Your retirement funds can be spread over one or more from eight Sage Life portfolios covering the investment field from guaranteed conservative to market-related risks.

If you retire when interest rates are low and they rise to a high level, you can take advantage of these rates by converting to a standard fixed annuity.

Obviously, the lower the monthly annuity you select, the higher the portion of your retirement annuity available for your own investment account.

At retirement, your company pension fund might furnish enough to live on initially, but might not increase in keeping with inflation. In other words, you can manage at that level for a few years, but would like to know you were preparing for the demands of a long retirement.

For tax planning purposes and because Living Annuity offers the option of building up the annuity in a flexible way, it could be highly advantageous to take a small annuity in the early years of your retirement.



MICHAEL BELLING

PROPER PLANNING IS VITAL FOR A SECURE FINANCIAL FUTURE

8/Times (Buss) 7/2/93

300

FINANCIAL advisers agree that inflation and the resulting devaluation of money has become the prime driving force behind investment.

The need for suitable investment avenues has resulted in phenomenal growth in the assets under management of the life assurance and unit trust industries.

Furthermore, the old style insurance salesman has become a highly qualified "financial adviser" to assist the public through the labyrinth of complex products now available on the market.

Financial advisers warn, however, that the return on an investment is only one of many factors to be taken into consideration when creating an investment portfolio: "Investments offering huge returns are not necessarily ideal for every individual, each situation is unique depending on the person's financial resources and liabilities."

Risk

Gary McCreesh, Nedcor Bank's personal financial planning general manager, says that proper planning is the most important step to be taken by a prospective investor.

This would involve looking at the short, medium and long-term needs of the individual relative to his immediate risk areas. The risk/reward ratio would therefore be determined by the term of the investment. As a general rule of thumb, the higher the return on an investment, the greater the risk involved.

In this sense, McCreesh says he would recommend against clients investing in equities to meet a short-term objective: "On the other hand, if the client has a 20-year objective, even if inflation drops below double digits, fixed interest investments would be unsuitable and the financial planner would look to some real growth areas such as equities and property."

Bernie Goldman, GM individual life of Fedlife, adds that in determining their needs, investors should consider the following issues:

- What are your current financial and domestic commitments?
- Where do you want to be in 10 or in 20 years from now?
- What sort of financial security would you need for retirement?

Goldman suggests that a list should be drawn up of the individual's existing insurances and investments to establish areas which do not meet up to his objectives.

Birth

He adds that this would include short to medium-term cash requirements for marriage, the birth of children and education, while allocation should also be made for medical expenses, death and disability insurance, short-term insurance and provision for retirement.

Standard Trust MD Trevor Beeton emphasises the importance of identifying an individual's risk profile: "It's crucial that the person's basic needs are covered first, namely adequate insurance and the drawing up of a valid will in order to protect his assets before one should concentrate on growing these assets."

SUGGESTED PERSONAL INVESTMENT PLANNING

IMMEDIATE AND EMERGENCY NEEDS	SHORT	MEDIUM	LONG
Bankers' Acceptances	Fixed Deposits	Business Finance	Business Finance
Call Accounts	Notice Deposits	Home Loans	Property including Home Loans
Cheque Accounts	Optimum	Participation Bonds	Unit Trusts
Credit Cards	Savings Accounts	Personal Asset Finance	Deferred Compensation
Negotiable Certificates of Deposit	Transmission Accounts	Unit Trusts	Endowment Assurance
Notice Deposits	Estate Planning	Deferred Compensation	Property Syndications
Savings Accounts	Exchequer Bonds (Post Office)	Endowment Assurance	Pension Funds
Accident Insurance	Treasury Bonds	Estate Planning	Provident Funds
Disability Insurance		Retirement Annuities	Retirement Annuities
Health & Medical Insurance			Shares (Portfolio Administration)
Income Protection			
Job Loss Protection			
Life Insurance			
Tax Planning			

SOURCE: Nedcor.



GARY McCREESH

Beeton says the choice of investment would also depend on whether the individual expects to draw an income from his investment or if he planned to reinvest for long-term capital growth. This would also be affected by whether the client planned to invest on a monthly basis or a once-off lump sum.

Furthermore, he adds that the investment package should take into account the effect of taxation and be flexible enough to work around future legislative changes.

The financial advisors say that there are a host of managed inflation-beating investment options available which have been designed for the man-on-the-street. The most popular would include unit trusts, retirement annuities and endowment policies. However, they note that each product serves a different need.

Retirement annuities (RAs), although providing an excellent return over the long-term, particularly when taking into account the tax benefits, are the least flexible in that the funds invested cannot be accessed until age 55 — at which stage a tax free 33% lump sum is payable, while the remainder is paid out and taxed as monthly income. An RA is normally used to "top up" pension fund income for after-retirement.

The financial advisers say endowment policies, which have to be taken out for a period of at least five years, and unit trusts, are ideal investments to meet medium-term commitments or cash outlays such as a planned holiday or a child's university expenses.

Beeton notes that unit trusts can also be used to meet long-term objectives, such as retirement planning, but he warns that the easy access to the funds invested can prove too tempting for most people to resist: "For the average person it is too easy to dip into these funds to meet short-term problems and in the process jeopardise their retirement provision."

As a result, he says it is important that investors establish a balanced portfolio, probably including RAs, unit trust investments and cash-on-hand to meet unexpected expenses.

Return

Beeton felt, however, that an investment in unit trusts would outperform most other investments over the medium to long-term.

Unit sales for the year past would seem to confirm Beeton's opinion.

The Association of Unit Trusts (AUT) disclosed that almost R2,5-bn in new money was invested by the public in unit trusts during 1992. Of this, roughly 80% was invested in general equity trusts despite a fairly poor performance from the equity market.

AUT chairman Clive Turner expects unit trusts will continue to provide a real return for investors in the year ahead: "Unit trusts are an ideal vehicle through which the public can benefit from high performing quality equities."

Ensure a cash flow after a sudden death

ST Times (B455) 7/2/93 (300)

RETIREMENT planning is usually associated with life. However, death, through inadequate preparation of your affairs, could waylay the best retirement plan leaving your spouse destitute, warns Fedlife's assistant GM corporate legal services Paul Sieberhagen.

He adds that estate planning and the drawing up of a proper will are often overlooked in long-term financial planning: "Retirement planning instruments such as group life assurance, investment policies and life cover are ideal for creating an estate, but this is only half the battle."

Sieberhagen says estate planning consists of two components — the creation of assets and the preservation thereof.

The preservation of an estate is often more complex and requires addressing issues such as liquidity, inflation and taxes.

"Insufficient liquidity could lead to the forced sale of fixed assets — such as a house — in order to settle outstanding debts and taxes due on the estate."

As a result, he says it is vitally important that an estate consists of a mixed portfolio of investments, providing adequate cash on hand to settle liabilities and enable the surviving spouse or dependents to meet their daily living expenses while the estate is being settled.

Sieberhagen notes that the assets of an estate are frozen while the affairs are being wound up, the process of which could take weeks and months in complicated cases.

As a result, he adds that one or more life policies should be ceded to dependents to ensure an income during this period.



PAUL SIEBERHAGEN

While most group benefit schemes such as a retirement or provident fund include life insurance, which is normally three times annual salary, Sieberhagen warns that the payout could fall short of the future needs of the surviving spouse, particularly in our inflationary environment.

He notes that unforeseen circumstances, such as divorce and remarriage with the likelihood of supporting a second family, would also create additional responsibilities to be provided for: "These factors need to be taken into account in planning."

Along these lines, Sieberhagen says people end up collecting numerous life policies during their professional careers. "There is often the temptation to cancel these and rely on the life cover provided through your company pension scheme.

"However, in many cases, these policies were initiated when the person was a lot younger and the monthly premium rate would be a tenth of what the same cover would cost today — it would be imprudent to cancel the additional life policies to save a few rands."

Furthermore, Sieberhagen says the objective of estate planning is to provide a capital inheritance and future income for dependents. It is therefore important to ensure real growth in value of your estate after death.

"This can be achieved through various devices such as trusts which can be created to manage your investments and provide a regular income for dependents."

Sieberhagen adds that trusts can also be used to minimise taxation such as estate duty. Through current legislation, an estate duty of 15% is charged on the value of an estate exceeding a R1-m rebate.

Through inflationary driven values, Sieberhagen notes it not inconceivable for an average person's estate to exceed R1m. Transferring assets to a self-created trust would reduce the capital of the taxable estate and also provide a mechanism following death to manage your affairs.

Sieberhagen says an individual preparing his estate should consult a lawyer and financial planner to get advice on the best options suitable to his personal requirements.

"There is no such thing as a standard estate plan, each situation is unique depending on the testator's needs and his resources."

In addition, he emphasies that an estate plan and will have to be reviewed regularly to take cognisance of changing circumstances.

"Death is not something we can pencil into our schedules and plan accordingly; the drawing up of a will cannot be put off for another day."

POLITICS

Star 9/2/93

Transnet's pension fund faces R10-bn shortfall

Political Staff

CAPE TOWN — Transnet's pension fund is drifting further and further into trouble, and now has a shortfall of more than R10 billion.

This disclosure comes at a time when there is a lot of interest in the reported R850 million pension payout that would be needed to pay off the present MPs. On top of this, there is the R21 billion the Democratic Party has estimated would be needed to cover the pension payments and gratuities of civil servants who could leave the Government before an interim government was put in place.

This figure does not include the payout to people leaving local authorities.

According to the 1992 annual report of Transnet, the turnover of Transnet that year was R12 308 million.

When it was formed as a company in April 1990, Transnet inherited the assets and liabilities of the former South African Transport Services.

At that stage an actuarial valuation of the Pension Fund showed a statutory deficit of R6 786 million. This was the amount of money the pension fund would be short by if every member took out their pension at that point.

However, by March 1992 the statutory deficit had increased to R10 472 million.

The annual report said two of the reasons for this were the fact that contributions were still too low and there were more deaths than anticipated.

This shortfall would be funded by an increase in contributions, transferring single amounts from future profits of Transnet to the Fund and by using investment freedom to earn higher returns on investment.

It is expected that the shortfall would take 10 years to correct.

The Pension Fund's total assets at the end of the 1992 financial year were R16 215 million. There were then 154 954 contributing members, compared with the 1991 figure of 160 531. The number of pensioners who recieved benefits increased from 92 231 in 1991 to 94 547 in 1992.

The total benefits paid during the 1992 financial year amounted to R1 402 million — equal to R4,7 million each working day, the report said.

Star 9/2/93

Firms 'in for med-aid shock'

By Paula Fray
Medical Reporter

Companies countrywide are in for a shock when they review their medical aid policy for pensioners and discover the true extent of their obligations, a leading executive in the field has warned.

Financing health care costs for pensioners was becoming a critical issue, said Medicaid Administrators managing director Jeff Slome at the weekend.

"Medical aid schemes have traditionally charged pensioners 50 percent of the rate paid by active employees," he said.

"However, health care needs and costs increase significantly with age, and the average claims experience of pensioners is about twice as high as the general rate."

As companies usually paid a percentage of the medical aid contributions for pensioners, pensioners' medical aid contributions would become a "weighty burden" which companies would have to finance from the economic activities of current employees as the number of pensioners and health costs increase.

In the longer term, said Slome, companies would have to decide whether it was economically viable to retain relatively low-income pensioners on a medical aid scheme.

YRARBLI

2 metro

Star 10/2/93

~~121~~ 300

Rent blow for aged tenants

By Winnie Graham

Tenants in two old buildings in Hillbrow, Johannesburg, have been told that the rent of their flats is to be increased from R220 to R380 from March 1.

The R160 increase has shocked everyone, but for the elderly people living at Mina Mount and Concordia it has been a major blow. The new rent means that dozens of people who live on old age pensions of R345 a month will have to give up their homes — yet they have nowhere to go.

The letter to tenants was sent in the name of a Dr N R L Barron, who is described as the new owner of the buildings. He is not listed in the phone directory and could not be traced by The Star.

Roz Rosenthal, senior social worker at the Johannesburg Association for the Aged (Jafta), described the situation of the old folks as scary.

"'Rentals are being increased in several old buildings," she said. "When the pensioners are forced out, the rooms are let to black tenants who, in their desperate need for a place to stay, are obliged to pay the higher price."

Rosenthal said the city council's waiting list for subeconomic housing had a 15-year backlog.

Jafta had no accommodation, and old people unable to raise the extra rent would be homeless at the end of the month. Nor was there room for them in Johannesburg's crowded old age homes.

But it is not just old age pensioners who are battling. Rosenthal said many retired couples living in flats in Johannesburg's northern suburbs had become the "new poor".

These pensioners had sold their homes, invested the money and moved into flats when rentals were around R1 200 a month. In some instances these rentals had gone up to R2 000 or R3 000 a month — and the tenants could no longer cope.

She added: "To make matters worse, interest on investments is dropping and people who thought they would survive comfortably in their old age are having to look elsewhere for cheaper accommodation. Those forced to stay where they are often don't have money for food — and you don't get meals-on-wheels in the northern suburbs."

What would become of Hillbrow's pensioners?

"I don't know. Perhaps some have children or families who could offer accommodation," Rosenthal said.

Cedric de Beer, the council's director of urbanisation, confirmed that the council was unable to help and said the problem should be handled by the State welfare authorities.

PIC withdraws funds from private managers

(300) CT 11/2/93

By ARI JACOBSON

THE Public Investment Commissioners (PIC) has given notice that its pension fund monies will be withdrawn from privately-run investment management companies as of the end of March.

The PIC had recently started using the investment expertise of asset managers such as Old Mutual, Sanlam and Syfrets to invest its pension monies in fixed interest securities.

And not surprisingly, considering that the deficit in the government pension fund had built up to about R40bn by 1992.

This has led to about R4bn in budgeted funds being allocated since 1990 to top up the shortfall.

The deficit forced the government to provide private investment managers in 1993 with the task of boosting government employee's returns.

The PIC is said to have about R55,4bn under its control and about 6% of this amount is invested in equities. Private managers had a mandate to invest the rest in the money and capital market.

Mandate

A private sector portfolio manager said there was a possibility that the PIC would be restructured.

All funds had been called in, he said and would probably be released, once again, into the private sector after the rationalisation of the PIC was completed.

Star 11/2/93

Minister defends pension payout

CAPE TOWN — Transport and Telecommunications Minister Dr Piet Welgemoed yesterday said he had approved pension benefits, reportedly totalling R363 000, to the former director of the Multilateral Motor Vehicle Accidents Fund (MMF) as the benefits were due to him by law.

Welgemoed was reacting to a newspaper report in which Democratic Party spokesman on transport Robin Carlisle demanded that the pension benefits of the official, J P Oosthuizen, be withheld pending a decision by Parliament and the Attorney-General. (300)

Welgemoed said he was advised that Oosthuizen could have resorted to litigation if he were not paid the benefit, as there had been no proof of criminality on his part, and that the court would have awarded the benefit to Oosthuizen.

FM 12/2/93 · 300

MPs and Ministers of about 20%, which should be used to buy retirement annuities.

This would be the State's full liability and give MPs a range of options if they left parliament after a short period, whereas, under the current scheme, they lose out if they leave before serving seven-and-a-half years.

The row could also focus attention on the wider issue of what MPs should be paid. The current Budget provided R55m for salaries, allowances and other benefits. Some MPs give up lucrative careers to enter parliament and render outstanding service. There are many examples in DP ranks. They generally deserve what they earn.

But other MPs are so unimpressive that they bring the whole system into disrepute. Should the *stemosse* (voting oxen) on the NP's back benches be paid the same as a Helen Suzman, whose service to SA cannot be measured in monetary terms? Unfortunately, politicians are unlikely to resolve the issue themselves. Ideally, voters should do it for them. After all, they hold the oilcan that keeps the wheels of the gravy train turning.

There should also be an independent body outside parliament with knowledge of pensions and salaries to set and regularly review remuneration and benefits.

Without it, there's no reason why the new rulers won't simply continue with the old scheme. ■

FM 12/2/93

300

PENSIONS

Running on empty

The refusal of successive Nationalist governments to take a long-term view of pensions for political office bearers epitomised their arrogant view of SA's cash resources. Instead of establishing a proper pension fund, they simply milked the State Revenue Account.

In the current Budget alone, nearly R29m (16% up on 1991/1992) was provided to pay pensions and other benefits to MPs, provincial administrators, President's Councillors and ex-State Presidents or their dependants.

Instead of setting up and financing an adequate fund years ago, government assumed there would always be enough taxes.

Though there's no reason to believe a new government will not honour existing pension funds, MPs' pensions paid from general revenue (much of which will have to finance massive redistributive development) could be seen in a different light. It is, therefore, not surprising that an element of panic has crept into parliamentary ranks. What if the next government simply refuses to budget for former MPs' pensions?

The obvious answer is to feather a new nest before abandoning the old one. For an estimated R800m-R850m one-off payment from the State Revenue Account, a self-supporting pension fund could be established to provide for all political office bearers and dependants.

But Finance Minister Derek Keys will be hard pressed to justify a costly special deal for politicians. And the public would doubtless regard any such move as outrageous, especially in the light of blatant discrimination suffered by members of private-sector pension schemes. At present, lump-sum payments from pension funds established by law — such as civil service funds and political office bearers' schemes — are tax-free.

In the private sector, only a maximum of R120 000, or a sum calculated by the number of years as a member of the fund multiplied by 4 500, is tax-free.

Magnus Malan's case is typical. After a mere 12 years in Cabinet, he will reportedly receive a tax-free lump sum of close to R400 000 and a pension of nearly R200 000 a year — his current full salary.

Had he been a member of a private pension fund, tax on his gratuity would have been just under R100 000 and he would have needed about 50 years' service in the private sector.

The parliamentary scheme is also the only one that allows members to retire on full benefits after 15 years' service, regardless of age. For example, an MP can join at 40 and retire at 55 on full pay and with a tax-free lump sum of R236 000.

If nothing else, the current controversy might be a lesson for the next government on how not to run a pension scheme. DP pensions expert Brian Goodall says the system should be replaced with a salary increase for

Working up to retirement tax

Taxing retirement benefits is a sensitive topic — but it is one that will have to be addressed, reports **REG RUMNEY**

THE lump sums pension and provident fund members are entitled to on retirement will have to be taxed more heavily in future, advocates Old Mutual (OM) general manager Garth Griffin.

With other changes this would put the minds of government at ease over "tax leakage" from retirement funds and be a move towards tax neutrality, the ostensible reason the Jacobs Committee last year proposed partly taxing pension fund and retirement annuity contributions.

But the rights pension fund and retirement annuity (RA) fund members now have to favourable tax treatment of the lump sums they can take out on retirement — and arguably one of the good reasons for their joining these funds in the first place — seems safe.

Griffin believes the entitlement to tax-free lump sums under the present arrangement would have to be preserved. "Otherwise the move won't even get to first base."

At the same time equal treatment should be given to lump sum benefits in the private and the public sector.

Speaking at an employee benefits seminar in Johannesburg, Griffin also suggested a fundamental change in retirement funding by doing away with the differences between provident and pension funds.

The big difference now between the two is the way the money is paid out eventually and its tax treatment. With a provident fund, contributions are taxed, but the lump sum payment on retirement is not. With pensions and RAs, contributions are not taxed and two-thirds of the eventual payout have to be taken as a monthly pension payment, which is taxed.

Griffin believes it is more sensible to allow people to defer the decision on whether to have a lump sum at retirement or an income-stream to their retirement date rather than forcing the issue years before they actually retire.

The suggestion that retirement funds be merged is also part of OM's submission to the Financial Services Board (FSB) last month on reviewing tax policy on retirement funds.

At a stroke the merger would put an end to the pension versus provident fund debate that was part of the 1980s confrontational era of labour relations. It would end the pell mell rush away from pension or "defined benefit" funds to provident or "defined contribution" funds, a trend not only motivated, as is popularly supposed, by labour but also by employers keen to take advantage of tax breaks of provident funds.

But first, the state must decide on its pension policy. Does it favour the payment of a lump sum or annuity benefits — the payment of monthly amounts until the beneficiary's death, as with a pension? Or is it neutral?

Griffin also surmises that mining a new seam of tax to pay for the equalisation of state old age pensions is the real reason behind the Jacobs Committee proposals.

He believes Jacobs had no mandate to raise the issue of taxing pension fund contributions. Moreover, the OM submission to the FSB remarks that countries with successful retirement provisions rely on either tax-incentives or compulsion. Compulsion is ruled out, so tax incentives must be retained.

Nonetheless, perceived tax leakage must be plugged.

The OM document notes: "...the anomalies currently being exploited with regard to lump-sum benefits on retirement need to be addressed. They challenge the integrity of the current structure, which cannot be good for its long-term growth and development."

For instance, that up to a third of the pension payout can be taken out in a lump sum which attracts low tax means a loss to the Receiver of Revenue and a gain to the pensioner.

Griffin says any amount above the actual tax-free amount is now taxed at an average rate based on other income during the year the pension fund (or retirement annuity) member gets the lump sum. There is a lot of scope for reducing that average rate. So he supports the recommendation of the Margo Commission that the average rate of tax in the three years before retirement be used.

Griffin's remarks on the "capping" of deductible contributions or benefits in money terms bring to mind the limitations of a "wealth tax".

He believes capping may be politically wise in that it stops the very wealthy getting benefits they do not need, but it won't raise much money.

monument, Mr Perkin noted, and this would also militate against siting a taxi terminues there.

the million-rand station deck plan — which was first mooted over 18 months ago.

missile that we'll reach agreement". — Sapa-Reuter

a lift from a man early Thursday morning. She then picked up two more men before allegedly taking the woman to the beach and raping her.

Contracts signed for upgrading Mbekweni

UPGRADING of Mbekweni township in Paarl came closer to completion yesterday when the Western Cape RSC and the National Housing Council signed contracts to the value of R4,5 million with construction companies.

A spokeswoman for one of the companies said the project included upgrading of streets, storm-water drains, pavements, servicing of stands and construction of new roads. CT 30/1/93

Some of the area has already been upgraded since the project, which costs about R20m, started in 1985.

Pension claims 'untrue'

Staff Reporter

THE Cape Provincial Administration has denied claims that TPA hospital employees offered early retirement packages received thousands of rands more than their Cape counterparts.

A senior Cape Town civil servant, who had accepted the package, said that the TPA used Article 16(2)(c) of the Public Service Act, which "allowed TPA employees to retire with full pension benefits, which we did not get when we accepted the packages last year". CT 30/1/93

The civil servant, who did not want to be named as he was still employed by the CPA, said that Article 15(5)(a) of the Public Service Act was applied in the Cape, which does not allow for the same pension privileges as under Article 16(2)(c).

A spokesman for the CPA said that no one in the TPA had retired in terms of section 16(2)(c) up to this point.

"They have merely carried out a survey of staff members who should be interested in utilising the opportunity offered by it," the spokesman said.

The spokesman said that the TPA did not have different prescriptions to that of the CPA and that both administrations acted on guidelines laid down by the Commission for Administration.

Cape-to-Rio Race

Unions call the shots with CGF

300
ARG 30/1/93

RICHEMONT, Rembrandt, United Tobacco, Kersaf, GFSA and Anglovaal mining companies, Safcor, Berzack: altogether 10 JSE-listed companies failed the test of social responsibility set by union representatives on the board of Unity, coowner with Syfrets of the Community Growth Fund.

Most of the companies which were rejected are said to be taking the unions' criticisms very seriously.

Though the CGF is still fairly small, its influence may well be far-reaching. A relative newcomer to the unit trust industry, the CGF's assets totalled R20 million in December of which R6,65 million was invested in equity. This is very little compared to some of the big long-established unit trusts, some of which measure their assets in billions of rands.

But rejection by union representatives on the CGF is bad publicity for a company. And if worker trustees on provident funds decide to apply the same criteria, share prices of companies which fail the test could well be affected.

Union-appointed trustees looking at the CGF lists might well pressure the provident funds to withhold money from companies which have already been rejected by their representatives on the CGF. Much bigger sums of money than the CGF handles at present would then be involved.

This might be one reason why companies such as Berzack and Safcor which were rejected by Unity are said to be prepared now to re-examine some employment practices.

Spokesmen for Unity note that the intention is "to encourage good practices, not to punish" and that the companies which were rejected will be closely monitored to see if improvements have been made which justify a CGF investment.

Even those companies approved by Unity will not be allowed to rest on their laurels: inclusion in the CGF portfolio does not imply a "blanket seal of approval".

So far 19 counters proposed by Syfrets have been approved by Unity and investments have been made in 11 of them. These are Stanbic, Malbak, Murray & Roberts, Safren, City Lodge, LTA, Lenco, Delta Electrical, Hudaco, Foodcorp and Unitrans.

"Approved companies will be monitored from time to time to see if they are still suitable for inclusion in the CGF portfolio. A number of specific problems have been raised by unions and these will be carefully watched", says Unity chairman Tommy Olifant in the fund's first report.

Specifically, union representatives will keep a close eye on affirmative action at Stanbic, environmental policy at Hudaco, industrial relations at Unitrans, worker participation in allocation of funds at Malbak, race discrimination at City Lodge — where management is said to turn a blind eye when white staff use guest facilities, but threatens black staff with dismissal.

"Uneven" conditions of employment at Malbak and in Lenco's Kwazulu and Lesotho plants will also be monitored.

■ **Though many were called, few were chosen: some blue-chip companies failed the social responsibility test set by union representatives on the Community Growth Fund. As the unions flex their financial muscle, such companies are likely to come under increasing pressure.**

ALIDE DASNOIS, Business Staff

'Don't tax pensions to death'

By CIARAN RYAN

THE SA Chamber of Business has advised the government not to increase taxes on retirement benefits and to phase out discrimination in the tax treatment of public and private sector lump-sum retirement benefits.

It warns that SA is at or close to the point of diminishing returns in revenue collection.

Sacob submitted its report to the Financial Services Board after finance special adviser Japie Jacobs recommended taxing one-third of employee pension contributions and 20% of employer contributions at the company tax rate.

Resistance

Sacob rejects this because employers would be encouraged to change their remuneration packages to a salary-only basis, leaving it up to employees to plan their retirement funding. It expresses concern at the already low level (10%) of retiring people who are financially independent.

Sacob advises phasing out public sector tax exemption on lump sums from pension and provident funds by taxing all lump-sum benefits equally, allowing for a fixed prescribed tax-free amount.

"Any proposal which adversely affects the taxation of retirement benefits will involve moral issues of good faith and sanctity of contract and, under the prevailing private-sector perceptions of significant economic wastage in areas like the homelands and TBVC states, great resistance can be expected," says the report.

The proposed higher taxes on retirement benefits affect the level of personal and corporate savings, "with profound implications for economic growth, interest rates and public and consumer confidence".

Don't keep employee benefits secret

S/Times (BUSS) 31/1/93 300

By JULIE WALKER

A COMPANY's pension fund might be its best-kept secret, but keeping it in the dark casts the employer in a poor light.

Old Mutual believes that openness would go a long way towards allaying employee concerns and improving employer-staff relations.

The insurer says it is surprising that, while companies spent perhaps 15% to 20% of their payroll on employee benefit packages, few even think of investing another 0,5% to ensure that the investment works for them as well as their workers.

Spending that small amount on communication could have pre-empted and prevented misunderstanding and conflict. But, says Old Mutual, the need for effective disclosure goes further than simply telling staff what's being done and what is good for them. Ineffectual communication merely adds to the discontent if employees don't appreciate what they need to do of their own accord to achieve a good retirement income.

Few employees can give a summary of how their retirement pension is arrived at and what they could do to make up the shortfall in income after they stop work, what can be taken as a lump sum and so on.

Retirement funds are complicated, benefits are intangible and deferred into the future, and health benefits are also hard to grasp.

Old Mutual believes that two-way communication of needs and fears can be achieved in a cost-effective way. Its Employee Benefits Communications Consulting Service develops and implements communications strategies specifically for each client through a range of media.

Specialist project managers, copywriters and benefit specialists are employed, having access to studios for designing printed, presentation and television material.

Attention is given to presenting complex information to all levels of audience. A comic booklet, entitled **A Negotiation Story**, depicts in cartoon form the cast of characters from both sides of the negotiating table as well as the roles filled by communications consultants.

The story is one of conflict, posturing, emotions, rhetoric and demands, but highlights the benefits of reason, persuasion and realistic goals. It has a happy ending in which the workers' needs and the company's constraints are accommodated.

The rapid growth in popularity of provident funds in recent years is attributed to the general mistrust of an "employer-designed" pension fund. There are misunderstandings about leaving the fund, about contributions and benefits, underscored by a take-it-or-leave-it attitude.

Provident funds might not furnish all the answers. Old Mutual raises issues such as the needs of non-unionised employees, changes in union affiliations, and the ever-present issue of trusteeship.

Old Mutual aims to promote communication to prevent the usual end result of hostile negotiations — an unsatisfactory compromise.

Sacob responds to new pensions tax proposals

B1 Dmy. 11/2/93 (300)

SACOB said on Saturday it had made its submissions to the Financial Services Board on the proposed major changes to the tax treatment of employer and employee contributions to pension funds, provident funds, and retirement annuity funds.

It said far-reaching changes had also been proposed in the tax treatment of lump sum retirement benefits by such funds, or by employers, as well as changes in the taxation of pensions and annuities.

Sacob said it was not clear how the proposals contained in the Margo Report would affect the present treatment of contributions to a provident fund, where employer contributions were deductible but member contributions were not.

Sacob said it also did not support the Jacobs proposals, because "with a disparity in the quantum of deductibility between employer and employee contributions — 80% versus 66,66% — they would encourage manipulation between salary remuneration and employer contribtions to retirement funds.

"Restricting an employer's deduction to only 80% of its contribution contradicts the basic deductibility principle of a bona fide business expense. Employers who are denied the full deduction of their contributions may be tempted to change their remuneration packages to a salary-only basis, thereby pushing the retirement planning function down to employee level.

"This would obviously be a regressive step, especially under existing circumstances where individuals in general are not conscious of the need to provide for retirement. There is concern that this scenario will lead to a reduction in the volume of saving for retirement.

"With estimates showing that only 10% of SA's population are financially independent on retirement, there appear to be good grounds for concern," Sacob said.

Although Sacob preferred the status quo to be maintained, it expressed concern regarding the following limitations:

- ☐ The present system discriminated between the public and private sectors. Lump sum benefits from government and certain other public sector pension or provident funds were entirely tax free, while tax exemptions were limited in the private sector.
- ☐ "The deferment of tax under the EEET scenario — where both employee and employer contributions are tax deductible, funds build up tax free and all benefits are taxed — can be indefinite, whereas with sufficient planning a lump sum of retirement is subjected to an average minimum rate of tax."

Sacob said it did not support the Margo commission's proposal that the total amount of lump sum benefits on retirement should be taxed in full, without any deduction being allowed, as it would be contrary to the widely accepted principle that the state must encourage people to provide for their retirement via tax and other incentives. — Sapa.

Sacob warns on pension fund tax

CT 11/2/93

JOHANNESBURG — The SA Chamber of Business (Sacob) said at the weekend it had made its submissions to the Financial Services Board on the proposed major changes to the tax treatment of employer and employee contributions to pension funds, provident funds, and retirement annuity funds.

It said it had advised government not to increase taxes on retirement benefits and to phase out discrimination in the tax treatment of public and private sector lump-sum retirement benefits.

Sacob said any proposal which adversely affected the taxation of retirement benefits would involve moral issues of good faith and, "under the prevailing private sector perceptions of significant economic wastage in areas like the homelands and TBVC states, great resistance can be expected".

B/DAy 3/2/93

Retirement taxing unlikely to change

LINDA ENSOR 300

CAPE TOWN — President F W de Klerk's undertaking not to tamper with the tax-free status of civil servants' lump sum gratuities this year made it improbable that taxation of private sector lump payments would be altered in the current Parliamentary session, Old Mutual legal services manager Abri Meiring said yesterday.

Meiring, who is also convenor of the Life Offices Association policyholders' taxation committee, said private sector employees had been questioning whether to retire before the end of the current fiscal year, fearing their lump sum retirement income would be subjected to higher taxation.

The already large disparity between the treatment of civil service and private sector lump sums would make it extremely inopportune for government to widen the gap by increasing the taxation of private sector lump sums, Meiring said.

"It is necessary for both systems to be examined together, taking into account the need for neutrality and the respect for vested rights. There has to be a cut-off date so that all lump sums up to the prescribed date would be treated under the old tax regime and only subsequent accruals under the new regime," Meiring said.

Old Mutual employee benefits GM Garth Griffin said last week the life assurer supported an increase in taxation of lump sum benefits to limit tax leakages.

urged to keep a lid on medical costs ● Herpes may block arteries

Illness cuts pensions

Sowetan 5/2/93 300

By Mokgadi Pela

HOSTILE RELATIONS Co-operation needed between doctors and medical financiers: 296

EVER-RISING medical costs could soon consume the entire income of pensioners, an official of Old Mutual warned this week.

And as a result pensioners have to rely on active working family members to finance them with regard to other necessities of life.

Mr Henk Beets was speaking at a media seminar organised by Old Mutual in Johannesburg.

Monthly pensions paid by retirement funds show that 25 percent receive less than R500; 16 percent receive between R150 and R299.

He also called for a better working relationship between doctors and financiers of health care, adding that in South Africa "these two parties are hostile to each other".

South Africa needed to place a lid on medical expenditure. US evidence showed a third of all medical procedures were unnecessary.

Tuesday February 2 quotations for unit trusts:

General Equity Funds:			
ABSA	141,86	132,71	5,57
BOE Growth	155,38	145,16	3,49
Community Growth Fund	109,87	103,72	n/a
Fedgro	125,26	116,95	4,91
CU Growth	116,15	108,44	4,38
Guardbank Growth	2470,12	2299,71	4,87
IGI	130,64	122,41	3,50
Momentum	240,78	225,40	4,41
Metfund	192,12	179,26	4,2
Metlife	118,71	110,93	7,12
NBS Hallmark	954,43	891,34	5,12
Norwich	352,68	329,34	4,07
Old Mutual Investors	2625,59	2448,05	3,65
Sage	2377,44	2218,71	4,08
Sanlam	1636,63	1532,6	3,38
Sanlam Index	1215,58	1138,83	3,98
Sanlam Dividend	456,24	427,88	4,70
Southern Equity	203,85	190,67	3,98
Standard	1171,28	1100,43	7,06
Syfrets Growth	296,40	277,58	4,42
Syfrets Trustee	119,79	112,20	4,43
UAL	2070,30	1944,14	5,19
Specialist equity Funds:			
ABSA Industrial	132,86	124,29	4,25
Guardbank Resources	129,84	120,96	6,48
Guardbank Industrial	125,76	117,93	5,79
Sage Resources	98,46	92,12	6,19
Sanlam Industrial	1059,81	991,83	3,24
Sanlam Mining	241,04	225,76	5,35
Southern Mining	118,29	110,81	4,59
Southern Pure	122,55	114,69	n/a
Standard Gold	134,84	126,31	7,77
Standard Industrial	109,81	103,53	5,10
Standard International	102,32	95,67	3,31
UAL Mining and Resources	329,94	309,17	4,63
UAL Selected Opportunities	1964,40	1838,13	3,71
Old Mutual Mining	220,24	205,05	4,60
Old Mutual Industrial	363,38	338,53	4,04
Old Mutual Gold Fund	84,46	78,68	6,46
Old Mutual Top Companies	243,62	227,11	4,57
Income/Gilt Funds:			
Metboard Income	111,55	110,37	12,59
Guardbank Income	119,73	117,28	14,40
Old Mutual Income	111,28	110,06	12,43
Southern Income Fund	522,26	511,83	n/a
Standard Income	93,71	92,73	13,40
Syfrets Income	109,74	108,64	14,11
Syfrets Gilt	1107,07	1096,00	n/a
UAL Gilt	1229,99	1217,69	12,73

Making sense of the financial options that are available today is indeed a puzzle for most people. With so many available, where do you start?

In this series of articles we will introduce the different kinds of life assurance options available to you.

The most important function of Life Assurance companies is to provide the community with protection against various risks and, at the same time, to encourage inflation-beating investment returns.

The investments made on behalf of policyholders are mainly in fixed property such as office blocks and shopping centres and company-listed shares on the Stock Exchange, with a certain percentage held in cash to meet future liabilities from claims.

It is the life assurers' main duty to ensure that they will be able to pay out their liabilities; these are the claims that will become due for payment to policyholders or their dependants.

As with other financial institutions, life assurers are subject to regulation, in this case the Insurance Act, controlled by the Registrar of Insurance. The way in which business is conducted is further self regulated by the Life Offices Association (LOA).

The law requires that life assurers, and registered funds e.g. pension funds, invest their funds according to laid down "prudent investment guidelines". These guidelines regulate the percentage of the investment which is held in cash, shares and property.

Sowetan 6/2 - 10/2/93

Life Assurance can be tailor-made to suit your individual needs

Prudent investment guidelines protect life assurers themselves and their policyholders or fund members to ensure that their money is safe.

There are two types of life assurance companies. The way they invest and their individual investment performance can affect the end value of your investment.

Firstly there is the public company, into which investors can buy shares without being policyholders, and which must perform to set financial objectives in order to meet shareholders' expectations. These shareholders are paid a dividend out of company profits.

These profits, after the shareholders' interest have been met, are then used to pay the policy holder bonuses.

A mutual society such as Old Mutual, on the other hand, exists purely and simply for the benefit of its policyholders. All profits, after expenses and taxes have been met, are distributed among policyholders and their dependants.

In other words, a mutual society manages money entrusted to it by their clients benefit and there are no outside shareholders. The society has no money of its own: it simply manages other people's money, like a giant stokvel or investment club.

In addition, it helps to fuel the economy while generating a return on investment that has the potential to outstrip inflation by far.

How does Life Assurance come about?

Insurance is based on the principle of risk sharing. It was started about 5 000 years ago by Chinese merchants. In order to reduce risk, cargo was distributed among the merchants, so if one ship was sunk only a portion of the cargo was lost.

Today the principle is much the same. The life assurance companies underwrite individual risk, and policies and premiums are worked out by people called actuaries. The life assurance company's main business involves managing policyholders' money in order to realise profit on their investment, and so maximise their payouts.

OLD MUTUAL

Helping to make the most of your life — every step of the way



Well Mr Bell, you've had a damn good run. I've never known anyone to stay overrated for so long."

There's more to retirement than a simple pension

300

STAR 2/11/93

MANY employers and employees are not aware of the variety of choices available at retirement age from pension funds and retirement annuities. According to Trevor Williams, director of Willis Faber Enthoven, these are the avenues which one can consider:

1. Recognised option: Take one third in cash and balance as a monthly pension.

2. Open market option: This allows for the highest pension available to be purchased from assurer.

The difference between highest and lowest can be as much as 20 percent.

3. 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.

4. Capital preservation for income: As in 3, but income would be paid while preserving the capital against death.

5. Escalating pension with payment: Pension payment would increase each year by a fixed, agreed percentage.

6. Escalating pension with profits: Pension payment would increase in line with bonuses declared by insurance companies.

7. Joint life pension: Payable on the death of both husband and wife.

8. Reducing pension on first death: Pension payment can reduce by agreed percentage on death of spouse.

9. Pension with no guarantee: payable until the death of the pensioner.

10. 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.

□ *For more information, phone Trevor Williams at 407-3683.*

Residents to have say in running complex

Residents of a Germiston retirement village must be allowed to take part in running the complex, the Rand Supreme Court ruled yesterday.

The company, Liefde en Vrede, developers of Eden Village, had applied for the village's management committee, consisting of the residents, to be prevented from taking part in administration because of alleged misuse of capital levies.

When the application was turned down, the company proclaimed the complex a timeshare development.

Normally, the administration of timeshare developments remains under developer's control.

But the court ruled that despite this residents should still have a say. — Sapa.

PENSIONS FM 8/1/93 (300)

Tax trap: Mouton vs Jacobs

Discrepancies between the recommendations of the Jacobs Committee and the Mouton Committee on pensions continue to grow as they are analysed by retirement industry experts. Garth Griffin, Old Mutual's GM, employee benefits, is baffled that Jacobs even addressed the issue of taxing pensions — it was never, he says, part of Jacobs' original brief.

There is now a nagging conviction among life assurers that Jacobs, who tentatively suggested a way of taxing pension savings, did so because Finance Minister Derek Keys was anxious to exploit any reasonable means to raise more money.

Jacobs' brief was to investigate the promotion of equal competition for funds in financial markets. That could conceivably include changing tax structures so that deposit-taking institutions, such as banks, and insurers come on level terms but does not, logically, include touching the nest egg of pension and provident fund savings.

Sanlam has prepared an analysis of both Jacobs' and Mouton's reports, concentrating on the redistribution of State incentives for retirement provision by individuals. The main incentive, says the assurer, is the deductibility from taxable income of contributions by employers and members. Jacobs had tentatively suggested reducing this deductibility to two-thirds of member contributions and 80% of employer contributions. Jacobs justified this by commenting that the current incentive system favours the higher-income group, those with a taxable level of income.

Tax incentives

Says Sanlam: "It is, of course, difficult to offer income tax incentives to people who do not pay income tax. However, such people do receive a tax concession in so far as the employer contributions are currently fully deductible up to certain limits. If a portion of this concession were to fall away . . . employers and employees would have to take it into account in future wage negotiations and the cost of this extra tax would inevitably end up being spread between them."

Sanlam goes on to examine Jacobs' assertion that "the State requires additional income to fund disparities in its social pension system." The *FM* has already noted the inequity of introducing a tax on those who save for retirement in order to provide for nonsavers.

Sanlam has some other comments: "We presume (Jacobs) means to eliminate disparities. Most people would agree that disparities in the social pension system are unacceptable and need to be eliminated. Linking the extra taxation to such a worthy cause should, however, not prevent us critically examining the proposal. Eliminating the disparities represents only a small portion of the total social pensions cost. It is ironic that nothing is more likely to add to the costs of the social pension system than the proposed reduction in incentives to contribute to pension funds."

Jacobs was given an unenviable job and the mauling he is taking from industry analysts has been compounded by the release of the Mouton report, which is diametrically opposed to his pension recommendations. Sanlam notes the case made for making all pension benefits subject to the same regulations, which means bringing civil service lump sums into line.

And, quoting Jacobs, it adds: "Even if the tax-free lump sum were made R120 000 for everyone, the extra tax collection would be unlikely to exceed about R300m at this stage . . . this would seem to indicate that the objective of the proposed redistribution of incentives is not so much redistribution as a search for extra government income."

Mouton says plainly that present incentives to retirement saving should not be removed. Jacobs' approach seems more socialistic — certainly the effect would be more noticeable on the higher-paid cadres.

Sanlam comments: "The direct financial effect of the taxation of contributions will not be great for the majority of fund members. What is of concern is the confidence of members in the system. Higher paid employees will notice the advancement of the payment of tax. The total extra tax payable in respect of an unmarried person earning R6 000 a month and contributing 7,5% of earnings to a fund, with his employer contributing twice that amount, will be R1 854 a year."

Within the retirement industry, after its initial shock, there is a tendency to scoff at Jacobs' proposals. This attitude has been reinforced by Mouton's apparently opposing view. But it may be too early to write off Jacobs — certainly, the original initiative to review pensions tax came from former Finance Minister Barend du Plessis and was mooted in his 1992 Budget. Derek Keys' cash flow needs are no different and the R200bn pensions business represents a tempting target. ■

Investment hit by lack of confidence

S Times B455 10/11/93

By KEVIN DAVIE

THE life industry is not sufficiently specialised to make investments in socially desirable but risky projects.

A study sponsored by the Life Offices Association (LOA) and conducted by University of the Western Cape economics professor and ANC advisor Lieb Loots finds that prescribing investments will be like treating the symptom rather than the disease.

Prof Loots's study on savings and growth finds that the key reason for declining levels of investment is lack of confidence.

He says that the life industry does not have the expertise or institutional culture to invest in the higher risk, more dynamic areas of the economy.

Wisdoms

He recommends the establishment of specialised institutions to channel savings to these investments.

His study, which was commissioned by the LOA as a contribution to the debate on prescribed asset requirements, challenges several conventional wisdoms about savings and growth in SA.

Prof Loots finds that the decline in personal and government saving was compensated for by increased corporate saving and that since the mid-1970s corporate saving consistently exceeded corporate investment.

"The real cause of low investment since the mid-1970s is not low saving, but rather factors which produce low investor confidence."

Prof Loots says the composition of savings does not have any clear negative impact upon the application of these savings, that savings are not a constraint on investment and that the financial system has fulfilled its traditional intermediary role fairly efficiently.

He says the main reason for low investment is uncertainty and low investor confidence. It is important to identify the real causes of slow growth and find the policies which can remove them.

"Structural changes in the economy and political uncertainty have contributed to poor expectations about future profitability. This needs to be addressed if investment is to recover to its former high levels."

Prof Loots does not rule out the possibility of prescribing life assurers to invest a proportion of the funds under their control in socially desirable investments, but says rather that specialised institutions and appropriate financial instruments could be the most desirable way to improve the application of saving in SA.

"If the new specialised institutions cannot acquire the necessary finance, then government intervention, through prescribed asset requirements, will be necessary.

"What is not needed is ill-conceived measures to increase or direct saving in the hope that it will result in improved application and increased investment."

Prof Loots counters the view that SA's economic malaise can be traced to the dramatic decline in personal savings.

Savings flowing to banks and building societies fell from over 60% in the 1960s to less than 20% in the latter half of the 1980s, the benefit of this falling share going to the life assurers, retirement or pension funds.

The shift was a "rational response by households to a changing environment (including inflation, low real interest rates and declining disposable incomes) as well as competitive products marketed by the life offices.

Confidence

Corporate saving increased from 2,6% of GDP in the 1960s to 6,8% in the 1980s. But gross investment by the corporate sector in the late 1980s was only about 58% of gross saving: "Corporations thus became net lenders of funds."

"The fundamental causes of low investment need to be addressed, particularly low investor confidence and an unsympathetic macro environment."

The bureaucratic nature of the life assurers, their natural tendency to seek out less risky investments and their preference for operating on the JSE "all contribute to holding back the development of a more dynamic and competitive economy."

The lack of confidence manifests itself in three ways: low investment by domestic corporations, repatriation of profits by foreign investors and the demand by foreigners that capital be repaid, thus necessitating a higher proportion of domestic saving to be used for the repayment of foreign capital.

tender

ollapsed under the weight of its
bt and the group went into provi-
liquidation.
r bidders include Leadership
r Hugh Murray, Finance Week
der Stuart Murray, who says he
for 30% of Finance Week's
olders and Mr Greenblo, who has
the shares.
on Friday, Mr Stuart Murray
allegations published in the lat-

Hijack delays pension payments

Staff Reporter

Pensioners in the western Transvaal settlement of Hartbeesfontein, whose pensions were hijacked en route from Rustenburg on Monday, will be paid out next Monday, a Transvaal Provincial Administration spokesman said.

Many old and disabled people, who arrived at the payout point well before dawn, waited for hours in the blazing heat, unaware that robbers had waylaid officials and taken R200 000 in pensions. Two of the officials were slightly hurt by the armed hijackers.

Yesterday a second round of pension payments was postponed to allow officials to recover from their ordeal.

This group of pensioners will be paid on Tuesday.

Hartbeesfontein resident Victor Bogatsu criticised officials for failing to inform pensioners speedily of the problem and keeping them unnecessarily in the harsh sun.

The TPA spokesman said the delay had not been intentional. Although the hijacking had taken place early in the morning, the officials had experienced difficulty in getting to a police station.

Busting in on the 'Bond

Chaos erupted at a secret Broederbond meeting held on a farm in the Northern Transvaal on Saturday when a journalist demanded to attend the meeting. 304A

"Your chairman has said that the Broederbond is becoming more open and I therefore would like to attend the meeting," journalist Hennie Serfontein told members of the Broederbond local welcoming committee.

For the next 15 minutes, luxury German cars were seen speeding away from the proposed meeting place. Other broeders tried to hide their faces. STAR 15/11/93.

To the broeders, the name of Hennie Serfontein brings bad memories. Many remember him as the man who, 30 years ago, did an exposé of the Broederbond.

Since then, he has published many reports and written a book on the Broederbond.

Saturday's meeting of the district council of northern Transvaal was held on the farm "Geduld" near Roedtan. Broeders from all over the Transvaal were invited.

The main item on the agenda was a "very special speaker" who addressed the expected 700 members at three o'clock. It could not be confirmed that the speaker was F W de Klerk, a long-time Broeder himself.

"J P de Lange may talk about opening up the Broederbond, but the way in which members reacted to the exposure of their meeting place, shows that it is a long way away from being prepared for public scrutiny," Serfontein says.

I'm not leaving SA yet – Gluckman

Staff Reporter STAR 15/11/93.

Controversial pathologist Dr Johnathan Gluckman today said he was going on holiday to France in March, but denied a report that he was leaving South Africa permanently to retire there.

Gluckman said his trip was not connected in the slightest with controversy surrounding his allegations last year that police had killed about 90 percent of the 200 people whose bodies he had examined after their deaths in custody.

Gluckman is to appear at the Johannesburg Magistrate's Court inquest on the death of Bongani Bethuel Maphumulo. Police say the man drowned while trying to escape police custody, but Gluckman said in his post-mortem report that Maphumulo appeared to have been strangled.

Police counsel J du Toit applied for a postponement as his senior was unavailable because of illness.

Gluckman said today he was leaving for France in March and would be away in May, a suggested date for the postponement.

For the last 10 years Gluckman has had a house in Provence in southern France, where he spends annual holidays. He plans to retire there, "but not on this particular trip", he said.

● Inquest report – Page 2

Pension bonus: Same tax status

(300) HRCT 16/12/93

PRETORIA. — The government does not intend changing the tax status of pension gratuities in the coming Budget.

This assurance was given by President De Klerk during discussions with representatives of state employees in Pretoria yesterday.

Mr De Klerk said it was not the government's intention to deviate from previous assurances given in this regard.

During the discussions it was made clear from the side of the government that in view of the state of development of the economy, state expenditure would of necessity have to be reduced in real terms. — Sapa.

Stokvels and BoE on brink of agreement

300 CT 19/11/93

By WILSON ZWANE

JOHANNESBURG. — The Board of Executors (BoE) and stokvels are on the brink of reaching an agreement on a joint venture aimed at developing a special investment product for stokvel members.

Negotiations between the financial institution and the National Stokvels' Association of SA (Nasasa) have been going on for months. But both BoE and Nasasa have repeatedly refused to comment on their negotiations, saying to do so could derail them.

The negotiations began after it became clear Nasasa did not like Syfrets-administered unit trusts.

It is expected that BoE and Nasasa will clinch the deal soon, possibly this week. Informed sources say the deal — the first of its kind — will be of "great significance" to the economy.

Nasasa consultant Stephen Japp said recently a number of companies in the US and Britain had signalled they would invest in a specially designed unit trust product for stokvel members, provided it yielded good returns and was "benefiting people on the ground".

Nasasa president Andrew Lukhele has said his organisation planned to alleviate the black housing crisis by diverting millions of rands from banks to specially designed unit trusts which would serve as collateral for home loans.

Industry 'needs to be consulted'

'No rush' to tax pension contributions

BDM 21/1/93.

LINDA ENSOR

CAPE TOWN — Fears that government would rush to start taxing pension contributions in this year's Budget faded after a top Inland Revenue official yesterday indicated government was not planning hasty action.

Inland Revenue's legal drafting director Ian Meiklejohn said it appeared unlikely that material changes would be made to the taxation of retirement funds in the 1993 parliamentary session.

He said the issue was highly sensitive and account would have to be taken of the legitimate expectations of vested rights. Broad consultation with the retirement industry would be necessary first.

There has been a widespread belief in the industry that measures would be hurriedly enacted this year to generate additional revenue and enable government to equalise pensions between the different racial groups in the March Budget.

Suggestions regarding the taxation of retirement funds were made by Finance special adviser Japie Jacobs last year in his report on the flow of funds between financial institutions.

After the release of the report the Financial Services Board asked financial institutions and other bodies to comment by January 5 on five tax scenarios proposed. About 50 submissions were sent to Meiklejohn for recommendation.

While he had not yet studied the proposals, Meiklejohn said there was a fairly widely held view that the tax allowances on retirement fund contributions were too generous. On the other hand, it appeared there was widespread opposition to Jacobs' suggestion that a portion of pension or provident fund contributions by employers be disallowed for tax purposes.

Jacobs suggested a third of employees' pension contributions be taxed and that 20% of employers' contributions be taxed at the company tax rate. Alternatively, the employers' contribution could be taxed at the average rate of pension fund members.

Meiklejohn said the industry felt employer contributions were a salary cost and therefore a legitimate expense which should be allowed. There appeared to be consensus that total retirement fund contributions should be capped, though no agreement had emerged on whether the cap should be a percentage limit, a cap on benefits or on contributions.

The proposal for an absolute rand cap on contributions would be impossible to implement, Meiklejohn said.

He had reservations about the impact of a cap on tax-free contributions, saying it was not yet clear that this would increase the revenue to the fiscus as the disallowed portion of the contribution could be channelled elsewhere.

Credit charges to be reduced by 1%

CT 21/1/93

MAGGIE ROWLEY
Deputy Business Editor

THE plight of hard-pressed consumers is to be eased tomorrow with a 1% cut in finance charges for hire purchase (HP) and leasing credit.

Consumers who will benefit most are those paying off furniture and cars on HP or lease agreements.

The drop in HP rates will be gazetted tomorrow, a spokesman for the Department of Trade and Industries said.

The cut will lower the maximum interest that may be charged for amounts of R6 000 and less to 29% per annum and for amounts exceeding R6 000 to 26%.

On amounts of R6 000 or less, consumers can expect to pay monthly instalments over a 24 month period of R332 against R335,50. On amounts of R10 000, the saving will be R6 a month with repayments at R538, said Mr André van Niekerk, general manager of Bankfin.

Pension fund relief

300
CT 21/1/93

By LINDA ENSOR

FEARS that the government would rush to start taxing pension contributions in this year's Budget faded after a top Inland Revenue official indicated the government was not planning hasty action.

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To page 3

From page 1

Pensions

300
CT 21/1/93

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Influential world body meets

Political Staff

CAPE TOWN — Ways of bringing Africa back into the international fold and solutions to some of its more pressing problems are being addressed at a meeting starting today of the Interaction Council, an influential world body of senior statesmen and advisers.

President de Klerk, Walter Sisulu, Chief Mangosuthu Buthelezi, Archbishop Desmond Tutu, Mr Justice Richard Goldstone and Colin Eglin are among the South Africans to brief the group.

The findings of the conference, chaired by former British Prime Minister Lord Callaghan, will be communicated to international leaders.

Among the other members are General Olusegun Obasanjo, former head of the military government of Nigeria, Maria de Lourdes Pintasilgo, former Prime Minister of Portugal, and Dr Kenneth Kaunda, former president of Zambia.

Among the advisers are Robert McNamara, former chairman of the World Bank.

Lord Callaghan said yesterday that the main purpose of the conference would be to consider how Africa could be reintegrated into the international fold after being "marginalised" over the past decade.

Africa faced the pressing need for economic recovery — even to its originally modest status in the global community — and had to get back to a situation where most governments could guarantee the basic security of its people.

Lord Callaghan said that once South Africa attained democracy it had a major role to play in the improvement of Africa's economy.

According to a working document to be presented to the conference, some of the continent's problems may be bottoming out.

Sub-Saharan Africa accounted for only 1 percent of world economic output and 1 percent of world trade.

Africa had 16 of the world's 20 poorest countries and nearly half the population lived below the poverty line.

It had, however, shown some improvement in social welfare. Africans were living longer, infant mortality had decreased and there had been substantial improvements in the numbers of doctors and nurses.

Aids was, however, cancelling out most of the projected improvements in the mortality rate. The World Health Organisation estimated that Africa had 6,1 million HIV cases.



Krui/spesery	Botaniese naam
Peperment	*Mentha piperita* L.
Peperwortel	*Cochlearia armoracia* L.
Pietersielie	*Petroselinum carum.*
	Petroselinum crispum (Hoffm.)
Rissiepeper (brandrissie)	*Capsicum annuum* L.
	Capsicum baccatum L.
	Capsicum frutescens L. en ander
Roosmaryn	*Rosmarinus officinalis* L.
Saffraan	*Crocus sativus* L.
Salie	*Salvia officinalis* L.
Salot	*Allium ascolonicom.*
Selderysaad	*Apium graveolens* L.
Sesam	*Sesamum indicum* L.
Soetkruid (basiliekruid)	*Ocimum basilicum* L.
Steentiemie (bonekruid)	*Satureja hortensis* L.
	Satureja montana.
Swartpeper	*Piper nigrum* L.
Tiemie	*Thymus vulgaris* L.
Ui	*Allium cepa* L.
Uiegras (grasui, snylowwe)	*Allium schoenoprasum* L.
Vinkel	*Foeniculum vulgare* (Miller).
Wildemoederkruid	*Origanum vulgare* L.
Witpeper	*Piper nigrum* L.
Wonderpeper	*Pimenta dioica.*
	Pimenta officinalis (Berg).

AANHANGSEL B

MIKROBIOLOGIESE METODES

Mikro-organismes	Standaard toetsmetodes
Bacillus cereus	ISO-toetsmetode 7932 (1987)*.
Kiembare *Clostridium perfringens*	S.A.B.S.-metode 762.
Kolivormige organismes	S.A.B.S.-metode 757.
Escherichia coli	S.A.B.S.-metode 758.
Kiembare *Salmonella*	S.A.B.S.-metode 759.
Totale plaattelling (totale aërobiese bakterieë)	S.A.B.S.-metode 756.
Staphylococcus aureus	S.A.B.S.-metode 760.
Gis- en skimmeltelling	Soos per totale plaattelling maar gebruik moutekstrak-agar.

* Mikrobiologie—Algemene rigsnoer vir telling van *Bacillus cereus*/kolonietellingtegniek teen 30 °C.

MINISTRY FOR PUBLIC ENTERPRISES

No. R. 81 **22 January 1993**

TRANSNET PENSION FUND RULES

I, Dawid Jacobus de Villiers, Minister for Public Enterprises, under section 5 (2) of the Transnet Pension Fund Act, 1990 (Act No. 62 of 1990), hereby publish with the concurrance of the Minister of Finance as is required by that section, amendments to the Transnet Pension Fund Rules.

D. J. DE VILLIERS,
Minister for Public Enterprises.

MINISTERIE VIR OPENBARE ONDERNEMINGS

No. R. 81 **22 Januarie 1993**

TRANSNET-PENSIOENFONDSSTATUTE

Ek, Dawid Jacobus de Villiers, Minister vir Openbare Ondernemings, handelend kragtens artikel 5 (2) van die Transnet-Pensioenfondswet, 1990 (Wet No. 62 van 1990), publiseer hierby, met die instemming van die Minister van Finansies soos deur daardie artikel vereis, wysigings in die Transnet-Pensioenfondsstatute.

D. J. DE VILLIERS,
Minister vir Openbare Ondernemings.

AMENDMENT OF THE TRANSNET PENSION FUND RULES ORIGINALLY PUBLISHED IN *GOVERNMENT GAZETTE* No. 12772 OF 5 OCTOBER 1990

AMENDMENT OF RULE 1

Rule 1

Insert the following new subparagraph (4) after subparagraph (3) of Rule 1 with effect from 26 February 1992:

"(4) If, in these Rules reference is made to a provision in the Consolidated Service Conditions which is or cannot be applicable to a member's case, such reference shall have reference to a provision in the service conditions which is applicable on a member and which, in the opinion of the Manager of the Fund, is relevant".

AMENDMENT OF RULE 12

Rule 12

Rule 12 (4) (g): Delete the word "and" after the word "Fund" with effect from 26 February 1992.

Rule 12 (4) (h): Insert a semi-colon as well as the word "and" after the word "Investment Committee" with effect from 26 February 1992.

Rule 12 (4) (i): Insert the following new subparagraph after subparagraph (h): "to act as Chairman of the Executive Committee" with effect from 26 February 1992.

AMENDMENT OF RULE 32 (12A)

Substitute Rule 32 (12A) by the following new Rule 32 (12A) with effect from 1 December 1991:

REDUNDANCY

32. (12A) (a) If a member of the Fund in temporary or permanent employment is declared redundant and retires the following provisions shall apply:

(i) A member whose age is less than 50 years irrespective of service shall receive a single amount calculated in accordance with a formula as determined by the actuary.

(ii) A member who has contributed to the Fund for a period of 10 years or more and whose age is 50 years or more, and the total of the age and pensionable service is at least 75, shall be entitled to a pension benefit as follows:

(a) A single amount calculated in accordance with a formula as determined by the actuary; or

(b) an annuity and cash sum. The gratuity shall be calculated as a fraction of the member's last pensionable emoluments immediately preceding retirement. The numerator of the fraction shall be the period of membership of the Fund expressed in years, with each day of an incomplete year being reckoned as one three hundred and sixty-fifth of a year, and the denominator shall be 60, provided however such pension benefit shall be reduced by

WYSIGINGS IN DIE TRANSNET-PENSIOENFONDS-STATUTE OORSPRONKLIK GEPUBLISEER IN *STAATSKOERANT* No. 12772 VAN 5 OKTOBER 1990

WYSIGING VAN STATUUT 1

Statuut 1

Voeg die volgende subparagraaf (4) in na subparagraaf (3) van Statuut 1 met inwerkingtreding van 26 Februarie 1992:

"(4) Indien daar in hierdie Statute na 'n bepaling van die Gekonsolideerde Diensvoorwaardes verwys word wat nie op 'n lid se geval van toepassing is of kan wees nie, word sodanige verwysing uitgelê as 'n verwysing na 'n bepaling in die diensvoorwaardes wat op 'n lid van toepassing is, wat na die oordeel van die Bestuurder van die Fonds, toepaslik is".

WYSIGING VAN STATUUT 12

Statuut 12

Statuut 12 (4) (g): Skrap die woord "en" na die woord "administreer" met inwerkingtreding van 26 Februarie 1992.

Statuut 12 (4) (h): Voeg in 'n kommapunt en die woord "en" na die woord "voer" met inwerkingtreding van 26 Februarie 1992.

Statuut 12 (4) (i): Voeg in die volgende nuwe subparagraaf na subparagraaf (h): "op te tree as Voorsitter van die Uitvoerende Komitee" met inwerkingtreding van 26 Februarie 1992.

WYSIGING VAN STATUUT 32 (12A)

Vervang Statuut 32 (12A) deur die volgende nuwe Statuut 32 (12A) met inwerkingtreding van 1 Desember 1991:

BOTALLIGHEID

32. (12A) (a) Indien 'n lid van die Fonds in tydelike of vaste diens botallig verklaar word en uit diens tree, geld die volgende bepalings:

(i) 'n Lid wie se ouderdom minder as 50 jaar is, ongeag sy dienstermyn, ontvang 'n eenmalige bedrag bereken volgens 'n formule wat deur die aktuaris opgestel word.

(ii) 'n Lid wat vir 'n tydperk van 10 jaar of meer tot die Fonds bygedra het, wie se ouderdom 50 jaar of hoër is en die som van sy ouderdom en pensioengewende diens ten minste 75 is, is op die volgende pensioenvoordeel geregtig:

(a) 'n Eenmalige bedrag bereken volgens 'n formule wat deur die Aktuaris opgestel word; of

(b) 'n jaargeld en kontantbedrag. Die jaargeld word bereken as 'n breuk van die lid se laaste pensioengewende emolumente onmiddellik voor uitdienstreding. Die teller van die breuk is die tydperk van lidmaatskap van die Fonds uitgedruk in jare, met elke dag van 'n onvoltooide jaar bereken as een driehonderd vyf-en-sestigste van 'n jaar, en die noemer is 60, met dien verstande egter dat sodanige pensioenvoordeel deur 0,3% verminder word vir elke

0,3% for each calendar month in the period between the employee's sixtieth birthday and the actual date of retirement in respect of ordinary personnel who contribute at 7,5% to the Fund. In respect of footplate staff who contribute at 8,5% to the Fund the denominator shall be reduced by 0,3% for each calendar month in the period between the employee's fifty-fifth birthday and the actual date of retirement. A cash sum which shall be calculated by multiplying the pension calculated in terms of subparagraph (a) by the factor of 4 in the case of ordinary personnel and 4,5 in the case of footplate staff.

(iii) A member whose age is 50 years or more but the total of his age and pensionable service is less than 75, shall receive the same benefit referred to in (i).

DEPARTMENT OF TRADE AND INDUSTRY

No. 75 **22 January 1993**

USURY ACT, 1968 (ACT No. 73 OF 1968)

In accordance with the directions of the Minister of Finance and of Trade and Industry I, Hermanus Hendrikus Jacobus Steyn, Registrar for purposes of the Usury Act, 1968 (Act No. 73 of 1968), determine in terms of the provisions of sections 2 (1), (2) and (3) of the Usury Act, 1968 the annual finance charge rates contained in the Schedule.

H. H. J. STEYN,
Registrar: Usury Act.

SCHEDULE

1. For the purposes of section 2 (1) of the Usury Act, 1968 (Act No. 73 of 1968) (hereinafter in this notice referred to as the Act), the different percentages contemplated in that section shall be 29 per cent in respect of money lending transactions where the total amount of money does not exceed R6 000, and 26 per cent in respect of money lending transactions where the total amount of money exceeds R6 000.

2. For the purposes of section 2 (2) of the Act, the different percentages contemplated in that section shall be 29 per cent in respect of credit transactions of money values of the principal debt not exceeding R6 000, and 26 per cent in respect of credit transactions of money values of the principal debt exceeding R6 000.

3. For purposes of section 2 (3) of the Act, the different percentages contemplated in that section shall be 29 per cent in respect of leasing transactions of money values of the principal debt not exceeding R6 000, and 26 per cent in respect of leasing transactions of money values of the principal debt exceeding R6 000.

4. For the purposes of section 3A (2) (a) of the Act, the other amount contemplated in that section shall be R250 000.

5. For the purposes of section 15 (g) of the Act, the other amount contemplated in that section shall be R500 000.

6. Government Notice No. R 3273 of 4 December 1992 is hereby repealed with effect from 22 January 1993.

7. This notice shall come into operation on 22 January 1993.

kalendermaand in die tydperk tussen die datum van die werknemer se sestigste verjaardag en die eintlike datum van uitdienstreding vir gewone personeel wat teen 7,5% bydra tot die Fonds. Vir voetplaatpersoneel wat teen 8,5% bydra tot die Fonds is die noemer 55 en word die pensioenvoordeel deur 0,3% verminder vir elke kalendermaand in die tydperk tussen die datum van die werknemer se vyf-en-vyftigste verjaardag en die eintlike datum van uitdienstreding. Die kontantsom word bereken deur die jaargeld met 'n faktor van 4 te vermenigvuldig in die geval van gewone personeel en 4,5 in die geval van voetplaatpersoneel.

(iii) 'n Lid wie se ouderdom 50 jaar of hoër is maar die som van sy ouderdom en pensioengewende diens is minder as 75, word die voordeel waarin in (i) verwys word, toegestaan.

DEPARTEMENT VAN HANDEL EN NYWERHEID

No. R. 75 **22 Januarie 1993**

WOEKERWET, 1968 (WET No. 73 VAN 1968)

Ooreenkomstig die voorskrifte van die Minister van Finansies en van Handel en Nywerheid bepaal ek, Hermanus Hendrikus Jacobus Steyn, Registrateur vir doeleindes van die Woekerwet, 1968 (Wet No. 73 van 1968), kragtens die bepalings van artikel 2 (1), (2) en (3) van die Woekerwet, 1968, die finansieringskostekoerse per jaar vervat in die Bylae.

H. H. J. STEYN,
Registrateur: Woekerwet.

BYLAE

1. Vir doeleindes van artikel 2 (1) van die Woekerwet, 1968 (Wet No. 73 van 1968) (hieronder in hierdie kennisgewing die Wet genoem), is die verskillende persentasies 29 persent ten opsigte van geldleningstransaksies van totale bedrae geld wat nie R6 000 oorskry nie, en 26 persent ten opsigte van geldleningstransaksies van totale bedrae geld wat R6 000 oorskry.

2. Vir doeleindes van artikel 2 (2) van die Wet is die verskillende persentasies beoog in daardie artikel 29 persent ten opsigte van krediettransaksies van geldwaardes van die hoofskuld wat nie R6 000 oorskry nie, en 26 persent ten opsigte van krediettransaksies van geldwaardes van die hoofskuld wat R6 000 oorskry.

3. Vir doeleindes van artikel 2 (3) van die Wet is die verskillende persentasies beoog in daardie artikel 29 persent ten opsigte van huurtransaksies van geldwaardes van die hoofskuld wat nie R6 000 oorskry nie, en 26 persent ten opsigte van huurtransaksies van geldwaardes van die hoofskuld wat R6 000 oorskry.

4. Vir doeleindes van artikel 3A (2) (a) van die Wet is die ander bedrag beoog in daardie artikel R250 000.

5. Vir doeleindes van artikel 15 (g) van die Wet is die ander bedrag beoog in daardie artikel R500 000.

6. Goewermentskennisgewing No. R 3273 van 4 Desember 1992 word hierby met ingang van 22 Januarie 1993 herroep.

7. Hierdie kennisgewing tree in werking op 22 Januarie 1993.

PROF. LOUISE TAGER,
Voorsitter: Sakepraktykekomitee.

Voetnotas

1. Sien die *Derde Verslag van die Komitee van Ondersoek na Behuising vir Afgetrede Persone*, 1987.
2. Oktober 1987, Raad op Ontwikkeling en Behuising p 3.
3. *Sectional Titles, Share Blocks and Time Sharing*, C. G. van der Merwe en D. W. Butler, Butterworths: Durban (1985) 20.
4. Sien Van der Merwe en Butler: *Sectional Titles, Share Blocks and Time Sharing*, 123, 372.
5. Sien Van der Merwe en Butler, op cit, 372.
6. Enige aandeel in 'n aandeleblokskema verleen dieselfde stemreg as elke ander aandeel van die maatskappy [art. 10 (a)] en elke aandeel van 'n aandeleblokmaatskappy moet stemreg op 'n vergadering van die maatskappy verleen [art. 3 (1) (b)].

(22 January 1993/22 Januarie 1993)

NOTICE 44 OF 1993

DEPARTMENT OF WATER AFFAIRS AND FORESTRY

PONGOLOPOORT GOVERNMENT WATER CONTROL AREA: AUTHORITY IN TERMS OF SECTION 62 (6) (b) (ii) OF THE WATER ACT, 1956 (ACT No. 54 OF 1956), TO TRANSFER A WATER ALLOCATION

By virtue of the powers delegated to me by the Minister of Water Affairs and Forestry by Government Notice No. 966 of 19 May 1989, I, Claus Triebel, in my capacity as Manager: Water Resources in the Department of Water Affiars and Forestry, hereby in terms of section 62 (6) (b) (ii) of the Water Act, 1956 authorise Mr K. P. Landman to permanently transfer the water allocation of 180 160 (one hundred and eighty thousand one hundred and sixty) cubic metres per annum from the farm Leeukop 791, District of Ngotshe, to Portion 8 of the farm Sunland 72 HU, District of Piet Retief, subject to the condition that no public water shall be abstracted or used for irrigation purposes on the farm Leeukop 791.

C. TRIEBEL,
Manager: Water Resources,
p.p. Minister of Water Affairs and Forestry.
(22 January 1993)

KENNISGEWING 44 VAN 1993

DEPARTEMENT VAN WATERWESE EN BOSBOU

PONGOLAPOORT - STAATSWATERBEHEERGE - BIED: MAGTIGING INGEVOLGE ARTIKEL 62 (6) (b) (ii) VAN DIE WATERWET, 1956 (WET No. 54 VAN 1956), OM 'N WATERTOEKENNING OOR TE PLAAS

Kragtens die bevoegdheid aan my gedelegeer deur die Minister van Waterwese en Bosbou by Goewermentskennisgewing No. 966 van 19 Mei 1989 magtig ek, Claus Triebel, in my hoedanigheid van Bestuurder: Waterbronne in die Departement van Waterwese en Bosbou, mnr. K. P. Landman hierby kragtens artikel 62 (6) (b) (ii) van die Waterwet, 1956, om die watertoekenning van 180 160 (eenhonderd-en-tagtigduisend eenhonderd-en-sestig) kubieke meter per jaar vanaf die plaas Leeukop 791, distrik Ngotshe, permanent na Gedeelte 8 van die plaas Sunland 72 HU, distrik Piet Retief, oor te plaas, onderworpe aan die voorwaarde dat geen openbare water op die plaas Leeukop 791 vir besproeiingsdoeleindes onttrek of gebruik mag word nie.

C. TRIEBEL,
Bestuurder: Waterbronne.
p.p. Minister van Waterwese en Bosbou.
(22 Januarie 1993)

NOTICE 45 OF 1993

SOUTH AFRICAN LAW COMMISSION

The South African Law Commission released a working paper under the title "INVESTIGATION INTO THE POSSIBILITY OF MAKING PROVISION FOR A DIVORCED WOMAN TO SHARE IN THE PENSION BENEFITS OF HER FORMER HUSBAND: MATTERS RELATING TO THE DIVORCE AMENDMENT ACT 7 OF 1989". The aim of the working paper is to amend the Divorce Act, No. 70 of 1979, in order to provide that—

- the definition of "pension interest" be supplemented to also provide for the instance in which a pension fund does not have a resignation benefit;

KENNISGEWING 45 VAN 1993

SUID-AFRIKAANSE REGSKOMMISSIE

Die Suid-Afrikaanse Regskommissie het 'n werkstuk met die titel "ONDERSOEK NA DIE MOONTLIKHEID OM VOORSIENING TE MAAK DAT 'N GESKEIDE VROU IN DIE PENSIOENVOORDELE VAN HAAR VOORMALIGE GADE KAN DEEL: ASPEKTE RAKENDE DIE WYSIGINGSWET OP EGSKEIDING 7 VAN 1989" vrygestel. Die oogmerk van die werkstuk is 'n wysiging van die Wet op Egskeiding, No. 70 van 1979, ten einde daarvoor voorsiening te maak dat—

- die woordomskrywing van "pensioenbelang" aangevul word om ook voorsiening te maak vir die geval waar 'n pensioenfonds nie 'n bedankingsvoordeel het nie;

- the deferment of payment of a pension interest be subject to the proviso that there is no other satisfactory way in which the other party can be compensated in respect of his or her share in the pension interest; and
- the power of the court to make an order in respect of the payment of a pension interest to a party be subject to the maximum amount that may be commuted into a single payment in terms of the rules of the fund.

Reasoned comments in writing in respect of the proposals contained in the working paper should be addressed to the Commission not later than **15 March 1993.**

The working paper is obtainable free of charge from the Commission on request.

The Commission's offices are on the Eighth Floor, NG Kerk Sinodale Sentrum, 228 Visagie Street, Pretoria. Correspondence should be addressed to:

The Secretary
South African Law Commission
Private Bag X668
0001 PRETORIA.

Telephone: (012) 322-6440 (Mrs P. Kotze).

(22 January 1993)

- die uitstel van die betaling van 'n pensioenbelang onderworpe gestel word aan die voorbehoud dat daar nie 'n ander bevredigende wyse is waarop die ander party vergoed kan word vir sy of haar aandeel in die pensioenbelang nie; en
- die bevoegdheid van die hof om 'n bevel te maak met betrekking tot die betaling van 'n pensioenbelang aan 'n party, onderworpe gestel word aan die maksimum bedrag wat kragtens die reëls waaraan die fonds onderworpe is, in 'n enkelbedrag betaal kan word.

Die Kommissie ontvang graag voor 15 Maart 1993 beredeneerde skriftelike kommentaar ten opsigte van die voorstelle in die werkstuk vervat.

Die werkstuk is op aanvraag gratis van die Kommissie verkrygbaar.

Die Kommissie se kantore is op die Agtste Verdieping, NG Kerk Sinodale Sentrum, Visagiestraat 228, Pretoria. Korrespondensie moet asseblief gerig word aan:

Die Sekretaris
Suid-Afrikaanse Regskommissie
Privaat Sak X668
0001 PRETORIA.

Telefoon: (012) 322-6440 (Mev. P. Kotze).

(23 Januarie 1993)

NOTICE 46 OF 1993

VACANCY, SHERIFF: LOWER COURT, PORT ELIZABETH FOR THE AREA OF PORT ELIZABETH NORTH

Applications are invited for the vacant office of sheriff of the lower court for the area Port Elizabeth North.

Application forms that have to be completed can be obtained from the Magistrate, Port Elizabeth and all magistrates' offices.

It will be expected from applicants to hold an interview with the Magistrate, Port Elizabeth or their local magistrate and to provide a curriculum vitae.

Enquiries: Mr B. van der Merwe.
Telephone: (041) 54-6711.
Closing date: 16:00 on 12 February 1993.

(22 January 1993)

KENNISGEWING 46 VAN 1993

VAKATURE, BALJU: LAERHOF, PORT ELIZABETH VIR DIE GEBIED PORT ELIZABETH-NOORD

Aansoeke word ingewag vir die vakante amp van balju van die laerhof vir die gebied Port Elizabeth-Noord.

Aansoekvorms wat ingevul moet word is by die Landdros, Port Elizabeth en by alle landdroskantore beskikbaar.

Van aansoekers word verwag om 'n onderhoud met die Landdros, Port Elizabeth of u plaaslike landdros te voer en om 'n lewensskets te voorsien.

Navrae: Meneer B. van der Merwe.
Telefoon: (041) 54-6711.
Sluitingsdatum: 16:00 op 12 Februarie 1993.

(22 Januarie 1993)

NOTICE 47 OF 1993

DEPARTMENT OF MANPOWER

LABOUR RELATIONS ACT, 1956

APPLICATION FOR VARIATION OF SCOPE OF REGISTRATION OF A TRADE UNION

I, Gerhardus Coenraad Papenfus, Assistant Industrial Registrar, do hereby, in terms of section 4 (2) as applied by section 7 (5) of the Labour Relations Act, 1956, give notice that an application for the variation of its scope of registration has been received from the South African Hairdressers Employees Industrial Union. Particulars of the application are reflected in the subjoined table.

KENNISGEWING 47 VAN 1993

DEPARTEMENT VAN MANNEKRAG

WET OP ARBEIDSVERHOUDINGE, 1956

AANSOEK OM VERANDERING VAN DIE REGISTRASIEBESTEK VAN 'N VAKVERENIGING

Ek, Gerhardus Coenraad Papenfus, Assistent-nywerheidsregistrateur, maak ingevolge artikel 4 (2) soos toegepas by artikel 7 (5) van die Wet op Arbeidsverhoudinge, 1956, hierby bekend dat 'n aansoek om die verandering van sy registrasiebestek ontvang is van die South African Hairdressers Employees Industrial Union. Besonderhede van die aansoek word in onderstaande tabel verstrek.

Retirement industry 'aims to share burden'

200 CT 22/1/93

JOHANNESBURG. — The Institute of Life and Pension Advisers says the government can to a large extent be relieved of the costs of social upliftment if a mechanism is created for institutional or retirement funds to cater for social investments.

"The retirement industry has often said it is willing to share the economic burden of these requirements by making appropriate investments, provided satisfactory security of capital, combined with a reasonable return is available," Gerard Ehmke, ILPA vice-president, said in a statement.

The retirement industry was faced with many pressures to invest in socially desirable investments, such as housing and health care.

All of these, however "could carry an investment return downside, resulting in either lower benefits to members or higher costs to contributors", Ehmke said.

He noted that 24c of every R1 of tax paid by an individual was currently channelled into meeting social benefits.

Inland Revenue legal drafting director Ian Meiklejohn had said the government was not planning hasty action to start taxing pensions in this year's budget.

He said it appeared unlikely that material changes would be made to the taxation of retirement funds in the 1993 Parliamentary session. — Sapa

It's not yet time to panic

w/mail 22/1 - 28/1/93. 300

YOUR MONEY

REG RUMNEY'S *monthly look at personal finance*



DON'T panic. Your planning for retirement should not be affected by recent proposals to tax pension fund and retirement annuity contributions.

If you are one of those rare people who is actively engaged in thinking about making adequate provision for your retirement, you are forgiven for being concerned. Vast political changes do threaten the status quo and overturn planning.

Moreover, the release towards the end of last year of two reports with apparently conflicting recommendations on the tax deductibility of pension contributions must have sown confusion.

But assurance industry experts reassure that no U-turns will soon be thrown by this government anyway.

Old Mutual general manager: employee benefits Garth Griffin notes: "The spectre of non-deductibility has gone away for the moment." Official sources, he says, have indicated there will be no change in the forthcoming Budget. Other analysts mostly agree.

This is not to say the idea will go away entirely, or that the system will remain completely unchanged. Pressure for change can be expected from the left.

A suggestion was made last year by the leftwing Labour Research Services that a future government should tax pension fund contributions because they favour the better-off rather than workers, who prefer provident funds, contributions to which are not tax-deductible.

The government-initiated Jacobs Report released last year seemed to concur, proposing that for the sake of tax neutrality employees pay tax on one-third of their pension fund contributions, and employers one-fifth of their share. There is some logic in this: the lump sum payment of one-third of the pension payout at retirement, or up to R120 000, is now tax free.

However, not long after the Jacobs Report was released the much more detailed Mouton Committee report strongly advocated retaining tax incentives and found nowhere in the world successful private retirement provision without tax incentives. The argument is that without incentives many people will hardly be encouraged to make their own provision for retirement. It takes into account that tax incentives only encourage a relatively small part of the population, but reckons they nonetheless are worth keeping.

It is the Mouton Report that encourages observers, with its emphasis on consultation, proposal for a broad national forum to discuss changes, and its finding that by and large the status quo should remain, with minor changes. But both the Jacobs and Mouton report acknowledge the role South Africa's tax regime has played in building up a sound retirement industry, observes Institute of Life and Pension Advisers fellow and Liberty Life assistant general manager: consultancy services Gavin Came.

Came also notes that in this new era, even more so than in the past, recommendations are not automatically followed by laws, and Jacobs' recommendations are just that.

Nothing will happen quickly, says Sanlam general manager: group marketing Francois Marais. "There will probably be long, drawn-out discussions, looking to reach consensus."

Marais says another area in which the Jacobs and Mouton committees agree is that there should be a cap on tax-deductibility. In other words there should be an absolute maximum rather than only a percentage of income that is allowed for tax deductibility.

This proposal the industry agrees with, he says. Also, the industry agrees with Mouton and Jacobs on the removal of the discrepancy in tax treatment of private sector and public sector pension payouts on retirement.

The public sector lump sum or "gratuity" is completely tax-free. Only up to R120 000 of a private sector pension or retirement annuity payout is tax-free.

Here, the Jacobs Committee proposal would kill two birds with one stone, by cancelling the tax deductibility of contributions in proportion to that part of the lump sum payout which is free of tax. The principle is that tax deductions on contributions are a deferment of tax, not a gift from government. The guiding principle is tax neutrality.

Again, Ilpa fellow Abri Meiring notes that President FW de Klerk has stated the tax treatment of public sector pension funds would not be tampered with now. Hence, any change to private sector funds would make the discrepancy even worse.

What if contributions remained tax-free and the R120 000 lump sum exemption is done away with? Meiring thinks it would be a mistake to do this.

The Life Offices Association, he says, has argued that the exemption should not be tampered with. The South African Chamber of Business has come to the same conclusion. If necessary inflation should be left to do away with the exemption by gradual erosion. Changing the tax regime with retroactive effect will mean those who have entered into contracts on the basis of the lump sum can argue their rights have been taken away.

"Once you affect people's vested rights, people feel the state cannot be trusted and opt out of the system."

Jacobs' changes

THE changes proposed by the Jacobs Committee would most hurt retirement annuities.

The RA is supposed to be a pension fund for those privately employed. But rightly or wrongly they are marketed mainly on the basis of their potential for reducing tax.

Like pension fund contributions, contributions to RAs are tax-deductible. The difference is that the amount allowed for tax-deductibility is higher.

This prejudices those who belong to pension funds but are trying to supplement their pension fund with an RA. Because of job-hopping and because pension fund payouts are arguably not adjusted often enough for inflation, many people cannot rely on their company pensions.

The tax deductible amount for those who belong to pension funds is pegged at R1 750, whether they have RAs or not, notes Sanlam's Francois Marais. For those who have RAs only, the tax deductible amount is a maximum of 15 percent of income.

So for those who really are using the RA as a private pension fund, the tax benefits are greater.

Pension funds take members for a ride

STAR 23/11/93.

(300)

MONEY MATTERS

MAGNUS *Heystek*



A LARGE number of employees are still being bullied into accepting the conditions their firms lay down when either joining or leaving a pension fund. And there is very little being done about it.

ONE OF the more sensitive issues touched on by the Mouton Commission of Inquiry into a retirement provision system for South Africa is the issue of the transferability of pension fund contributions, or rather, as some would say, the lack thereof.

The commission issued its report just before Christmas and many people might not be aware of some of the recommendations.

The subject of pension funds has grabbed my attention for as long as I can remember. In fact, it became an issue when I resigned from my first job to join another newspaper.

All I got back from my previous pension fund (and then only after a delay of six months) was my own contributions plus a return of 2 percent on my money. As far as I'm aware, that particular pension fund has not changed and still continues to openly steal money from its departing employees.

At first I was bewildered, then shocked and later angry about the way I was treated.

I STILL am and will continue writing and speaking on this issue until pension fund members get a better deal.

The transferability of pension fund contributions and the interest rate payable on an employee's contribution has, for over 25 years, been a simmering issue in the industry.

In addition, the subject generates more letters from readers than any other topic.

One person in particular, a very angry and disgruntled (and also knowledgeable) person from Melville, Johannesburg, has written reams of pages on the subject.

The issue at stake is as follows:

With most companies running their own pension funds, staff are obliged to join that fund. They have no choice in the matter as it forms part of their overall remuneration package.

For every R1 that an employee pays into the fund, the employer also pays R1 (on average) — tax-deductible for both parties concerned, up to certain limits. In other words, the taxpayer is funding this concession, which amounts to about R5 billion a year.

Now here comes the highway robbery. The employee decides, for whatever reason, to resign and take his services elsewhere. What happens?

The pension fund, virtually indistinguishable from the company, says: "You have been a naughty boy. Here's your contributions (on which we've earned interest and capital growth of up to 25 percent in certain years) but we're only paying you an interest rate of 2 percent and our contributions are held back." Is this fair?

The reason why this practice still remains widespread is ignorance (among members) and arrogance (among pension funds).

But through continuous pressure by the media, pension funds have, somewhat belatedly, started increasing interest payments.

According to a study by Sanlam in 1985, 33 percent of all funds paid between 2 and 4 percent; 64 percent paid between 4 and 6 percent while the rest (3 percent) paid 6 percent or more.

By 1991 this situation had improved with 43 percent of all funds paying between 8 and 10 percent and 5 percent paying an interest rate of 10 percent or more.

On this issue the Mouton report says: "The fact that funds were generally slow to increase the rate of interest paid to resigning members has led to justifiable dissatisfaction among resigning members who have, in effect, been forced to lend their contributions to the pension fund at an uneconomical rate of return."

But the report does not propose any measures to combat this shameful practice.

The report also looked at the withholding of the employer's contribution, an even bigger disgrace. According to the report, only 21 percent of all pension funds will consider repaying a member in full (both the employer's and the employee's contributions).

In a chapter headed "The powerlessness of members to force change", the commission suggests the following to pressure employers into improving early-leaver benefits:

□ Prospective employees, on being told or discovering that the early-leaver benefits were unreasonable, could refuse to join the company, before committing themselves to compulsory membership of the retirement fund.

While this is unlikely to have a major impact in the current climate of unemployment, it could put pressure on companies when the economy recovers and skilled personnel are in demand.

□ Individual members of funds could take industrial action against their employer on the grounds that these benefits constitute an unfair labour practice.

But, as the commission points out, this is unlikely considering the high cost of litigation. And the pension fund will just use your own money to defend its immoral practice in court.

PROBABLY the most likely method by which such an unfair labour practice could be brought to the industrial court would be if some pressure group, or groups, were to take the matter up on the employees' behalf.

However, pension funds will not change unless employees put more pressure on the board of trustees that manages these funds.

I have a feeling that this is one of the few areas where the trade unions are likely to exert themselves as their members become more sophisticated and realise just how pension funds hide behind the law.

If ever they do call a strike to force change, it will be a strike I will support.

Life industry lobbies to alter plan

Business Day 26/1/93

LINDA ENSOR

CAPE TOWN — The life industry is lobbying for a change in the proposed application of the four-fund approach to the taxation of life offices to prevent the blanket taxation of all transfers of excess funds into the shareholders' account.

Life Offices Association (LOA) public relations standing committee convenor Dorian Wharton-Hood said yesterday the industry believed the taxation of fund transfers, on the assumption they were capital gains, was unfair.

A distinction needed to be made between transfers which should attract tax and those necessary for good management.

In terms of the four-fund approach all excesses in the different funds would have to be transfered into the shareholders' fund.

But he welcomed other aspects of the four-fund approach which he said levelled the playing fields with other financial institutions, granted full tax relief on expenses and excluded dividends from tax.

Also of concern to the industry was the proposal in the Jacobs report that the question of principal or agent dictate the taxation of life offices. The report suggested all life assurance transactions be taxed regardless of whether life offices were operating as principal or agent, when in fact assurers never acted as agents.

On introducing a holistic approach to regulating financial institutions, Wharton-Hood said the LOA did not oppose the idea in principle as long as the rules applied were appropriate.

Pension funds nibbling at housing plan

CT 29/11/93

300

By MAGGIE ROWLEY
Property Editor

A NUMBER of pension funds were currently examining the Old Mutual/Urban Foundation initiative to access retirement funds to help finance low cost housing, Henk Beets, AGM of Old Mutual said.

At a seminar in Johannesburg this week, Beets said he was unable to give any figures of the number of participants in the scheme to date but "as soon as we have hit the first 1 000 the champagne will flow".

The scheme, which was finally given the approval by the authorities last year when exemption was granted under the Usury Act, is aimed at members of Old Mutual pension and provident funds.

In essence it allows members to borrow enough for a 5% deposit on a house as soon as the sum is covered by the member's contributions and is specifically geared at those earning between R800 and R1 500 a month. A limit of R45 000 on the value of the house has been set by the authorities "so as to avoid inflating house prices".

Repayments are limited to "an affordable" 25% of a borrower's salary. Over and above the deposit the borrower can lend the difference between a quarter of his salary and the required bond repayment to a financial institution until such time as his salary increases to a level where 25% of his salary covers the bond.

The crossover, he said, should take about six years. Once the salary of the borrower reaches this point, he starts repaying the loan to the fund which has to be completed by date of retirement.

Beets said the current housing backlog was estimated by the Urban Foundation to be in the region of 1,35 million units. To reduce this backlog by 50% by the year 2000 would require building 84 500 units a year plus an additional 113 000 units to keep up with new demand.

The capital cost of doing this was estimated to be in the region of R43bn, excluding the cost of infrastructural development and community facilities. These other facilities would take the cost to more than R50bn.

Beets estimated that there were about 4,5 million members of retirement funds who could benefit from such a scheme.

"If 5% of total accumulations in retirement funds were accessed in this form R4,2bn could be generated — or 10% of the total capital need.

"As such it could make a significant contribution but does not answer the whole problem.

"The retirement fund industry could be provider of housing credit to a greater extent if different investment vehicles are set up.

"Certainly as an industry we have to go on looking for solutions until the problem is properly addressed," he said.

He pointed out that without making use of any subsidies 22% of the population could not afford a dwelling of any size or price while only 14% could afford a home of more than R75 000; 25% a home of R25 000; 27% a home of R7 500 and 12% a home of R4 500.

Workshops to debate life assurers' tax

B/Day 1 28/11/93.

LINDA ENSOR

CAPE TOWN — A bone of contention between the life industry and Inland Revenue in the application of the four-fund approach to the taxation of life assurers is the inclusion of capital appreciation of assets in the calculation of allowable expenses.

The problem is likely to be thrashed out at a series of workshops organised by the Life Office's Association and scheduled to take place in Johannesburg and Cape Town next week. ~~250~~ ~~350~~ 300

Sanlam senior GM George Rudman said the inclusion of capital appreciation of assets in the policyholders' fund in the calculation of allowable expenses was unprecedented in SA's taxation system.

But Inland Revenue legal drafting director Ian Meiklejohn said it was only a new application of the established principle that expenses allowed for tax deduction purposes should be pro-rated across a business's sources of income.

"My personal view is that it has to be taken into account," Meiklejohn said.

OM opposed to tax on annuity contributions

STAR 27/11/93

By Sven Liinsche (300) (R/B)

Old Mutual has firmly rejected the Jacobs Committee's key recommendation of taxing retirement annuity contributions.

Instead, the giant life assurer has proposed an "aggressive" revision of the "very low" tax rate on lump-sum benefit payments.

In a submission to the Financial Services Board, Old Mutual urges the Government to avoid taxing retirement funds as a source of revenue in order to eradicate the racial disparity in state old age pensions.

The submission, which is in response to the recently released reports on the retirement industry by the Jacobs and Mouton committees, was presented yesterday by Old Mutual's general manager, employee benefits, Garth Griffin.

Griffin said the punitive costs of equalising state pensions, estimated at about R2,5 billion, had led to a scramble for additional revenue.

"However, many countries successfully encourage their retirement provision through tax deferral, as currently structured in SA.

"We, therefore, have little enthusiasm for the choice of pension and provident funds as a source of additional revenue," Griffin said.

Old Mutual would like to see the current system of retirement provision taxation largely unaltered, but there needs to be an aggessive overhaul of tax on lump-sum benefits.

"We have little doubt that the anomalies currently being exploited with regard to lump-sum benefits on retirement need to be addressed," he said.

He added that this meant putting tax paid by public-sector funds on the same footing as private-sector funds.

"We support an increase in the taxation of lump-sum benefits by either applying individual average rates of taxes over the three years prior to receipt of the lump sum, or applying current tax tables to the lump sum as a separate income," Griffin said.

As a longer-term measure, Old Mutual said provident and pension funds should be "collapsed" into a single retirement fund.

Contributions to this fund would be fully tax-deductible, and individuals would be able to choose between lump sum and income payouts at the end of their working careers, instead of being forced to make the decision at the start.

Palamin takes knock but shareholders get payout

BIDM 18/2/93.

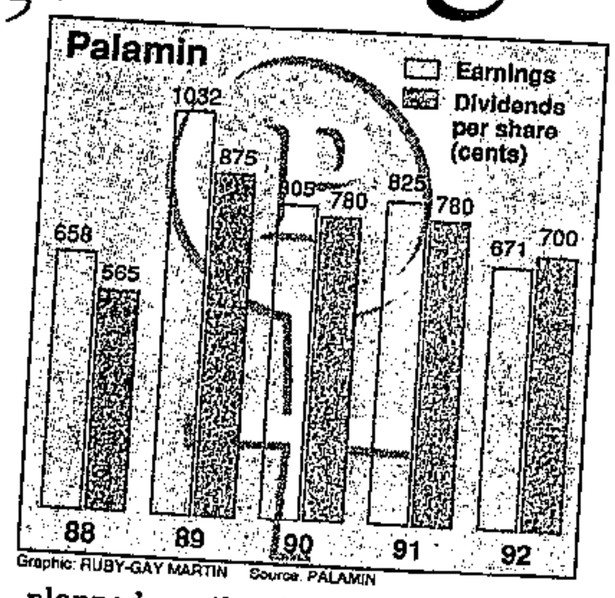
JONO WATERS

PALABORA Mining (Palamin), SA's largest copper producer and owned by Rio Tinto Zinc, reported a sharp drop in earnings a share in the year ended December 1992 as profit was knocked by flat rand copper prices, lower copper metal sales and rising costs.

Earnings before extraordinary items amounted to 671c (825c) a share.

Palamin paid out all its earnings to shareholders — a final dividend of R3,10 a share was declared — bringing the total payout to R7,00, compared with R7,80 the previous year.

The group normally pays out 90% of earnings to shareholders, but company secretary Keith Lendrum said yesterday that the company paid out "a 100% dividend instead of 95% as planned as the difference was only R10m".



Palamin does not publish turnover figures in its year-end statement, but the company said operating profit fell to R374m (R452m).

MD Frank Fenwick was not available for comment, and the group gave few details of the volumes of copper metal and concentrate sold.

Pre-tax profit fell to R392m (R458m) and Palamin paid out R202m (R225m) in tax and lease considerations.

After-tax profit dropped to R190m (R234m) and extraordinary items of R8,67m (R10,9m) pushed attributable income to R199m (R244m).

Lendrum said "better than expected" copper prices averaged R6 596/t (R6 537/t) on a 5% drop in metal sales to 108 000 tons. However, copper concentrate sales more than doubled.

Output from Palamin's smelter was "below budget", Lendrum said, but declined to say whether this reflected lower recoveries from the plant.

He added that the project to upgrade the ageing smelter was at "an advanced stage". Most of the work would be completed by mid-year.

Profurn performs strongly despite liquidation setback

BIDM. 18/2/93.

MARCIA KLEIN

IN A difficult year to end-December which included the liquidation of ultimate holding companies Supreme Holdings and Supreme Investment Holdings, Protea Furnishers (Profurn) reported a 15,4% rise in attributable earnings to R6m (R5,2m).

Earnings a share were reduced to 6c (7,3c) on an increased number of shares in issue.

CE Alex Maraney said yesterday the results were achieved in a difficult trading environment, which included the severe effect of the liquidations.

A 20,2% turnover rise to R158,2m reflected good trading in November and December and the inclusion of several new stores.

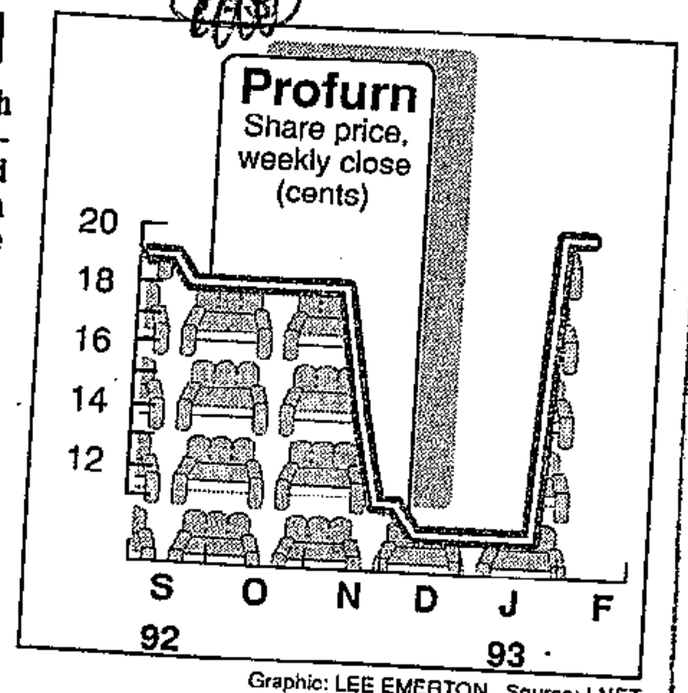
Operating profit was 13,8% higher at R26,3m with the pressure on margins reflecting difficulty in obtaining supplies.

The interest bill rose 16,7% to R14,9m.

Financial director Brian Rosenberg said agreement had been reached between the liquidators, the trustee for the holding companies' debenture holders, Profurn and other parties to capitalise R45,3m debt due to the liquidated holding companies. The agreement, awaiting approval of debenture holders, would see controlling companies receive 252-million shares at 18c each in settlement of the debt.

If the debt were to capitalised, results and gearing would reap substantial benefits, he said.

Gearing would be reduced to below 15% from 200%, and would be kept low as Profurn would not use borrowings to expand.



Taxation was reduced by 2,9% to R4,7m, bringing profit after tax up 21,7% to R6,6m. But after an increase in profit attributable to outside shareholders, attributable profit was 15,4% up on the previous year.

An R8,5m extraordinary item referred to provisions for losses from the closure of 11 stores.

No dividend was declared.

Maraney said results were now comparable with the major furniture groups. Debtors provisions amounted to 38,4% (25,4%) of the gross debtors book.

Bank scraps paper rule

BIDM 18/2/93

DUMA GQUBULE

THE Reserve Bank has bowed to pressure and scrapped a regulation which had been hampering the development of a significant commercial paper market in the country.

It relaxed the requirement that companies wishing to borrow from each other by issuing commercial paper should have commercial bank endorsement for the transactions.

The Reserve Bank, however, restricted such transactions to companies with a net asset value of R100m. The minimum amount for the transactions is R1m.

Standard Merchant Bank treasurer Chris Kenny said yesterday the Reserve Bank had cleared a major obstacle to the development of a commercial paper market in SA.

He knew of only two corporate issues which had been floated last year.

Some major corporates had not been prepared to seek bank endorsement, believing they were more creditworthy than some the major banks involved.

Relationships bridged by

JSE revises formula for listing fees

BIDAY 18/2/93.

BIRK VAN EEDEN

THE JSE yesterday announced a revised basis for determining listing fees after a review indicated disparities between services used and amounts paid.

The move entails a sliding scale for the determination of initial listing fees. In effect small, low-priced issues will cost less while larger high-priced issues will cost more.

According to a circular sent to companies listed on the JSE, annual revision fees would not be increased in 1993, but the maximum and minimum fees would be raised by 5%. For the JSE this would mean an increase in income from this source of about 4%.

Fees for the processing of listings will rise by an average 12%.

The revised annual fees are payable on March 1, but the new fee structure for initial listings will come into effect only on June 1. The current rate of listings and documentation fees would be applied to all transactions where documents had been formally approved by the JSE by May 31.

Battered but leaner Frame reins in losses

BIDAY 18/2/93.

MARCIA KLEIN

A SIGNIFICANTLY downsized and rationalised Frame Group contained its attributable loss to R8,6m for the half-year to end-December after showing a R20,9m loss in the previous year.

Increased imports of textiles and reduced consumer spending resulted in a 9% decline in turnover to R308,1m (R338,2m), chairman Mervyn King said. The group was operating at well below capacity.

Operating income of R872 000 compared with an operating loss of R7,9m in the previous year and an operating loss of R30,2m at the June year-end. King said this was the first time since June 1990 that the group had shown an operating profit.

However, this profit was offset by interest charges of R14,2m, 20% lower than the previous year's R17,7m. This resulted in a R13,3m (R33,8m) pre-tax loss.

Frame reported a loss of 41,4c a share, compared with a 110c a share loss in the previous period and 238,8c a share loss at the June year-end. No interim dividend was declared.

In the two years to end-December, staff had been reduced by 47% to 8 005, and factory premises scaled down significantly. Since December 1991, working capital levels and borrowings had been reduced.

King said the results reflected "a marked improvement". If the sales volume had been the same as the previous year, the group would have operated profitably after interest, King said. But "imports and the recession took their toll on gross sales".

He said the combined effects of the structural adjustment programme and the recession "had devastated the textile industry". A panel was considering the industry's long-term strategy but the Board on Trade and Tariffs had not yet announced the time period for the interim ad valorem duty structure.

He said structural adjustment programme duty-free permits were "still rife", and it would take until March 1994 to work them out of the system.

The group's future would be influenced by the economy and "equitable barriers against disruptively priced textile imports from subsidised textile exporters".

But the rationalisation meant Frame was well placed to take advantage of "a beneficial structure in the textile industry and an upturn in the economy".

Subsidiary Consolidated Frame Textiles reported a loss of 23,9c (60c) a share.

DIAGONAL STR

Gold marke under

GOLD shares rose strongly yesterday as US and some domestic investors hedged their options as the rest of the market came under pressure in nervous trading with attention focused on Wall Street after Tuesday's sharp plunge.

Offshore demand for golds as a safe haven saw the JSE all gold index gain 42 points to 1 050 to limit the decline in the overall index to 24 points to close at 3 483.

Share losses and gains were equally matched as dealers said the industrial market held up reasonably well, falling 54 points to 4528 after initial indications pointed to a fall closer to 100 points.

Investors piled into DRIES which topped the value list with 274 000 shares worth more than R10m changing hands in 88 deals. The price surged 5% or 175c to R36,75.

KLOOF registered the largest relative rise among heavyweights of 11,3% as the shares rose 350c to R34,50 but a bear sale at that price indicated that observers believed the rally of golds was overdone.

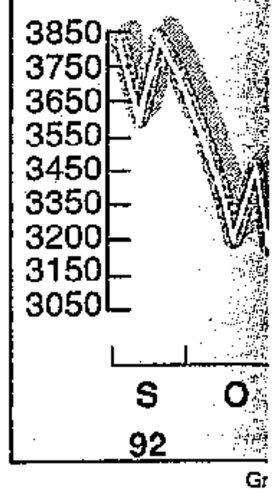
After rising on Tuesday as speculators fled shares and the dollar and bought gold on uncertainty over President Clinton's new economic plan, the metal eased back to the $330 level on a lack of follow through buying.

Bucking the firmer trend on the gold board were RANDFONTEIN which continued to find resistance above the R15 level and fell back to close 10c down on the day at R14,65, and HARTIES which eased 5c to 885c.

DOORNS led the uptrend of lightweights with a gain of 14,2% or 10c to 80c. It was followed by LINDUM with a rise of 12,5% or 5c to 45c and VILLAGE which rose 11,7% or 10c to 95c.

Overnight selling in New York pushed DE BEERS down 200c to R67,50 but foreign buying of the shares was noted. Associate ANGLOS fell 150c to R98 with only GFSA, up 100c to R61, defying the easier trend in the mining house sector.

AMGOLD rose 400c to R179 in the mining holding sector but platinums were mixed. IMPLATS rose 75c to R40,50 in reaction to results in light trade but RUSPLAT eased 50c to R67,25 despite good



foreign demand.

Ferrochrome was a weak spot to a new year lo support and ed after reporting earnings.

Best performe was chemical m firmed 11,1% o pressed market 12% in 1992. The in January.

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UK firm pulls out of Africa

BIDAY 18/2/93

LONDON — British packaging group Low & Bonar said yesterday it had sold its remaining African businesses in SA, Zimbabwe and Zambia to a Virgin Islands-based company for £1,5m.

It said £1,1m had been paid in cash by Cavmont, based in the British Virgin Islands, and the balance was payable over the next three years.

Group finance director Norman McLeod said the six industries in question were involved in manufacturing textiles for the clothing trade and industrial plastics.

Last year the group disposed of operations in Kenya and Nigeria. McLeod said the move out of Africa was to enable the company to concentrate on its core business. — Sapa-Reuter.

EXECUTIVE SUITE By William Wells and J



At ABSA Bank Corporate Division we strive to establish

listing fees

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RCIA KLEIN

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DIAGONAL STREET

Gold rallies as market comes under pressure

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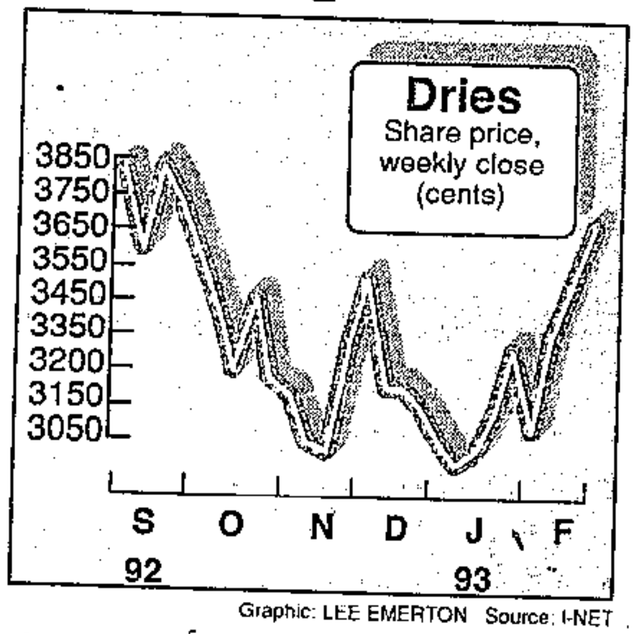
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Graphic: LEE EMERTON Source: I-NET

Ferrochrome producer SAMANCOR was a weak spot as the shares eased 100c to a new year low of R17 before finding support and edging back up to R17,50 after reporting a sharp drop in interim earnings.

Best performer on the industrial board was chemical manufacturer AECI which firmed 11,1% or 75c to 750c after depressed markets pulled earnings down 12% in 1992. The shares bottomed at 560c in January.

The downtrend was led by REMGRO which fell almost 3% or 75c to R25. ENGEN gave up 150c to R50,50, BARLOWS fell 100c to R45,50, MALBAK fell 50c to R17 and SA BREWS shed 125c to R59,75.

AUTOPAGE featured in a mixed to firmer electronic sector, rising 20c to a new high of 220c after bottoming at 120c three months ago. SPESCOM rose 10c to a new high of 150c.

MERVYN HARRIS

ECUTIVE SUITE

By William Wells and Jack Lindstrom



strive to establish

B|DAY 18/2/93

whole

Retireme

Business Day SURVEY

Recent reports by the Mouton and Jacobs commissions have put the spotlight on South Africa's retirement provision system. For the individual striving to provide for his own retirement, however, the retirement annuity fund remains the prime vehicle.

Sharing the burden of social responsibility

HOUSING, health care, education — all areas in which the SA's underprivileged have a lot of catching up to do. And pension, provident and retirement annuity funds have millions of rands in their coffers.

Hence the covetous looks that are being cast at the retirement industry — "Social responsibility" has become something of a buzz word.

Institute of Life and Pension Advisers vice-president Gerard Ehmke gives this body's views.

"Since 1980, expenditure on social grants of all descriptions has been growing at an annual compound growth rate of 21,5% a year. This accounts for a growth rate of 7% a year in real terms."

Ehmke says about 24c in every rand of tax paid are being channelled towards meeting social benefits, "but those who are paying to provide these benefits will not qualify for those benefits themselves".

"The retirement fund industry is faced with many pressures to invest in socially desirable investments, all of which could carry an investment return downside, resulting in either lower benefits to members or higher costs to contributors.

"Logically the cost of social upliftment should be, and is to a measure, being carried by government. However, the retirement industry has often said it is willing to share the economic burden of these social requirements by making appropriate investments, provided satisfactory security of capital, combined with a reasonable (even be it at lower than market) return is available.

"ILPA believes government could be relieved of a large measure of these costs if it were able to construct an appropriate vehicle for institutional or retirement funds to cater for social investments. This in turn would allow government funds channelled in this direction to be used to meet the cost of social pensions and grants.

"This suggestion is not likely to meet with objection from the broad population, including pension fund contributors."

Jacobs report has sparked debate on incentive systems

ALTHOUGH the Jacobs commission recommended certain changes in the tax treatment of some aspects on the pensions front, no action is expected in next month's Budget. And there is sure to be much debate before the recommendations are implemented.

The major aspects of the Jacobs commission are summarised here by Deloitte & Touche tax division manager Retha Roux:

☐ There is a justifiable point of view that the current incentive system favours higher income groups. The cost of these are inequitably distributed.

☐ The state needs revenue to remove disparities in the social pension system;

☐ International developments in similar situations support the idea that a better system can be brought about by changes that will not cause severe disruption or inequalities;

☐ Compared to immediate taxation, the deferred approach results in lower tax collections. Only a portion of deferred tax is recovered at retirement because of tax-free lump sums;

☐ The investment income and build-up on retirement funds is exempt from tax. It is generally felt that it would be inappropriate to tax any of this build-up;

☐ The commission agrees with the Margo report that there should be tax relief on contributions to retirement funds, that profit accumulation in funds should not be taxed, and that withdrawals should be taxed. The Jacobs Committee finds the tax-free status of lump sums to be anomalous;

Advance

☐ A modified version of the system in Australia was also proposed. This entails an advance payment by the fund to the state of the discounted present value of the tax expected to be collected when the benefits are finally paid. This is not recommended;

☐ Another suggestion is that, in respect of annual contributions by employees, only two-thirds thereof would be allowed as a tax deduction and two-thirds of the benefits at retirement, death or withdrawal would then be taxed. Of the employer's contributions, 20% would not be allowed as a deduction for tax;

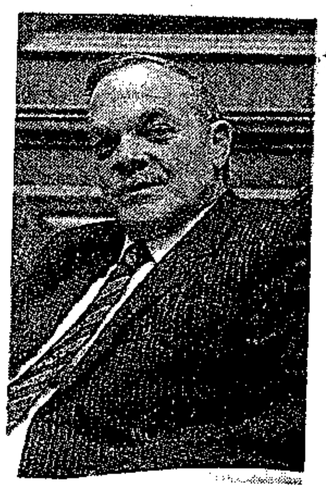
☐ A new system should be phased in. Most modern states provide incentives to encourage the provision of resources for retirement. But it is difficult to justify such incentives beyond a reasonable level.

Commenting on this, Roux says: "In the search for new sources of income for the state, tax incentives to encourage self-provision for retirement could be reduced.

"The Jacobs commission has been accused of submitting an ill-considered proposal. There is great need for an increase in savings and there is concern that the recommendations may have a negative effect on contractual savings.

"It may be unrealistic to assume that the fund build-up will never be taxed.

"The recent establishment of the Investment Development Council by the Life Offices' Association was an acknowledgement of the need for socially desirably investments. This need may in the future outweigh the need for pension fund returns that exceed the inflation rate.



JAPIE JACOBS

Liberty Life vice-chairman Dorian Wharton-Hood takes a strong line:

"Any fiscal measures which discourage people from providing for their retirement are unwelcome."

If the Jacobs report's proposals are accepted, there is a "danger that employers might pay bigger salaries rather than contribute towards their pension or provident funds," thus getting full tax relief on the salary instead of partial relief on contributions to retirement funds.

☐ Shortly before going to press the Jacobs Commission announced the withdrawal of its controversial tax proposals.

Spelling out how much is tax deductible

WHILE many basic facts about RA funds tend to be taken for granted, it is useful to spell out the situation regarding the tax deductibility of contributions.

Retha Roux, manager tax division at Deloitte & Touche, says: "The introduction of retirement annuity funds afforded self-employed persons the opportunity to effect individual pension plans while enjoying tax relief on their contributions.

"Currently the deductability of current contributions to an RA fund is limited to the greatest of:

☐ 15% of income derived from non-retirement-funding employment (after having made certain deductions); or

☐ R3 500 less any deductible pension fund contributions; or

☐ R1 750.

If the taxpayer is a married woman, the amounts of R3 500 and R1 750 in the formula will be R1 750 and R875 respectively.

"Any contributions which do not qualify for deduction may be carried forward and be deemed to be current contributions in the next year of assessment. This applies when a member continues to contribute more to his RA fund than is deductible for tax purposes.

"A taxpayer may make a single premium contribution to an RA fund that could be deductible. He may also vary his contributions by effecting a series of single premium RA funds after having calculated his maximum deduction in respect of each year.

"In addition to the above, reinstatement contributions of up to R1 800 to an RA fund are deductible (R900 in the case of a married woman).

"Employees who are fortunate enough to be members of a non-contributory pension scheme may obtain a tax planning advantage by contributing a full R3 500 annually to an RA fund; this would be fully deductible for tax purposes.

"As a result of a recent change in legislation, a married woman who has made contributions now has the option to either claim the deduction herself, or to have the option deemed to have been made by her husband for tax purposes.."

B/DAY 18/2/93.

Up to individual to provide for his own needs

The 674-page report produced by the Mouton commission on the SA retirement system has stimulated much debate but it is clear, for the forseeable future, it will be up to the individual to provide for his own needs.

Come the end of the fiscal year, that spells RAF — retirement annuity fund — for thousands of taxpayers.

Even though the Jacobs report has recommended less favourable tax treatment of contributions, nothing adverse is expected to happen in the near future. However, the Jacobs and Mouton investigations combine to create a new climate for the retirement industry.

The Mouton Commission was appointed in 1988 by the then Finance Minister Barend du Plessis.

Broad

Its very broad mandate was to review the effectiveness of the retirement provision system and to propose guidelines to move towards the goal of providing all South Africans with adequate incomes on their in their old age.

Southern Life's legal and tax department head Tony Davey sums up the tax implications of the wide-ranging report as follows:

"The Mouton commission's report adopts a three-tier approach to income tax issues, namely issues which are recommendations, issues for which it offers support and issues which are considered mere suggestions.

"The two recommendations are:

☐ Income tax matters be reviewed by a committee of suitably qualified tax and fiscal authorities;

☐ Tax incentives are essential for successful retirement planning.

Weaknesses in the current income tax incentives are:

☐ Tax relief has relevance only to taxpayers who earn above the tax threshold and there are thus no tax incentives for the balance of the population.

☐ Although the cash flow principle of taxation (that is, front-end tax relief on contributions and bottom-end tax levied on benefits paid) results merely in a deferral rather than a loss of tax revenue to the fiscus, the tax exemptions and concessions on firstly, withdrawals and secondly, on the lump sum retirement/death commutation, results in an effective tax loss to the fiscus.

☐ The upper limit for tax relief on contributions is expressed as a percentage of income, which effectively means there is no cap on tax relief, which might be better controlled by fixing a maximum amount which qualifies for relief.

"The Mouton Committee suggests that the investment income of retirement funds remains untaxed, largely because many members of retirement funds are below the income tax threshold. Thus, the untaxed portfolio of life offices would remain unchanged.

"In essence, the Mouton commission supports the Margo commission as opposed to the Jacobs report, the latter suggesting a two-thirds limitation on tax deductible contributions, with the full one-third end-benefit being received tax free.

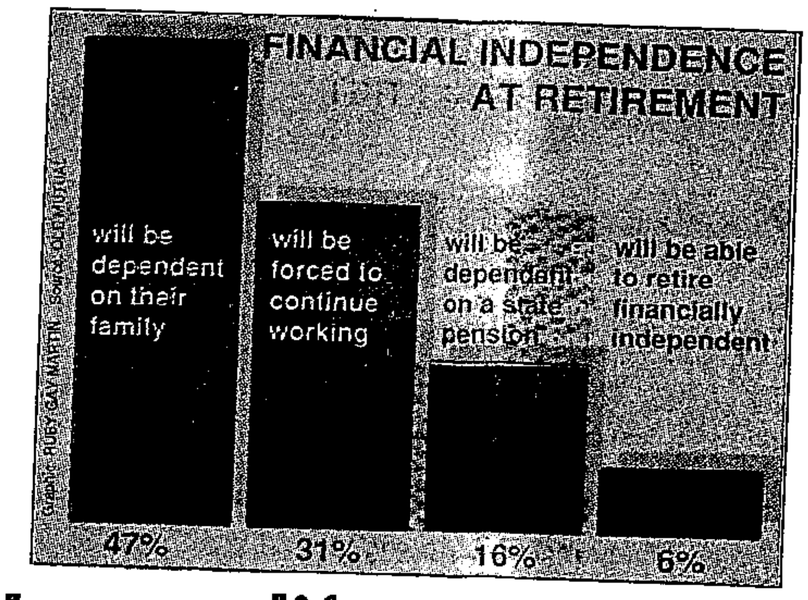
"The Margo Commission recommended that the status quo, vis-a-vis the current system of tax deductible contributions, be maintained, and that tax losses to the fiscus should rather become tax deferrals by tightening up on end-benefit concessions in the system.

"The Margo Commission expressed, inter alia, the view that the favourable tax concession pertaining to the one-third lump sum end-benefit commutation be restricted, in the sense that the tax-free amount (greater of R120 000 or R4 500 multiplied by the number of years of continuous membership of any retirement fund) be abolished, and that the lump sum commutation be taxed at the taxpayer's average rate of tax for his last three years of membership.

Endorsed

"Both the Mouton commission and the Margo commission also endorsed the view that there be tax neutrality between private and public sector funds.

"This is a contentious issue in that firstly, public sector (government and quasi-government) fund contributions are fully tax deductible with no formula limits and secondly, the full lump sum benefit is tax free, irrespective of the amount."



Longer lifespans can cause some headaches

IT IS all very well to make what seems to be suitable provision for one's retirement. In inflationary times, however, increased life expectations can cause problems.

Wilmar Durand, senior marketing manager of Sanlam, says: "Even with the inflation rate down to under 10%, a long life after retirement is a problem which requires careful planning.

"If somebody retires on a fixed pension, and inflation averages 10%, a meagre 24% of the pension's purchasing power remains after 15 years.."

Actuarial tables indicate that, on average, a man retiring at 65 can expect to live for another 14 years. Women, again on average, live some six years longer than men.

Durand says: "The first solution to this double problem is to make as much provision for retirement as possible beforehand.

"For salaried people, there are three main ways of gathering money: endowment policies, RAs and unit trusts. RAs have been designed specifically for retirement and offer several benefits.

"A maximum of one-third of the proceeds can, within certain limits, be commuted free of tax. The remainder must be applied to purchase a lifelong pension which will be taxable as ordinary income.

"Sanlam's Bonus Annuity is an attempt to counteract the hardships caused by inflation after retirement. A special portfolio for the investment of proceeds from any approved RA fund was created for this fairly new pension product.

"Depending on the investment performance, the bonus rate is expected to move in sympathy with the inflation rate. All bonuses are guaranteed and, so far, annual growth rates of 14%, 15% and 14% have been declared.

"Pensioners can continue investing in RAs until they reach the age of 70. If the wife is younger than her husband, the RA can be effected in her name. Apart from benefiting from better rates, they will also save on tax."

New crop

Sanlam's Bonus Annuity is only one of a new crop of growth-orientated annuities now available on the market. The following is by no means a comprehensive listing, but UAL has its Investor Series Life Annuity; Sage Life offers its Living Annuity; and TimeLife has its Inflation-hedged Pension Plan.

The largest single snag of all these schemes is the price the pensioner has to pay for inflation-proofing; the relatively low initial pensions they provide.

But, if one, or one's spouse, expects to live well into the 21st century, it is as well to remember an inflation-linked annuity, given inflation at around 10% per annum, will double in value every seven years.

whole page

B/DM 18/2/93.

Retirement annuities

(300)

Eleven reasons for buying an RA

THE case for investing in RAs is quite compellingly made by the graph. Compiled by the Old Mutual, it illustrates the fact that 94% of the population will not be financially independent at retirement.

And it is a safe bet that the majority of that financially independent 6% will have supplemented their company pension, or their invested savings, with RAs.

So, despite the problems, there are still many reasons for buying an RA. Louis Gunther, sales training and support manager of FPS Limited, puts forward his company's "Eleven Good Reasons to Buy an RA".

After first noting that: "People buy the same thing for different reasons. All too often, people develop a fixation that an RA is only a means of saving tax. Whereas this is undoubtedly true, there are many good reasons for purchasing an RA as there are individual needs."

The 11 reasons are:

1. You will save tax.

At the end of a financial year it makes sense to think of ways in which to reduce one's tax liability. An RA contributes towards tax saving in three ways:

- ☐ Your contributions are deductible from your taxable income;
- ☐ You receive a tax-free payout; and
- ☐ Your money is invested by the life assurers in a non-taxed portfolio.

2. You will have your dream come true.

A unique feature of an RA is that it provides you with one-third of your accumulated capital as a lump sum on retirement.

3. You will have a good investment.

Your monthly contribution is invested by the life assurance companies into non-taxed portfolios.

4. You will have a 100% safe investment.

Under current legislation the safety of your RA is not only guaranteed in respect of outside agencies, but it is also protected against yourself.

5. You will be able to retire early.

You only regain the ability to deal with your RA in terms of maturing it once you reach the age of 55 (50 in their case of women) or due to ill-health prior to your 55th birthday.

6. You will be independent of your company.

SA statistics show that on retirement the average employee has worked for his present company for about 15 years. This means such an employee now has to retire on 2% X 15 years X final salary. He now experiences a 70% drop in income immediately on retirement.

An RA not only provides the mechanism for replacing this income gap but also provides completely independent funding for retirement.

7. You will buy life and disability cover at a discount.

All RAs offer at the least the following three options:

- ☐ Pure RA (investment only);
- ☐ RA plus life cover; and
- ☐ RA plus life cover plus disability.

If you choose an RA with life cover and/or disability you are still permitted to deduct your contributions from your taxable income.

8. You will beat inflation.

Statistics prove that the major life assurers have consistently out-performed inflation over any period in the past 30 years.

9. You will do what other wise people have done.

Millions of RAs are sold every year to astute individuals who wish to avail themselves of this astounding legal tax effective investment opportunity.

10. You will reduce estate duty liability.

For estate duty purposes the death benefit payable under an RA, where death occurs pre- or post-retirement, is included in the estate, but annuities payable to dependents are excluded.

11. You will be able to retire financially independent.

At the date of retirement, the insured is entitled to shop around to find the life assurer offering the best annuity rates.

Independent fund offers alternative to RA investors

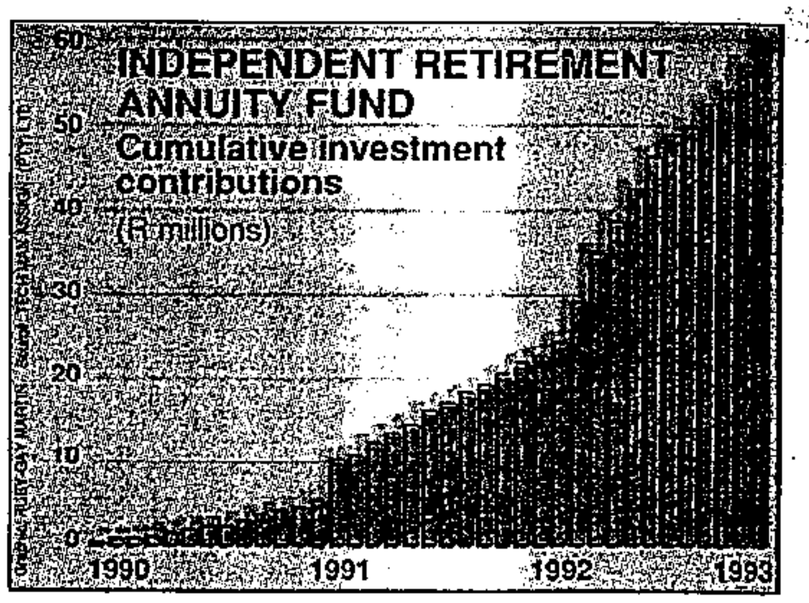
MOST retirement annuity funds are run by insurance companies as an extension of their life business. The Independent Retirement Annuity Fund (IRAF), one of the few new concepts in the RA field in recent years, is, as the name suggests, independent of any insurance company.

Designed by Technical Management Assignments, it is operated by TMA and UAL management company. It was launched in January 1990, and its popularity is evidenced by its growth to more than R60m.

TMA's Andre Immelman says: "IRAF is an approved retirement annuity fund operated independently from any one underwriter for the exclusive benefit of its members. Its success since inception is witness to the fact that the IRAF is achieving its objective of offering complete security of members' interests coupled with an opportunity for members to optimise benefit returns in line with their individual needs.

Range

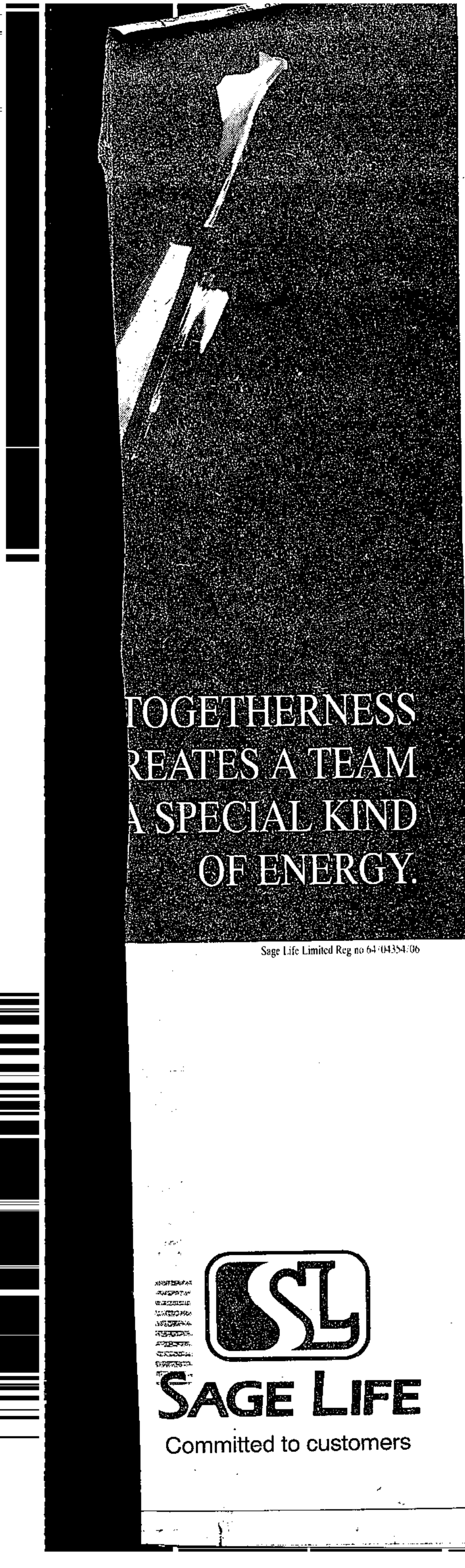
"The IRAF offers an al-



has been superior to that of endowment policies.

- ☐ Furthermore, investment charges are very low compared with life assurers' levies and importantly, investors can track their investment on a daily basis.
- ☐ Investors are free to switch and to spread their

investment flexibility offered by the IRAF. Members were able to move their accumulated funds very quickly and cost-effectively from low performing equity portfolios to top performing gilt and high income portfolios."



RA's, because..

□ All benefits are funded by a range of 26 different unit trust funds which the investor selects. Unit trust funds have proved to be an ideal funding mechanism (as opposed to endowment policies under conventional RAs) because the historical investment performance

suit their individual needs.

□ There are no hidden charges — all costs are fully disclosed at all times.

□ Members have full control over certain expenses that may be charged to their investment accounts.

"The volatile investment climate during 1992 highlighted the advantage of the

Inflexibility of product leads to some criticism

ALTHOUGH by and large retirement annuities retain their popularity as the prime vehicle for pension provision for the self-employed, they have been attracting an increasing volume of criticism.

Gary McCreesh, GM of Nedcor Bank's recently formed personal financial planning division, is outspoken:

"Statistics provided by the Registrar of Insurance on the sale of RA policies over the last 10 years show this product is becoming increasingly unpopular." McCreesh feels the main reason for this is the relative inflexibility of RAs.

He says: "Retirement annuities do not mature as a total cash payment — only one-third can be taken in cash and the balance must be taken in the form of a compulsory annuity. Many investors now feel with the deteriorating political situation, the placing of funds into long-term investments of this nature is not proving to be a desirable option.

"With regard to RAs, the view advocated by many accounting and investment analysts is that it is better to forego the tax deductibility (on contributions) and have the advantage of a 100% cash maturity."

Uncertainty

Bernie Goldman, GM individual life division at Fedlife, points to the added uncertainty after the Jacobs report. He says: "There is a degree of uncertainty surrounding the merits of RA's, especially in the light of recent threats of further legislative changes to the taxation of benefits and the deductibility of premiums. But whatever the uncertainty, the basic necessity to provide for one's retirement remains."

There are three main long-term investment vehicles available for this purpose: unit trusts, life endowment policies and RAs. Unit trusts are the most flexible and are very useful for providing for financial needs 10 years or so down the line.

Life endowment policies are less flexible since they accrue tax benefits only if they run for a minimum of 10 years; premiums (contributions) are not tax deductible, but the proceeds at maturity are paid free of tax.

Goldman concludes that, despite the criticism they are attracting, RA's still have their place in a balanced retirement portfolio. "RA's are the least flexible," he says, "precisely because they are intended for a specific need: to save for retirement, nothing else.

Swiftly

TimeLife Insurance MD Bill Haslam wants government to move swiftly to change the tax treatment of lump sum payments from retirement vehicles.

"The basis of taxation of lump sum retirement benefits and withdrawal benefits should be re-examined. There is little justification for the low rate of tax that is applied to both of these benefits that are paid from a pension fund."

Commenting on proposals made in the Jacobs report, Haslam says that, despite his views on the question of lump sum payments, he believes the existing structure of pension provision in SA is basically sound and correct.

"While the fiscus loses tax in the current dispensation, it would be a pity to throw the baby out with the bathwater and destroy what is in effect a sound system, simply to answer the needs of the fiscus.

"The maintenance of tax incentives for retirement planning can only continue if the fiscus is able to recoup the tax foregone on contributions at the time the member receives his benefits.

"The current system is inefficient in this regard, and must be changed."

Haslam joins the chorus calling for a levelling of the playing field regarding public and private pensions systems. "It is important that the taxation of benefits paid from state pension funds be brought into line with the private sector."

Tuesday February 9 quotations for unit trusts:

General Equity Funds:

ABSA	143,17	133,94	5,52
BOE Growth	157,11	146,78	3,45
Community Growth Fund	110,23	104,12	N/A
Fedgro	125,92	117,57	4,88
CU Growth	118,65	110,77	4,29
Guardbank Growth	2489,89	2318,11	4,84
IGI	131,98	123,64	3,47
Momentum	245,65	229,94	4,32
Metfund	194,01	180,95	4,23
Metlife	119,65	111,81	7,07
NBS Hallmark	960,33	896,85	5,09
Norwich	352,53	329,19	4,07
Old Mutual Investors	2614,17	2437,41	3,67
Sage	2412,28	2251,33	4,02
Sanlam	1649,74	1545,00	3,35
Sanlam Index	1218,27	1141,64	3,97
Sanlam Dividend	462,31	433,56	4,64
Southern Equity	203,41	190,20	3,99
Standard	1178,33	1107,12	7,02
Syfrets Growth	297,91	279,00	4,40
Syfrets Trustee	119,55	112,00	4,44
UAL	2063,28	1937,59	5,21

Specialist equity Funds:

ABSA Industrial	132,85	124,28	4,25
Guardbank Resources	129,38	120,54	6,50
Guardbank Industrial	128,16	120,17	5,68
Sage Resources	98,86	92,50	6,16
Sanlam Industrial	1064,89	996,62	3,22
Sanlam Mining	239,46	224,36	5,39
Southern Mining	118,54	111,05	4,58
Southern Pure	124,70	116,71	N/A
Standard Gold	134,37	125,84	7,80
Standard Industrial	109,82	103,57	5,10
Standard International	101,93	95,34	3,32
UAL Managed	1061,91	1003,37	N/A
UAL Mining and Resources	327,65	307,01	4,66
UAL Selected Opportunities	1977,04	1849,87	3,68
Old Mutual Mining	218,68	203,57	4,63
Old Mutual Industrial	369,20	343,96	3,98
Old Mutual Gold Fund	83,16	77,47	6,56
Old Mutual Top Companies	247,97	231,16	4,497

Make sense of your financial options

8047TH 13/2-17/2493.

Making sense of the financial options that are available today is indeed a puzzle for most people. With so many available, where do you start.

In this series of articles we will introduce the different kinds of life assurance options available to you..

Types of assurance policies

The individual life division of Old Mutual offers many different types of policies. Here we look at the most common ones:

Term Assurance

This is the simplest form of life assurance. It provides cover against the life assured dying within a specified time frame.

It contains no savings element and therefore cannot be surrendered or borrowed against.

For example, if you were to work under contract on a mine for six months, you could insure yourself for this period.

Whole Life

With a whole life policy, the life assurance company will pay out whenever the death of the policyholder (life assured) occurs.

There is no time limit on this policy.

Endowments

An endowment Insurance Policy offers both cover and a savings facility. This means that your life is insured while at the same time, you can save an amount of money that, together with profits, will become payable at a future date which you determine when taking out the policy. The lump sum paid out may be completely tax- free.

Should you die before your policy matures, your family will receive a guaranteed amount plus the profits that have accrued to your policy up to the time of your death.

These investments cater for life cover but with the emphasis on saving and investment. A number of additional optional benefits, called riders, such as disability assurance, funeral benefits, living assurance and mortgage protection, may be built in if you request them.

Pure Endowment

A pure endowment has no life cover or other benefits. It is used purely for savings and the emphasis is on investment. At the end of the term, which is for a minimum of ten years, the full amount is invested, plus the growth or interest that has accumulated, is paid out to you tax free, subject to certain legal requirements.

OLD MUTUAL

Helping to make the most of your life — every step of the way

Star 11/3/93

Helping hand for city's aged

By Shirley Woodgate

There are two rays of pure sunshine in the life of George Jardine (66), who has been house-bound for the past couple of years.

One is the warmth pouring into his Yeoville, Johannesburg, flat and the other is Victoria Ngalo (53), his "home help" who visits three times a week to bath him, make his bed, cook breakfast and tidy the room.

Jardine is one of 85 elderly people being cared for in their homes by the Johannesburg Association for the Aged (Jafta) at a daily cost of less than R10 — heavily subsidised by Jafta. (300)

Jardine says he could not survive in his flat without "Viccie", who ensures his independence at a minimal cost of R80 a month, allowing him to stay in his flat rather than entering an old age home.

Ngalo says she is doing what she loves most: caring for people and getting paid for it.

She reared her own siblings after her mother died, then brought up her four children.

Jafta director Colin M'Crystal says the home help scheme organised by matron Colleen Cooper gives everyone the best of all worlds and keeps more elderly people in their own environment.

But the service is under-utilised and he has invited elderly people in need of assistance to apply for help with cooking, shopping, exercising and general cleanliness. For more details, call Cooper at (011) 725-6741.

NEWS Dr Gluckman reports on ANC man's death ● Controversy over wounded man

ANC and allies to join forces for election

■ 100 organisations expected to attend conference: Sowetan 12/3/93

THE ANC and its allies within Codesa have begun discussing the possibility of forming a broad election alliance to jointly fight South Africa's first all-in election, it was revealed yesterday.

Making the disclosure in Johannesburg, ANC deputy secretary-general Jacob Zuma said the possibility of his organisation entering into an election pact with its Codesa allies had been discussed at a meeting of these organisations yesterday.

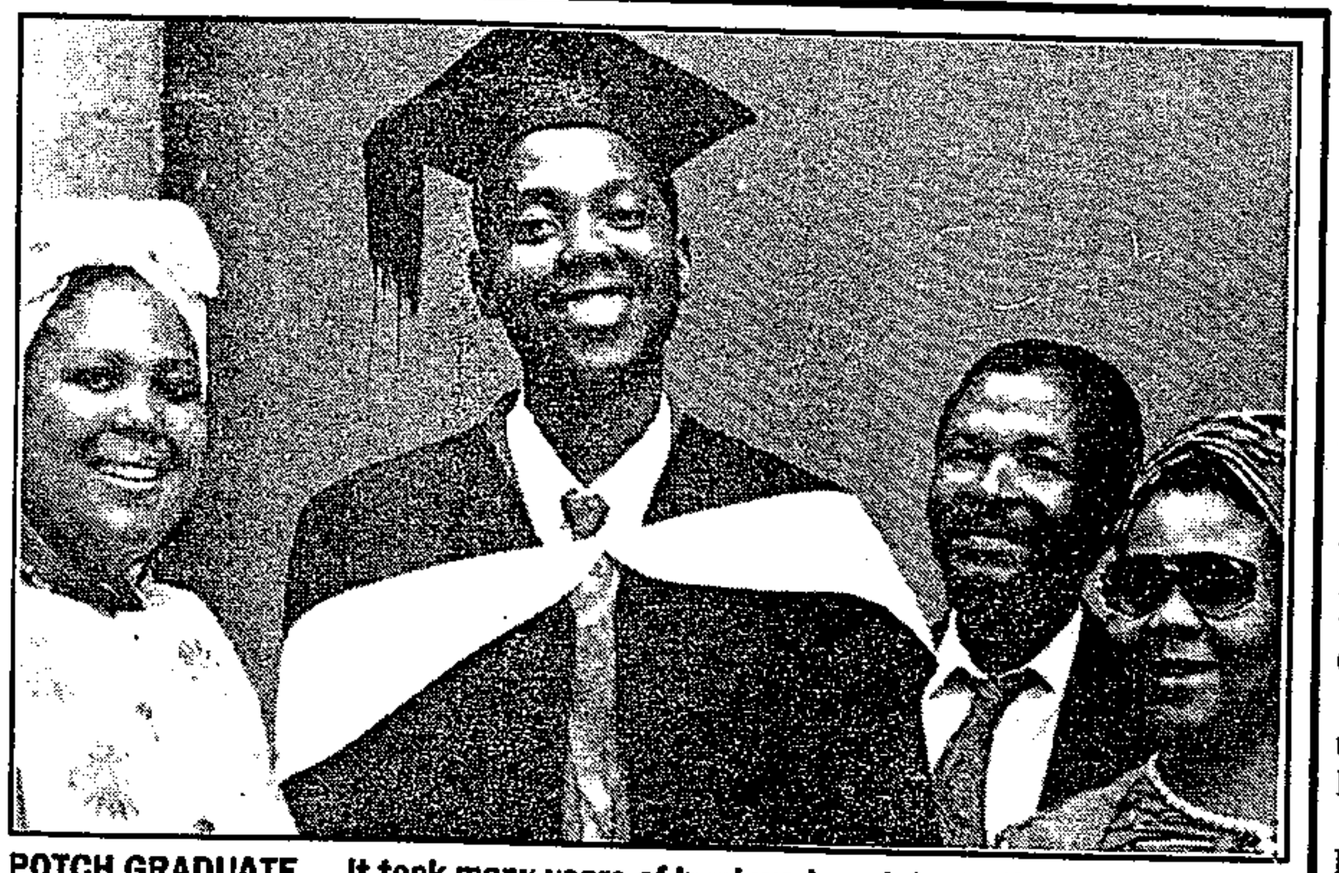
Zuma said Azapo and the PAC could be party to such a pact once the "'broad Patriotic Front" - formed in Durban in October 1991 - was off the ground and functional.

Matter is receiving attention

No further details of the proposed pact were divulged, and the matter was said to be receiving attention among the different organisations.

Organisations represented at yesterday's meeting were the ANC, the South African Communist Party, the Labour Party, KaNgwane's Inyandza National Movement, Lebowa's United People's Front, the Transvaal Indian Congress and the governments of Transkei and Venda.

Following the meeting, it was announced that at least 100 organisations are expected to attend the PF conference to be held in Lenasia, south of Johannesburg, towards the end of this month. - *Own Correspondent.*



POTCH GRADUATE ... It took many years of hard work and dedication for Mr Jacob Thamae (centre) to get his BA degree. Thamae was joined by his sister Mrs Julia Mashigo (left), Mrs Tickie Ntsibe and Mr Kaybe Ntsebe at the graduation ceremony at Potchefstroom University this week.

Social pensions to be equal (300)

Sowetan 12/3/93

■ Budget announcement expected:

By Ismail Lagardien
Political correspondent

BLACK pensioners will receive the same pension as their white counterparts before the end of the year, possibly by October, Government sources have confirmed.

The announcement is expected to be made in Parliament next Wednesday when the Minister of Finance, Mr Derek Keys, tables the Budget for 1993/94.

The Budget then has to be passed by all three Houses of Parliament.

The present breakdown of pensions is as follows: Whites R345, coloureds and Indians R318 and blacks R293.

Besides parity, pensions are also expected to increase by the usual annual average of 10 percent.

Smoking curbs likely

Sowetan 12/3/93

■ STRONG SIGNAL Bill will include clause to ban the sale of tobacco to under 16s:

LEGISLATION to control the use, sale and advertising of tobacco products is to be tabled in Parliament this session, the Minister of National Health, Dr Rina Venter, said yesterday.

The Bill will include a clause to ban the sale of tobacco products to persons under the age of 16, she said at a media conference.

It will also empower the Minister to prescribe by regulation the health warning and details of dangerous substances of a tobacco product which have to appear on the packet or in advertising and to determine which claims may not be used in tobacco advertising.

Anyone selling cigarettes to minors will be guilty of an offence punishable by a fine or imprisonment, or both similar to that of selling liquor to a minor.

Venter said it would be difficult to impose the ban on selling cigarettes to people under 16.

"There has to be a strong signal sent out on this and I hope the community and all responsible adults will help by laying a charge against people who supply children with cigarettes."

To prevent young people smoking, it was necessary to both reduce access to tobacco and inducements to smoke it.

Although a health warning has been displayed on cigarette packets since 1986, most smokers had become accustomed to it and ignored the warnings.

"For warnings to be effective, we need a series of clear, well-presented, sizable, rotating health warnings which stress the harmful health consequences and the benefits of giving it up." - *Sapa.*

Mixed reception to introduction of pensions parity

Star 18/3/93

(300)

By Shirley Woodgate

Long-awaited Government plans to introduce equal social old age pensions for all races from September 1 were yesterday described as good and bad news by welfare experts.

"The decision comes as a relief, but it is disappointing that payment will only be at the end of the year in light of indications by former Finance Minister Barend du Plessis in the 1992/3 Budget speech that equalisation would be achieved this year," said social work consultant Jackie Lofell.

Finance Minister Derek Keys said that ahead of full pension parity in September, whites' pensions would initially be increased to R371 on July 1, while Indian and coloured pensioners would receive R345 and blacks R340.

Johannesburg Association for the Aged social services manager Jenny Dry said the total monthly payment of R371 still left pensioners with huge financial difficulties when trying to balance their budgets.

"Unless inflation is curbed, they will continue to struggle to make ends meet."

Labelling the R371 as "totally basic", Dry said rentals could easily cost R200 a month, leaving R150 for food, medical treatment and clothes.

Urging the reintroduction of medical concessions for pensioners, Dry said that even the R10 fee for every visit was too much and many senior citizens were simply not getting the medical care they needed.

Lofell urged that pension parity for all races should extend further than payments.

"Means tests, policies and procedures regarding the payment of social grants and pensions must also be included.

"Currently there is great inequality in the waiting periods, the conditions of collecting the money and the degree of efficiency regarding payments to different racial groups."

She said the R371 would, in many cases, have to extend further than support for a single person. "This will often be the full monthly income for a whole family."

Lofell was disappointed that social workers' salaries had not been addressed in the Budget. Requests for a 60 percent salary increase had been met by small increases which had done little to alleviate problems.

Govt 'pumped up' state pension funds

TIM COHEN

CAPE TOWN — The official pension funds, far from being bankrupt as thought, had received vast amounts of public funds over the past few years, Parliament heard yesterday.

DP MP Brian Goodall said Reserve Bank figures showed that in 1991 employers' contributions jumped by a staggering 115% to R15,8bn, nearly 11 times the level of seven years ago.

This compared with an increase of 23% a year in employer contributions between 1984 and 1989 — in itself very high.

Goodall believed the current rate of funding was excessive.

The official funds are made up of the five state funds and the funds of parastatals and former parastatals.

Goodall's interpretation, presented during debate yesterday, casts new light on the long-held belief by several experts that the pension funds were bankrupt.

In reply, Deputy Finance Minister Theo Alant said it was extremely important that state employees have a sense of security in changing political circumstances and that they feel their pensions are secure.

He said employers' contributions to the state funds had increased by about 62% since 1989, compared to the CPI increase of 69% — effectively denying the allegation of excessive funding.

Alant said in debate he did not have the Reserve Bank figures at his disposal, and he was referring only to the five government pension funds. However, Finance Minister Derek Keys, in his speech, indicated the funds were not in as poor a position as thought.

□ To Page 2

Pension funds

□ From Page 1

"The present level of contributions in the Budget for the state pension funds is in aggregate somewhat more than is required to provide for the annual accrual of the cost of future benefits," he said.

Goodall said that between 1984 and 1989 the ratio of employers' contributions to employees' fell between 2,72:1 and 3,11:1. In 1990 it jumped to 4,6:1 and in 1991 to 8:1, Reserve Bank figures showed.

"There is a very real danger in channeling too much money into the pension funds, instead of into more productive sectors of the economy," he warned.

He said the 1991 contribution to the funds of R15bn was nearly equal to all the investment made that year by government, public authorities and corporations. If the trend continued, SA, instead of being a country with state pension funds, would become a pension fund which happened to run a government, he added.

"Government must come clean and spell out exactly what are the actuarial assumptions being used for the official pension and provident funds."

BUDGET '93 Housing gets a boost in Budget ● Finance Minister firm on pay

Equal Pensions for all this year

Sowetan 18/3/93

By Mzimkulu Malunga

BLACK and white pensioners will receive equal pensions from September this year, Minister of Finance Mr Derek Keys said in his Budget speech yesterday.

Announcing a Budget of R114 billion for the 1993-94 financial year, Keys said R690 million would be spent on the parity programme.

This represents an increase of 26,6 percent for black pensioners.

Black pensioners, who presently receive R293 a month, will now receive R315, while their white counterparts' pension will be raised from R345 to R370.

"Coloured" and Indian pensioners will receive a 16 percent increase. Their pension will be increased from R318 to about R342.

By September all pensioners will be getting R370 a month.

■ **JOB CREATION** The SBDC will receive R112,6 million: 300

"According to the Ministry of Finance a national committee has been created to make recommendations on the rationalisation of health services over the whole delivery spectrum and a report will be released soon"



In terms of the Budget, education will receive R22,7 billion from the national coffers, an increase of over 19 percent on last year's Budget.

The figure excludes the TBVC states.

Social spending comprises 44 percent of the Budget, which is 15 percent of the national income.

Nutritional development programmes for food distribution and other basic necessities have been allocated R440 million.

There are about 1 300 non-governmental organisations countrywide coordinating close to 2 000 programmes from which three and half million people benefit.

This year could also witness large-scale housing construction as the sector has been allocated R1,7 billion. Of this, R400 million will be channelled through the National Housing Forum.

In addition to the Government allocation, it is estimated that a further R800 million will be spent on housing by the Development Bank of Southern Africa, the South African Housing Trust and the Independent Development Trust.

Over R11 billion will be spent on health services, meaning a 10,9 percent increase on the previous Budget.

Tough economic conditions dictate the need for an improvement in health care.

According to the Ministry of Finance a national committee has been created to make recommendations on the rationalisation of health services over the whole delivery spectrum and a report will be released soon.

Due to the downturn in the economy, the Government will be spending some money on job creation — over R185 million. A substantial amount of the allocation will go to the Small Business Development Corporation. The institution will receive R112,6 million, the Ministry explained in its Budget estimates for 1993-4.

Four-fund approach for life offices to be promulgated

B/DAY 18/3/93 (300)

LINDA ENSOR

CAPE TOWN — Legislation to give effect to the four-fund approach to the taxation of life offices would be promulgated during the current parliamentary session, Finance Minister Derek Keys said in his Budget Review.

The date for implementing the new scheme would be determined after consultation with life assurers.

Also to be introduced in the session was an amendment to the Insurance Act introducing new conditions for life policies.

Keys said the Sixth Schedule to the Income Tax Act which prescribed the kind of business assurers might conduct might be replaced by simplified provisions under the Insurance Act once the four-fund tax system had been implemented.

"Provided new policies issued in the interim comply (with the new conditions) it should be possible to also scrap the Sixth Schedule in relation to existing non-standard policies," Keys said.

In terms of the four-fund approach, assurers would be taxed on income received from policyholders under the trustee principle as if it were income in the hands of policyholders. Non-policyholder income would be taxed on company tax principles.

Keys said the four-fund approach would require the compartmentalisation of assurers's assets into tax-exempt retirement funds, policyholders' funds, corporate funds taxed at the company tax rate and a fourth fund for the balance of the assurer's assets, to be taxed at the corporate rate.

☐ Our political staff reports that Keys announced that all social pensioners would receive an increase of about 7,5% from July 1. This applied to other social allowances and would cost the state R521,5m.

The equalisation of pensions will take place on September 1, and will cost R694,1.

Keys said that although inflation had fallen greatly, it continued to erode the purchasing power of pensions. An increase in civil pensions was therefore required. These would be raised by 5% from July 1.

This applied to civil pensioners whose last working day was July 1 1992. Those retiring between this date and July 1 1993, would have their pensions raised by 0,42% for each month since retirement.

With regard to military pensions, Keys said a backlog had to be made up and these pensions would be increased by 9%.

☐ Sapa reports that the provisional tax threshold for some people older than 65 would be raised from the start of the 1994 tax year, Keys said.

He said some individuals older than 65 were now exempt from paying provisional tax if their annual taxable income did not exceed R25 000 and consisted exclusively of remuneration, interest or rent from the lease of fixed property.

Since the tax threshold for married people older than 65 had already reached R24 881 for the 1993 tax year, it was proposed that the exemption threshold be raised from R25 000 to R35 000. This should mean that from the start of the 1994 tax year, a smaller number of the elderly in the lower income brackets would need to make provisional tax payments.

...% rate or the new rate would be
...ctions concluded between yes-
...rate was announced, and April

...d yesterday by Inland Revenue
...nnes Hattingh.
...AT legislation, VAT becomes
...f supply, which is the date the
... payment made — whichever is

... the legislation would be de-
...t a supply of goods or services
...ting rate where the goods were
...ices performed before April 7.
...ase even though the time of
...ally fall on or after April 7.
... Property Services (Ampros)
...uld absorb the four percent
...n all residential land sales
...e end of June.

big blow' — Page 8

Mrs Nontsikelelo Magoba, 70, (left) and Mrs Madini James, 68. In front are Mrs Nontando Daki, 70, (left) and Mrs Khulukazi Baleka, 76.

Picture: BENNY GOOL

Partying costs go up

By ANTHONY JOHNSON
Political Correspondent

THE price of partying has gone up.

Finance Minister Mr Derek Keys yesterday slapped additional "sin" taxes on a wide range of alcohol and tobacco products. The adjustments take immediate effect.

The minister said they would generate additional income for the state coffers of R320 million in 1993/94.

The increases include:

- Beer: 4,8c a litre or about 2c a 340ml can or dumpy (increased revenue of R112m).
- Spirits: 37,7c a 750ml bottle (R50m).
- Cigarettes: 2,45c per 10 and 5c per 50 grams of cigarette tobacco (R99m).
- Pipe tobacco and cigars: 5c per kg (R400 000).
- Wine (fortified, unfortified and sparkling): 4c per 750ml bottle (R18,8m).
- Sorghum beer and beer powder: 1c a litre and 5c a kg (R6m).
- Cool drinks and mineral water: 2c a litre (R34m).

● Alcohol firms react — Page 9

CT 18/3/93

MPs get 37% increase

CT 18/3/93

By BARRY STREEK
Political Staff

A 37% INCREASE in the salaries, allowances and benefits of MPs — up to R78,4m from R57,2m — includes an increase of R16m for new cars for parliamentarians.

The increases in allowances and subsidies for MPs comes at a time when the government is refusing to budge on demands for additional increases in salaries for teachers and public servants — although MPs will receive the public sector five percent increase.

A spokesman for the Department of State Expenditure said yesterday 119 MPs became eligible to buy new cars this year. Last year only 15 MPs were entitled to buy cars under the car subsidy scheme.

The total budget for Parliament in the 1993/4 financial year is R113,7m — an increase of R27,2m over the last financial year. Most of this increase, R21m, is for the "salaries, allowances and other benefits".

The increases included an extra R2,5m for constituency allowances and R2,8m for salary improvements (the 5% increase) during the 1993/4 financial year.

In the last financial year, R55,2m was provided for the salaries, allowances and benefits for MPs and a further R2m provided under the Improvement of Conditions of Service vote.

The budget for the President's Council, which is to be abolished soon, has also been increased from R9,7m to R10,7m.

Pensioners happy over increases

Staff Reporters

ALL social pensioners will receive an increase of at least 7,5% from July 1, Finance Minister Mr Derek Keys announced in his budget.

The increase will also apply to other social allowances and will cost the state R521,5 million.

Black pensioners reacted happily yesterday to the increase. Among pensioners visited, some were singing, ululating and shouting at the top of their voices.

Their increase, once parity is reached, is an effective R77 per month — or 26,2%. In September, all pensioners will receive R370.

CT 18/3/93

Chairman for the Phumlani Organisation for the Aged, Mr Sonny Tyatyam, said both the increase and the parity were "great news" and were very welcome.

Govt 'secreting money in pension funds'

By Peter Fabricius
Political Correspondent

CAPE TOWN — The Government has been mysteriously stashing away up to R15,8 billion a year into the public service pension funds, the Democratic Party claimed yesterday.

Yesterday's VAT increase from 10 percent to 14 percent in the Budget could have been instead a reduction to nine percent, had it not been for the extraordinary annual increases in employer contributions to the funds, DP pensions expert Brian Goodall told Parliament.

He demanded during an interpellation yesterday that the Government explain the extraordinary increases in its contributions to the pension funds — from R4 135 billion in 1989 to R15 815 billion in 1991.

His revelations have raised suspicions that the Government may have been secreting a huge fund to pay off public servants when a new government takes over.

However Deputy Finance Minister Theo Alant dismissed Goodall's calculations and insisted that the Government's contributions to official pension funds had not increased in real terms since 1989.

He attributed the increases since then to inflation plus R3 billion which had been openly paid in on occasion to overcome the actuarial shortfall in the funds.

Research

Goodall said the R15 815 billion which the Government, as employer, funnelled into official pension funds in 1991 was almost equal to all the money it spent that year on capital investments such as schools, hospitals and roads.

He said when he has asked questions in Parliament during February last year, he had been told that the ratio of employer to employee contributions in the Government pension funds in 1991, varied from 1,5 to 2,75.

However his own research of SA Reserve Bank Quarterly figures showed the average ratio in 1991 was in fact 8,05 to one.

This was far higher than the average ratio in private pension funds of 1,6 to one.

Goodall said if the increase in employers contributions had been 23,18 percent in 1990 and 1991, then in 1991 the taxpaying public of South African would not have needed to have found R9 542 billion.

The 1991 contribution of R15 815 billion was nearly equal to the total investment of R16,9 billion in 1991 by the Public Authorities, general government and public corporations.

This represented all the money spent on roads, bridges, dams, electricity, water supplies, schools and hospitals.

Increased

There was a very real danger in chanelling too much money into pension funds, instead of more productive sectors.

Goodall said that between 1984 and 1989 the Government's contributions as employer to the official pension funds increased from R1 458 billion to R4 135 billion.

This was a "very high" increase of 23,18 percent.

However in 1990, employers' contriution increased by 78 percent to R7 347 billion.

"An enormous increase," he said.

Yet in 1991 employers contributions increased by 115 percent to R15 815 billion, nearly 11 times the level of 7 years ago.

This represented an annual increase of 40,57 percent from 1984, compared to the average in private pension funds of 13,06 percent per annuam and 21,58 percent for long-term insurers.

"What we are witnessing is a massive transfer of wealth to the public sector via the official pension and provident funds.

"In 1984 these funds accounted for 20,22 percent of net contractual savings in South Africa. By 1991, this had more than doubled to 43,01 percent.'

Goodall questioned the need to transfer so much money into the pension funds.

"After all these funds have between 1989 and 1991 shown a doemstic current income surplus of R36 965 billion.

"If this trend continues in SA, we will reach the stage that what we have are pension funds which happen to have a country run for them," he concluded.

Grants to be increased from July 1

Star 19/3/93

300

Old age and disability grants are to be increased to R370 for whites, R343 for coloureds and Asians, and R318 for blacks from July 1, National Health Minister Dr Rina Venter said in a statement yesterday.

This follows the announcement by Minister of Finance Derek Keys in his Budget speech on Wednesday of increased social grants for all population groups.

Venter said war veterans and the blind in all three groups would receive R370. A supplementary grant of R18 applied.

She said parity between all population groups would be reached from September 1, when a grant of R370 would be paid in cases of old age, disability, war veterans, the blind, single care and parents.

The children's grant had been increased to R115 and the foster child grant to R260. — Sapa.

Plan now for old age

South 27/2 – 3/3/93. (300)

SOUTH brings readers an advertising feature on retirement funds to make it easier to plan for the "golden years"

RETIREMENT funds will become increasingly important as the elderly face greater hardship in the years to come, predicts Mr Dave Johnson, Southern Life assistant general manager.

Currently about 82 percent of all pensioners cannot live on the money they receive every month, and this is likely to worsen.

For instance, of a group of people aged 40, only 14 percent will be self sufficient by the time they reach the retirement age of 65, says Johnson.

It is a frightening statistic when one takes into account the other problems facing the country.

South Africa has a young population, especially in the black community where some 12 million people are under the age of 15.

While there are other problems, the education of this group is seen to be crucial, says Johnson.

"With the limited financial resources available to the state, it is inevitable that the needs of the youth will restrict expenditure on the aged.

"State pensions will remain at low levels and with inflation taken into account, these pension funds will actually reduce.

"The situation will be more severe for white pensioners as the government reduces the gap between black and white pensions."

Another problem that will limit spending on the aged is the housing backlog in the country.

About 20 000 houses are needed each year to solve the housing crisis, says Johnson.

At present, the combined public and private sectors provide less than 10 percent of this total a year, he says.

Particularly important for the aged is the fact that low-cost housing will be moved further away from the city centre. The elderly will have to travel longer distances.

"The option of flats and old-age homes is also disappearing. The huge demand over supply is forcing prices upward and soon even finding accommodation will be difficult.

"The state is not likely to play a role here and the elderly could be crammed into night shelters."

Another factor that makes retirement planning important is the breakdown of the family unit, says Johnson.

With South Africa heading the divorce rate list in the world, fewer children regard themselves as being responsible for caring for their parents.

Also, the aged now live longer and it costs more than previously to make their lives comfortable.

Even if an aged person belonged to a medical aid scheme, there would be a shortfall which would have to be funded by the individual.

With the standard of living improving, pensioners will expect to retain items on which they have become dependent — such as television sets — and will have to pay the licence fee.

The scenario gets worse.

The option of deferred retirement is unlikely to be available to those who cannot afford to retire.

The predicted trend is that companies will introduce earlier retirement ages, with 55 or 58 replacing the traditional retirement age of 65.

With unemployment increasing, it is unlikely that a company will retain employees beyond the normal retirement date.

New group calls for Bill of Rights to protect old, frail

ST Times (Cape Metro) 28/2/93

By GLENDA NEVILL (300)

THERE is an urgent need for a Bill of Rights for the elderly, as well as an ombudsman to attend to the problems of the frail and aged, a concerned group of citizens said this week.

The newly formed group, called the Concerned Friends of the Frail and Aged, CFFA, recently met with the Deputy Minister of National Health and Welfare, Dr B L Geldenhuys, to discuss the plight of the elderly.

Statements from relatives relating incidents of maltreatment and abuse of residents in a few old-age homes were in the CFFA's possession and clearly showed the need for intervention as there was no statutory body to deal with such complaints, a spokesman said.

The aims of the CFFA are to promote and preserve the well-being of the frail; to better their quality of life and ensure that their carers are adequately trained; to assist the community by co-operating with the relevant government departments, the SA Council for the Aged and other concerned bodies; to promote and ensure that a Bill of Rights for the Aged is accepted and enshrined; and to encourage families to become more aware of their responsibilities to the aged.

Dr Geldenhuys has agreed to arrange a further meeting after he has studied all reports and recommendations.

● Anyone interested in joining the CFFA or wishing to advise the SA Nursing Association of any problems in the treatment of elderly relatives should write to P O Box 92, Plumstead, 7800.

Sharp increase is forecast in cost of old age pensions

PRETORIA — The rapidly increasing proportion of elderly people in SA would lead to a sharp rise in the demand for state pensions, an HSRC survey has found.

Principal investigator Monica Ferreira said government needed to undertake serious planning measures to avoid "being caught unawares" by spiralling pension costs.

The report suggested that the number of elderly people in SA would increase from 1,5-million at present to more than 7-million by 2035.

In percentage terms this represented a rise from 3,8% in 1993 to almost 7% in 40 years' time.

After conducting a survey of 4 400 people over the age of 60, the report issued by the HSRC and UCT's Centre for Gerontology found that three common problems were being experienced by SA's elderly.

A poor financial outlook, as a result of negligible provision for old age, poor access to health care services, particularly in rural areas, and a general lack of support services were problems faced by many

ADRIAN HADLAND

elderly people, the report said.

Among the report's recommendations were more government assistance programmes for the aged in rural areas; education schemes for young and middle-aged people to plan and prepare for old age and the establishment of more compulsory contributory pension schemes.

"We must put pressure on all companies to provide retirement packages for their employees," Ferreira said.

The report also called for the urgent expansion of long-term frail care facilities, new housing policies to assist the elderly find affordable and suitable accommodation and the promotion by government of self-support and work participation programmes.

The need by government to plan for economic, social and cultural changes among the increasing number of elderly people was urgent, Ferreira said.

The report would be passed on to Health Minister Rina Venter, Ferreira said.

Grand Prix may net SA a fortune

SA would gain about R120m in foreign exchange if this year's Formula One Grand Prix on March 13 generated as much income as last year's, Motor Racing Enterprises spokesman Rory Brown said yesterday.

Brown said auditors Kessel Feinstein found that R120m "clear profit" in foreign exchange had been made by hotels, car hire companies and restaurants as a result of last year's Grand Prix.

He said the R17,2m government grant towards last year's Grand Prix paled into insignificance against the international exposure the country gained as a result of the event.

About 280-million viewers had watched last year's four-day event on televi-

RAY HARTLEY

sion, giving the country massive positive exposure. "There's just no way in the world you can buy that kind of exposure for just R17m," Brown said.

The 16-race Grand Prix series was now rated alongside the Olympic Games, the Soccer World Cup and the Paris-Dakar rally as one of the four biggest sporting events in the world, he said.

About 700 local and international journalists had already applied for accreditation to cover this year's event, while 596 reporters were accredited last year, Brown said.

Last year's race, SA's first in seven years, attracted much international attention. The event also marked the country's re-entry into the international sporting arena.

Brown said the 1992 Grand Prix had been "a nightmare" to organise.

By contrast, preparations for this year's race were going smoothly and the team of 30 Motor Racing Enterprise officials working on the race had learned much from last year's mistakes, he added.

IMPORTANT
NOTICE TO BUSINESS
TRAVELLERS TO UK & EUROPE

Star 3/3/93

Pension increase sought

The South African Council for the Aged has called for a 20 percent increase in State pensions this year and for basic foods and medicines to be freed from VAT. A statement yesterday also suggested that pensioners not residing in subsidised housing or institutions should receive a 50 percent higher old-age pension. (300)

†The same applies to education. What has happened now is that the steps which were taken by the department and the hon the Minister have led to this court case. If this court case had not taken place, the necessary steps to decrease the number of teachers in accordance with an Act of Parliament would have been taken in due course. However, what has happened now? The school issue is a negotiable one, but I have said this before, and I shall repeat it, that I am against our children at school being used for political purposes. We have said so. However, who has caused this to happen? [Interjections.] [Time expired.]

*Mr C I NASSON: Mr Speaker, I should like to tell the hon member for Southern Cape that I do not want to launch a personal attack on that hon Minister. I have no vendetta against the hon the Minister. I do not begrudge him the rest he will enjoy as the hon the Minister of Sport. [Interjections.]

*Mr SPEAKER: Order! Hon members do not have to listen. The Standing Rules of Parliament do not state that an hon member has to listen. He does not have to listen at all. However, he must just not make it impossible for other hon members who do want to listen, to hear. The Chair would also very much like to listen to what every hon member has to say. I am therefore asking for hon members' co-operation. The hon member may proceed. I shall give him extra time.

*Mr C I NASSON: Thank you very much, Mr Speaker. I should like to tell the hon member for Southern Cape that I do not have a personal vendetta against the hon the Minister. However our education is bleeding to death.

The Sekondêre Skool Wolseley does not have any teachers today. The school is closed. [Interjections.] Last Friday there was not a single school in the entire Paarl district. This was a protest against the measures introduced by the hon the Minister. These schools are bleeding. The standards in our schools have dropped drastically as a result of the measures introduced by the hon the Minister. It has now become very clear that the hon the Minister is applying crisis management. I request him once again to give serious consideration to withdrawing his appeal so that no further unnecessary costs are incurred. [Interjections.] [Time expired.]

*The MINISTER OF EDUCATION AND CULTURE: Mr Speaker, thank you for another opportunity to deal with those hon members. This is already the third round. Nevertheless I shall participate in it with great pleasure and great tolerance. Some hon members simply do not understand how things work in Parliament and how things work outside.

The hon member for Bokkeveld came to the real question at the end of his speech. [Interjections.] He appealed to me to withdraw the case. That is his actual intention. I want to remind the hon member that it is education itself which took this case to court. It was not I. [Interjections.] My department's doors were open. It was they who decided to take the case to court. There must be democracy and justice. That is why the court must decide on this matter. It no longer has anything to do with me. I shall therefore not talk about it.

That brings me to the real politics behind this issue. The point of contention is my car telephone and my home loan. However, these are small things. All these hon members are subsidised on their office telephones. Do they talk about that? [Interjections.] Many of these hon members live almost free and gratis in Laboria Park and they do not even pay their rent. The director-general is sitting here. [Interjections.]

We shall circulate the list of the hon members who do not pay their rent. [Interjections.] We shall circulate the list, because there are hon members here who do not even pay rent. They owe years in rent arrears. [Interjections.] The hon member for Pniel talked about management, but what about the houses in Walmer Estate?

*Mr C I NASSON: Mr Speaker, is the hon the Minister prepared to take a question?

*The MINISTER: No, Mr Speaker.

*Mr SPEAKER: Order! The hon the Minister may proceed.

*The MINISTER: The hon member for Pniel referred to the management. What about their management which now wants to sell houses in Walmer Estate? [Interjections.] What did that management do? [Time expired.]

*Mr D M G CURRY: Mr Speaker, on a point of order: I did not build the houses in Walmer Estate. [Interjections.] The hon the Minister must not mislead the House.

*Mr SPEAKER: Order! That is not a point of order. The hon member must please resume his seat. The question of who was responsible for the houses is not a point of order.

*Mr D M G CURRY: Mr Speaker, the hon the Minister misled the House. [Interjections.]

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

Own Affairs:

Ennerdale: loan application for village for the aged

*1. Mr A E REEVES asked the Minister of Health Services and Welfare:

(1) Whether the Ennerdale branch of a certain organization, the name of which has been furnished to the Minister's Department for the purpose of his reply, has applied to his Department for a loan to build a village for the aged in Ennerdale; if so, (a) when and (b) what is the name of this organization;

(2) whether this loan has been or will be granted; if so, when; if not, why not;

(3) whether he will make a statement on the matter? C23E

The MINISTER OF HEALTH SERVICES AND WELFARE:

(1) Yes.

(a) 27 June 1989.

(b) The Harvest Ingathering Appeal (Transvaal Federation Branch).

(2) The granting of loans for building purposes is a function of the Department of Local Goverment, Housing and Agriculture and not of the Department of Health Services and Welfare.

(3) No.

Mid-Ennerdale School/school clinic

*2. Mr A E REEVES asked the Minister of Education and Culture:

(1) Whether his Department has received a request for the old Mid-Ennerdale School to be utilized as a school clinic; if so, (a) when and (b) from whom;

(2) whether his Department has acceded to the request; if not, why not; if so, when will this school be converted into a clinic;

(3) whether he will make a statement on the matter? C24E

†The MINISTER OF EDUCATION AND CULTURE:

(1) Yes.

(a) 12 June 1992.

(b) The School Committee of the Mid-Ennerdale Primary School.

(2) No. The Department is still experiencing a shortage of classroom accommodation in the area. The Department is therefore compelled to utilise the available classrooms for secondary/primary education so as to ensure that basic education needs are addressed.

(3) No. A statement is not deemed necessary.

Officials of Administration: political party membership

*3. Mr S S OOSTHUIZEN asked the Minister of the Budget:†

Whether officials in the employ of the Administration: House of Representatives are allowed (a) to be members of political parties and/or (b) to state or defend the standpoints or policies of specific political

school, the governing body is continuing with this practice,

(b) Hoërskool Carletonville.

Robbery at secondary school

*2. Mr A GERBER asked the Minister of Education and Culture:†

(1) Whether a robbery took place recently at a certain secondary school for boys, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, what are the relevant details, including the name of the school;

(2) whether any security measures or additional security measures have been taken at this school since then; if not, why not; if so, what measures;

(3) whether he will make a statement on the matter? B245E

The MINISTER OF EDUCATION AND CULTURE:

(1) Yes, the administrative manager at Glenwood Boys' High School was held up by two men armed with a hand-grenade. Cash, cheques and credit card slips to the value of R18 746,00 were taken;

(2) yes, stricter access control to the administrative office area was ensured. The governing body is investigating this aspect further;

(3) no.

White schools/colleges closed

*3. Mr R M BURROWS asked the Minister of Education and Culture:†

(1) Whether, with reference to the reply to Question No 3 on 12 February 1991, any of the four executive education departments of his Department closed any schools or colleges of education in 1992; if so, (a) for what reasons and (b) what total number was closed;

(2) whether the closing of schools or colleges in terms of a policy of rationalization will continue in 1993; if so, for what reasons;

(3) whether he will make a statement on the matter? B247E

†The MINISTER OF EDUCATION AND CULTURE:

(1) Yes,

(a) in order to ensure the cost-effective utilization of facilities,

(b) 88 schools and 2 colleges of education;

(2) yes, in order to ensure the continued cost-effective utilization of facilities;

(3) no.

Mr R M BURROWS: Mr Chairman, arising out of the reply of the hon the Minister, particularly regarding the second section, which deals with the continuation of the policy of rationalisation, is he taking into account that his Department will disappear at the end of the coming financial year and that the planning for rationalisation should take account of the regional necessities for catering to a much wider pupil population?

The MINISTER: Mr Chairman, the answer is, yes, I am already doing that. I also just want to explain that there are many reasons for closing schools and there is no simple answer which covers all eventualities. For instance, sometimes I close schools in order to make the school facilities available to other departments. Sometimes schools amalgamate and then I obviously have to close one of them. In such cases I also try to make the facility available for use by other departments. There are many other reasons, and this is a rather complex situation.

Old-age pensioners: means test adjusted

*4. 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? B250E

The MINISTER OF HEALTH SERVICES AND WELFARE:

The possible adjustment of the means test is continuously receiving the Department's attention. Any adjustment in this regard is, however, subject to the availability of funds.

†Mr H D K VAN DER MERWE: Mr Chairman, arising out of the hon the Minister's reply, I want to ask her whether she is continuing to use racial terms like "White"?

†The MINISTER: Mr Chairman, I should like to know what the hon member is referring to. We are in the process of phasing out all forms of discrimination.

†Mr H D K VAN DER MERWE: Mr Chairman, further arising out of the hon the Minister's reply, I am referring to the term "White" which is used in the question, as she will know if she has read it. I just want to ask why, if she is already in the process of phasing out racial terms, she did not reply to the question properly.

†The MINISTER: Mr Chairman, surely the hon member Mr H D K van der Merwe knows that this is an own affairs matter dealing mainly with White affairs. I think this is a question that is really not relevant here. We are in the process of phasing out own affairs, and this applies to both health and welfare services. [Interjections.]

†Mr H D K VAN DER MERWE: Mr Chairman, further arising out of the hon the Minister's reply, I want to ask whether the phasing out of own affairs will therefore also mean the phasing out of the term "White".

†The MINISTER: Of course!

Mr H D K VAN DER MERWE: [Inaudible.]

†The CHAIRMAN OF THE HOUSE: Order! The hon member has already put his question!

Mr R M BURROWS: Mr Chairman, further arising out of the various replies of the hon the Minister, could she give us an indication of whether, when race terminology disappears, the means test will be assessed non-racially at the present level for Whites or at the present level for one of the other races.

The MINISTER: Mr Chairman, this will naturally be considered by the new Department of Welfare, and on that basis there will be no discrimination.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament.

Hospitals in Transvaal transferred to local authorities

*5. Mr M J ELLIS asked the Minister of Health Services and Welfare:

(1) Whether any hospitals in the Transvaal have been transferred to local authorities in terms of the Hospitals Ordinance (Transvaal), 1958, as amended by the Hospitals Ordinance Amendment Act (Transvaal) (House of Assembly), 1992, (Act No 111 of 1992), since the commencement of the Act; if not, why not; if so, (a) how many have been so transferred to date, (b) what are the names of these hospitals and (c) to which local authority was each such hospital transferred;

(2) whether any savings have accrued to her Department as a result of these transfers; if so, what total amount? B260E

The MINISTER OF HEALTH SERVICES AND WELFARE:

(1) No.

(a) (b) and (c) and (2) fall away.

I wish to point out, however, that Kempton Park hospital was identified for possible transfer to the local authority of Kempton Park. On account of certain aspects in the negotiation process on which agreement has not been reached, the matter could not be finalised as yet.

No change in means test

Sowetan 4/3/93. (300)

THERE would be no discrimination in adjusting the means test for old-age pensioners once a new Department of Welfare was in place, Minister of Health Services and Welfare Dr Rina Venter said yesterday.

Replying to a question in Parliament from Mr Brian Goodall (DP Edenvale), she said the department was trying to get rid of all forms of discrimination. Asked if any steps were being taken to adjust the means test for white old-age pensioners, she said the matter was receiving constant attention, but depended on availability of funds.

— *Sowetan Correspondent and Sapa.*

FINANCIAL SERVICES

Sighs of relief

300

FM 19/2/93.

An acceptance by Japie Jacobs, special adviser to the Finance Minister, that his controversial pension tax reforms cannot fly has been welcomed by the life offices. Yet some assurers, Old Mutual among them, while disliking the Jacobs proposals, agree that taxation of retirement funds could be modified to accelerate government cash flow. Old Mutual GM Garth Griffin is one who believes some changes could be justified.

Others believe the pensions furore took the industry's eyes away from the main thrust of Jacobs's report. "It's a pity there's been so much comment about a four-page section when the other 140-odd pages show excellent insight into how financial services overall should be regulated," says Southern Life assistant GM Tony Davey.

Jacobs tried to develop an "holistic" approach to regulating all financial services. Some institutions likely to be affected were called to a meeting in Pretoria last week but no details of the discussion have emerged. ■

R3m raid on pension scheme

CT 19/2/93
300

By PETER DENNEHY
Municipal Reporter

IN another raid on a pension fund, Cape local authorities will have to pay an estimated R3 million extra a year in contributions.

This comes after a surprise change to the rules of the Cape Joint Pension Fund, the fund for officials working for Cape local authorities — including the Western Cape Regional Services Council.

The rule change, which was made last year and came into effect on January 1, is expected to cost the Western Cape RSC an extra R800 000 a year in contributions as an employer.

Several municipalities in the Cape Province — excluding Cape Town — are affected.

With a total membership of 20 000, it is estimated that extra contributions to the fund due to the rule change will cost a total of R3m a year.

Yesterday the Cape Times revealed that another pension fund for city councillors gave members an option to "buy back" years of service — increasing benefits at the expense of ratepayers.

In terms of the new scheme accepted by the Cape Joint Pension Fund's board of trustees, those who have 20 years of pensionable service get an extra year's credit.

They do not have to "buy back" this extra year, unlike local authority councillors and management committee members.

Also, in respect of each period of five years of service after the first 20, officials will get another year added on.

In return for these concessions, which are expected to cost the fund dearly in retirement payouts and benefits, the fund requires additional inputs, although it has assets in excess of R1 billion, according to a report from the board of trustees.

Individual members must contribute an extra 0,3% of their salary, while the local authority which employs them must pay an extra 0,6%.

ANC slates 'money grasping'

Municipal Reporter

THE behaviour of the civil service, grasping for bigger and fatter pension packages, is contemptible, said Mr Lerumo Kalako, vice-chairman of the ANC's Western Cape region.

He was responding to reports that two separate pension funds had recently changed their rules or procedures to enable some of their members to either "buy back" extra years of pensionable service, or be credited with them for free under a long-service bonus scheme.

It has been calculated that the Cape Joint Pension Fund will draw an extra R3 million a year from local authorities, who have to contribute the employers' shares of pension fund payments.

The Municipal Councillors' Pension Fund has recently offered its members the option of "buying back" service that members have actually completed, before they paid subscriptions. This could in theory cost the Cape Town City Council half a million rands.

"This scrabbling for money is clearly motivated by a desire to milk the public for every cent before a democratic government brings an end to the corruption of those who have traditionally benefitted from apartheid," the ANC said.

CT 20/2/93

Flexible new annuity

SAGE Life has introduced significant new flexibility to retirement planning with the launch of its new Living Annuity. Currently there are two major drawbacks for new pensioners — a relatively low fixed income because of the recent drop in interest rates, and their pension money often "dies" when they do. (300)

The new Living Annuity, besides a flexible approach during the pensioner's lifetime, also has the built-in benefit of passing on the fund's capital to beneficiaries.

A pensioner may select a pension level within wide limits — between 2 percent and 20 percent of the retirement capital. The lower the selected income, the higher the potential growth in future years. Previously, only a fixed pension could be obtained.

Voluntary additional contributions to top up funds may be made at any time. The high flexibility of the new product makes it well suited to those who do not depend on it as their sole source of retirement income.

STM · 2012/93.

PLAN PROPERLY to earn the most from RA contributions

RAs save tax, secure future

(300)

STMR 25/2/93

■ Big Benefits: Retirement annuities can be planned in various ways in order to gain maximum tax relief.

The introduction of retirement annuity funds in 1960 afforded self-employed people the opportunity to effect individual pension plans while enjoying tax relief on their contributions.

Currently the deductibility of current contributions to a retirement annuity fund is limited to the greatest of: 15 percent of income derived from non-retirement-funding employment; or R3 500 less any deductible pension fund contributions; or R1 750.

Where the taxpayer is a married woman the amounts of R3 500 and R1 750 in the formula will be R1 750 and R875 respectively.

Qualify

Any contributions which do not qualify for deduction from the taxpayer's income for that year may be carried forward to current contributions in the next year of assessment. This applies when a member continues to contribute more to his retirement annuity fund than is deductible, which should be recorded and taken into consideration to increase the tax-free portion of the lump sum benefits received on death or retirement.

A taxpayer may make a single premium contribution to a retirement annuity fund that could be deductible. He may also vary his contributions each year by effecting a series of single premium retirement annuity funds after having calculated his maximum deduction in respect of each year.

In addition, reinstatement contributions of up to R1 800 to a retirement annuity fund are deductible (R900 in the case of a married woman).

Any portion of a reinstatement contribution which has been disallowed because it exceeds the amount of the deduction allowable in one year may be carried forward and considered as a contribution to the next year.

Retha Roux, manager of the tax division at Deloitte & Touche, explains this complicated subject: "Employees who are lucky enough to be members of a non-contributory pension scheme may obtain a tax planning advantage by contributing a full R3 500 annually to a retirement annuity fund.

"This would be fully deductible for tax purposes. In this way, executives of the company could enjoy membership of both a pension fund and a retirement annuity fund, have the full cost of the pension fund deducted in the company each of them would also be permitted to claim R3 500 annually in respect of retirement annuity fund contributions.

"Where a husband remains taxable on certain types of income derived by his wife, she has a choice whether to claim her contributions as a deduction against her income or to permit her husband to claim the deduction. Where the husband claims a deduction, the limits applicable to him and not those applicable to the married woman, will apply."

In years of assessment ending on or before February 28 1991 the Commissioner for Inland Revenue adopted the practice of allowing a husband to deduct contributions made by his wife up to the maximum determined by his taxable income if his wife had no taxable income or insufficient taxable income from which to deduct her own contributions. This practice was discontinued in March 1991.

"As a reuslt of recent changes in legislation, a married woman who has made contributions now has the option either to claim the deduction herself, or to have the option deemed to have been made by her husband for tax purposes."

The option is only available if the wife became a member of the retirement annuity fund before March 1992. This concession will, however, only apply until February 28 1997. "Unfortunately is not clear whether a member includes a contributing member as well as a paid-up member," Roux said.

Providing for your future is vital

300

Making provision for retirement at an early date is as vital to your survival as putting oil in your car for its continued existence. STAR 25/2/93.

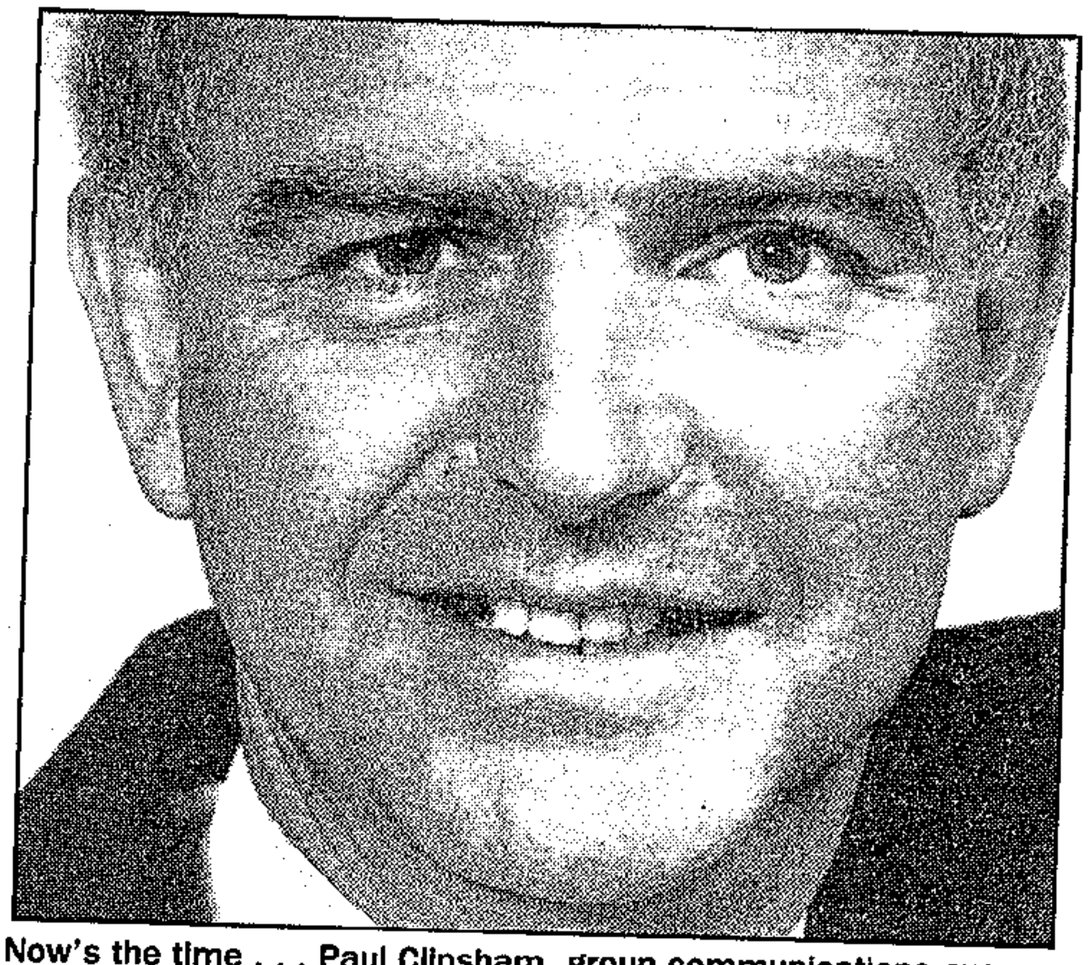
Few people are able to live comfortably on their pensions. Few pensioners maintain their living standards on their company's pension payments alone. Additional retirement investments are nearly always needed to supplement a company pension.

"It is vital to start saving early and this means paying into a retirement annuity as much as possible over as long a period as you can," advises Paul Clipsham, group communications executive of Fedsure and former president of the Institute of Life & Pension Advisers (Ilpa).

The capital built up in a retirement annuity should be converted into a monthly pension at retirement date with a great deal of care.

"The effectiveness of a pension needs careful scrutiny. In the case of a married couple, one or both partners may not enjoy good health or they may have a family history of heart problems.

"It is then possible to make an intelligent guess at life expectancy and which spouse will live longest. Obviously, if a pensioner is clearly in bad health, it would be foolish to take out a single life pension on the life of that person . . . "



Now's the time . . . Paul Clipsham, group communications executive of Fedsure and former president of the Institute of Life & Pension Advisers (Ilpa), says: "It is vital to start saving early and this means paying into a retirement annuity as much as possible over as long a period as you can."

Hereditary diseases include heart diseases and cancer. Some groups of people are more prone to strokes than others and such facts should influence the types of pensions taken out at retirement.

The options include a joint life pension which either reduces when the first spouse dies or stays the same. Clipsham says these options are often disregarded whereas they require close examination weighed up against the immediate costs in the form of lower initial monthly income.

Another aspect of a pension is whether it is inflation-proof. Escalating pensions do mean giving up immediate income now for greater income at a later time with a lower purchasing power, but if pensioners wish to maintain their standard of living, they should consider paying this premium.

Another possiblity would be to take the third cash amount payable on retirement and invest this in a unit trust thereby protecting the capital on the long term and generating an income. The dividend income itself should also provide a hedge against inflation.

This brings us back to the fundamental question as to whether there will be enough money at retirement to support the pensioner and his or her dependants.

Retirement dates vary from company to company. Some retire at the end of the month of retirement age, others at the end of the year, others at the end of the financial year. The ideal retirement date for tax purposes is March 1.

Retirement annuity maturities are flexible as to the year of retirement provided the policyholder continues contributions. However, a retirement annuity has to be taken as a pension which expires for all policyholders when they reach age 70.

On retirement, when the pension is set up it is necessary to shop around to find which annuity offers the best income.

Retirement: Don't rely on State, firm

300

The harsh reality of our economy and the need for vast social upliftment of a large sector of our population means that it would be dangerous for anyone to believe that reliance in the State and a company pension would suffice for retirement. STM 25/2/93

More than one third of the present working population have no pension fund. The average period of membership of pension funds administered by Old Mutual is only 15 years and as SA's largest life assurer, this is probably representative of the total.

Few people nowadays remain in one job for the 40 years or so required to secure a reasonable pension. In fact, ambitious achievers tend to job-hop more than most. Pension funds generally pay a pension of 2 percent for each year of service multiplied by the average of the last three years salary prior to retirement.

There are also other factors such as inflation. You cannot use the purchasing power of today's rand to assess the value of the rand in the future.

You should also always consider the tax implications when looking at long term capital growth. At the highest marginal tax rate, for every extra rand you earn you pay 43c in tax. If you earn 20 percent on a fixed-interest investment and your marginal tax rate is 43 percent (on interest earned over and above the first R2 000 which is tax free) your after-tax interest rate is 11,4 percent, less than inflation.

So within this environment, how can one successfully plan for retirement you may ask? Peter Stephan, senior legal analyst of Old Mutual says there are some golden rules for successful retirement planning. "You should begin to accumulate your retirement capital from an early age and update your programme regularly. You should commit yourself to regular investment which should be set aside for your retirement only.... Most importantly people should plan for inflation."

Let taxman pay towards your retirement with RA

STAR 25/2/93 (300)

Retirement annuities are hard to beat as an investment if the tax savings are taken into account.

This is the view of Gavin Came, AGM consultancy services of Liberty Life.

"A person without a pension fund can deduct R3 500 or 15 percent of his taxable income for contributions to an RA — in effect the taxman is contributing towards his retirement. And he can enjoy immediate cash flow advantages by requesting his employer to take his contributions to a RA fund into account when he calculates the tax."

Funds in the RA fund grow free of tax until the retirement date at which point the first R120 000 of the accumulated funds is usually tax free, subject to a formula, and the balance is taxable at the member's average rate of tax. The remaining two thirds of the fund is used to purchase the member an annuity or pension. The annuity is fully taxable at marginal rates.

The most common types of annuities are the single life annuity, joint life and last survivor and annuity in conjunction with life assurance policy.

The single life annuity is payable throughout the lifetime of the annuitant. A guarantee period is usually selected to ensure that, if the annuitant dies early, the annuity is payable for at least the guarantee period. Where there is no guarantee period, the highest annuity is generated but this ceases on the annuitant's death.

The joint life and last survivor is payable throughout the lifetime of the survivors of two annuitants — usually a husband and wife. The amount payable may remain constant, or it may reduce after the first death.

The annuity in conjunction with a life assurance policy is payable throughout the lifetime of the annuitant with a portion of the annuity being used to fund the premiums of a life assurance policy on that person's life. The amount of life assurance may not be greater than the consideration amount used to buy the annuity. On death, the annuity ceases and the life assurance proceeds are paid.

The selection of the method of payment must also be made: a level annuity, an escalating annuity or a property-linked annuity.

A level annuity is payable at the same rate for the rest of the annuitant's life. It will obviously be the highest of the three types because the assurer does not have to provide for increases in the future.

The escalating annuity increases annually at a guaranteed rate, starting with a lower annuity in order to receive more later. The escalation rate is chosen at inception and may not exceed 15 percent.

A property-linked annuity is linked to the investment returns achieved by the Liberty property portfolio. The annuity for the first year is based on an interest rate of 12 percent. Every year thereafter it is increased (or decreased) by the difference between the property bonus declared for that year and 12 percent. The annuity is guaranteed not to drop below the equivalent of an annuity calculated at 5 percent.

Delays will increase future burden

STAR 25/2/93 (300)

Repeated warnings and threats of abject poverty in retirement are published to try to get through to the working public the need to do something — now.

Delays will only compound the financial burden at retirement.

The local life assurance industry is at the forefront of assisting people with forward financial planning to ensure the optimum use of their retirement capital.

Gavin Dingley of Standard Bank Financial Services (Stanfin) gives an example of a person who takes out a retirement annuity with premiums of R100 a month, at age of 41. The policy, which has a 15 percent a year premium increase would be valued at R876 076 when he reaches retirement at the age of 65.

Should that same person delay taking out the same policy until he reaches the age of 46, the policy would only be worth R348 323 on retirement at age 65, a loss of R527 753.

Dingley warns people looking at retirement packages for a get-rich-quick results. These invariably have detrimental results for investors.

Numerous factors have to be taken into consideration when considering a retirement package. These include:

- The number of years to retirement.
- Whether one's home has been paid for.
- Income requirements, making special provision for the debilitating affects of inflation.
- Home security.
- The cost of on-going health care.
- Medical insurance to bridge the gap between the medical aid benefit and the cost of medical care.
- Life assurance to provide for the spouse should the bread-winner die before retirement.

There are various methods of accumulating a capital sum and income which become available on retirement. These include regular payments into a company pension fund or provident fund.

Another option is to take out a retirement annuity policy which not only offers substantial benefits on maturity, but also provides attractive tax benefits.

Endowment policies, provided they conform with current tax legislation, ensure a tax-free payout without restrictions on maturity of the policy.

Investment in a spread of equities, through a mutual fund, will ensure capital growth over the longer term, as well as a reasonable level of income.

The Standard Bank has a special financial services package called Consolidator for people aged 60 and over. The Consolidator plan, which offers low cost banking among its benefits, covers a wide range of investment products and services at preferential rates and an estate and retirement planning service free of charge.

Taxing question of retirement

STAR 25/2/93 (300) (220)

When looking at the retirement planning scenario, it is virtually impossible to separate the tax from other considerations.

Accepting the need for retirement provisions as an unassailable fact because so few people can retire and maintain their standard of living, it is really the individual's tax preferences which will determine the type of product that he or she chooses to supplement the existing retirement provisions.

Virtually all products offered by Norwich Life can fulfil the role of a retirement provision — a pension, provident or benefit fund in the cause of employer-driven schemes, or a retirement annuity or a straight-forward endowment policy.

Other products that may be considered range from deferred compensation schemes and annuities to an investment in unit trusts.

In the case of pension and provident funds, the build-up in the fund is not taxed in the hands of the life assurer while contributions made by the employer are deductible for tax purposes. The same applies where an individual makes contributions to a retirement annuity fund. This results in the return, or investment yield on these schemes being marginally higher than that on other types of investment.

Chris van der Walt, Norwich Life manager of legal services says: "The returns achieved by Norwich Life on these funds have consistently outperformed the rate of inflation, providing the investor with a real rate of return.

"It should be borne in mind by the investor that the proceeds of pension and provident funds as well as retirement annuities are subject to tax at the individual's average rate, once the prescribed tax free limits are exceeded, whilst endowment policies and the capital growth on unit trusts are not taxed in the individual's hands.

"The role of the financial advisor is therefore to advise the client on the best mix of all these products ..."

With the cost of health care ever increasing, it is essential that retirement planning should also involve provision for health care after retirement, as one major operation after retirement can effectively ruin the most carefully made plans.

Norwich Life has specifically designed the Nu-Med Benefit Fund (for employers) and the New-Med range of health care products (for the individual). They not only cater for a major medical disaster while still in full-time employment, but also after retirement.

In addition to the individual purchasing cover for such a disaster, a substantial cash value is also accumulated which can be used to pay further premiums after retirement or which may be accessed tax free in the event of a medical disaster.

People who are concerned about the rising cost of medical expenses as well as employers who will qualify for tax deductions on contributions made to the benefit fund will find this product particularly attractive.

(300)

According to the Department of Finance's latest report on government pension and provident funds and the stabilisation account, these steps include eliminating the right to base the pension on salary at the last day of service. Private-sector practice tends more to the average salary over the previous two or three years.

Noting that early retirements for "health reasons" have considerably exceeded expectations, the actuary wants an investigation into procedures through which members qualify for benefits due to poor health.

Increases in the annuities of pensioners since 1988 have been higher in most cases than the prevailing rate of inflation, imposing an additional burden of almost R2,5bn on the fund. The actuary recommends abolition of the stabilisation fund for civil pensions and that annuity increases should be determined only after thorough consideration of their financial implications.

The valuation shows a steady progress towards full funding. From a situation of 41% funding in 1988, it improved to 51% in 1991. The actuary concludes the improvement is "gratifying" and, if the trend continues, full funding will eventually be achieved in a natural way.

But a significant reason for the improvement is that current civil service employees are having to dig deeper than their retired predecessors to meet contributions. The ac-

& continue →

GOVERNMENT PENSIONS

FM 26/2/93

Curbing some excesses

The Government Service Pension Fund actuary recommends several changes to the rules to eliminate benefit levels which would be considered exceptional in the private sector and which contribute to the fund's technical insolvency.

(300)

tual scale of contributions, including those for service bonuses, amounts to 29% of salary. Contributions required to fund the benefits that accrue amount to 24,9% of salary. The margin of 4,1% wiped an estimated R600m off the fund's accumulated shortfall during 1992.

(300)

Reasons for the shortfall are well established — a highly restrictive investment policy which saw all contributions invested in gilts; and, in the past, excessive benefits and loopholes such as the right to buy past service credits.

As part of a process it calls "emancipating" all the government pension funds, the investment prescriptions are being lifted. Last year about R40bn of government pension funds were managed by private-sector managers, with permission to invest in shares and property for the first time.

The second stage of emancipation would be to register the funds with the Registrar of Pension Funds under the same Act governing private-sector retirement funds. But, as the law stands, the Registrar cannot register a fund which is financially unsound. ■

Retirement Annuities

Tax on pensions debate continues

SOUTH 27/2-3/3/93. 300

THE Jacobs Commission recommendations that pension fund contributions should be taxed has been scrapped.

But they sparked off a major debate, with the ANC accusing the government of not consulting other parties.

Although the recommendations will not be implemented in next month's Budget, they may become part of government strategy later as the pressure increases on the state to find ways of increasing its revenue.

The ANC has argued that taxation will reduce the amount people will save because of the tax on their contributions to provident or pension funds.

Companies also came out strongly, saying that they would rather pay bigger salaries than contribute to pension or provident funds.

These were the major points of the commission, headed by Japie Jacobs.

- The current taxation system favours higher income groups, therefore poor people pay more.
- The state needs revenue from taxation to remove disparities in the social pension system.
- Compared to immediate taxation, the deferred approach results in lower taxation — which means tax is only gathered when the lump sum is paid out.
- The commission recommends that all withdrawals from retirement annuities should be taxed. Also, any profits from investments made by an individuals retirement fund, should not be taxed
- Another suggestion is that only two-thirds of annual contributions by employees into pension or provident funds will be allowed as tax deductible.

And two-thirds of the benefits at retirement, death or withdrawal would then be taxed.

In contrast to the Jacobs Commission report, the Mouton Commission, appointed by the then Finance Minister Mr Barend du Plessis in 1988, recommended that the investment income of retirement remains untaxed.

The 675-page Mouton report has also recommended that tax incentives were crucial to successful retirement planning.

Although these recommendations have been rejected, some form of taxation is likely in future.

— Waghied Misbach



BROKERS: Commlife managing director Fred Roberston (seated) with his staff. Clive Slingers, left, Jamie Johnson, Irvan Arendse, Gail Wyngaard, Yagyah Mohedeen, Ulpha Robertson and Humphrey Herwells

14 reasons to invest in RAs

South 27/2 – 3/3/93. (300)

COMMLIFE Insurance brokers offer a wide variety of insurance products from 16 insurance companies in South Africa.

Founded four years ago, Commlife offers retirement funds (Retirement Annuities pension and provident funds), life insurance, group life schemes, unit trust investments, education policies, funeral policies and motor, household and business insurance.

Managing director Fred Robertson says retirement annuity funds are crucial in the current economic climate.

He outlined 14 reasons why one should invest in a retirement annuity (RA):

- To ensure or supplement an income on retirement.
- On retirement, one's income is reduced, but inflation continues.
- The purchasing power of saving or pension reduces.
- You want to remain independent and maintain dignity in your twilight years.
- The culture of children housing aged parents is fast disappearing.
- Diminishing ability of the state to support the aged.
- Government allows you a tax deduction for contributing to an RA.
- Married women are entitled to a deduction.
- A tax-free lump sum at retirement (55-65 years)
- Regular income guaranteed for 10 years.
- Some RAs will pay a pension or retirement sum even if you are disabled before retirement.
- Cannot be taken by your creditors if you are insolvent.
- You can invest a lump sum or regular monthly payments.
- Unlike endowments, you can take a term of less than 10 years, that is, a person aged 57 can invest for 1 or three years.

The disadvantages of an RA are:

- RAs are inflexible because they cannot be accessed or serve as security for a loan.
- You must be ~~a minimum~~ age of 55 before you can claim the proceeds.

Robertson says with the shortfall in the state pension, individuals will have to take care of retirement on their own.

"No longer can workers depend on their employers."

He says people in all sectors of the economy are being retired early, as happened with teachers.

Better deal for pensioners

MOST pension funds now provide "reasonably generous" annual increases to help pensioners cope with inflation — although "in real terms pensioners continue to grow poorer each year," Sanlam GM Walter Schoffler told the Ilpa conference yesterday.

And a growing number now include fringe benefits in pensionable salaries.

Sanlam research showed that 48% now included the 13th cheque as a pensionable benefit compared with 27% in 1989.

The number including a car as a pensionable benefit had grown from four in 1989 to 12 last year. Housing was now included as a benefit by nine compared with 12 in 1989. And 14 now included other fringe benefits compared with 11 in 1989.

The average annual pension increase to compensate for inflation had risen to 12% in 1991 when the inflation rate was 16,2%. This compared with an average increase of 9,3% in 1985 when the inflation rate was 18,5%.

She's still all 'go' at 67

STAR 24/3/93

AT 59, Constance Koza was forced to retire as a principal of Inanda Seminary for girls because she was "too old to understand young charges".

When the axe fell, no-nonsense Koza was already called Gogo Connie by fearful students who did not underestimate her energy and zest for life.

She left, but instead of investing her pension in a rocking chair, she landed a full-time position with Eskom as a human resorces group consultant. Her main portfolio was to improve cross-cultural understanding, employee well-being and to help develop their equal opportunity programme.

At 63 she was awarded a certificate in recognition of her contribution. Now, at 67, she runs her own consultancy in Johannesburg on communication and human management skills.

She is co-ordinating women from the sub-Sahara region to attend the world conference of gender, population and development to be held in 1994.

She is not bitter about growing old. She sees it as a natural occurence that makes her even more valuable than she was at 30. What she does regret is growing old in a world that no longer values its elderly.

"I have acquired wisdom that only comes with age and experience," she says.

Resource

South Africans fall flat on development because they throw away old people instead of using them as a resource.

Koza says they should take their cue from the Japanese who retain wise old people as internal consultants. They do not hamper the growth of young upcoming talent, but their knowledge and experience are readily available.

Koza does not deny that age has some limitations. She is no longer as agile and active as she used to be, although she still walks high on her fashionable stiletto heels.

Mentally, she is "as sharp as ever".

PHANGISILE MTSHALI

HOUSE OF REPRESENTATIVES

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

Temporary employees pension fund

*1. Mr C I NASSON asked the Minister for Administration and Tourism:

(1) How many persons are contributing to the Temporary Employees Pension Fund;

(2) whether he intends converting posts currently filled by temporary employees into permanent posts; if not, why not; if so, from what date?

C74E.INT

*The MINISTER FOR ADMINISTRATION AND TOURISM: Mr Chairman, in response to the first question I am able to say that 300 000 persons are at present contributing to the Pension Fund for Temporary Employees.

As far as the second question is concerned it must be pointed out that in the Public Service the permanent appointment of persons is a complex matter which cannot be approached simplistically. In order to evaluate the matter it is necessary in the first place, to understand the way in which the Public Service is constituted, in other words how posts are created and secondly, how appointments are made. The status of a person is therefore dependent on which position he holds and in which capacity he has been appointed.

In broad terms the Public Service is made up of the following persons:

(1) Persons who hold posts in the A or B division.

(2) Persons who hold non-classified posts.

(3) Additional persons appointed to the establishment.

The type of post held by a person therefore has an effect on his status.

Persons who have been appointed in the A or B division and who comply with certain prescribed requirements may be appointed in a permanent capacity. Persons who hold non-classified posts may be appointed in a temporary capacity only. In addition persons who do not meet the prescribed requirements for permanent appointment in the A or B division may be appointed in a temporary capacity as well.

In general terms persons who hold posts in the A or B division and who meet the requirements for permanent appointment are known as officers, while persons who have been appointed in a temporary capacity are known as employees.

The Government Service Pension Act, Act 57 of 1973, and the Temporary Employees Pension Fund Act, Act 75 of 1979, respectively, provide that an officer—

(a) shall become a member of the Government Service Pension Fund if he holds a post on the fixed establishment or is appointed in a permanent capacity; and

(b) is a member of the Temporary Employees Pension Fund if he is not compelled in terms of an Act to contribute to a pension or provident fund.

Appointment in a "permanent capacity" is not defined in the Government Service Pension Act. [Time expired.]

*Mr C I NASSON: Mr Chairman, the reply which the hon the Minister gave us here this afternoon, namely that 300 000 persons are still temporarily employed by the State, gives us an indication of the importance which we should attach to this debate. Moreover, most of those workers who have been employed temporarily are persons of colour. They are general workers, assistants and labourers who work in our hospitals, and in particular in our schools, as caretakers and cleaners.

During the past three years hospital workers in particular repeatedly staged boycott actions and held protest marches. One of their problems which is constantly being raised is the fact that so many general workers, assistants and labourers employed by the State remain temporary employees. They are still contributing to the Temporary Employees Pension Fund.

These Public Service workers would very much like to become permanent employees in the Public Service so that they may be subject to the same conditions of employment as those who

are permanently employed. Similarly they would also like to contribute to the Government Service Pension Fund, so that when they retire, or if they were perhaps forced to leave the service as a result of a rationalisation programme, they would at least be able to leave with full pension benefits.

At schools and hospitals in particular there are assistants, labourers and general workers who fall into the category of temporary employees. In a similar interpellation which took place on 3 March this year, the hon the Minister of National Health informed this House that the State's contribution to the Temporary Employees Pension Fund was 5 % per member, while it was 8 % per member in the case of permanent employees. It should therefore be clear to hon members that temporary employees are still being discriminated against. The hon the Minister for Administration and Tourism referred to 300 000 such workers.

The DP is extremely concerned about these people, especially in view of the fact that Government departments are expected to cut their staff expenditure by 5 %. [Time expired.]

Mr D M G CURRY: Mr Chairman, now we come to the real government of South Africa, because this is the peer group. The hon the Minister has explained how one can become an official in a department. They place a barrier between people at the top and those at the bottom. They determine policy, salaries and status. In the Public Service it is said that one's status depends on the size of one's desk. This even applies to the mat under one's desk.

There is an old saying that there are good and bad people in the world and that the good do the classification. The same applies to the Public Service. There are 300 000 temporary workers and their status is determined by the Commission for Administration. When those who have not been in government in South Africa take over, we are are going to change this, no matter who becomes the government of South Africa.

We cannot allow the poor to be dominated by those at the top. [Interjections.] We shall be there to determine the policy according to which officials are promoted, are appointed permanently, receive pensions and are protected in their old age. We cannot allow things to continue as they are. I am not blaming the hon the Minister who is taking part in this debate here today. When the hon the Minister was appointed to office, this was handed to him. The White power structure determined all of this over the years.

Even one's status was determined according to one's colour. I remember . . .

*Mr N M ISAACS: Mr Chairman, may I put a question to the hon member?

Mr D M G CURRY: Mr Chairman, I do not have time to take any questions.

When we were in the CRC under the old Department of Coloured Affairs, we even had two budgets. There was one which defined the salaries for Coloureds . . .

An HON MEMBER: [Inaudible.]

Mr D M G CURRY: No, we never even controlled the budgets. The budgets were controlled by the Minister of Coloured Affairs. [Interjections.] [Time expired.]

*Mr S SIMMONS: Mr Chairman . . .

*The CHAIRMAN OF THE HOUSE: Order! The hon members for Bonteheuwel and Bishop Lavis must contain themselves now. The hon member for Belhar may proceed with his speech.

*Mr S SIMMONS: Mr Chairman, when one listens to the hon members for Bokkeveld and Pniel it is very clear that they do not understand the way in which the Public Service is constituted. [Interjections.]

*The CHAIRMAN OF THE HOUSE: Order! The hon member for Schauderville must please contain himself. The hon member for Belhar may proceed.

*Mr S SIMMONS: Mr Chairman, the hon the Minister made it very clear that the Public Service was constituted by general A or B posts and the establishment. That is a fact. Some of the general A or B posts are linked to educational qualifications. If someone does not meet those educational qualifications, he is automatically appointed on a temporary basis and, because he has been appointed temporarily, he will be allowed to contribute to the Temporary Employees Pension Fund. [Interjections.] [Time expired.]

*Mr C I NASSON: Mr Chairman, I should like to associate myself with the hon member for Pniel by saying that he was quite right. I want to tell the hon member for Belhar that he is completely out of touch with reality, because we are talking about 300 000 people whose rights, pension benefits and status as public servants have been prejudiced. [Interjections.]

The DP is highly concerned about these people, especially in view of the fact that the Public Service must cut its staff expenditure by 5%. We are concerned that if rationalisation occurs and those workers should lose their jobs, their retirement package would be considerably less favourable than those employees who were employed on a permanent basis. What we should like to see is that when we enter the new South Africa, the conditions of employment of temporary employees would be the same as those of permanent employees and that their retirement benefits would also be the same.

I am aware that until recently personnel associations and unions were holding talks with the Commission for Administration on this matter. However, no Press statement was issued afterwards. In the meantime these temporary employees in the Public Service are very concerned about their position, in view of the fact that at this stage rationalisation may well have a negative effect on their retirement benefits.

*The MINISTER FOR ADMINISTRATION AND TOURISM: Mr Chairman, the whole issue centres mainly on two aspects, namely allowing persons with many years service to join the Government Service Pension Fund and secondly, the need to give persons who hold non-classified posts an opportunity to be employed on a permanent basis.

I promised the House several months ago that we would resolve the issue. As a result these two issues have been receiving attention for a considerable period of time in the Public Service negotiating forums. I think that this has been the case for one year. So far many options have been considered and the matter has been debated in detail. All indications are that we have reached a point where the matter can be finalised and an agreement reached in the negotiating forum.

As this matter is still being dealt with in the negotiating forum, hon members will understand that I cannot act unilaterally and pre-empt the issue. Consequently I cannot give hon members any further particulars at this stage.

However, I can say that arrangements are being made for a meeting of the negotiating forum this coming Friday and I trust that this matter will be finalised on that occasion.

I should like to repeat that when negotiations are under way between the commission and the 12 associations the Minister may not interfere. We cannot prescribe to them. However, we see eye to eye and I think that we shall be able to wrap up the issue next Friday.

*Mr J D SWIGELAAR: Mr Chairman, may I ask the hon the Minister a brief question? A problem arises when temporary workers are discharged in terms of section 16(1)(a) of the Public Service Act. Many of those people have been in the Public Service for 30 years. In such a case they would receive less than a person who is given an old-age pension. I want to ask whether consideration could not perhaps be given to the payment of a gratuity to these poor people.

*The MINISTER: Mr Chairman, we have a problem in the case of people who leave the employ of the State within the next three months. I can add that that is one of the matters for discussion which will be dealt with next Friday.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Questions standing over from Wednesday, 17 March 1993:

Cabinet Ministers: pension/gratuity

*1. Mr D LOCKEY asked the Minister of Finance:†

(1) Whether Cabinet Ministers have to complete a minimum period of service in order to be eligible for the payment of a pension and a gratuity on the termination of their service; if so, (a) in terms of what statutory provisions and (b) what is this period of office;

(2) whether condonation has been granted for this period of office to be reduced to a minimum of five years in the case of certain Cabinet Ministers whose services are to be terminated with effect from 1 April 1993; if not, what is the position in this regard; if so, (a) who are the Ministers concerned and (b) what (i) would they have received in pension and gratuity prior to the abovementioned condonation, and (ii) will they receive in pension and gratuity after such condonation? C49E

†The DEPUTY MINISTER OF FINANCE (Dr T G Alant):

(1) No minimum period of service in respect of Cabinet Ministers is required by the Act to qualify for a pension and gratuity. Sections 9 and 11 (2) of the Members of Parliament and Political Office-bearers Pensions Scheme Act No 112 of 1984 have reference.

(2) No.

(a) (b) (i) and (ii) fall away.

State President: pension/gratuity

*2. Mr D LOCKEY asked the Minister of Finance:†

Whether he will furnish information on whether, since the commencement of the Republic of South Africa Constitution Act, 1983 (Act No 110 of 1983), pensions and gratuities have been paid to persons who, after retiring as Members of Parliament and Cabinet Ministers, were elected to the office of State President; if not, why not; if so, (a) in terms of what statutory provisions were pensions and gratuities thus paid and (b) what is the amount of the (i) gratuity and (ii) monthly pension received by the present incumbent of the above-mentioned office in respect of his previous service as a member of Parliament and Minister? C50E

†The DEPUTY MINISTER OF FINANCE (Dr T G Alant):

Yes.

(a) Pensions and gratuities to Members of Parliament and Cabinet Ministers who retire from service are paid in terms of sections 7, 8, 9, 11 and 12 of the Members of Parliament and Political Office-bearers Pension Scheme Act (Act No 112 of 1984). Any person who holds or held the office of State President is not entitled to any pension in terms of section 16 of this Act.

(b) The former State President was elected as such on 5 September 1984. Under section 7 (6) of the Republic of South Africa Constitution Act, 1983 (Act No 110 of 1983) he vacated the office of Prime Minister on the date on which he was elected as State President. He was inaugurated on 14 September 1984 as State President. He was acting State President for the period 5 September 1984 to 13 September 1984.

(i) On vacating the office of Prime Minister he became entitled to a gratuity under section 7 (i) (b) of the Members of Parliament and Political Office-bearers Pension Scheme Act (Act No 112 of 1984).

(ii) Under section 7 (i) (a) of Act 112 of 1984, a pension was paid to the former State President for the period 5 September 1984 up to and including 13 September 1984. Under section 16 of Act 112 of 1984 this pension ceased from the date (14 September 1984) on which he took office as State President.

On vacating the office of State President on 14 August 1989 he became entitled under section 13 of the Republic of South Africa Constitution Act, 1983 (Act No 110 of 1983) to a pension only, with effect from 15 August 1989.

The present State President was elected as such on 14 September 1989 and took office on 20 September 1989. Under section 7 (6) of the Republic of South Africa Constitution Act, 1983 (Act No 110 of 1984) he vacated the office of Minister on the date on which he was elected as State President.

(i) On vacating the office of Minister he became entitled to a gratuity, under sections 11 and 12 of the Members of Parliament and Politi-

cal Office-bearers Pension Scheme Act, 1984 (Act No 112 of 1984).

(ii) Under section 8, 9 and 12 of Act 112 of 1984 a pension for the period 14 September 1989 to 19 September 1989 was awarded to the present State President. This pension was cancelled under section 16 of Act 112 of 1984 with effect from 20 September 1989.

On vacating the office of State President the present holder will be entitled, under section 13 of the Republic of South Africa Constitution Act, 1983 (Act No 110 of 1983), to a pension only.

New question:

Relations between RSA/Angola

*1. Mr T ABRAHAMS asked the Minister of Foreign Affairs:

(1) Whether, in the light of the State President's pledges of acceptance of certain agreements signed on 31 May 1991 and following the result of the United Nations monitored September 1992 elections in Angola for a government of national unity, the Government has given recognition to the duly elected Angolan government; if not, why not; if so, when;

(2) whether the Government has as yet established diplomatic relations with the Angolan government; if not, why not; if so, when;

(3) whether he will make a statement on the matter? C61E

†The DEPUTY MINISTER OF FINANCE (Dr T G Alant) (for the Minister of Foreign Affairs):

(Reply laid upon the Table with leave of House):

(1) The South African government believes that the peaceful resolution of disputes is the only acceptable way of finding solutions to political problems. It therefore supports negotiation in respect of all disputes and rejects violence as a means of achieving political objectives. In the case of Angola, the parties to the Bicesse agreements of 31 May 1991 committed themselves to a peaceful democratic process to elect a new government for Angola. South Africa endorsed these agreements. South Africa also accepted the results of the presidential and parliamentary elections which took place in Angola on 29 and 30 September 1992, as certified by the United Nations. During October 1992 I personally, at the request of both parties, became involved in efforts to get the leaders of both the MPLA and UNITA together in an attempt to avoid violence and to proceed with the peace process. The current situation in Angola does not offer much hope for a speedy return to a democratic and peaceful process. South Africa fully supports the peace initiatives of the Secretary-General of the United Nations in order to resolve the critical situation in that country. I personally submitted a letter to the Secretary-General of the United Nations on 17 March 1993, which reads as follows:

"Dear Mr Secretary-General

In view of the deteriorating situation in Angola and renewed allegations by the Government of the Republic of Angola regarding continued logistical support for UNITA from South Africa, I deem it necessary to once again place on record the South African Government's position in this regard.

I would like to state categorically that the South African Government does not support UNITA militarily or in any other way. The South African Government also does not support any party which opts for a military solution. It will also not support any party which attempts to obtain advantages inconsistent with the democratic process. In fact the position of the South African Government in this regard has been amply expounded in previous communications to you, and which have been widely published also as official documents of the Security Council.

I wish to stress that South Africa's interests would be ill-served by conflict, destruction and instability in the Southern African region: consequently

South Africa's interests coincide with the interests of the people of Angola in a negotiated peaceful future. It is difficult to conceive what strategic or other South African interest could be served by becoming embroiled in a conflict which is not only detrimental to bilateral relations but also to the region and the continent as a whole.

In the past, when the world was a different place, a number of other states, including the United States and South Africa supported Dr Savimbi with the overall objective of enabling him to participate in a democratic process in Angola, which would establish an elected Government and bring to an end years of internal strife. That objective was achieved, although subsequently vitiated, when elections were held in Angola at the end of September 1992 in terms of the Bicesse Accords of 31 May 1991. The considerations of earlier years obviously no longer have relevance.

The South African Government, in its contacts with both President Eduardo dos Santos and Dr Jonas Savimbi and in its public pronouncements has consistently and strongly advocated the following:

— the obligation of the parties to honour the terms of the Bicesse Accords;

— the obligation of the parties to accept the results of the September 1992 election which were declared "generally free and fair" by the Secretary-General's Special Representative in Angola and which was formally accepted by the South African Government;

— the need for the leaders of the two main parties in Angola to enter into dialogue to solve the impasse;

— the total rejection of force as a way of achieving political ends in Angola; and,

— support for the Security Council and Secretary-General of the United Nations in their efforts to salvage the peace and support for a continued and strong United Nations presence in Angola.

The South African and Angolan governments have, until recently, been steadily strengthening mutually beneficial relations and had exchanged Representative Offices in each other's capitals. Agreements, subsequently interrupted by the resumption of hostilities, had been reached on co-operation in a wide range of fields such as mine-lifting, manpower training centres and medical training and assistance. The South African Government had every hope of continuing and expanding this promising relationship. The South African Government has also consistently advocated closer economic ties between South Africa and Angola. South Africa's interest lies in promoting peace and economic development, not only in Angola but in the whole of the sub-region.

The South African Government has initiated a number of concrete and tangible steps to ensure that South Africa does not become embroiled in the tragic conflict in Angola, which I would like to enumerate hereunder:

— The Minister of Defence issued a statement on 26 February 1993 pointing out that in terms of existing legislation, it was a punishable offence for members of the South African Defence Force or the Reserve to render service as mercenaries or to recruit people to render service as mercenaries. In view of reports that a number of South Africans had already left for Angola, the South African Police are currently investigating possible transgressions of the applicable legislation. (Appendix A)

— I also issued a statement in this regard on 5 March 1993 warning South Africans, who are members of the South African Defence Force or the Reserve, against recruitment as mercenaries for service in neighbouring countries. I stressed the fact that this was an il-

cal Office-bearers Pension Scheme Act, 1984 (Act No 112 of 1984).

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HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

Own Affairs:

Purchase of textbooks

13. Mr A RAJBANSI asked the Minister of Education and Culture:

(a) What was the total amount spent by her Department on the purchase of textbooks in 1992, (b) from which bookshops were these textbooks purchased and (c) for what amount were textbooks purchased from each such bookshop? D71E

The MINISTER OF EDUCATION AND CULTURE:

(a) R7 167 583,76

(b) and (c)

Perskor Educum Bookshop (Natal Branch)	R3 793 679,83
Perskor Educum Bookshop (TVL Branch)	R 452 406,52
Premier University Bookshop	R 741 107,27
Educare Distributors	R 445 388,22
Nasou Limited	R 108 173,25
Ritewell International Books	R 100 070,73
Lotus Bookshop	R 949 749,40
Rygills Educational Suppliers	R 196 950,59
School Supply Store	R 346 077,66
Regal Stationers	R 27 335,81
Maskew Miller Longman	R 5 133,54
J R Beharee and Company	R 1 510,90

Number of classrooms

14. Mr M RAJAB asked the Minister of Education and Culture:

(a) What is the (i) total number of classrooms in (aa) primary and (bb) secondary schools administered by her Department and (ii) average number of classrooms for such (aa) primary and (bb) secondary schools and (b) in respect of what date is this information furnished? D84E

The MINISTER OF EDUCATION AND CULTURE:

(a) (i) (aa) 5 331
(bb) 3 770
(ii) (aa) 20
(bb) 27

(b) 12 March 1993.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

State pension funds: contributions

124. 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? B294E

The MINISTER OF FINANCE:

(a)	Government Service Pension Fund	R34 336 864 246
	Associated Institutions Pension Fund	R 5 806 081 085
	Temporary Employees Pension Fund	R 3 942 821 794
	Associated Institutions Provident Fund	R 11 292 281
	Pension Fund for Persons in Authorities' Service	R 4 620 784 862
	Superannuation Fund for Persons in Authorities' Service	R 222 201 476
(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 1992.

State pension schemes: number of/assets held

25. 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? B295E

The MINISTER OF FINANCE:

(a) Three as at 31 December 1992.

(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, represent the total expenditure of the benefits paid out of revenue for the 1991/92 financial year.

(i) Pension Scheme for Members of Parliament and Political Office-bearers	R77 251 339
Pension Scheme for Members of Statutory Bodies	R 625 035
Military Pension Scheme	R68 674 374

(ii) Nil.

Life industry 'wasting R1,5bn a year'

B/DAY 23/3/93

SA's life assurance industry was grossly inefficient and wasted about R1,5bn of policyholders' money every year through lapses and surrenders of policies, Pretoria University Department of Insurance and Actuarial Science Professor George Marx said at the Ilpa congress yesterday.

He said such wastage could not be afforded in health care and called for the life assurance and medical aid scheme industries to combine forces to create a safe and sound form of financing for private health care.

Neither of the two industries were able to provide such a system on their own.

Marx calculated the R1,5bn wastage of policyholders' money through lapses and surrenders by assuming that, on average, two-and-a-half years' premiums were lost when policies were terminated.

He challenged the life industry to conduct an independent investigation to verify this figure.

"These terminations mean premiums which were contributed did not end up being used for the purpose for which the policies were taken out, namely death and disability protection and for long-term savings," Marx said.

Whereas in 1991, the expenses of life assurers (excluding claims) represented 18% of their total premium income, the figure for medical schemes was 5,7%.

The disparity was largely the result of commissions paid to intermediaries, which Marx said did not benefit the policyholder.

In the same year life assurers paid out R9,4bn in benefits (excluding surrenders) and medical aid schemes R6,9bn.

In favour of life assurers was they possessed skills of risk, financial and actuarial management — skills profoundly lacking in the medical schemes industry.

Right

"When it comes to the medical schemes industry, it is clear it has been doing things right in terms of administering claims efficiently."

But it had not been exercising proper risk, financial and actuarial management principles and as punishment for this, members were subject to runaway inflation.

The over-utilisation of medical aid scheme benefits, overservicing and fraud had resulted in medical aid scheme contribution rates increasing at 25% a year over the last decade.

Marx suspected that, considering general practitioners control approximately 85% of all health care costs, the major culprit in this was overservicing.

He said there was an urgent need for the life assurance and medical aid scheme industries to combine to provide efficient finance for the public's private health care and for the elimination of their respective weaknesses.

The health financing scheme had to get actively involved in medical care and could not continue merely processing pieces of paper.

"The days are past where the financier of health care can sit on the sideline and merely pay claims. He has to dirty his hands and also move towards managing the care, be it by way of utilisation reviews, bulk purchasing of medicines, by initiating Preferred Provider Organisations or whatever," Marx said.

He suggested the use of seven criteria for evaluating health financing schemes.

The scheme should distinguish between less and more serious conditions; encourage self-discipline and cost-consciousness; move towards managed care; provide for long-term funding of pensioners' costs; provide for emergency treatment in private hospitals; provide for a convenient payment system; and disclose all cost elements.

Strong economic growth forecast

B/DAY 23/3/93

SA WAS "over the hump" politically and economically and could look to a period of strong economic growth from next year, according to Syfrets Managed Assets MD Leon Campher.

Negotiations were back on track, the drought was broken and propects for the international economy were better.

The one negative threat was the probability of a correction of the US stock market. This usually occurred within 12 months of a US presidential election. As the JSE historically had a 96% correlation with the US market, it was likely the SA market would also suffer a correction.

"Investors should not rush into the stock market at this stage but bide their time and take advantage of the buying opportunities that will emerge later."

Campher said the US economy had emerged from recession in terms of retail sales and manufacturing production. Japan was still in a downturn but hopefully the cut in interest rates there and in Germany would contribute to the achievement of world economic growth next year. This would stimulate the export of SA commodities.

State pensions 'excessively funded'

CT 19/3/93 300

Political Staff

OFFICIAL pension funds received vast amounts of public money over the past few years and are not bankrupt, Parliament heard yesterday.

Democratic Party MP Mr Brian Goodall said Reserve Bank figures showed that in 1991 employers' contributions jumped by a staggering 115% to R15,8bn. He said the funds were not bankrupt as some experts believed.

Between 1984 and 1989 employer contributions rose 23% a year, in itself a very high increase, Mr Goodall said.

"There is a very real danger in channelling too much money into the pension funds, instead of into more productive sectors of the economy."

The official funds are made up of the five state funds and the funds of parastatals and former parastatals.

Deputy Finance Minister Mr Theo Alant said it was important for state employees to feel that their pensions were secure in changing political circumstances.

But he denied the funds had received excessive amounts of money. Employers' contributions to the funds increased by about 62% since 1989, compared to an increase in the CPI of 69%, said Mr Alant.

He said he was only referring to the five state funds.

Finance Minister Mr Derek Keys said the current level of funding was "somewhat more than is required to provide for the annual accrual of the cost of future benefits".

State pension total is R49bn

THE six state pension funds had a combined balance of nearly R49 billion at the end of March 1992, Minister of Finance Mr Derek Keys said yesterday. 300

In a written reply to a question by Mr Brian Goodall (DP Edenvale), he said the Government Service Pension Fund was R34,3bn while the Associated Institutions Pension Fund had R5,8bn and the Temporary Employees Pension Fund R3,9bn. CT 20/3/93

The Pension Fund for Persons in Authorities' Service had R4,6bn balance, Associated Institutions Provident Fund R11m, and the Superannuation Fund for Persons in Authorities' Service had R222m. — Sapa

Pensioners to know own details in June

20/3/93

Political Staff

300

EVERY pensioner will be sent a note during June, setting out their pension position before and after the increase announced in the Budget.

Director-General of Finance Mr Gerhard Croeser said it had been announced in the Budget that civil pensions would rise by five percent from July 1. This would apply to those who retired on or before July 1, 1992. Pensions of people retiring between this date and July 1, 1993, would be increased by 0,42% for each completed month since retirement.

Pension billions

(300 ST Times (Bus))

THE six state pension funds had a combined balance of nearly R49-billion at the end of March 1992, says Finance Minister Derek Keys. 21/3/93.

He says government made the highest state contribution to the Government Service Pension Fund, which received 73,3%.

Money pours into state pension funds

B/DAY 22/3/93 (300)

TIM COHEN

CAPE TOWN — Contributions to pension funds for state and quasi-state institutions leapt again last year — by R6,5bn. Most of the money was supplied by the employers.

Latest Reserve Bank Quarterly Bulletin figures show that for the five state pension funds and those administered by Transnet, Telkom and the SA Post Office, employer contributions increased by about R4,5bn last year.

Employees' contributions increased from R1,5bn to R1,9bn, indicating that the ratio between the contributions of employers — effectively the taxpayer — to employees had drastically increased.

In the 1992 financial year, the ratio of employer to employee contributions was about six to one. The previous year the ratio was 4,6 to one, compared with about three to one for the six previous years, indicating a huge jump over the past two years.

A Reserve Bank expert said the increases were necessary to counteract "actuarial shortages".

The latest figures have raised suspicions that government was involved in a last-minute effort to ensure the pension funds, long thought to be bankrupt, were solvent before a change in government.

In reply to a question asked in Parliament by DP MP Brian Goodall, the office of Finance Minister Derek Keys said on Friday that the funds in the five government pension funds amounted to about R48bn in March last year.

By far the largest was the Government Service Pension Fund, with assets of R34,336bn. As of March last year, the employers had contributed 73% of income.

In reply to another question, the Finance Department said it was not able to say how many members of the respective funds successfully applied to be boarded last year, as these applications were directed to each of the employer departments.

Goodall said in a parliamentary debate last week that there was a very real danger of too much money being channelled into the pension funds.

According to the auditor-general's report, the planned emancipation of the funds was on hold because of problems experienced in ensuring the funds complied with the requirements of the Pensions Act.

Funds for state pensions up by R6,5bn

Own Correspondent

JOHANNESBURG. — Contributions to pension funds for state and quasi-state institutions leapt again last year — by R6,5bn. Most of the money was supplied by employers — effectively the taxpayer.

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Pensioners likely to lose their homes

w\mail 5\3-11\3\93.

(300)

Weekly Mail Reporter

ABOUT 40 retired people in Norton Park, a retirement village in the Benoni suburb of Brentwood Park, will probably lose their nest-egg investments.

They have paid their money but since they have not received transfer they stand to lose all because the development company, Norton Park Associates, has been liquidated by Saambou.

Saambou general manager Charles Minnie said last month Saambou had stepped in to "protect the investment" of the retired people who bought units in Norton Park.

"Saambou received information that the project was not being properly managed and monies allocated for specific purposes were being utilised elsewhere by the project manager," Minnie said. Project manager of Norton Park was Pretoria-based Chrisplan.

This week Saambou held an information meeting with the 22 residents of Phase 2. Minnie said yesterday: "I can assure you we haven't thrown any residents out of their houses."

Attorney Piet Langenhoven, who has been acting for the Norton Park residents, says R2,1-million of residents' money was deposited by the developer in a Volkskas account. This was ceded to Volkskas for an overdraft of R2,1-million.

Saambou said yesterday it was trying to recover that money and would try to do something for residents.

However, Langenhoven said yesterday that both phase 1 and 2 residents would probably lose their investments and would have to buy back their houses, though possibly for a lower price than they had originally paid. "I believe that once the pathos of the situation has passed it will be a question of putting the property on the market."

Care of aged: Urgent probe

CT 6/3/93

300

Staff Reporter

ALLEGATIONS of serious neglect of the elderly have surfaced for a second time in Cape Town in a year — prompting health authorities to launch an urgent probe into city retirement homes.

Letters detailing sordid conditions in homes in Green Point, Pinelands, Plumstead, Fish Hoek, the Strand and Stellenbosch have been forwarded to the Department of Health and Welfare by a new group, Concerned Friends of the Frail and Aged (CFFA).

Fresh allegations

Last year allegations of maltreatment in old-age homes prompted former health minister Mr Fanus Schoeman to issue directives on the urgent need to upgrade the standard of institutional care received by the aged.

But fresh allegations surfaced this week.

In a recent letter to the CFFA a daughter claims that in a private "prestige" home in the Strand she found her mother, 92, languishing in the cold passage outside her room in winter while kitchen staff crowded inside her room to watch her television.

The same resident was allegedly deprived of her wheelchair and since she was unable to tend to her bodily needs, she was declared incontinent and transfered to the senile ward.

Rapid weight loss, unexplained bruises and the constant theft of personal items are frequently reported to the CFFA.

Other common complaints received by the CFFA are that a single spoon is used to administer medicine to a ward of patients without being washed; one facecloth is used to wash a ward of patients and food is served on plates used by more than one patient without being washed.

Health and Welfare Department chief director Mr Willem Van Wyk said yesterday: "It is totally unacceptable. I will look into these cases personally. We investigate immediately once claims of this nature come to our attention".

A spokeswoman for the Cape Provincial Organisation for the Aged (CPOA) said stringent disciplinary codes were enforced at their 13 homes and that grievance procedures ensured that families could voice complaints to management without fear of reprisals.

The allegations listed were "typical of what I hear from very emotional families and what we find in a lot of private homes", she said.

No legislation governs the training of nurse aides in private homes nor are routine inspections carried out by the Department of Health.

'Suffered abuse'

Ms Alison Goldberg, manager of the Stadium, an up-market private home in Green Point, said: "There is not a great demand for accommodation of this calibre but there is a lot of competition between homes. We could not afford to give substandard service".

● In October last year Mrs Wilma Bryan, head of professional services of the SA Council for the Aged, said elderly people had "suffered physical, psychological and financial abuse" in some homes.

This was after experts at a seminar organised by the HSRC Centre for Gerontology at UCT had detailed allegations of maltreatment of the elderly at some city homes.

Star 9/3/93

Pensions parity this year – Julies

309

CAPE TOWN — Pensions parity would be achieved this year, said outgoing Minister of Health and Welfare in the House of Representatives Andrew Julies.

Speaking for the last time as own affairs Minister yesterday, he said the Ministers' Council had used accelerated home-ownership and pensions parity to rescue people from poverty.

Social pensions ought to be supplementary to income, enabling recipients to support themselves. Pensions and grants were not meant to be the sole means of subsistence.

The means test was there to determine whether people qualified for welfare grants, irrespective of skin colour.

True parity would be achieved only once it had been extended to labour and job opportunities. — Sapa.

Govt to equalise pensions spending

TIM COHEN

CAPE TOWN — Government spending on social pensions is to be equalised in this year's Budget at a cost of about R1,5bn, sweeping away one of the most contentious examples of differential racial spending.

Senior government sources have confirmed statements made yesterday in the House of Representatives that spending would be equalised this year.

Government committed an additional R1,732bn last year to provide pension increases of 10%. Of the R2bn expected to be spent this year, about R500m is likely to be used for an overall increase in pensions.

Former Finance Minister Barend du Plessis last year closed the racial parity gap in pensions, disability grants and maintenance grants by about 40%.

Whites currently receive R345 a month, coloureds and Indians R318, and blacks R293. The pension scheme is given to needy women over 60 and men over 65 years old.

Outgoing Health and Welfare Minister in the House of Representatives Andrew Julies said the Ministers' Council had used accelerated home ownership and pension parity to rescue people from the "swamp of poverty".

He agreed during debate that pensions were inadequate, but said they were intended to supplement income rather than be the sole source of support.

Equal pensions

Same support for all races, with increase

CT 9/3/93 (300)

Political Staff

ALL South Africans, irrespective of race, are to receive the same social pensions.

This was confirmed yesterday by the retiring House of Representatives Health and Welfare Minister Mr Andrew Julies. The announcement is expected to be made next Wednesday when Finance Minister Mr Derek Keys presents his 1993/4 budget.

Expected rise

Speaking in the same debate on pensions, another National Party MP said VAT would rise by two percent to 12% — this is one percent below the expected 3% rise.

It is understood that all social pensioners can expect to receive an approximate 10% increase in their pensions, although it has not yet been announced when parity pensions or the increase will become effective.

Currently, white social pensioners receive R345 a month, coloureds and Indians R318 and blacks R293.

Ending disparity will mean an extra R27 a month for coloureds and Indians and R52 for blacks. Add a 10% increase, and these figures could rise to R61 and R86 more a month respectively.

Major area

Parity will also be achieved in maintenance and disability grants, bringing down another relic of the apartheid era and leaving education as the one major area where there is substantial inequality.

It is understood R2 billion has been earmarked for social pensions and R1,5bn of it will be used to bring about parity. The other R500m will be used to increase pensions overall.

Mr Julies, who was speaking for the last time as a minister, said that pension parity would help people escape from the "swamp of poverty". He said the breadline was R560 a month.

Mr Julies agreed during a parliamentary debate that pensions were inadequate, but said they were intended to supplement income rather than be the sole source of support.



LOVE CALL UNSEEN

...

This banner strung along the N1 on the Paarden Eiland bridge was seen by many people on the way to work yesterday morning — but not by Miss Louisa (Lulu) Mocke, to whom it was directed by Mr Vincent Oschmann. It was not the only thwarted attempt he made to persuade Louisa to marry him. But he eventually

Pensions equality NP 'ploy to buy support'

ARG 10/3/93 (300)

Political Staff

THE National Party is trying to buy support by equalising social welfare pensions across the colour line, says Mr Tommy Abrahams, the Labour Party Member of the House of Representatives for Wentworth.

Labour had campaigned for this for years, he said.

"The National Party consistently and stubbornly refused to accede to this demand. A previous minister of finance even went so far as to withdraw R35 million granted for equalisation of pensions to the HoR simply because Labour would not cringe or beg.

"The equalisation of pensions, which was announced by the Member of Kasselsvlei, Mr Henry Cupido, can therefore be clearly seen as a National Party government ploy to buy support for the National Party," Mr Abrahams said.

He hoped the means test would now be equalised across racial divides.

Public sector's pension/provident funds: investment

*7. 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 there has been any change in the position regarding the investment guidelines for such funds since his reply to Question No 3 on 25 March 1992? B335E

The MINISTER OF FINANCE:

(1) 8,12%.

(2) No.

Mossgas project: cost

*8. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

(1) (a) What is the latest estimate for the final total cost of the Mossgas project and (b) in respect of what date is this estimate furnished;

(2) whether he will make a statement on the matter? B336E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) (a) Total Project Cost—R10,7 billion Peak Funding—R11,1 billion, which excludes interest of approximately R950 million on foreign loans, payable by CEF.

(b) January 1993

(2) No, a statement will only be made once the report of the Auditor-General on the economic viability of Mossgas has become available.

Sasol: tariff protection

*9. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

(a) What, expressed in cents per litre, is the current rate of tariff protection extended to Sasol and (b) what was the total value of the protection tariff to Sasol during the 1990–91 and 1991–92 financial years, respectively? B337E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

Due to the restrictions imposed by the Petroleum Products Act, 1977, it is not possible to provide detailed information through which Sasol's production can be calculated. However, to assist the hon member, I can reveal that the only products in respect of which Sasol enjoys protection are:

— petrol

— illuminating paraffin

— alcohol

— diesel, and

— liquid petroleum gas.

In reply to the hon member's question, I submit the following:

(a) The average tariff protection enjoyed by Sasol during the 1992 calendar year amounted to 3,1 c/ℓ spread over all liquid fuel products sold in the RSA.

(b) R222,5 million and R537,5 million respectively for the 1990–91 and 1991–92 financial years.

Bank robberies

*10. Mr A J LEON asked the Minister of Law and Order:

(a) How many bank robberies occurred in the Republic of South Africa in 1992 and (b) what was the total value of the money and valuables stolen in such robberies? B341E

The MINISTER OF LAW AND ORDER:

(a) 241

(b) R12 687 031,02.

Hoedspruit area: automation of farm lines

*11. Mr P G SOAL asked the Minister of Posts and Telecommunications:

Whether, with reference to the reply to Question No 5 on 18 March 1992, it is still the intention to complete the automation of the farm lines in the Hoedspruit area during the second half of 1993; if not, (a) why not and (b) when is the project expected to be completed? B343E

The MINISTER OF POSTS AND TELECOMMUNICATIONS:

No.

(a) and (b) The project has been expedited and is now expected to be completed during the first half of 1993.

Will amended by Supreme Court: bequest to children

*12. Adv J J S PRINSLOO asked the Minister of Justice:†

(1) Whether two judges of the Cape of Good Hope Division of the Supreme Court, whose names have been furnished to the Minister's Department for the purpose of his reply, ordered in a recent judgment that a provision in a will be amended so as not to limit the bequest contained therein to White children only; if so, what are the relevant details;

(2) whether he intends taking any steps in this regard; if not, why not; if so, what steps;

(3) whether he will make a statement on the matter? B320E

The MINISTER OF JUSTICE:

(1) Yes. The following information was obtained from the judgment in the application of *The Trustee of The Marsh Memorial Homes—Re: The late William Marsh Will Trust*, which judgment was delivered on 5 February 1993.

The late William Marsh *inter alia* made provision in his will for the establishment of a trust, which had to be applied to "founding and maintaining a home for destitute white children, upon the same principles as those of Dr Stephenson's Home in London.".

The Court pointed out that over the passing years, through socio-economic changes, the number of white children eligible for entrance to the Marsh Memorial Homes had apparently decreased. There were, however, a number of children of different pigmentation in destitute circumstances, for whom the Marsh Memorial Homes would provide a sanctuary, but could not do so because of the provisions of the will. In view of the needs of destitute coloured and black children, the trustee of the Trust applied to the Court in terms of the Trust Property Control Act, 1988 (Act 57 of 1988), *inter alia*, for the alteration of the will by deleting the word "white" in the relevant paragraph.

The court held that in order to succeed with the application the applicant (trustee) had to satisfy the Court that—

(a) . . . the late William Marsh neither contemplated nor foresaw that a time would come when his charitable act in providing for a home for destitute children would be frustrated by a dearth of persons eligible to benefit therefrom as a result of a qualification imposed by him when he signed his will . . .

(b) the provision in question is in conflict with public interest.

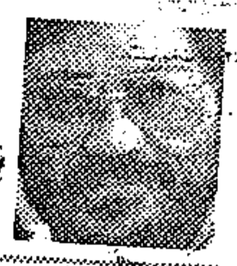
The Court granted the application on the statutory ground relied on and held that the particular provision in the will has brought about consequences which the late William Marsh neither contemplated nor foresaw and that—

> . . . it was clearly his intention to model the institution he had in mind on one in London to which he referred as "Dr Stephenson's Home". This institution is now known as the National Children's Home; it admits (and apparently always admitted) children of all races. It is today not possible for the Marsh Memorial Homes to function fully and properly upon the same principles as those of the National Children's Home, which it was the intention which the late William Marsh had in mind when signing his will. He certainly never foresaw that his expressed desire to provide here what Dr Stephenson had established in London would, a century later, be frustrated and become incapable of fulfilment because of a limitation on eligibility based on restriction which did not inhibit the good doctor who gave his name to a home in London for destitute children. It was to the care of destitute children that Dr Stephenson devoted his Home; it was

cont →

YOUR MONEY

REG RUMNEY'S *monthly look at personal financial planning*



The Marx(ist) way to invest

W/mail 21/5 - 27/5/93.

SOMEONE out there may know the name of the hero of the paperback thriller I once read who would not take out life insurance because, "it's like betting against yourself".

Few would agree with that idea. Assuring one's life so that one's dependents do not end up in penury is probably essential for most people.

There are other reasons for avoiding, not life insurance itself, but many of the life assurance products on the market today.

To quote from one of the few personal finance books* which offers clear, unbiased, independent advice, by Professor George Marx, "... it is not unusual for an assurance salesman to attempt to create life assurance needs where there are none. Because evaluating and meeting a need for life assurance seems so complex, the client often trustfully relies on the advice of an assurance adviser."

Simply stated, commission-motivated salesmen mean many people probably end up putting money into life assurance products which they do not really understand and may not need.

So if you don't want to take on trust the first life insurance salesman that pitches up on your doorstep, what do you do? Marx suggests you analyse your needs carefully and buy what insurance is right for you.

The implication of his comments is that one should seriously consider "term" life assurance. This simply assures your life. It has no savings element, doesn't promise a minimum payout after x number of years and is relatively cheap.

However, life assurance savings policies are one option in saving up for the future. But they can be too rigid, and better returns with little extra risk can be had from, say, unit trusts.

Determining which long-term savings vehicle is not easy because comparisons are hard to come by. Marx has done a useful exercise in his book. The table compares actual payouts on a couple of specific savings policies and unit trusts.

All the examples relate to an investment of

B/Day 19/5/93

300

Claims control of disability benefits being tightened

FUND managers are tightening claims control of disability benefits and permanent health insurance — important components of pension and provident fund packages — as more claimants exploit schemes.

Insurers have suffered large losses on permanent health insurance and lump sum disability schemes in recent years, which has led to an increase in premiums and a tightening of standard policy terms and conditions.

However, claims control has become a stronger issue, says Metropolitan Life group actuary Neil Lloyd.

He says recent experience has shown that many claimants have a poor understanding of the cover provided by personal health insurance and lump sum disability schemes.

"If claims control is not strengthened, rates are likely to increase further — making these schemes less affordable to most unions, associations and employers," says Lloyd.



NEIL LLOYD

Pension disability benefit claims generally have reached about twice the level of five to 10 years ago, largely because of pessimistic attitudes caused by the recession, says Sanlam senior actuary Wouter Tomm.

There are several reasons for the growing number of disability benefit claims, he says.

First, in the past three years there would appear to have been more employer-motivated claims, where employers tend to nudge their older or less healthy employees to apply for benefits so that they may not have to retrench them.

Second, with more employees in fear of retrenchment, some are prematurely claiming disability pensions because they know such benefits would be superior to those provided when they are retrenched.

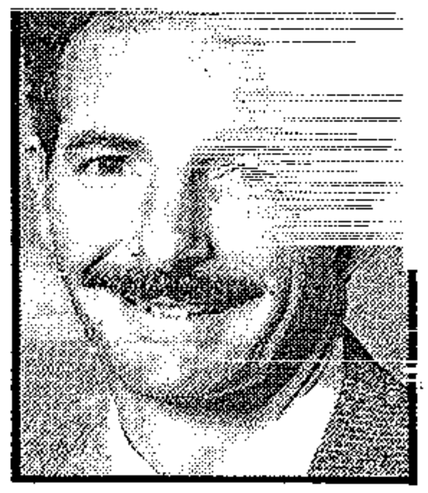
Other reasons include:

☐ Benefits offered are too attractive. This acts as a disincentive to working additional years, as the ageing employee may earn less pay in the short term;

☐ A growing awareness among employees of benefits they are entitled to;

☐ The disappearance of the stigma prevalent 10 years ago, when one was classified as being disabled for employment purposes.

Although he says it is difficult to assess the extent to which unjustified disability claims have reached, such claims are known to be based mainly on faked illnesses and exaggerated physical problems.



WOUTER TOMM

Lloyd says many disability claimants believe that once they leave permanent employment (are "boarded") they will receive their disability benefit within a few months.

"They do not realise the reasons for the employer 'boarding' a claimant may not be sufficient grounds to warrant a payout from the insurer."

Assurers will have to undertake a communication exercise to ensure misperceptions of schemes are resolved, or they may risk tarnishing the industry's reputation, he says.

Insurers are changing their policy conditions to ensure early notification of potential claims. Thus, at an early stage, claimants will be told what the insurer can and cannot provide.

Lloyd says frequent areas of confusion include:

☐ Disability definitions — which differ slightly with each scheme;

☐ Personal health insurance claimants being unaware that entitlement for benefits can change after two years of disability — possibly resulting in an "early retirement pension" being taken away;

☐ Cover provided by both schemes is for the total inability to do work as a result of disability, not the total inability to obtain work.

Tax breaks depend on time of year

EMPLOYEES about to retire must carefully structure their retirement dates and the way in which they receive payouts so as to receive maximum taxation benefits.

Price Waterhouse Meyernel's personal financial planning manager Martin McAusland says the best time of the year to retire is at the end of March, because it is the start of the new tax year.

"Retirees must try to limit their tax liability as much as possible in the first year of retirement, particularly as the three-year spread allowance for lump-sum payments has been cancelled, requiring retirees to now receive these payments in the tax year they retire."

He also says accrued leave can adversely affect the R30 000 tax-free allowance applicable to lump-sum payouts.

"It is also vital that people reduce the taxable amount of pension commutations by immediately investing in retirement annuities."

McAusland says for this to be effective, it is important that other annuities do not mature in the year of retirement.

It may also benefit retirees to delay exercising share options to another tax year, as any gains will be deemed as income.

Safeguarding the capital of widows and orphans

SINCE introducing the first registered pension trust recently, Fedbond reports overwhelming response for the service aimed at safeguarding the capital of pension fund beneficiaries.

Pension fund trustees have become increasingly aware of the need to exercise their feduciary responsibility on the death of a company employee to safeguard the widow and minor beneficiaries, says Fedbond MD John Field.

"There are many situations that indicate a trust should be formed to protect the widow and children."

He says they include to:

- ☐ Provide regular income, particularly when there are minor children;
- ☐ Protect the capital against inflation;
- ☐ Ensure the capital benefit is professionally managed.

The Fedlife Assurance subsidiary registered Fedbond Control Trust with the Supreme Court, so laying the foundation for all future "subsidiary" trusts.

In order to ensure the procedure is implemented with the minimum of effort, attention is given to drafting the subsidiary trust deed, which takes into account the personal circumstances of the beneficiaries and liaising with the pension fund broker and/or fund trustees.

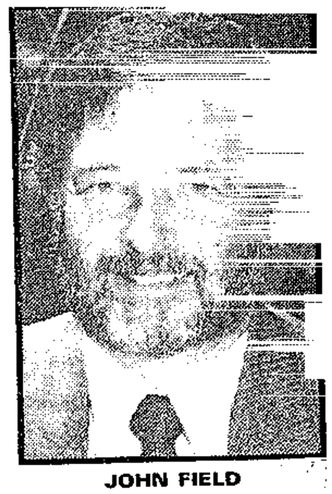
Interestingly, investment avenues usually used for trusts are unit trusts, participation mortgage bonds for income, and call accounts for liquidity.

"However, there has been an overwhelming response to our pension trust, which is geared for continued growth and expansion," says Field.

"We provide a comprehensive and efficient service, which includes the administration and management of funds.

"Beneficiary needs are cared for by a professional and impartial board of trustees, whose objective is to protect the family in its years of need."

He says Fedbond Control Trust has extended the services offered by Fedlife's employee benefits division by identifying a need in the market and developing the service to assist brokers and clients.



JOHN FIELD

Trustees looking at 'privatisation'

CONCERN is mounting over the possible sapping of retirement funds should a future government make assurers the primary source of funding social reconstruction.

Dewar Rand financial services division director Johan van Rensburg says retirement fund managers and trustees see this as no idle speculation, given the vast amount of capital controlled. The two main Cape-based institutions alone account for nearly 30% of the JSE's total market capitalisation, he says.

"Many trustees of sizeable funds are speculating whether it would be better, in the long run, to 'privatise' their investment.

"This can be done by registering pension/provident funds currently underwritten (managed and administered by an insurer/assurer) as privately administered funds."

The main difference between an underwritten and private fund is that the assets of the latter may be owned by an insurer and/or the fund. Further, the fund is free to use any registered portfolio manager — such as a merchant bank — as investment manager.

Fund administration is usually done by independent administrators, which allows greater flexibility in placing investment and insurance cover more competitively.

In addition, a private fund's books must be audited separately and an annual account must be submitted to the Registrar.

"Seen purely in the light of the major uncertainties facing retirement funding in general, many investors find the notion of 'privatising' an attractive hedge against policy changes regarding insurers," says Van Rensburg.

Metropolitan Life operational manager (corporate clients) Derek Pead says the pensions industry has taken steps to try to channel money to social upliftment projects (housing, health, education) by setting up the Independent Development Trust.

Its prime function is to act as a body to vet potential projects and to set up the channels whereby money from pension and provident funds can be used to finance these projects.

"However, it is unlikely that any investment fund manager is going to accept a lower rate of return than can be obtained through the more traditional investment vehicles," he says.

The legislature is also trying to generate more income by addressing perceived tax advantages attached to retirement savings (Jacobs report) and the perceived tax inequities between pension and provident funds (Margo commission).

The Jacobs report recommends tax of one-third of employee contributions and 20% of employer contributions.

In addition, Margo suggests heavier taxation of lump sums and the abolition of certain allowances of provident funds.

"The retirement saving industry will again resist moves which create a disincentive for retirement saving, as this is likely to put more pressure on an already inadequate state social security system," says Pead.

New UAL fund 'a first for SA'

THE changing needs of retirement funds have resulted in fund managers such as UAL Merchant Bank developing new products and services.

The move by pension and provident funds, particularly in the UK and US, towards a policy of defined contribution, instead of defined benefit, shifts the onus of retirement shortfall resulting from poor investment strategy from employer to employee.

However, defined contribution funds require a sophisticated, tailored approach to investment management.

Realising this, the investment division of UAL Merchant Bank has launched the Time Horizon Portfolio Series. It is an investment vehicle tailored to match members' age and risk propensity with a series of portfolios.

UAL Merchant Bank investment division senior manager Brett Comley says the product provides an appropriate retirement funding package for each member.

In response to the phenomenon of a number of retirement funds, particularly negotiated provident funds, the bank has developed its Guaranteed Investment Portfolio.

The need for some form of guarantee over the capital value of the fund's assets in important, says divisional marketing manager Vaughan Heberden.

Strategy

"Many retirement funds need an investment strategy that permits real asset growth while securing the capital of the fund.

"Our Guaranteed Investment Portfolio is a unique product that meets these requirements for provident funds, certain pension funds and institutions with funds that will have specific calls against them over a known period.

"In essence, it uses a portion of the fund's capital value to secure a guarantee over a period of time, while the remainder is invested in a growth orientated portfolio aimed at increasing the asset value of the fund," says Heberden.

More emphasis should be put on risk profile

MORE pitfalls stemming from using only nominal returns as the sole measure of investment performance are being disclosed by pension fund trustees.

Liberty Life GM (group benefits marketing) Mike Garbutt says until recently, there has been too much emphasis on return and not enough on risk.

He says pension fund trustees agree that the risk profile of an investment manager or portfolio is an integral part of performance.

Because a number of surveys use standard deviation (the extent that returns deviate from the average return) as a measure of risk, it is important to look at the maximum and minimum returns of fund companies.

Varies

"This is because the spread of returns from some fund management companies varies greatly," says Garbutt.

"If the maximum return is 18% and the minimum only 3%, would a pension fund trustee be satisfied with a return somewhere between the two?"

Another important subject to be evaluated by fund trustees when choosing a fund management company is the calibre of the fund management team.

Garbutt would look for answers to these questions:

- **☐ Who are the people managing the funds?**
- **☐ What experience do they have?**
- **☐ What is their track record?**
- **☐ What is their investment policy?**

"At Liberty Asset Management Limited, for instance, the top four executives have in excess of 65 years total service and an excellent track record. Their policy of investing in quality stocks speaks for itself," he says.

Better communication for an improved image

B/Day 19/5/93

'UND managers and mployers need to cre- te a new image of re- irement and retirement unding through the use f improved communi- ation methods.

Lonrho director of dministration and human esources Tony Frost says his is vital if retirement nds are to gain status mong most white contrib- tors, retirees and especial- SA's emerging black eneficiaries.

This was the essence of a eynote address at the In- titute of Retirement unds of Southern Africa's hree-day seminar, which nded at the Wild Coast esterday.

Employers and fund anagement are inextrica- ly and eternally inter- vined, hence the suspi- ions and perceived eficiencies of the past ust be dealt with jointly.

They should begin their nage building with a ulti-faceted approach to communication that includes focusing on building relationships with beneficiaries in order to create an image of inclusion.

Against the backdrop of a predominantly illiterate nation it is simply insufficient and ineffective to use only the two official languages and the written word to communicate rule and benefit changes to members when more than 75% of the population use other languages at home — the most important being Zulu (22% of all languages spoken) and Xosa (17,5%).

Language

With many functionally illiterate, much greater focus must be on using the language the person is comfortable with.

In addition, greater use must be made of other channels such as radio, television, story tellers and taped cassettes.

He says the key to success is to make regular contact with employees and fully examine all communication possibilities, using as many as are appropriate to make communication effective.

As the pensioners of tomorrow, students in schools and universities should also be made fully aware of retirement and how to fund it. This represents a further opportunity to create a new image for the industry — to start with the young and grow with them until retirement age.

"Although all such approaches would appear to be initially costly, the long-term implications of not communicating effectively will be more costly than dealing with the issue up front."

Frost says few members of funds know what the provisions of the funds are and what it will mean to them when they retire.

Hence, one of the most urgent objectives should be to ensure clear understanding by the beneficiary of the totality of a retirement fund, its rules and benefits.

Means should be devised to ensure they can interact whenever they wish to fully understand their fund's operations, its further implications and all its provisions.

"It is not, and will not be, good enough to simply issue an annual benefit statement, a notice of the annual meeting and changes to benefits."

He says many pensioners are having an uncomfortable retirement and fund management needs to show them how to maximise what they have.

In summary, Frost says organisations that capitalise effectively on these opportunities will be clearly separated from those which do not and which are thus likely to end up in failure.

"This scenario arises because they failed to create inclusive communication systems with the people who, after all, provide them with their funding."

FUNDS CAN INFLUENCE EMPLOYEE PRODUCTIVITY

EMPLOYERS and staff need to better understand the conditions and performance capabilities of their pension or provident funds in order to receive full benefits.

Fedlife actuary (employee benefits) Philip Hellig says some employers are uncertain that their funds are providing adequate benefits.

"They should consult an expert, as improved cover and flexibility could positively influence employee work performances."

He says employment security and stability is enhanced when staff are assured of two things: an adequate pension on retirement; and that all steps have been taken for the provision of maintenance to widows and children of employees who are incapacitated or who die.

While more attention needs to be paid to the various schemes and the type and number of benefits that can be paid when an employee is incapacitated during service, or dies before or after retirement, factors such as life cover and taxation must be carefully considered.

Lose

People who resign from their jobs may find that unless they opt to continue to pay for life assurance they will lose the life cover when they most need it.

Taxation of lump sum benefits paid from pension schemes are usually fairly generous. At least the final R60 000 is tax-free.

Hellig says estate planning is particularly important where the employee fund member is concerned. One should know what death, withdrawal and retrenchment benefits one is entitled to under the employer's retirement or annuity schemes, and what the options are.

Members should also know the financial status or well-being of their schemes, says Hellig.

Lump sum benefits can be altered at the whim of an employer and, if the fund is in deficit or in arrears with its premiums, benefits may be reduced.

Often overlooked is that a member should nominate his beneficiaries in the event of his death.

"Failure to do so would leave the distribution of the death benefits entirely to the discretion of the employer. Besides the delay in establishing who the dependents are, this could mean that non-dependent family members would be excluded."

A recent development is that the pension benefit can now be part of the divorce settlement, with the result that funds may be obliged to pay a portion of the benefit on death to the divorced ex-spouse.

Dorbyl scoops communications trophy again

FOR the second year running, Dorbyl has won the Liberty Life Institute of Retirement Funds' Communications Challenge trophy, for its excellent communication with Dorbyl pension fund members.

Dorbyl received the trophy from Liberty Life GM (group benefits sales and marketing) Mike Garbutt at a banquet at the Wild Coast Sun hotel on Monday.

Merit awards went to Nedcor, winners in 1988 and 1989, and the BP pension fund.

Nedlloyd pension fund took top honours in the small pension fund category, where fund members number fewer than 500.

At the presentation, Garbutt said there had been a vast improvement in the quality and standard of communication by many funds to their members over the past year.

"It is reassuring as this indicates a growing awareness among funds of the importance of such communication, which was the objective behind the introduction of the award."

However, from reports received, he still had certain reservations.

"Until more funds commit themselves to explaining the benefits of their retirement package to members, I am afraid that our industry will continue to be accused of not providing an acceptable savings medium for employees," says Garbutt.

Other investments needed for shortfalls

DON'T bank on your pension fund adequately meeting all your needs during retirement, advisers warn.

Employers should regularly inform their staff of the shortfalls of pension funds after retirement, and encourage them to take out supplementary retirement investments.

Advisers say such a service is needed as it has become essential to hedge against a tradition of substandard pension increases amid high rates of inflation during retirement.

The problem is compounded by a lack of provision or limited benefits for escalating medical care, particularly a protracted illness, in one's later years.

While the issues are complex, the average person should not expect to enjoy the same standard of living after retirement.

Many pension funds make little or no provision for inflation. Where given, inflation adjustments tend to be about 70% of the consumer price index.

Because of the inherent inflexibility of pension schemes, the pensioner is unable to withdraw an entire lump sum from the fund to invest elsewhere.

This adjustment shortfall is compounded as, unlike a provident fund, a normal pension income is usually taxed for life, and contributions are tax deductible only until retirement.

Long before reaching pensionable age, the employee should be encouraged to make extra provision for retirement by increasing savings through a balanced spread of investment instruments.

Spread

The spread may include cash in fixed deposits, retirement annuities, unit trusts, blue chip shares and endowments. Professional advice should be sought before embarking on an investment scheme.

And, as one may find subscriptions for medical costs being loaded increasingly against the elderly, it would be wise to consider a medical insurance scheme when it is most affordable — before retirement.

:mployers moving towards different earnings options

NVESTMENT market olatility and economic ncertainty is prompting mployers to change their arnings options provided y retirement funds.

Among the trends are wo which Sanlam senior anager (product develop- ent) Douw Kruger says nvolve corporate clients nd brokers.

Another includes hanges in defined benefits ension funds, says Sanlam enior group benefits con- ultant Chris Bösenberg.

Kruger's first observa- on is renewed interest in quitable share (defined ontribution) funds. The ther is increasing demand or guaranteed investment portfolios.

On defined contribution funds, he says pension scheme clients increasingly want to know whether to change from a final salary pension fund scheme — traditionally more popular among larger companies — to an equitable share fund favoured by smaller businesses.

Anticipated pressure from trade unions amid growing uncertainty about investment returns is making employers uneasy about final salary funds.

Increasing numbers of employers see the possibility of a rise in contributions in a final salary fund to meet the liabilities of the fund. This would not be required by equitable share funds.

Kruger says the industry is experiencing renewed interest in guaranteed investment portfolios, especially over the past six months.

"This type of portfolio is based on a stable bonus concept, where the insurer provides a smoothed investment return for the pension client by declaring stable bonuses, rather than linking the client's fund to the actual market value of the portfolio each year."

Corporate clients and brokers are looking closer at termination conditions, including penalties and payouts over any period.

"The surge is for added security and a reduction of open-ended liability, particularly as most believe AIDS could impact negatively on the risk benefits of any fund," says Kruger.

Bösenberg says the most important trends have been:

- ☐ Pensions are based on a shorter averaging period — about two years;
- ☐ Greater provision has been made for pension increases, with larger increases granted in recent years. About one third of funds surveyed provide for full inflation adjustments;
- ☐ More interest has been added to members' contributions. A portion of the employer's net contributions has also often been included on a sliding scale.

Areas that it is hoped will soon be addressed by the authorities is the disparity between the tax treatment of member's contributions to pension and provident funds, says Bösenberg.

"If this treatment were made the same, companies could establish one retirement fund and leave the choice between cash and income until retirement."

Bösenberg says the directive of the UK's National Association of Pension Funds is equally appropriate to SA retirement funds.

"Trustees of each pension fund have a responsibility to know their own scheme and to consider whether it has any special characteristics that require it to be invested to a degree differently from the generality of pension funds."



CHRIS BÖSENBERG

Shop around for the best RAs

CERTAIN procedures should be followed to obtain the maximum benefit from retirement annuities (RAs), say Institute of Life Pensions Advisers members.

IGI Life's Peter Atkinson says that when taking out an RA without life cover or other benefits (purely for retirement reasons), one should always set the maturity date at age 55. It can be extended later if needed.

When purchasing an immediate annuity with the proceeds of an RA or pension money, one should shop around for the best rate and the most suitable type of annuity.

If an old policy has been issued, one should check to see if it includes a loan facility at a low fixed interest rate. "Many can be useful in this way as a source of cheap loan capital."

Looking at permissible RA deductions, Momentum Asset Trust GM Martin Kourie says the maximum tax rates applicable are the greatest of:

- ☐ 15% of non-retirement funding income for (all taxpayers, including married women); or
- ☐ R3 500 less "allowed pension contributions" for taxpayers excluding married women (R1 750 instead of R3 500 for married women); or
- ☐ R1 750 for "other taxpayers" (R875 for married women).

Kourie says three other important aspects should be remembered.

First, a married woman's income — even from investment — is now taxable in her own name. To claim these deductions she must disclose income.

Second, non-retirement income means earnings against which no pension contribution is deductible — for example partners, profits, interest, annuities, travel allowances, employee's salary if no pension or provident fund is in place and so on.

"It excludes salary taken into account by the employer for contributions to non-contributory schemes."

Third, if 15% of an employee's non-retirement income is higher than the fixed deductions above, the employee gets the higher deduction, says Kourie.



MARTIN KOURIE

B/Day 19/5/93

300

Small firms must safeguard against claims

SMALLER companies should safeguard against retirement, death and disability claims that impact on cash flow by investing in a tailored retirement scheme, say consultants.

Companies without some form of pension fund face unexpected charitable payments that could put a strain on cash flow, says Focused Finance Group CE Chris Nixon.

"Ad hoc payments to widows, disabled or retired employees have not been budgeted for and are not tax deductible — unlike contributions to pension and provident funds. With planning, these situations need never arise."

He says a pension or provident fund, or group RA, would give protection and security to the company and its staff.

As the funds are independent of the company, should it go insolvent, the total fund amount is allocated between the members.

Liberty Life consultant Syd Carlisle says small businesses which have not made provision for their employees to be on a pension or provident fund may soon expect government to insist this is done.

Arrear

"What could worsen matters for small companies which delay is the growing possibility of a mandatory ruling for arrear pension contributions to be paid back-dated several years.

Carlisle says Liberty, for example, tailors a provident fund to suit individual small businesses ranging from one-man shows to those with several hundred employees.

Next best thing to this type of scheme would be a group RA where the employer pays half the premium and the employee the rest. Both contributions are tax deductible, he says.

Nixon usually advises small and medium sized companies to establish pension funds, while provident schemes and group RAs are only considered "if the situation dictates."

"Should an employee 'prematurely' leave a company with a pension or provident fund, neither party will lose out. However, this is not automatically the case with a group RA."

He says that under a pension or provident fund the departing member will receive his total contribution plus growth.

Even if the company contributions are not paid out they will remain in the fund, thereby benefiting other employees.

Group life and disability cover is available to members at good rates due to reduced risk and lower administrative costs, and premiums are paid out of pre-tax money.

Although pension and provident funds offer both parties security, group RAs have a high casualty rate regarding the employee, says Nixon.

"Should he move to another company with a compulsory pension fund, often he can no longer afford his group RA contributions due to his new pension fund commitments."

He believes that in 90% of cases the RA is dropped for this reason.

President's Council pension deal fair — FW

ARG 14/5/93

300

TOS WENTZEL
Political Staff

PRESIDENT De Klerk has announced what he describes as fair compensation for members of the soon-to-be-abolished President's Council, but some members are unhappy.

Only those who have been on the council for five years will get pensions and gratuities when the council ceases to exist on June 30.

Mr De Klerk said members would be compensated according to precedents set when the Senate and provincial councils were dissolved.

Those who had five years or more pensionable service qualified for reduced pension and gratuity benefits calculated according to years of service.

December 31 would be taken as the retirement date, notwithstanding that the council would be dissolved six months earlier.

Members who had fewer than five years pensionable service would be given a single amount.

Some Nationalist members have complained that Mr De Klerk promised them a better deal.

A concession has been made in that they qualify for a reduced pension after five years while members of parliament get pensions only after 7½ years.

Council member Clive Derby-Lewis, who has been charged with the murder of Chris Hani, qualifies for a pension and gratuity.

A council source said the exact amounts to be paid out were still being worked out.

Councillors were members of the parliamentary pension fund where they paid full premiums.

Members who did not qualify for pensions would get back their pension contributions along with a premium as a retrenchment deal.

Pensions would be roughly R50 000 a year, about one-third of an MP's annual salary.

Gratuities were likely to be about R154 000.

FM 14/5/93
EMPLOYEE BENEFITS (300)

Farming Africa

Old Mutual's drive into Africa will be led by its employee benefits division. Botswana is high on the list of countries where it wants to do business. The Cape-based life assurer has always been cautious about expansion. Assistant GM Henk Beets says the office has tended to follow where South Africans go — originally north to the goldfields, then to what was Rhodesia and to Zambia and Kenya.

The office in Kenya has been immobilised by local legislation for 20 years but is now being reactivated. Old Mutual also has a subsidiary in the Channel Islands, a small operation used to keep a window open on world assurance and investment trends.

Beets this week showed the results of a survey conducted by Old Mutual on labour

FM 14/5/93
(300)

practice, essential economic ~~data and~~ employee benefit laws in 11 African countries. Compiled as a guide, the research contrasts these practices with SA business traditions. Beets says it is designed partly to prepare SA business for employee benefit practices to the north. In Zambia, for instance, employers must provide housing or contribute a housing allowance equal to 25% of basic pay. In Egypt, employees and employers must contribute to the national health system.

Old Mutual expects a return from providing consultancy services on conditions in various countries. Considering the disparity of labour laws in Africa and the opportunities these present for innovative insurance products, Old Mutual can be expected to register as a life underwriter in some territories. Yet, with the Aids problem, it will not be enthusiastic about individual life business. Beets confirms his interest in Botswana but will not be drawn on whether any registration proposals have been made. ■

President's Councillors miss out on pensions

B/DAY 14/5/93

CAPE TOWN — A row broke out in the Nationalist-dominated President's Council last night after an announcement that most of the 60-member body would not qualify for pensions and gratuities.

President F W de Klerk announced that only members who had served for five years or more would receive a pension for life, prompting angry councillors to claim that they had been betrayed.

It is understood that NP caucus members were promised on at least four occasions that they would be "properly looked after" when the 12-year-old council was disbanded.

TIM COHEN

De Klerk last night insisted that the compensation offered to the 60 members was "fair".

The members face retrenchment after the council is disbanded on June 30.

De Klerk offered some flexibility, saying members' benefits would be calculated to the year-end.

Council members who have served for less than five years are likely to receive a single payout amounting to twice their pension contributions, plus 5% interest.

About two-thirds of the members fall into this category.

Members who have served for more than five years will get one-third of their current salaries for life plus a gratuity.

Labour Party members are considering consulting Cosatu with a view to instituting legal proceedings against government.

□ CP President's Councillor Clive Derby-Lewis will receive a pension and gratuity. As a former provincial councillor, Derby-Lewis will qualify for a golden handshake as well as a life-long pension.

ting of his crime. The result of the inquest is being awaited.

(3) A sentenced prisoner from the Nylstroom Prison died on 6 August 1992. The prisoner was sitting in the back of a pick-up on which cargo was transported. During the trip the prisoner fell from the pick-up and he was fatally injured. The result of the inquest has not yet been received.

(4) A prisoner from the Fort Beaufort Prison was part of a team who was working in town at the Agricultural School on 8 December 1992. Apparently the prisoner fell from the pick-up on which he was transported and died the following day in Hospital. The outcome of the inquest has not yet been received.

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(6) Three sentenced prisoners from the Modderbee Prison died on 4 June 1992. These prisoners were held at the Boksburg Magistrate's Court for further charges and as witnesses. The prisoners attempted to escape and were involved in a shooting incident. All three prisoners were shot dead. The result of the inquest is not yet available.

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(8) A sentenced prisoner from the Groenpunt Medium Prison escaped from prison on 5 November 1992. On 10 November 1992 his body was found in the river. His death was presumably caused by drowning. The outcome of the inquest has not yet been received.

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Schools without electricity

287. Mr R M BURROWS asked the Minister of Education and Training:

(a) What (i) number and (ii) percentage of (aa) public, (bb) Government, (cc) community and (dd) State-aided schools falling under his Department does not have electricity at present and (b) in respect of what date is this information furnished? B670E

The MINISTER OF EDUCATION AND TRAINING:

		(aa)	(dd)
(a)	(i)	1 208	5 011
	(ii)	52%	87%

All Government and community schools have been converted into public schools. Therefore (bb) and (cc) fall away.

(b) 3 March 1992.

Note: The Department installs electricity at all new schools and schools that are being renovated, provided electricity supply is available on the boundary of the school site.

Retired/retrenched public servants: re-employment

317. Mr B B GOODALL asked the Minister of Education and Training and of National Housing (Minister responsible for the Commission for Administration):

(a) How many (i) retrenched and (ii) retired public servants were re-employed during the latest specified period of 12 months for which information is available and (b) (i) in what capacities and (ii) by which Departments were they so re-employed? B732E

The MINISTER OF EDUCATION AND TRAINING AND OF NATIONAL HOUSING (Minister responsible for the Commission for Administration):

(a) (i) 1 075 retrenched and (ii) 367 retired public servants were re-employed by departments and organisational components during the period 1 April 1992 to 31 March 1993 and

(b) (i) and (ii) see attached Annexure with information as furnished by the various departments and organsational components.

300

ANNEXURE

Details of retrenched and retired public servants who were re-employed by departments and organisational components during the period 1 April 1992 to 31 March 1993

Administration: House of Representatives

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Administration Clerk		1
Assistant Director		1
Total		2

Administration: House of Assembly

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Administration Clerk		2
Administrative Officer	1	1
General Assistant	30	
General Foreman		1
Assistant Director		1
Principal Architect		1
Principal Agricultural Adviser		1
Matron		2
CS Educator (Post level 1)	1 014	123
CS Educator (Post level 2)	4	
CS Educator (Post level 4)	1	
CS Educator (Post level 5)	1	
Operator		1
Security Officer	1	
Senior Administration Clerk	1	2
Senior Engineer		1
Senior Agricultural Advisor		2
Senior Storekeeper		1
Senior State Accountant		1
Senior Works Inspector		1
Total	1 053	141

cont'd

Department of Foreign Affairs

Capacity	Number of retrenched public servants	Number of retired public servants
Minister of Finance and Economic Affairs (Director-General grading): Ciskei (seconded)		1
Minister of Justice (Director-General grading): Ciskei (seconded)		1
Ambassador: Brussels (Chief Director grading)		1
Ambassador: Vienna (Chief Director grading)		1
Total		4

Department of Justice

Capacity	Number of retrenched public servants	Number of retired public servants
State Law Advisor		2
Total		2

Department of Agriculture

Capacity	Number of retrenched public servants	Number of retired public servants
Storekeeper		1
Livestock Inspector		1
State Veterinarian		1
Total		3

Department of Manpower

Capacity	Number of retrenched public servants	Number of retired public servants
Security Officer		1
Senior Administration Clerk	1	1
Typist		
Total	1	2

Department of National Health and Population Development

Capacity	Number of retrenched public servants	Number of retired public servants
Chief Administration Clerk		1
Senior Typist		1
Total		2

Department of National Education

Capacity	Number of retrenched public servants	Number of retired public servants
Security Officer	1	
Total	1	

Department of Environment Affairs

Capacity	Number of retrenched public servants	Number of retired public servants
Principal Meteorological Instrument Technician		1
Principal Meteorological Technician		1
Total		2

Department of Education and Training

Capacity	Number of retrenched public servants	Number of retired public servants
Deputy Chief Education Specialist (Post level 5)		2
Principal (Post level 3)		2
Principal (Post level 4)		4
CS Educator (Post level 1)		15
CS Educator (Post level 2)	1	
CS Educator (Post level 3)		1
Education Specialist (Post level 5)		1
Total	1	25

cont'd

Department of Public Works

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Administrative Officer		1
Total		1

Department of Regional and Land Affairs

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Deputy Director-General		1
Senior Planner		1
Total		2

Department of Transport

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Deputy Chief Engineer		1
Principal Industrial Technician		1
Airworthiness Inspector		1
Transport Inspector		1
Senior Administration Clerk		1
Total		5

Department of Water Affairs and Forestry

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
General Assistant	6	
Principal Forestry Scientist		2
Principal Engineer		2
Principal Industrial Technician		2
Chief Accounting Clerk		1
Chief Provisioning Administration Clerk		1
Senior Administration Clerk		1
Senior General Foreman		1
Senior Water Control Officer		2
Total	6	12

Office of the State President

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Supervisor	1	
Total	1	

Natal Provincial Administration

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Pharmacist		2
Principal Medical Officer		3
Principal Specialist		2
Chief Medical Officer		1
Chief Specialist/Professor		1
Medical/Dental Advisor		1
Senior Pharmacist		2
Senior Physiotherapist		1
Senior Specialist		2
Professional Nurse		2
Total		17

Provincial Administration of the Orange Free State

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Administrative Officer		1
General Foreman		1
Artisan (A Group)		2
Artisan Foreman		1
Assistant Roads Foreman		2
Pharmacist		1
Bridge Builder		1
Principal Medical Officer		1
Chief Administration Clerk		2
Chief Professional Nurse		2
Chief Provisioning Clerk		1
Roads Operator		2
Roads Foreman		1
Senior Administrative Officer		1
Senior Administration Clerk		7
Senior General Foreman		1
Senior Medical Superintendent		3
Senior Porter		1

cont'd

Capacity	Number of retrenched public servants	Number of retired public servants
Senior Specialist		3
Senior Dental Technician		1
Senior Professional Nurse		2
Senior Provisioning Administration Clerk		2
Specialist		6
Nursing Assistant		1
Professional Nurse		2
Total		48

Provincial Administration of Transvaal

Capacity	Number of retrenched public servants	Number of retired public servants
Administration Clerk	3	2
Administrative Officer		1
General Assistant		
General Foreman		1
Pharmacist		7
Driver		1
Principal Medical Officer		1
Principal Industrial Technician		1
Medical Orthotist/Prosthetist		1
Chief Administration Clerk		1
Linen Supervisor		2
Medical Officer		1
Medical Superintendent		2
Industrial Technician		1
Operator		3
Roads Superintendent		1
Radiographer		1
Senior Administration Clerk		1
Senior Medical Superintendent		2
Senior Industrial Technician		1
Senior Specialist		5
Senior State Accountant		1
Telecom Operator		1
Gardener		1
Food Service Supervisor		1
Total	3	40

Constitutional Development Service

Capacity	Number of retrenched public servants	Number of retired public servants
Director	1	
Departmental Inspector	1	
Total	2	

South African Police

Capacity	Number of retrenched public servants	Number of retired public servants
Warrant Officer		16
Brigadier		3
Major-General		1
Captain		3
Colonel		6
Lieutenant		4
Lieutenant-Colonel		4
Major		1
Sergeant		5
Total		43

South African Defence Force

Capacity	Number of retrenched public servants	Number of retired public servants
Warrant Officer (Military Practitioner)		1
Administrative Officer		1
General Foreman	3	
Artisan (A group)	1	
Principal General Foreman	2	
Chief Musician		2
Tailor		1
Colonel (Military Practitioner)		1
Major (Military Practitioner)		4
Military University Educator		1
Medical Officer		1
Specialist		1
Senior Provisioning Administration Clerk		1
Total	6	14

cont'd

Central Economic Advisory Service

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
State Accountant		1
Total		1

South African Communication Service

Capacity	*Number of retrenched public servants*	*Number of retired public servants*
Principal Communication Officer		1
Industrial Technician	1	
Total	1	1

Schools: number of classrooms

323. Mr R M BURROWS asked the Minister of Education and Training:

(a) What is the (i) total number of classrooms in (aa) primary and (bb) secondary schools administered by his Department and (ii) average number of classrooms in each case and (b) in respect of what date is this information furnished? B744E

The MINISTER OF EDUCATION AND TRAINING:

(a) (i) (aa) 43 509.
(bb) 14 849.
(ii) (aa) 5,8.
(bb) 23,2.
(b) 3 March 1992.

Notifiable diseases in each race group

331. Mr M J ELLIS asked the Minister for National Health and Welfare:

How many cases of each notifiable disease were notified in respect of each race group in 1992? B745E

The MINISTER FOR NATIONAL HEALTH AND WELFARE:

Disease	*Population Group*					
	Unknown	*Asian*	*Black*	*Coloured*	*White*	*Total*
Brucellosis	1	1	6	7	24	39
Cholera	1	0	13	0	0	14
Congenital syphilis	83	0	423	288	1	795
Congo fever	0	0	7	0	2	9
Diphtheria	0	0	2	0	0	2
Food poisoning	2	7	21	51	1	82
Lead poisoning	0	0	1	0	1	2
Legionellosis	0	0	1	0	1	2
Leprosy	2	0	69	1	0	72
Malaria	42	2	2 540	5	188	2 777

Disease	*Population Group*					
	Unknown	*Asian*	*Black*	*Coloured*	*White*	*Total*
Measles	910	340	12 677	2 117	4 304	20 348
Meningococcal infection	9	3	258	291	32	593
Pesticidal poisoning	3	1	68	50	20	142
Rabies	0	0	15	2	10	27
Rheumatic fever	0	2	15	12	1	30
TB bones & joints	0	3	99	34	6	142
TB genito-urinary system	0	0	34	13	20	67
TB intestines	0	3	50	8	5	66
TB meninges, CNS	3	5	237	98	14	357
TB miliary	1	1	117	48	7	174
TB other organs	34	17	1 653	354	97	2 155
TB other respiratory	0	2	476	373	33	884
TB primary infection	1	1	1 892	2 705	31	4 630
TB pulmonary	247	506	47 608	19 054	782	68 197
Tetanus	1	1	74	2	4	82
Tetanus neonatorum	0	0	15	1	0	16
Trachoma	0	0	7	0	0	7
Typhoid fever	10	8	1 084	8	37	1 147
Viral hepatitis A	138	40	164	215	825	1 382
Viral hepatitis B	27	36	330	175	52	620
Viral hepatitis non-A, B	1	0	25	0	9	35
Viral hepatitis unspecified	0	5	212	56	38	311

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General Assistant	30	
General Foreman		1
Assistant Director		1
Principal Architect		1
Principal Agricultural Adviser		1
Matron		2
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CS Educator (Post level 2)	4	
CS Educator (Post level 4)	1	
CS Educator (Post level 5)	1	
Operator		1
Security Officer	1	
Senior Administration Clerk	1	2
Senior Engineer		1
Senior Agricultural Advisor		2
Senior Storekeeper		1
Senior State Accountant		1
Senior Works Inspector		1
Total	1 053	141

cont'd

Star 18/5/93

Probe planned of pension funds

By John Sherrocks

DURBAN — As many as 400 pension funds are being mismanaged, says Financial Services Board (FSB) chief executive Piet Badenhorst.

He told delegates to the annual conference of the Institute of Retirement Funds yesterday that the FSB would this year be investigating 100 funds.

Badenhorst cited four key aspects of the recent Mouton Commission report classified as "pressing" with regard to legislation. They were:

- Uniform tax treatment (requirements and incentives).
- Codifying the duties and responsibilities of trustees.
- Disclosure to members.
- Appointment of an ombudsman.

"To some extent we have been muddling forward. For this industry, it is dangerous. We need to agree on a pathway for the future," said Badenhorst.

While sufficient regulation existed, supervision of the duties and the responsibilities of trustees was inadequate.

"The trick is to find standards that are not so tough that the industry withers, but are firm enough to ensure that sensible requirements are met."

He identified trustees and principal officers, auditors, regulators, intermediaries, members and enforcement agencies as role players to be involved in supervision.

Eskom and LOA unveil funding plan which could unlock billions

ESKOM and the Life Offices' Association (LOA) yesterday unveiled a R500m commitment to a new electrification funding instrument. The move could unlock billions in life investments for further development projects.

The new funding instrument, Electrification Participation Notes (EPNs), consists of two parts. The first is a 6% fixed-coupon Eskom bond on which interest is payable twice a year. This is linked to a warrant for a variable element based on 30% of turnover generated by Eskom's electrification drive.

Eskom guarantees a return of not less than 11,98%, or 80% of the E168 value on May 13, on EPNs. The upside potential of the notes is not capped. Final payment is set for May 2008.

The EPN will be listed within three months, after which it will be available to non-resident investors subject to exchange control approval. Eskom will not make a market in EPNs, but their listing will provide a degree of tradeability.

UAL Merchant Bank GM Leon Kirkinis told a news conference at Eskom's Megawatt Park headquarters an announcement on placing the balance of the first R750m tranche of EPNs would be made within days. UAL, which structured the new instrument, is believed to be negotiating with a number of pension funds on the outstanding R250m.

PETER DELMAR

Eskom's programme to electrify a million households by 1998 is expected to cost R3,1bn. EPNs will be issued over the next few years as the need for finance arises.

LOA committee member Dorian Wharton-Hood said the EPN had been approved by all the LOA's member companies. "Every life assurer has come to the party," Wharton-Hood said, while declining to specify who had invested and how much.

He said the LOA had anticipated pressure on its members to invest in "socially responsible" developments and had discussed the electrification bonds with various parties, including the ANC, PAC, Inkatha and government. He described the EPN as a "unique" investment instrument, offering a balance between a low initial yield and the need to guarantee policyholders a reasonable return.

LOA chairman Neal Chapman said: "Clearly, the more than R200bn belonging to the millions of our policyholders and pension fund members has been seen by many as a major resource to be tapped but, at the same time, our industry needed to find a way of responding which did not put the nation's savings at risk or at a disadvantage. Our criteria are, and must continue to be, market-related yields, marketable instruments which are safe. Eskom needed a low initial yield and therefore an affordable initial cost and we needed the

☐ To Page 2

Eskom-LOA

☐ From Page 1

yield to increase over the 15-year term to give us a return over the period which is acceptable. This has been achieved."

Wharton-Hood said the EPN represented "a massive vote of confidence in the future of our country. It will contribute very significantly to a levelling of the playing fields, to improving the environment and the lives of our people."

LOA investment development unit chairman Barry Adams said the unit was evaluating a variety of projects in the field of housing and rural health care, all worth more than R20m. Adams said it was premature to speculate how much the LOA might have available to invest in this area.

Eskom finance and services director Mick Davis said electrification was a "fundamentally important programme for our country". Eskom was discussing with the Development Bank of Southern Africa, the World Bank, EC and other groups additional funding for electrification.

didates for consideration for promotion to the 5 level 7 posts advertised.

(2) Yes.

Officials in the Department who were eligible to apply for the posts objected to the posts being advertised fearing that their seniority ranking would not be taken into consideration. Their fears were allayed at a subsequent meeting held with the Public Servants Union which represented the Department officials concerned.

Mr M RAJAB: Mr Chairman, arising from the hon the Minister's reply, I would like to ask her why these posts, as referred to in this particular circular, were not advertised generally. Will there be any interviews of the applicants for the posts thus advertised in terms of that particular circular?

The MINISTER: Mr Chairman, the amendment to the Indians Education Act to which the hon member is now referring as regards the advertising of these posts externally has not yet come into effect.

Mr M RAJAB: Mr Chairman, further arising from the hon the Minister's reply, we in this Chamber know that that particular amending Bill was passed by this House some time in March this year. Could I ask her why that particular section of the Act has not yet been gazetted?

The MINISTER: Mr Chairman, I am not aware why this is so, but it has not yet been promulgated.

Mr M RAJAB: Mr Chairman, further arising from the hon the Minister's reply, I again afford her an opportunity to make a reply to my previous question. I would just like to take the trouble to elaborate.

In terms of that particular Act—I think it was in the last section of the Act—the State President had to give notice by way of the *Gazette* of when the Act was to come into effect. In practice it is left to the Minister in charge of the Bill to advise the State President in this regard. My question is simply this: Why has the hon the State President not been advised so to gazette the requirements of that particular Act, taking into account the inordinate haste with which the hon the Minister rushed the Bill through this House?

The MINISTER: Mr Chairman, I have not as yet received a letter from the hon the State President asking me for a date.

Mr M RAJAB: Mr Chairman, further arising out of the hon the Minister's reply, quite obviously she is unaware of the procedure. It is not for the hon the State President to ask whether the hon the Minister wishes that particular Act to take effect or not. The onus is on the hon the Minister. I should like to submit that, considering the inordinate haste with which she piloted the Bill through this House, the onus is on her immediately to ask the hon th State President to gazette the relevant requirements. I should like to ask her why this has not been done.

The MINISTER: Mr Chairman, it was not I who piloted the Bill with haste. That Bill came under discussion when I had just assumed the reins of office.

Mr T L GOUNDEN: It was part of your job!

The MINISTER: I did not push it through Parliament. [Interjections.] Hon members are wrongly attributing that haste to me.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Telkom pension funds: number/actuarial deficits

295. Mr B B GOODALL asked the Minister of Posts and Telecommunications:

(1) (a) How many Telkom pension funds were there as at the latest specified date for which information is available and (b) what are their names;

(2) whether there are any actuarial deficits in respect of these pension funds; if so, (a) what are these deficits and (b) in respect of what date or dates is this information furnished;

(3) in respect of each of these pension funds, when (a) was the last actuarial valuation done and (b) is it estimated that the fund concerned will be fully funded at the present rate of contributions? B681E

The MINISTER OF POSTS AND TELECOMMUNICATIONS:

The Managing Director of Telkom SA Limited replied as follows to the hon member's question:

(1) (a) and (b) There is just one Telkom Pension Fund which was established on 1 October 1991 in accordance with the stipulations of the Post Office Amendment Act of 1991. The Fund exists in accordance with clauses 1.2 and 3.1 of three categories of membership, namely:

(a) *A-member:* An officer (permanent worker) who prior to 1 October 1992 exercises the option of entering into service of the employer or an employee who becomes an A-member, according to paragraph (1) (b) hereunder;

(b) *B-member:* An employee (temporary worker) who prior to 1 October 1992 exercises the option of entering into the service of the employer; provided that an employee who is younger than 65 years and enters permanently into the service of the employer prior to 1 October 1992, shall have a nonrecurrent, irrevocable option to become an A-member of the Fund within 19 days of becoming a member;

(c) *C-member:* New members with effect from 1 October 1991.

At present no Provident Fund exists for Telkom employees but negotiations are in progress in this regard. It is anticipated that such a Fund would be available to those members who choose to belong to it.

(2) Yes, there is an accuarial deficit in respect of the Telkom Pension Fund:

(a) The accumulated deficit amount to R1 442 million and the funding level is 52,6%.

(b) 31 March 1992.

(3) (a) The latest actuarial valuation was done when the Fund was established on 1 October 1991. In accordance with clause 8.9 (2) the next valuation should be done not later than the third anniversary of the Fund, namely 1 October 1994.

(b) From a Pension Fund viewpoint, it would be more sound to consider the amortization of an accumulated deficit as a percentage of the salaries of members. This percentage of all members' salaries will amount to 7,0% over a 15 year period.

In nominal terms, it means that the contributions will amount to R9,3 million per month over a 15 year period.

According to estimates, the Fund will thus be fully funded after 15 years.

Provincial hospitals: theft of supplies/equipment

301. Mr M J ELLIS asked the Minister for National Health and Welfare:

(1) Whether any instances of theft of sup-

VW's early retirements

VOLKSWAGEN SA has begun its drive to reduce costs by offering voluntary early retirement to all employees from the age of 55-years and up.

A company spokesman says the slump in the world automobile market has led to a significant cancellation of some of VW's export orders, necessitating a production cutback in some areas.

In addition, a voluntary separation package is being offered to employees.

It is expected this head count reduction will affect approximately 700 employees at all levels.

Aged 'need communes' to fight starvation

CT 26/4/93

Staff Reporter

PENSIONERS unable to find accommodation in old age homes will increasingly be driven to eating pet food unless they form communes to avoid spending most of their incomes on rent.

This was said by SA Council for the Aged marketing manager Ms Marie Wessels following reports that poor people are increasingly having to supplement their diet with canned pet food.

Ms Wessels said a growing number of pensioners were among those turning to pet food as the only affordable form of protein.

Owing to overcrowding in old age homes, the problem would "snowball" among the aged unless they formed communes, she said.

The problem was greater in the white community than in the black, in which families generally took better care of the elderly.

"We are aware that some pensioners are desperate for the protein found in meat, fish and chicken, and that pet food is all they can afford," she said. (300)

She referred to a recent case in Johannesburg where an elderly couple committed suicide in their flat, which was completely bare except for a few cans of cat food, although they did not have cat.

Pick 'n Pay senior buyer Mr Gigi Bisogno said yesterday that pet food was one of very few household items that had shown any increase in sales last year.

This could be because people were buying bigger dogs for protection, but it was possible more people were turning to pet food for their own consumption, because by law it had to be sterilised and produced subject to stringent controls.

for

Cocaine bust in Sea Point

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

National Health: 34 retrenched temporary employees

15. Mr C I NASSON asked the Minister for National Health and Welfare:†

(1) How many (a) years of service and (b) years of pensionable service did each of the 34 temporary employees who lost their work in her Department as a result of rationalization and to whom she referred in her reply to Interpellation No 1 on 3 March 1993, have to his or her credit;

(2) whether any (a) gratuities and/or (b) pensions were paid to these employees; if not, why not; if so, what is the amount paid to each of these employees in each case? C69E

The MINISTER FOR NATIONAL HEALTH AND WELFARE:

(1) (a) and (b) The particulars are enunciated in the attached annexure. Please note that only 26 names appear on the annexure due to the fact that one person has in the meantime retired due to ill health, two persons have been placed elsewhere in the Department and five cases are receiving continuous attention for possible placement elsewhere.

(2) (a) and (b) An employee who has 10 years or more pensionable service only receives an annuity. If he/she has less than 10 years pensionable service only a gratuity is received. Applications for the payment of the annuities and gratuities have, in each individual case, depending on the date of retirement, been submitted to the Chief Directorate: Pensions of the Department of Finance for execution. Due to the fact that the payment of annuities and gratuities rests with that Department and that they do not disclose such information, it is not possible to indicate what the amounts in each case are. This question will have to be addressed to the Minister of Finance and of Trade and Industry.

Name	*Actual Service*	*Pensionable Service*
R Sacks	9 y/11 mths/1 d	9 y/11 mths/1 d
A J Ernst	3 y/2 mths	3 y/2 mths
A Kilroe-Smith	2 y/8 mths	2 y/8 mths
G J van Eeden	12 y/3 mths	12 y/3 mths
M Mzamo	28 y/2 mths/28 d	22 y/3 mths
J M Bell	9 y/9 mths	9 y/9 mths
R S J du Toit	12 y/7 mths/13 d	12 y/7 mths/13 d
M V van Niekerk	5 y/2 mths	5 y/2 mths
G Nel	4 y/9 mths	4 y/9 mths
O P Chabaemang	6 y/3 mths	6 y/3 mths
R Polakow	14 y	14 y
W Sekgobela	34 y/6 mths	26 y
F Daniels	2 y/1 mth	2 y/1 mth
G P Mokotedi	8 y/7 mths	8 y/7 mths
F D Nkitseng	12 y/4 mths/14 d	10 y/4 mths/14 d
T G Zwane	6 y/1 d	6 y/1 d
G H L Weigall	1 y/1 mth/16 d	1 y/1 mth/16 d
J M Allen	14 y/1 mth/26 d	13 y/5 mths/30 d
D P Voges	8 y/2 mths/17 d	8 y/2 mths/17 d
L O Thseola	25 y/9 mths/12 d	20 y/8 mths/30 d
J P N Nel	9 y/5 mths/13 d	9 y/5 mths/13 d

Name	*Actual Service*	*Pensionable Service*
A Hofstee	5 y/7 mths/7 d	5 y/7 mths/7 d
B Khuzwayo	32 y/3 mths/28 d	25 y/11 mths/30 d
B A Mosuwe	45 y/9 mths/7 d	25 y/9 mths/30 d
S Nkgedi	10 y/3 mths/30 d	10 y/3 mths/30 d
F Seyopo	39 y/11 mths/30 d	25 y/11 mths/30 d

Own Affairs:

Blue Downs: acquisition of Erf 423 by Development Board

28. Mr D LOCKEY asked the Minister of Housing:

(1) Whether a certain property known as Erf 423 in Electric City, Blue Downs, was acquired by the Development Board; if so, (a) when and (b) at what cost;

(2) who were the members of the Board during the period 1 January 1988 up to and including 31 December 1992;

(3) whether the Board granted the agency for the marketing of the subdivided erven forming part of the property to any person and/or company; if so, (a) when and (b) to whom;

(4) whether any subdivided erven forming part of the property were sold to any third parties; if so, (a) when, (b) to whom and (c) what amount was received by the Board in respect of each such subdivided erf? C88E

The MINISTER OF HOUSING:

(1) No.

(2) Messrs C O du Preez, M Swanepoel, J W Coetzee, M H O Kloppers, R B Meiring, N H Naylor, D P Daniels, K A Sambaba, R N Koen, P F Peffer, J B Parfitt, E D Hornimann, W Thomas; and D D Nieuwenhoudt during their respective terms of office.

(3) No.

(4) No.

Blue Downs: development of Erf 423

29. Mr D LOCKEY asked the Minister of Housing:

(1) Whether the Development Board entered into any contract with any developers in respect of the development of a property known as Erf 423 in Electric City, Blue Downs; if so, (a) when, (b) with whom and (c) what were the terms of this contract in respect of (i) development costs and (ii) as far as the sale of the subdivided erven on this property to any third parties is concerned, (aa) the sale price, (bb) the price to be received by the Board after such sale and (cc) the Board's pre-emptive rights to repurchase the property within five years after such sale;

(2) whether the Board's pre-emptive rights referred to in paragraph (1) (c) (ii) (cc) above were waived at any stage; if not, why not; if so, (a) when, (b) why and (c) (i) on whose authority and (ii) what procedure was followed in authorizing the waiving of these rights;

(3) whether the Board (a) undertook, (b) financed, and/or (c) contributed towards the financing of, the development of this property; if so, to what extent; if not, why not? C89E

The MINISTER OF HOUSING:

(1) No.

(2) Falls away.

(3) Falls away.

Star 28/4/93

Row over Katlehong council provident fund

By Jo-Anne Collinge

More than 400 Katlehong Town Council workers stand to lose thousands of rand each because the council has failed to pay into its provident fund money which it has deducted from workers' wages for this purpose.

Now, Old Mutual, which manages the Katlehong Town Council Provident Fund, is threatening to close down the fund at the end of this month.

It has warned the provident fund managers that non-payment of contributions is a criminal offence.

Katlehong town secretary Hennie Grobbelaar insisted that the bankrupt council was "pursuing each and every avenue" at its disposal in order to raise money to pay the arrears contributions.

Although they had no written undertaking, council officials were hopeful that the Transvaal Provincial Administration would help them out.

But Bennet Nzima, chairman of the fund's trustees, said: "We are not as optimistic as the council officials.

"In fact we are pessimistic about the TPA's ability to help, especially as they failed to report back to the members last week as they originally promised," he said.

Grobbelaar argued that workers had not really lost any pay as provident fund contributions were nothing more than a "paper transaction".

But workers interviewed by The Star said bitterly that benefits had already been refused to the dependants of three workers who had died during March.

This position is confirmed in a letter to the trustees by Paul Plaatjies, Old Mutual's manager for the Katlehong fund.

Dated April 1, the letter reads: "Since the inception of the fund in July 1991, the non-payment of contributions has been an issue between the fund and Old Mutual.

"A stage has now been reached where the last contributions were for the month of August 1992, seven months ago."

Prejudiced

Plaatjies warns: "This non-payment of premiums has seriously prejudiced member interest since they are no longer covered for family, death and disability benefits.

"Retiring and withdrawing members have to be content with a lesser benefit."

He states plainly that Old Mutual had decided that "the Katlehong City Council Provident Fund be given until Friday April 30 1993 to rectify all outstanding contributions.

"Failing this, Old Mutual will have no choice but to discontinue the fund."

Centre opens

A HELP centre was officially opened at the Soweto Care For The Aged Centre yesterday.

The centre, according to Miss Khosi Mahlangu, one of the social workers, will provide, free of charge, a screening clinic, a lending depot and physical training for the aged. She said the centre, which will be manned by volunteer retired nurses, will not only cater for those in the institution but also those in the community. (300

Sowetan 29/4/93

Employment cuts cost govt R3bn

ADRIAN HADLAND

PRETORIA — The retrenchment or early retirement of almost 24 000 public service workers since last year had cost government about R3bn in pensions, leave gratuities and overheads, Public Servants' Association deputy GM Casper van Rensburg said yesterday. B/DM 29/4/93.

He said the need for a future government to create a more open public service by encouraging further voluntary retrenchments and early retirements would make it difficult to take advantage of the savings. "I doubt the government will ever get its money back."

The job cuts followed Finance Minister Derek Keys's decision last year to reduce public service expenditure by 5%. This was complemented by the 5% limit on annual public sector salary increases announced in the Budget.

A Finance spokesman said the Minister had provided only broad guidelines for the expenditure cuts in September last year but individual departments had been responsible for implementing cost reduction strategies. The 5% cut had also been aimed at improving productivity.

Van Rensburg said most of the public servants affected by the cuts had taken voluntary retrenchment.

Meanwhile, GERALD REILLY reports that the Medical Association of SA (Masa) has charged that essential medical care would be jeopardised by the "non-negotiable" 5% salary increase offer.

Masa chairman Prof Ralph Kirsch said yesterday the small salary hike coupled with the increased taxation would almost certainly result in a further loss of professional staff, aggravating the intolerable workload of health personnel.

Insuring premiums against effect of AIDS

BDAY 30/4/93.

ANDREW KRUMM

SOUTHERN Life yesterday launched a new life assurance product to protect healthy policyholders from sharp, but inevitable premium increases because of AIDS.

Southern Life director Chris Liddle said "Exclusive Life" was designed to prevent healthy policyholders from subsidising HIV infected clients, and required clients to undergo regular HIV testing.

The new product required HIV testing every five years to the age of 45. Should a policyholder test positive in a repeat test, or refuse to undergo the test, life cover would be reduced to 10% of the sum assured.

Exceptions would be made in cases of proven accidental infection, such as through blood transfusions or rape.

Although repeat testing appeared controversial to those outside the industry, it was the only solution.

"Current testing merely screens people who are HIV positive when taking out a policy, and does nothing to control the cost of benefits to those who are infected after they have been accepted for cover."

Liddle said existing policyholders would not be allowed to transfer their policies into the Exclusive Life scheme, but a R240m reserve had been made to protect them from premium increases resulting from AIDS.

Life cover costs for an HIV infected individual was at least 50 times that of an uninfected person. "If only 1% of the insured lives of an assurer were HIV positive, premiums of non-infected policyholders would increase 50%."

Rates of infection were increasing rapidly. "In the six months to December 1992, the rate of HIV infection increased by 80%, while 1,01% of all applicants tested were HIV positive," Southern GM Paul Truyens said.

Taken with statistics that 2,3-million South Africans would die of AIDS by the year 2005, all life assurance would soon be sold this way, or the industry could be wiped out.

□ Our Durban correspondent reports that the Manpower Department's annual report, which was released this week, disclosed that about 400 people contracted HIV each day in SA.

The department estimated that 400 000 people were infected between 1982 and 1992.

Generally the 20-30-year-old age group was most affected by HIV infection and AIDS — encompassing one of the most productive and economically active parts of the population.

"The highest number of AIDS cases occurred among blacks (1 043 cases), followed by 420 cases among whites. However, because of the nature of the disease, it is very difficult to determine how many people have been infected already and how many could still contract the disease," the department said.

Coupled with the AIDS problem, was population growth. The population of SA, including the TBVC states, increased from 29,2-million in 1980 to about 38-million in 1991.

This represented a growth of 2,4% a year.

According to estimates by the Human Science Research Council, the population of SA and the TBVC states will increase to 64-million in 2010, 83% of whom will be blacks.

Tuesday, April 27 quotation for unit trust:

General Equity Funds:

ABSA	142,32	133,12	5,42
BOE: Growth	155,96	145,70	2,96
Community Growth Fund	111,90	105,65	na
CU Growth	120,51	112,51	3,69
Fedgro	129,11	120,56	4,76
Guardbank	2577,26	2398,96	4,67
IGI Life	129,65	121,33	3,35
Metfund	188,08	174,79	4,38
Metlife	118,82	111,01	6,31
Momentum	256,61	240,51	4,13
NBS: Hallmark	933,54	871,66	4,54
Norwich	365,05	340,85	3,56
Old Mutual Investors	2637,97	2457,58	3,92
SAGE	2406,26	2245,04	3,73
Sanlam	1596,76	1495,60	3,49
Southern	205,75	192,62	3,94
Standard Bank	1194,32	1122,27	6,92
Syfrets Growth	295,10	276,35	4,58
Syfret Trustee	117,30	109,95	4,24
UAL	2077,81	1950,91	5,36

Planning ahead

South 1/5-5/5/93.

Investors have been quick to grasp new long term investment opportunities offered by unit trusts, says Old Mutual Unit Trusts' Manager, Selwyn Feldman.The outstanding inflation-beating returns offered by unit trusts has been the major factor contributing in Old Mutual Unit Trusts having the largest client base in the industry. Another contributing factor is the wide range of funds and packages offered by the company meeting the diverse needs of investors.One such package is Old Mutual Retirement Trust specifically tailored to meet the investor's retirement needs.

Retirement Trust is an investment in the R3 billion strong Investors' Fund and is specifically aimed at investors who want to supplement their retirement annuity or who want to invest the cash lump sum received from the annuity on their retirement. Most people who fall into this category no longer have dependents and can therefore afford to supplement their retirement annuity with a unit trust investment to ensure that they will be well provided in the future.Retirement Trust is also an easily affordable investment with a minimum monthly investment amount of R50 and a minimum lump sum investment amount of R500.A second option available to the investor who has a lump sum to invest is Old Mutual's Phased Portfolio. When investing a lump sum in unit trusts there is always some timing risk. This can be combatted by either attempting to invest when unit prices are low (a near impossible thing to gauge) or otherwise by spreading one's purchases over time. This is where Phased Portfolio will benefit the investor. A minimum lump sum of R25 000 can be invested in Old Mutual Income Fund. The Income Fund is a relatively secure investment in interested bearing securities and government stocks with minimal capital fluctuations. The lump sum is then transferred, on a monthly basis, to any of Old Mutual's higher risk/higher growth while minimising timing risks!

Of course, the longer the investment period, the greater the chances of achieving inflation beating growth.It is important to remember that unit trusts are not a substitute for a saving account. Every investor should have sufficient savings to cover for emergencies, as well as adequate life cover.

A unit trust investment should be regarded as a supplement to these undertakings. "Old Mutual Unit Trusts intends to continue developing new flexible packages for this sector of the market.

The number of account holders who are making repeat investments in our funds indicates that we are meeting market needs."





Helping you make the most of the stock exchange

(b) R26 012 136 has been granted for the establishment of 118 new clinics.

Note:

The management of sexually transmitted diseases is part and parcel of primary health care. It is therefore not possible to identify funds allocated specifically for sexually transmitted diseases.

Expenditure: various categories of education

304. Mr R M BURROWS asked the Minister of Education and Training:

What (a) amount and (b) percentage of the education budget of his Department was spent on (i) pre-primary, (ii) primary, (iii) secondary and (iv) tertiary education during the 1991–92 financial year or the latest specified 12-month period for which figures are available? B702E

The MINISTER OF EDUCATION AND TRAINING:

	(a)	(b)
(i)	R 592 447,43	0,02%
(ii)	R1 743 657 912,64	49,62%
(iii)	R1 041 124 901,43	29,63%
(iv)	R 364 317 253,37	10,36%

The above-mentioned amounts are for the 1991/92 financial year since the final amounts for the 1992/93 financial year are not yet available.

Post Office pension funds: actuarial deficit

312. Mr B B GOODALL asked the Minister of Posts and Telecommunications:

(1) Whether any pension funds of the Post Office show an actuarial deficit; if so, (a) which pension funds, (b) what are the deficits in each case and (c) in respect of what date is this information furnished;

(2) when (a) were the last actuarial valuations of these funds undertaken and (b) is it estimated that the funds will be fully funded at the current rate of contributions? B711E

The MINISTER OF POSTS AND TELECOMMUNICATIONS:

The Managing Director of SA Post Office Limited replied as follows to the hon member's question:

(1) Yes.

(a) Post Office Pension Fund

(b) R595 million

(c) 1 October 1991

(2) (a) 1 October 1991

(b) 30 September 2006.

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version.

For written reply:

Own Affairs:

Visit to Atlantis by State President's wife: costs

24. Mr M A HENDRICKSE asked the Chairman of the Ministers' Council:

Whether any Departments in the Administration: House of Representatives were responsible for any costs incurred in respect of the visit by the wife of the State President to Atlantis on or about 10 March 1993; if so, (a) which Departments and (b) what was the cost incurred in each case in respect of (i) the printing and mailing of written invitations, (ii) the printing of pamphlets, (iii) the catering undertaken, (iv) the transportation of guests and (v) security arrangements? C80E

The CHAIRMAN OF THE MINISTERS' COUNCIL:

Yes.

(a) The Department of Education and Culture: Administration: House of Representatives.

(b) (i) R2 706,00

(ii) None

(iii) R1 166,66

(iv) None

(v) None

Building contracts awarded to company

25. Mr P C MCKENZIE asked the Chairman of the Ministers' Council:

(1) Whether any contracts for the execution of certain projects were awarded by the Administration: House of Representatives to a certain company, the name of which has been furnished to his Office for the purpose of his reply, or its affiliates during the period 17 September 1984 up to and including 2 February 1992; if so, (a) what is the name or names of the company or affiliates concerned, (b) for which projects were such contracts awarded and (c) what was the tender amount in respect of each of these projects;

(2) whether any other persons and/or companies also submitted tenders in respect of the said projects; if so,

(3) whether the company referred to in paragraph (1) submitted the lowest tenders of all persons and/or companies that submitted tenders; if not, (a) which companies submitted the lowest tenders in respect of each contract and (b) on what grounds was each contract awarded;

(4) whether he will disclose whether any member of House of Representatives is or was a director of this company; if not, why not; if so, what are the names of these members? C87E

The CHAIRMAN OF THE MINISTERS' COUNCIL:

(1) Yes

(a) (b) and (c)

Bester Homes (Pty) Ltd—Strandfontein Primary School No 3—R1 350 000,00
Bester Homes (Pty) Ltd—Mitchells Plain Secondary School No 9 hall and technical centre—R4 497 440,00
Besterecta (Pty) Ltd—Mitchells Plain Primary School No 52—R1 267 800,00
Bester Homes (Pty) Ltd—Cloetesville Primary School No 3—R3 534 500,00
Bester Homes (Pty) Ltd—Groendal Secondary School—R4 260 000,00
Bester Homes (Pty) Ltd—Mitchells Plain Primary School No 17 and technical centre—R6 174 000,00
Bester Homes (Pty) Ltd—Lentegeur Hospital—R2 168 000,00.

(2) Yes.

(3) No.

(a) George Wimpey SA (Pty) Ltd—Mitchells Plain Secondary School No 9.

(b) The lowest tender for this project was not in accordance with the specifications.

(4) As far as could be determined no member of the House of Representatives is or was a director of the company.

cont'd

SCHEDULE

Definition

1. In this Schedule "the Regulations" shall mean the regulations published under Government Notice No. R. 1653 of 10 September 1976, as amended, and any word to which a meaning has been assigned in the Regulations and the Associated Institutions Pension Fund Act, 1963, shall bear that meaning.

2. If a member retires or is retired or discharged on or after 2 July 1992 and on or before 1 August 1992, that is with the last working day being 1 July 1992 up to and including 31 July 1992, in accordance with the provisions of regulations 15 (1) and 15A of the Regulations, such member's pensionable emoluments for the purpose of the calculation of his benefits in accordance with the Regulations, shall be deemed to be the pensionable emoluments to which he would have been entitled should his service have terminated on 2 August 1992.

Date of commencement

3. The provisions of this Schedule shall be deemed to have come into effect on **1 July 1992.**

No. R. 737 300 **7 May 1993**

REGULATIONS MADE UNDER THE TEMPORARY EMPLOYEES PENSION FUND ACT, 1979

The Minister of Finance has in terms of section 8 of the Temporary Employees Pension Fund Act, 1979 (Act No. 75 of 1979), made the regulations contained in the Schedule.

SCHEDULE

Definition

1. In this Schedule "the Regulations" shall mean the regulations published under Government Notice No. R. 2099 of 21 September 1979, as amended, and any word to which a meaning has been assigned in the Regulations and the Temporary Employees Pension Fund Act, 1979 shall bear that meaning.

2. If a member retires or is retired or discharged on or after 2 July 1992 and on or before 1 August 1992, that is with the last working day being 1 July 1992 up to and including 31 July 1992, in accordance with the provisions of regulation 9 (1) of the Regulations, such member's pensionable emoluments for the purpose of the calculation of his benefits in accordance with the Regulations, shall be deemed to be the pensionable emoluments to which he would have been entitled should his service have terminated on 2 August 1992.

Date of commencement

3. The provisions of this Schedule shall be deemed to have come into effect on **1 July 1992.**

BYLAE

Woordomskrywing

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 1653 van 10 September 1976, soos gewysig, en het 'n woord waaraan in die Regulasies en die Wet op die Pensioenfonds vir Geassosieerde Inrigtings, 1963, 'n betekenis geheg is, daardie betekenis.

2. Indien 'n lid op of na 2 Julie 1992 en voor of op 1 Augustus 1992 uit diens tree of afgedank of ontslaan word, dit wil sê met die laaste werkdag 1 Julie 1992 en voor of op 31 Julie 1992, ingevolge die bepalings van regulasies 15 (1) en 15A van die Regulasies, word sodanige lid se pensioengewende verdienste vir doeleindes van die berekening van sy voordele ingevolge die Regulasies, geag die pensioengewende verdienste te wees waarop die lid geregtig sou gewees het indien sy diens op 2 Augustus 1992 beëindig sou gewees het.

Datum van inwerkingtreding

3. Die bepalings van hierdie Bylae word geag op **1 Julie 1992** in werking te getree het.

No. R. 737 **7 Mei 1993**

REGULASIES UITGEVAARDIG KRAGTENS DIE WET OP DIE PENSIOENFONDS VIR TYDELIKE WERKNEMERS, 1979

Die Minister van Finansies het kragtens artikel 8 van die Wet op die Pensioenfonds vir Tydelike Werknemers, 1979 (Wet No. 75 van 1979), die regulasies vervat in die Bylae uitgevaardig.

BYLAE

Woordomskrywing

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 2099 van 21 September 1979, soos gewysig, en het 'n woord waaraan in die Regulasies en die Wet op die Pensioenfonds vir Tydelike Werknemers, 1979, 'n betekenis geheg is, daardie betekenis.

2. Indien 'n lid op of na 2 Julie 1992 en voor of op 1 Augustus 1992 uit diens tree of afgedank of ontslaan word, dit wil sê met die laaste werkdag 1 Julie 1992 en voor of op 31 Julie 1992, ingevolge die bepalings van regulasie 9 (1) van die Regulasies, word sodanige lid se pensioengewende verdienste vir doeleindes van die berekening van sy voordele ingevolge die Regulasies, geag die pensioengewende verdienste te wees waarop die lid geregtig sou gewees het indien sy diens op 2 Augustus 1992 beëindig sou gewees het.

Datum van inwerkingtreding

3. Die bepalings van hierdie Bylae word geag op **1 Julie 1992** in werking te getree het.

Rightist becomes SA citizen

3I Times 9/5/93

By RYAN CRESSWELL

SIX years after being forced to leave South Africa because of his racist views, a British-born right-winger claims he has now become a citizen.

Landscaper and erstwhile commodities broker Brendan Willmer, 48, was forced to return to Britain in 1983 when the Government refused to renew his fourth temporary residence permit in 14 years.

Mr Willmer returned to Durban in 1989.

Yesterday, he said he came back "through correct government channels" and was granted first permanent residence and then citizenship.

"I have friends here who helped me come back," he said.

Department of Home Affairs spokesman Mr Chris Pretorius said he knew "nothing about this man".

"His name doesn't ring a bell and I can't check the records over a weekend," he said.

However, the department admitted in 1988 that Mr Willmer had been given a permanent residence permit and an identity book.

Now divorced, Mr Willmer has lived a quiet and bookish life for the past few years in a sprawling two-storey house with a magnificent view of Durban harbour. (330)

Once the darling of Rhodesia because he headed the South African based Save Rhodesia Campaign, Mr Willmer spearheaded a fight to keep Durban's beaches segregated.

He was also the first Conservative Party chairman in Natal and leader of Durban's right-wing Civic Action League. He shared platforms with AWB leader Eugene Terre'Blanche, but he says his loyalties now are to the Inkatha Freedom Party.

He has formed the Natal Freedom Campaign which supports federalism and is fiercely anti-communist.

"Our objective is maximum devolution of power, because that's the only way minorities can be assured of some say.

"To allow the winners of an election to design a constitution is a recipe for civil war."

"I support the IFP on a lot of issues. I especially like their views on a federal system of government," he said.

Sporting a shock of white hair and choosing his words with care, Mr Willmer said he regretted some of the things he had said and done and claimed his political views had mellowed over the years.

"I've matured politically but I am still vehemently opposed to communism and any Marxist-Leninist experimentation in this country."

Mr Willmer said he felt like an alien during the six years he spent in Cornwall.

"I am a citizen now. Once Africa is in your blood you always miss it. I now realise this is my motherland."

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Early childhood education: expenditure

303. Mr R M BURROWS asked the Minister of National Education:

What percentage of the (a) overall budget and (b) education budget for 1993–94 has been allocated to early childhood education? B698E

The MINISTER OF NATIONAL EDUCATION:

In the allocation of funds to the respective departments of State responsible for education by the Minister of National Education, no provision is made specifically for preprimary education. However, all the departments, including those of the Self-Governing Territories, provide for preprimary education in their budget.

Transnet pension funds: actuarial deficit

311. Mr B B GOODALL asked the Minister for Public Enterprises:

(1) Whether any pension funds of Transnet show an actuarial deficit; if so, (a) which pension funds, (b) what are the deficits in each case and (c) in respect of what date is this information furnished;

(2) when (a) were the last actuarial valuations of these funds undertaken and (b) is it estimated that the funds will be fully funded at the current rate of contributions? B710E

The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of Transnet Limited has furnished the following reply to the hon member's question:

(1) Yes.

(a) Transnet Pension Fund.

(b) R10 472,4 million.

(c) 31 March 1992.

(2) (a) 31 March 1992.

(b) The current contribution rate contributes marginally towards the funding of the shortfall but is not sufficient to cover the discounting rate by which the shortfall increases. The balance of the deficit will be paid to the Pension Fund as lump sums out of profits of Transnet within ten years.

Own Affairs:

Model B/D schools: monetary allocations

58. Mr R M BURROWS asked the Minister of Education and Culture:

(1) Whether any of the provincial executive departments of education make funds directly available to Government schools (Models B and D) in the form of monetary allocations, over and above salary payments to teachers; if so, (a) what policy is followed in this regard in each such province and (b) what sum is provided, *per capita*, for (i) primary and (ii) secondary schools;

(2) whether any changes were made to the above-mentioned policy in 1992; if so, what changes;

(3) whether he will make a statement on the matter? B669E

The MINISTER OF EDUCATION AND CULTURE:

(1) No,

(a) and (b) fall away;

(2) no;

(3) no.

Private schools: subsidies

62. Mr R M BURROWS asked the Minister of Education and Culture:

(1) Whether any private schools in (a) the Transvaal, (b) Natal, (c) the Cape Province and (d) the Orange Free State (i) applied for and (ii) were granted a sub-

Transnet fund shows R10,47bn deficit

CAPE TOWN — The Transnet Pension Fund was currently showing an actuarial deficit of R10,47bn, but the shortfall would be wiped out within a decade, the corporation said yesterday. BIDM 11/8/93

In answer to a question asked in Parliament by DP MP Brian Goodall, the corporation said the last actuarial evaluation, made on March 31 this year, showed a substantial shortfall.

The current contribution rate contributed marginally towards the funding of the shortfall, but was not sufficient to cover the rate by which the shortfall was increasing.

The balance of the deficit would be paid into the pension fund as lump sums out of profits within 10 years.

TIM COHEN

Goodall said in reaction the problem was that money which could have been used to cheapen or improve the transport infrastructure of SA was now being used to meet past pension liabilities.

"In a country struggling to become internationally competitive and to stimulate investment and savings, this is shortsighted."

He said the pension funds got into difficulty not because of a lack of money, but because of poor investment returns and ill-considered benefits grants. Benefits were improved without any actuarial studies to show what the implications of those improvements were.

For example, the buy-back scheme was introduced which allowed members to "buy" past service and thereby improve their benifits dramatically. Transnet employees were also permitted to borrow from the fund for housing purposes at highly subsidised rates, which impacted on the fund's investment return.

A superior investment performance would allow the positon to be corrected. "It took 20 years for these pension funds to get into the mess they are in. We should not attempt to correct this in the short term at the expense of potential economic growth," he said.

Transnet fund R10bn in red

THE Transnet Pension Fund is showing an actuarial deficit of R10,47 billion, but it would be wiped out within a decade, the corporation said yesterday.

This was in answer to a parliamentary question from DP MP Mr Brian Goodall.

The deficit would be paid into the pension fund as lump sums out of profits within 10 years, the corporation said.

Mr Goodall said in reaction that money which could have been used to cheapen or improve transport was now being used to meet past pension liabilities.

CT 11/5/93

Leave to appeal is refused

BLOEMFONTEIN. — An application by three members and a former member of the SA Typographical Union for leave to appeal against the dismissal of an application to set aside the transfer of the National Industrial Council Pension Fund to the Printing Industry Pension Fund for SATU members, has been refused by the Appeal Court.

The application was brought by Mr S P Laing, Mr D Cilliers, Mr A Collinet and Mr T Smith.

The respondents were SATU, the Printing Industry Pension Fund for SATU members, the NIC of the Newspaper and Printing Industry (in liquidation), Mr M R Watermeyer, as trustee of the NICNPI, and the Industrial Registrar.

The case arose from a meeting in Port Elizabeth in 1989 at which it was decided that the NIC should be dissolved. — Sapa

Star 11/5/93

Elderly 'more security conscious'

Statistics indicated senior citizens were becoming more aware of crime, and the picture was not as dark as it seemed, deputy SAP commissioner Lieutenant-General Louw Malan said in Johannesburg yesterday.

He was addressing about 300 senior citizens at Gold Reef City, where Shoprite/Checkers, with the SA Council for the Aged, launched its security seminars for this year.

"Senior citizens no longer open their doors without question and do not listen to tricksters trying to gain access to their homes," said Malan.

people murder and maim their victims, as they did yesterday in Breyten. He suggested that the people who should have joint control over the police, should be those who are represented at grass-roots level by those who were responsible for the murders in King William's Town, Queenstown, Ficksburg, Alberton and many other places. [Interjections.]

The DP's disdain for the competent authority the SA Police—to maintain law and order in this country, stretches so far that they want to place terrorists in joint control of that authority. [Interjections.] In essence our proposal is the one we made at the multi-party negotiation process. [Time expired.]

*The MINISTER OF LAW AND ORDER: Mr Chairman, at the outset I want to thank the hon member for Potgietersrus for his standpoint that the Government, and hence the NP, should control the forces. I want to thank him sincerely for that confidence, because it is clear that the CP has so much confidence in this side of the House that they do not want us to relinquish control of the security forces. [Interjections.]

As far as the hon member for Durban Central is concerned, I believe we should take a look at what is meant by "joint supervision" and "joint control". If I get an opportunity to do so, I shall return to this later.

The hon member said it was linked to joint responsibility. However this is not true. At this stage there cannot be joint responsibility. As I have already indicated to the hon member, one of the primary functions of a government is to maintain law and order. In other words, in the final instance the hon member is asking for joint control in a situation in which we would always have to accept the responsibility.

Let us take a look at what the ANC has to say in regard to this joint control. I quote:

> Yesterday senior ANC negotiator, Mac Maharaj, told the *Weekly Mail* that the ANC would not insist on being represented in the command structures of the South African Defence Force. It would accept that the powers of the subcouncil, that we are talking about now, for defence and for law and order would be limited to a supervisory role.

This is the standpoint of the ANC. The AVU also supports our standpoint. Inkatha also supports our standpoint that the government of the day should control the security forces until they have been properly assimilated. [Time expired.]

Mr P H P GASTROW: Mr Chairman, this hon Minister is playing straight into the hands of the ANC, because until now the ANC has said that they want joint control. From their position they have now realised that joint control means joint responsibility. During the elections they want to be in a position in which they do not have to be responsible for the acts of the police.

They want to be able to shift the burden onto the Government so that they can get votes: I want to suggest that it is unhealthy that the ANC is now moving towards the idea of joint supervision for electioneering and partisan party purposes. It is not in the interests of a peaceful election campaign. The Government's insistence on sole control is also unhealthy. It, too, is not in the interests of a peaceful, free and fair election campaign. [Interjections.]

This is precisely the issue. They should decide what is in the interests of the country and of a free, fair and relatively violence-free election campaign. It should, in the first instance, be joint control and not the interests of their own party or their own sectarian group. How can one have a level playing field during an election period if the Police Force of this Government, which is one of the contenders for power, is under its sole control? One cannot have a level playing field as far as law, order and security are concerned. One can only have it when there is joint responsibility and accountability. Whether the ANC is moving away from joint control or whether the Government is clinging to sole control is not the issue. The issue is that if we want a successful election, others need to be brought in.

The Police Force is trying to improve its relationship with the community, and it has made progress. However, this determination to cling to sole control will destroy much of that. The Police Force will be painted as a partisan group during the elections by all political opponents of the Government. This will undermine the standing of the Police Force and undermine its ability to maintain law and order during this highly sensitive period during the election campaign.

I think it is time we looked at the interests of the country as a whole by seeing how we can level the playing field and empower the Police Force to actually do its job properly, with the full backing of the other parties. If there is only joint supervision the Police Force will not be doing its job with the full backing of the other parties, because they will be watching like hawks from the outside to see what the Police Force is doing. If things go wrong, they will wash their hands of the matter, say that they are not responsible and that the blame rests with the Government, because it is the Government's Police Force. We want to avoid that. The Government should not throw power out of the window. They should share it for the purposes of the election campaign by having joint control over the Police Force during that period.

*The MINISTER OF LAW AND ORDER: Mr Chairman, I should like to thank the hon member. He seems to be very concerned that the Government might have to bear the blame in the future. [Interjections.]

However, the hon member accused me of playing into the hands of the ANC. Let us examine what he said. The ANC has been saying that the Police and the Defence Force are the private armies of the NP for a long time. This is exactly what that hon member also said a moment ago. He talks about the Police Force of this Government. In so doing he is playing directly into the hands of the ANC. [Interjections.] The SA Police are not the Police Force of the Government. The Police Force is the Police Force of the Republic of South Africa. [Interjections.]

Neither I nor my predecessor have ever made the Police Force into a political issue. The SA Police is an impartial force, and that hon member had the audacity to talk here about the Police Force of this Government. [Interjections.] I think it is a disgrace. That hon member is a member of the SA Police Board and ought to know better. He is aware of the changes we have introduced in the Police Force recently in order to make them independent and impartial, yet he referred to the police force of the Government. I think it is a disgrace.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Question standing over from Wednesday, 5 May 1993:

Medihelp: retired teachers

*2. Mr A GERBER asked the Minister of National Education:†

(1) Whether, since he furnished replies to Question No 5, standing over, on 17 February 1993 and Question No 10 on 24 February 1993, he has taken steps, or is at present envisaging taking steps, to equalize the membership fee contributions to Medihelp of persons who have been retired on accelerated pension with those of retired teachers who retired at the usual age; if not, why not; if so, what steps;

(2) whether these persons who have been retired on accelerated pension were informed beforehand of the implications that their early retirement would have in respect of the payment of membership fees to Medihelp; if not, why not; if so,

(3) whether the State will accept responsibility for financial losses suffered by these persons; if not, why not; if so, to what extent;

(4) whether he will make a statement on the matter? B725E

†The CHAIRMAN OF THE HOUSE: Order! I repeat the invitation I extended at a previous occasion to hon members who are not interested in the replies to the questions to leave the Chamber. There are hon members here who are, in fact, interested in the replies furnished and who would like to hear them. The hon the Minister may proceed.

†The MINISTER OF NATIONAL EDUCATION:

(1) According to information which I have received from the Commission for Administration, the position with regard to medical benefits of teachers who have

been retired on accelerated pension has at no stage changed. These teachers have themselves always been responsible for their medical cover after termination of service. These arrangements appear to be in line with general practice in the private sector. In the light of the sensitivity which has developed concerning this matter, and also because I am very sensitive about it myself, I decided to submit the matter to Cabinet for its consideration. I further decided that all educators who had accepted early retirement since 1 August 1992, owing to rationalization, should receive an amount not exceeding the State's contribution to the medical scheme to which they belonged on the last day of service for a period not exceeding 6 months after retirement.

(2) No, because according to my information no change in respecct of the payment of membership fees to Medihelp had taken place in the case of people who were retired on accelerated pension.

(3) No. Educators who have accepted early retirement are already receiving the assistance referred to in paragraph (1).

(4) No.

Mr R M BURROWS: Mr Chairman, arising from the reply of the hon the Minister, could he inform us whether teachers, particularly those falling under the Administration: House of Representatives who are being offered early retirement at this stage, are being informed about the financial position in regard to their medical scheme?

The MINISTER: Mr Chairman, I am not responsible for the management of the education department of the House of Representatives, so unfortunately I am not in a position to answer the hon member's question.

New questions:

Press freedom

*1. Mr P G SOAL asked the Minister of Mineral and Energy Affairs:

Whether, with reference to the reply by the then Minister of Home Affairs to Question No 7 on 18 March 1992 regarding legislation allegedly detracting from the free flow of information and restricting the Press from reporting, any steps have been taken or are being contemplated in respect of the repeal of the Petroleum Products Act, 1977 (Act No 120 of 1977); if not, why not; if so, (a) what steps and (b) when? B734E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

A comprehensive investigation into Government's involvement in the petroleum fuel industry is in the process of being finalised at present. One of the aspects which is being addressed in the investigation, is to what extent the need for secrecy regarding specific petroleum matters has reduced under the present circumstances. The repeal of the Petroleum Products Act, 1977 (Act No 120 of 1977) is, however, not envisaged, but only certain regulations promulgated in terms of the Act. It is the intention to consider the amendment of those Regulations which prohibit the publication of information in respect of petroleum products as soon as possible.

Mr R R HULLEY: Mr Chairman, arising from the reply of the hon the Minister, could he tell us whether the question of the deregulation of the petrol price is part of the inquiry he has just referred to?

The MINISTER: Mr Chairman, the reply to that question is "yes". The whole matter of the regulation of the petroleum industry has been looked into and the report will cover that as well.

Capital punishment

*2. Mr J H MOMBERG asked the Minister of Justice:†

(1) Whether he will consider recommending that all persons sentenced to death be reprieved before Parliament takes a decision on the question of capital punishment; if not, why not; if so, what are the relevant details;

(2) whether he will make a statement on the matter? B737E

†The MINISTER OF JUSTICE:

(1) and (2) All persons sentenced to death are from time to time considered for reprieve.

On 29 January 1993 during his Opening Address the State President indicated that the Government was reconsidering its position on the carrying out of the death penalty and that Parliament would be consulted in the process of reconsideration.

On 24 March 1993 the State President therefore indicated further that the Government has decided to approach Parliament on an appropriate occasion, on the basis of a motion, to give all hon members the opportunity to indicate their viewpoints regarding the carrying out of the death penalty in a vote at the end of the debate.

The State President will proceed with the consideration of possible reprieves.

†Mr J H MOMBERG: Mr Chairman, arising out of the hon the Minister's reply, the question was specifically aimed at the situation of persons who have been condemned to death. In the light of the almost inhuman situation existing at present, namely that some persons have been in death row for almost seven years, does the hon the Minister not feel that these persons can be reprieved before the debate on the death penalty begins?

†The MINISTER: Mr Chairman, I have already indicated that at a certain stage the State President considers the granting of a reprieve in the case of all persons who have been condemned to death. We must remember that this institution of the death penalty was amended hardly two years ago to make an appeal to the Appeal Court possible in all cases. It is therefore an automatic appeal. When cases are turned down by the Appeal Court, the question of reprieve remains. In this context we are therefore referring to those cases already considered by the State President, but in which a reprieve was not granted. As far as those persons are concerned, the carrying out of the death sentence has therefore been suspended temporarily. It is the intention, in the light of the hon the State President's motivation on these two occasions to which I have referred, to ask Parliament for its view on the continuation of the carrying out of the death sentence.

†Mr J H MOMBERG: Mr Chairman, further arising out of the hon the Minister's reply, does he not feel that he himself, purely on humanitarian grounds, can make such a recommendation?

†The MINISTER: In the normal course of events a reprieve is granted by the hon the State President on the recommendation of the Minister of Justice. Those cases have already been disposed of. We are talking here about a limited number of cases in which a reprieve was not granted. If I understand him correctly, the hon member is now asking whether we shall again look at that category of persons. I do not want to be cynical now, but there is a very strong feeling outside that these people did not ask twice whether their victims should get another chance or not. That is the attitude outside. We must look at this matter in a very objective and clinical way, and that has already been done. We shall not carry out the sentence before we have asked Parliament to state its attitude. I intend putting this question to Parliament within a few weeks.

Mr P G SOAL: Mr Chairman, further arising out of the hon the Minister's answer, does that mean that the hon the Minister did not tell us of the limited number of which it applied? Will he give us that figure and will he then confirm that, if it is decided at some subsequent date to reintroduce the death penalty, those people will be hanged?

The MINISTER: Mr Chairman, the law of the land is that. . . .

Mr P G SOAL: No, I know the law of the land.

The MINISTER: Mr Chairman, it is not that I think the hon member does not know the law.

Mr P G SOAL: But do you know it?

The MINISTER: Perhaps he can just check after I have finished. [Interjections.]

The law of the land is that a person, even if not reprieved, may still approach the State President up to the very last moment. We have so many instances of people approaching the courts at the very last moment with applications to suspend an execution. In some cases such applications have been successful and in others not. Therefore these people may still, under a

advocacy and Supreme Court practice; and, if so, the nature of such an examination, who the examining body should be, whether there should be a single examination for advocates seeking admission to the Bar and for attorneys wishing to acquire audience rights, and the extent to which the judiciary should have a say in such matters;

2.3 pupillage for advocates; and more particularly whether there should be a corresponding requirement for attorneys wishing to acquire audience rights and, if so, what exemptions, if any, there should be from such corresponding requirement;

2.4 the so-called "*cab-rank*" principle at the Bar; whether it should be maintained and, if so, to what extent it can, or should be, observed by attorneys who have acquired audience rights;

2.5 professional advertising and to what extent, if at all, it should be permitted in the case of attorneys who have acquired audience rights;

2.6 the rendering of professional services on a *pro Deo* or *in forma pauperis* basis by attorneys who have acquired audience rights;

2.7 an attorney with audience rights being briefed as junior to an advocate and vice versa;

2.8 the conferment upon attorneys with audience rights of senior counsel status; and

2.9 any other matter which, in the opinion of the Commission, is relevant to the practical implementation of the principle of according audience rights to certain attorneys;

3. whether, if it is decided that certain attorneys in private practice are to be accorded the right to discharge all or some of the functions of an advocate, any consequential changes are indicated for the advocacy in general, especially in respect of the right to receive briefs from the public without the intervention of an attorney and whether advocates should be allowed to practise in partnership and share in income and expenses;

4. such legislative enactments or amendments and such amendments to Bar rules and/or rules of the Law Societies of South Africa as would become necessary if the recommendations of the Commission were to be implemented.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Conditions in old-age homes

1. Mrs C H CHARLEWOOD asked the Minister of Welfare: (300)

(1) Whether any steps were taken recently to investigate conditions in old-age homes throughout the Republic; if not, why not; if so, what steps;

(2) whether this investigation has been completed; if not, why not; if so, what are the findings?

B807E.INT

The DEPUTY MINISTER OF WELFARE: Mr Chairman, yes, steps have recently been taken to investigate the conditions in homes for the aged throughout the country.

Mr J H VAN DER MERWE: Well done, Boy!

The DEPUTY MINISTER: Must I repeat it?

Mr J H VAN DER MERWE: Yes!

The DEPUTY MINISTER: From time to time the department receives complaints about the exploitation of, assaults on and poor care of aged persons in homes, and recently the number of complaints has increased, and some complaints have even received media coverage.

In view of these factors, the department has, by means of Circular 39 of 1992, directed to the regional and services officers of the department, introduced a strategy to protect the aged against exploitation, neglect and poor care.

The strategy comprises the following. During inspections, residents and personnel must be interviewed in a tactful way to determine the quality of care and to enquire diplomatically about possible complaints. Where problems are observed, inspections must be intensified. Managements must exercise supervision themselves and should not hesitate to discipline personnel who are guilty of misbehaviour towards residents.

Special attention should be paid to assault and to negligence during the caring process which exposes the aged to hardship and humiliating situations, to the theft of clothes and other articles and to similar incidents. Special attention must be given to the training of nursing assistants and ward aides. (300)

Managements must be encouraged to involve as many volunteers as possible in caring for the aged in homes. Senior personnel of the department must become more involved with homes for the aged. When a complaint of assault or poor care is received, the complaint must be investigated by senior personnel, namely a social worker in co-operation with other appropriate professional personnel, and corrective action must be taken immediately.

Mrs C H CHARLEWOOD: Mr Chairman, having heard what the hon the Deputy Minister has had to say, I feel I have to take issue with him. In a speech I made yesterday in the own affairs debate on welfare, I pointed out that there was a great deal of concern in the community about abuse of the elderly being rife, and I am glad that the hon the Deputy Minister agrees with this.

Sitting up here in the gallery today are a group of volunteers calling themselves the Concerned Friends of the Frail and Aged who have mustered for a very good reason. That reason is that they have identified a serious problem, but they are not alone. There are many organisations, including official bodies throughout the country, which are expressing their concern in spite of the fact that this department has developed its strategy and circularised it to all its officials. It is just not working. It is all very well for the department to give the impression that the situation is in hand when, in fact, it is not.

We know that the Aged Persons Act of 1967 makes provision for the registration of homes for the aged and the proper and safe care of the residents. The fact is that this is just not happening across the board. We know that the Act also makes provision for inspections of these homes by officials of the department, but if I am correct, according to the Act, these need to be done only once every three years, and also with due notice, which is the problem. Inevitably the more obvious faults can be cleaned up and fixed up before an inspection.

What about the less obvious faults, such as the psychological abuse, the isolation and punishments, the withholding of food and treatment? These are just some of the allegations that have been made. It is true that complaints about abuse or neglect of a resident in an old-age home may be made at an office of the department, but allegations are also made that these complaints are not dealt with any further, are not taken further. This can be verified and passed on to the hon the Deputy Minister.

Even from within the homes, residents are afraid to complain, even to their families, for fear of further intimidation. My understanding is that only an officer of the department is permitted to inspect a home, but not even the South African National Council for Care for the Aged is allowed in, and I think this is the crux of the problem.

Abuse of the elderly is a problem that is not unique to South Africa, but what is being done in other parts of the world is the setting up of an ombudsman programme, a system which is described as direct community involvement in nursing-home operations. It can take many forms, such as community boards or overseers, and this has a watchdog effect on behalf of the residents, since this system is not subject to the dictates of bureaucracy and officialdom.

Overseas experience has been that the effect ranges from the staff sensing that someone is looking over their shoulders to facing the possibility of litigation. This is something very real, and I do not think this sort of thing has actually been tested in our courts up to now, but I may be wrong.

The name of the game is accountability. [Time expired.]

*Dr F H PAUW: Mr Chairman, the question being raised in the interpellation is a very valid

one, particularly if one examines our previous interpellation here today. It is very clear that the age composition of our population is going to change; the number of our young people is going to decrease, and the number of old people is going to increase.

Consequently the care of the aged becomes even more important. The demands and needs are going to increase. The fact of the matter is that our elderly people need care. The State acknowledges this and provides support to the old-age homes, and this is why an investigation was done, and we are highly satisfied with it.

This is only right. Our old people deserve it. It is not their fault that the process that has plunged us into chaos and poverty exists. It was thanks to them that we inherited a good country. They brought us up in circumstances that gave us hope and confidence in the future. This is why they deserve an old-age free from care. This is why they may not be abused and deceived.

Unfortunately there is money to be made in the old-age home business. There will also be crooks who enter the business merely to make money and not to render a service. Control measures do exist, as we have just heard from the hon the Deputy Minister. The State is in a position to intervene here, particularly since its money is involved as well. Therefore the question is valid and appropriate, and I believe the hon the Deputy Minister will give his attention to the matter. We trust things will go well.

*The DEPUTY MINISTER OF WELFARE: Mr Chairman, I want to thank the hon member Dr F H Pauw for the support he expressed for the investigation and the results of the investigation.

†The hon member for Umbilo actually said that the investigation launched by the department did not work or is not working. I have proof to the contrary, and I will come back to this later on. However, let me just point out a few aspects in this regard, and perhaps the hon member will then see that the investigation has, in fact, had good results.

Inspections are being carried out throughout the country on a regular basis, even unexpected investigations. Incidents of abuse of the elderly, disclosure of such incidents in the media and the formulation of a strategy by the Government to combat unacceptable treatment of the elderly have enhanced the awareness and concern of management committees in this regard.

In general the findings of regional officers are that management committees have taken and are taking adequate steps to prevent abuse of the elderly and that care programmes are being geared towards this end. Regional officers have taken the necessary steps to ensure stricter supervision of personnel, where required.

A problem which arises owing to the weakened state of the economy is that homes for the aged cut their staff to the minimum, which in itself increases the risk of neglect, if not abuse, of the aged residents. The rural areas have always experienced problems regarding the acquisition of trained staff.

Mr B B GOODALL: Mr Chairman, having listened to the hon the Deputy Minister's answer, I think we, in this House, are long on good intentions, but short on action and fresh thinking. What we are dealing with is, in fact, the symptom of the problem and not the problem itself.

When I visited old-age homes in the USA, one of the things which impressed me was the high degree of professionalism in those homes. Some of the nurses there attained MBA degrees in order to be able to manage old-age homes.

The problem in South Africa is that old-age homes, instead of being the last resort for the aged, have actually become the first resort. If one looks at the number, particularly of Whites, in old-age homes and compares that with the rest of the Western World, one becomes aware of a breakdown occurring in our society. We have to rethink how we are going to deal with the aged.

There are two specific categories when it comes to looking after the aged. The first is the active aged up to the age of 75 to 80, and here the emphasis should be on keeping them in society as long as possible. [Interjections.]

Yesterday we spoke about the means test. [Interjections.] If it is Government policy, why then is someone who tries to provide for his own accommodation penalised by the means test? [Interjections.]

The old-age homes are really for the inactive

aged, and I think that there is a lot that we can do during the transitional period. For example, we hear so much about the depopulation of the rural areas in South Africa. Why can we not start developing old-age communes where five or six people can get together and live in a normal society in a normal kind of accommodation? This is the sort of fresh thinking that I believe we need to inject into the thinking in South Africa. [Time expired.]

Mrs C H CHARLEWOOD: Mr Chairman, in the light of what my hon colleague has said, I should like to call for an active review, an up-to-date assessment, of the Aged Persons Act of 1967, which has been under revision since 1983—clearly a low priority in the eyes of the Government.

There should also be, I believe, a commission of inquiry into the care of the aged, to be followed by the development of a national policy—something which has also been in the pipeline since the Year of the Aged in 1982, 11 years ago. All this with a view to improving the care system in homes and, as my hon colleague has said, reviewing our entire situation regarding the elderly in this country.

When it comes to the homes, the improving of the system should include the in-service training of nursing staff and lay health workers, as well as the establishment of channels for grievances, because one of the problems which we experience is that a lot of these workers do not have the correct channels for their grievances and then they take them out on the residents in the homes. However, this must obviously be done in consultation with the right people, such as the unions and others.

I would also like to call most strongly for the urgent establishment of an old-age home ombudsman programme, based on the American model. This would go a long way in assisting the State to eliminate this distressing problem of abuse of the elderly. [Time expired.]

The DEPUTY MINISTER OF WELFARE: Mr Chairman, I really do not think an ombudsman programme is necessary, but before I elaborate on that, I want to thank the hon member for Edenvale for his valuable suggestions. I can assure him that those suggestions will enjoy the consideration of the department. [Interjections.]

Let us put this whole issue into perspective. There are 430 subsidised homes for the aged in South Africa, and in these homes there are 32 448 residents. In one year the department received complaints from only 126 of all those residents. I think that should put the whole issue into perspective. We received one complaint from the Eastern Cape, seven from the Free State, four from the Northern Cape, 37 from the Western Cape, eight from Northern Transvaal, 28 from Southern Transvaal, 32 from Natal and nine from the head office. This gives us a total of 126 complaints.

I have visited numerous old-age homes over a long period of time, and I can assure . . . [Interjections.] Yes, I have already made an application and I am looking forward to it. [Interjections.]

I have visited these old-age homes, and the impression I have of old-age homes in South Africa is that, generally speaking, the people are receiving excellent treatment. [Interjections.] Yes, there are exceptions, but I also want to thank . . .

The CHAIRMAN OF THE HOUSE: Order! The hon the Deputy Minister may complete his sentence.

The DEPUTY MINISTER: Thank you Mr Chairman, but I have already concluded my speech. [Interjections.]

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

Own Affairs:

Voortrekker monument: panels removed

*1. Mr A GERBER asked the Minister of Education and Culture:†

(1) Whether it is the intention to remove certain panels from the Voortrekker monument; if so, (a) which panels and (b) why;

(2) whether he will make a statement on the matter?

B726E

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

State President: income tax on salary/allowances

298. Mr P G SOAL asked the Minister of Finance:

(1) Whether the State President is liable for the payment of income tax on (a) his salary and (b) any (i) allowances and (ii) other income received by him; if not, why not; if so, in respect of the latest specified period of 12 months for which information is available, on what amounts was such tax levied, in each case;

(2) whether any (a) former State Presidents and (b) widows of former State Presidents are liable for the payment of income tax on (i) pensions and (ii) any other personal income received by them; if not, why not; if so, in respect of the latest specified period of 12 months for which information is available, on what amounts was such tax levied, in each case? B663E

The MINISTER OF FINANCE:

(1) (a) and (b) (i) No.

In terms of the exemption contained in section 10 (1) (c) (i) of the Income Tax Act, 1962, (the Act) the State President is not liable for the payment of income tax on his salary and allowances.

(b) (ii) Yes.

As a result of the secrecy provisions, contained in section 4 of the Act, which prohibit the disclosure of such information, no details in this regard may be furnished.

(2) (a) (i) and (b) (i) No.

A pension payable to a former State President or his surviving spouse is not subject to tax as a result of the exemption contained in section 10 (1) (c) (ii) of the Act.

(a) (ii) and (b) (ii) Yes.

As a result of the secrecy provisions, contained in section 4 of the Act, which prohibit the disclosure of such information, no details in this regard may be furnished.

Deficit before borrowing/total expenditure

302. Mr K M ANDREW asked the Minister of Finance:

(1) What was the actual (a) deficit before borrowing, (b) total expenditure, and (c) deficit before borrowing as a percentage of the gross domestic product, in the 1991–92 financial year;

(2) what was the actual or estimated (a) deficit before borrowing, (b) total expenditure, and (c) deficit before borrowing as a percentage of the gross domestic product, in respect of the 1992–93 financial year? B697E

The MINISTER OF FINANCE:

(1) (a) R12 754,9 million (see table 4.3 in Budget Review of 17 March 1993).

(b) R85 860,9 million (see table 4.3 in Budget Review of 17 March 1993).

(c) 4,2 per cent of GDP.

(2) (a) Revised estimate: R28 563,8 million (see table 4.3 in Budget Review of 17 March 1993).

(b) Revised estimate: R104 876,6 million (see table 4.3 in Budget Review of 17 March 1993).

(c) 8,6 per cent of GDP.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Ex-member of Cabinet: cash payments/annuities/pension

290. Mr L FUCHS asked the Minister of Finance:

(1) Whether he will furnish information on the cash payments, annuities and/or pension paid or payable to an ex-member of the Cabinet, whose name has been furnished to the Minister's Department for the purpose of his reply; if not, why not; if so, (a) how much did this person receive by way of (i) cash payments and (ii) annuities on his retirement as (aa) Minister and (bb) head of the Government Department concerned and (b) what part of these amounts was exempt from income tax;

(2) whether any annuity and/or pension which this person is receiving from the State at present is exempt from income tax; if so, to what extent in each case;

(3) whether, in addition to any financial benefits this person receives as a retired Minister, he is still receiving any such benefits as the retired head of the Government Department in question; if so, what benefits? B676E

The MINISTER OF FINANCE:

(1) No—pension matters are strictly confidential and the amounts can therefore not be furnished.

(a) (i) (ii) (aa) and (bb) fall away.

(b) Only gratuities payable under the Government Pension Funds and Schemes are exempt from income tax.

(2) No—pensions (annuities) which are paid under the Government Pension Funds and Schemes are taxable according to income tables from the Receiver of Revenue.

(3) Yes—the person concerned was a member of the Government Service Pension Fund and as such, made contributions during his whole service period to the pension fund. He therefore became entitled upon his retirement to a gratuity and a monthly pension for which provision is made in the regulations which control the said Fund. The amounts of the gratuity which he received as well as the pension to which he lawfully had a right, are confidential and cannot be furnished.

Rail Commuter Corporation: offices in Johannesburg

308. Mr R V CARLISLE asked the Minister of Transport:

(a) What was the occupancy cost in respect of the offices used by the South African Rail Commuter Corporation in Sandton, Transvaal, as at the latest specified date for which information is available, (b) how is the office accommodation previously used by the Corporation in the Westbank Building in Johannesburg now utilized and (c) why did the Corporation transfer its offices to Sandton? B704E

The MINISTER OF TRANSPORT:

(a) The Managing Director of the South African Rail Commuter Corporation informed me that the amounts invoiced by Unilever to the South African Rail Commuter Corporation Limited in respect of February and March 1993 were as follows:

	February	*March*
Basic Rental.....	60 800	68 096
Parking.....	11 360	12 723
Operating Expenses	9 728	9 728
TOTAL.....	81 888	90 547

The rental amounts, including parking, increased by 12% on 1 March 1993 in terms of the lease agreement.

cont-d

Elderly are a 'future problem'

Staff Reporter

THERE will be more elderly patients in the future than the country's social and medical services can accommodate, Professor Stephen Louw, head of the Geriatric Unit at UCT said yesterday.

In his inaugural lecture, Prof Louw said last year's census found there were about 800 000 blacks over 65 in South Africa, compared with a total of about 600 000 for all the other population groups. (300) CT 13/5/93

There were fewer than six physicians trained in geriatric medicine in South Africa.

In the year 2015 there would be a total of 3,36 million people over the age of 65, he said.

Pension pay 'threatened'

300 Political Staff

THE payment of pensions and social subsidies to the Indian community was threatened by a R17 million shortfall in the welfare budget of the House of Delegates, the Deputy Minister of Housing and Welfare, Mr Yackoob Makda, said yesterday.

He warned the deficit would have "profound consequences". However, Housing Ministry officials said yesterday it was normal for the shortfall to be made up by the Treasury CT 13/5/93

Tuesday, April 20 quotation for unit trust:

General Equity Funds:

ABSA	139,94	130,90	5,52
BOE: Growth	154,33	144,17	2,99
Community Growth Fund	111,72	105,74	na
CU Growth	119,39	111,46	3,72
Fedgro	126,79	118,39	4,85
Guardbank Growth	2550,36	2374,22	4,72
IGI Life:	126,54	118,42	3,43
Metfund	191,09	177,40	4,31
Metlife	116,80	109,12	6,42
Momentum	251,47	235,69	4,22
NBS: Hallmark	920,77	859,73	4,60
Norwich	356,26	332,64	3,67
Old Mutual Investors	2578,87	2402,52	4,01
Sage	2363,25	2204,91	3,80
Sanlam	1577,07	1477,47	3,53
Sanlam Index	1219,69	1142,67	3,96
Sanlam Dividend	441,41	414,17	5,07
Southern	203,45	190,55	3,98
Standard	1186,77	1115,25	6,97
Syfrets Growth	291,84	273,31	4,63
Syfrets Trustee	116,51	109,21	4,27

New Investment Opportunities in Life

Sowth 24/4 - 28/4/93.

A whole new spectrum of investment opportunities was opened up for the consumer with the proposed abolition of existing legislation announced by Mr Derek Keys in his Budget speech earlier last month. New rules which will replace the existing laws create exciting opportunities to provide for the changing investment and protection needs of South Africans allowing individuals to plan more accurately for their real needs without having to add life cover, or limit premiums to enjoy the tax benefits of life assurance investments.

Old Mutual has two issues fundamental to its business, firstly the provision of financial security to policyholders their families and estates, and secondly, to help them create wealth and grow their money. The existing legislation clouded the concept of wealth creation in the form of pure investment by insisting on a prescribed minimum element of life cover and the life office was forced to discriminate in connection with tax, on the basis of the legal persona of the investor a major difference between natural persons and for example, companies.

These rules will no longer apply and the industry will be able to provide policyholders with investment opportunities in a more certain and flexible environment.

The purpose of the proposed legislation, to be incorporated later this year into the Insurance Act, is to clearly demarcate the boundary between business conducted by deposit-taking institutions such as banks and building societies and life assurance companies. In a nutshell you may now take out long-term pure investment, without life cover, for a minimum of five years with a life assurance company. Investments of less than five years, with the exception of Retirement Annuities and life policies underwriting pension and provident funds, are strictly the domain of banks and building societies. Furthermore the rules apply to all policies both new and existing. The minimum amount of time you can take out a policy for, has been shortened from ten years to five years. This means that life assurance products will be suited to medium term investors so if you were reluctant to commit yourself for a traditional ten year term you will now be able to participate in the attractive investments offered by Life Assurers like Old Mutual. Also, older consumers can invest in Old Mutual's Income and Growth Plans with terms commencing from five years as opposed to the previous ten. Old Mutual has enhanced their Anchor Plan range to accommodate these needs.

Life Assurers no longer have to incorporate life cover into investment products meaning that these policies are no longer restricted to R1500 per annum per family unit. If you have a R1500 p.a. existing policy you can either increase the premiums or take out new policies perhaps on other members of your family. Parents or grandparents who invest in education policies for children can now avoid the child life cover restrictions.

Most importantly there is an opportunity for investors who were previously either prevented from investing, or loaded or deferred for health reasons. No underwriting requirements for pure investment business mean guaranteed acceptance subject only to minimum premium and maximum age restrictions. Another important opportunity especially considering the current economic climate, is the new rule regarding inflation-linking your policy. Your premiums may be increased up to a more realistic 20% per annum as opposed to the previous maximum of 15%. And now you can add a premium update facility during the term of the policy, as opposed to previously having to start at inception of the policy. Research at Old Mutual confirms that most policyholders regard the inflation-linking of their premiums as vitally important. It impacts hugely on the maturity value of your investment.

Old Mutual has been in the forefront of these changes having made representations at all stages of the decision-making process.

This has helped to steer these new developments in order to provide more comprehensive and appropriate products for their client's needs. They have enhanced their existing Flexi range of products making the necessary changes to recurring, single and lump sum plans to accommodate the new rules. With these new opportunities available, it is in your interests to review your investment portfolio and perhaps decide to increase the monthly premiums, reduce the term or drop some life cover.

Consult your Old Mutual adviser or your broker who will look at how any changes may impact upon your portfolio as a whole.

OLD MUTUAL UNIT TRUSTS

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Pension funds are monitored

PENSION funds in independent homelands were monitored in terms of pension and financial instructions and auditing requirements, Foreign Affairs Minister Mr Pik Botha said yesterday (KL) (300)

They were also monitored in terms of Structural Adjustment Agreements. CT 26/3/93

Replying to Mr Peter Soal (DP Joburg North), Mr Botha said the homelands administered their own funds, but Venda had privatised its fund.

The Venda Pensions Crisis Committee was investigating all payments.

Woman of the month



Emily Monehi

By Sizakele Kooma

Sowetan 26/3/93, 300

SOME people retire to stay at home and wait to die while others, like Emily Monehi, get fuelled up and take on second careers.

Monehi retired from teaching in 1978. A few months later she had become a regular at pension pay-out points in Saulsville and Atteridgeville, her hometown.

While still a teacher, she had often heard of the shocking incidents at pay-out points that did not seem to get the public's attention.

"I found it abhorrent that old people could die from fatigue while waiting in queues, be robbed by 'slams' or be turned back without receiving payment when they had spent the whole day at the centres," Monehi said.

"My culture taught me to treat all elderly people as if they were my own parents. I could not look at them suffer and not feel ashamed or let other nations spit in my face for neglecting them."

Then 65 years of age herself, she organised the neighbourhood and got volunteers. The venture gave birth to Motheo ya Sechaba, of which Monehi is now life president, and saw an end to chaotic queues, robberies and deaths.

"We got the TPA to extend the pay-days and grouped the pensioners according to the days we had allocated them for payment. We also organised for invalids to give power of attorney to people they trusted to collect their money. At one time seriously ill people would be brought to the centre because no one could draw pensions on their behalf," she said.

Metheo ya Sechaba also found itself dealing with more than it had bargained for. It found itself mediating in disputes between the pensioners and their families over money. Children and grandchildren would hound the pensioners for cash, at times taking all the money. The now 79-year-old widowed mother of six and her colleagues, however, stopped it.

Metheo ya Sechaba's contact with the aged does not end at pay-out points. It organises excursions twice a year and holds other events like Christmas parties and educational talks for their members. The organisation's immediate plan is to form a pensioner's club.

RETRENCHMENT

What's fair?

It could be an unfair labour practice and a potential suit for the Industrial Court if a retrenched employee is paid back only his own pension contributions with nominal interest. That's the view of Sanlam's employee benefits manager Dries Visagie. He says the Industrial Court has jurisdiction with regard to conduct related to retirement funds where the employer had the power to prevent or end alleged unfairness.

If Visagie, whose views are supported by several Industrial Court findings, is correct, it fuels the continuous debate about who owns the surpluses in retirement funds. It has been widely held that these belong to the funds (specifically those members who reach retirement age).

But Visagie examines the related question of "reasonable expectations" — a concept currently being debated in the retirement industry but for which there is, as yet, no accepted definition.

Among the cases quoted by Visagie:

☐ Jarvis vs Dano Textile Industries, 1989. "The court was of the opinion that the unfairness was to be found in the rules of the fund and only indirectly in the conduct of the employer;" and

☐ Van Coppenhagen vs Shell & BP SA 1991. "The question was whether the Industrial Court had jurisdiction in a case where the employer declined consent to the payment of an early retirement benefit. The reasons for the refusal related to the employer's interests as employer and not merely as a participant in the fund."

Visagie says there is a difference of opinion on whether the payment of nominal retirement fund benefits to retrenched employees constitutes an unfair labour practice — yet there seems to be consensus that it is unfair in certain circumstances. "In the Jarvis case the court was convinced that it was unfair that the retrenched employee did not receive the benefit of the employer's contributions, especially in view of the fact that the employer's contributions would have been applied to improve the benefits of those who remained in employment until retirement age."

Visagie also quotes the case of the SA Association of Municipal Employees vs Ventersdorp Municipality 1990, where the court perceived that the payment of employee contributions with minimal interest, in a case where an employee could not work because of ill health, was unfair.

Employers' contributions, Visagie says, are sometimes deemed to be made only to pay retirement benefits to workers who remain in employment until retirement age. But that approach has been attacked by Sephton Cooper & Thompson, in *A Guide to Pension and Provident Funds,* published by the Labour Law Unit of UCT, on two grounds at least:

☐ The employer's contribution is offered as part of a package to an employee. Often the precondition, attaining retirement age, is unstated; and

☐ It discriminates among the fund's members, penalising those who do not reach retirement age irrespective of length of service.

Yet the matter remains debatable in certain circumstances.

Quoting another case involving Bankorp, Visagie notes: "The court remarked only that the refusal of the employer to grant a retrenched employee reasonable and adequate compensation for his loss of pension fund benefits could in appropriate circumstances amount prima facie to an unfair labour practice."

Legal intricacies abound.

Says Visagie: "There is no basis in either the law or in equity on which an employer is compelled to compensate an employee of long standing for the loss of his job. It is alleged that if severance pay had not been arranged in the employment agreement, an employee cannot be heard to complain about its non-payment, because at the start of his employment he or his union had been in a position to bargain for such a payment."

Visagie's own view: "In my opinion, the Industrial Courts will, in every instance expect from an employer, when making decisions affecting employees' legitimate expectations, to act fairly more or less to the same extent as would be expected from a fiduciary at common law. Where an employer does not act accordingly, it will be deemed an unfair labour practice."

Uitenhage (Kabah & Langa) ..... houses
Kwanobuhle ..... 7 778 houses
Despatch ..... 27 houses

(b) Information as at 19 March 1993.

Port Elizabeth area: pensions/grants/aid for Blacks

211. Mr E W TRENT asked the Minister of National Housing:

(1) How many Black persons were receiving (a) old-age pension, (b) disability grants and (c) military maintenance aid from the State in the Port Elizabeth/Ibhayi/Uitenhage/Kwanobuhle metropolitan area as at 30 June 1992;

(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? B469E

The MINISTER OF NATIONAL HOUSING:

(1) (a) 15 760
(b) 9 393
(c) 24

(2) (a) R58 375 642
(b) R37 277 021
(c) R105 235

Own Affairs:

Colleges of education: student places

43. Mr R M BURROWS asked the Minister of Education and Culture:

(1) Whether all student places in colleges of education falling under the control of his Department are filled; if so, how many such places are there; if not, (a) how many places are vacant and (b) why are they vacant;

(2) whether any arrangements have been made with any other departments of education for the utilization of any colleges of education, or parts thereof, falling under the control of his Department; if so, what arrangements? B524E

The MINISTER OF EDUCATION AND CULTURE:

(1) No,

(a) 3 309,

(b) decline in the need for teachers for the primary school, students who do not meet die admission requirements, students who cannot afford to study due to a lack of funds, limitation of staff members, termination of studies and the closing down of the Port Elizabeth College of Education in December 1993;

(2) yes, incorporation of the Sallie Davies College of Education with the Cape Town College of Education and the financing annually of a number of KwaZulu students and lecturers at the Edgewood College of Education and the Natal College of Education.

Universities: students registered

44. Mr R M BURROWS asked the Minister of Education and Culture:

How many (a) White, (b) Coloured, (c) Asian, (d) Black and (e) other students were registered in 1992 at each university falling under the control of his Department? B525E

The MINISTER OF EDUCATION AND CULTURE:

University	(a)	(b)	(c)	(d)	(e)	*Total*
Orange Free State	8 635	386	—	243	—	9 264
Natal	7 522	274	3 085	2 601	—	13 488*
Rhodes	3 099	144	248	631	—	4 122
Rand Afrikaans**	—	—	—	—	—	9 865
Witwatersrand	12 977	309	1 787	3 047	—	18 120
Port Elizabeth	4 190	566	114	279	—	5 149

University	(a)	(b)	(c)	(d)	(e)	*Total*
Potchefstroom	8 542	160	15	636	—	9 353
Pretoria	21 671	131	56	526	—	22 384
Cape Town	9 768	1 882	598	1 991	—	14 239
Stellenbosch	13 377	850	21	65	—	14 313
South Africa	57 686	4 807	10 480	52 310	—	125 283

* 6 Students included whose race group is unknown.

The above provisional statistics (head count) were obtained from SAPSE table 2.7 and include both undergraduate and post-graduate students. The data is as on 31 March 1992.

** Does not differentiate between the races in the compilation of statistics.

does not relate to the question on the Question Paper, and therefore I do not have to reply to it.

†Mr H D K VAN DER MERWE: Mr Chairman, further arising from the hon the Minister's reply, the hon the Minister is shirking his responsibility. The term "affirmative action" is used here very definitively and many institutions see to it that countrywide the term is regarded as valid today. I want to ask him, as the Minister of Education and Culture, what his view is on affirmative action?

†The MINISTER: Mr Chairman, I would just like to emphasise again that it would be totally irresponsible for me to interfere in a system in which autonomy is transferred to tertiary structures, as I have a responsibility towards that system. I am therefore not prepared to express an opinion on it. The University of Natal, like all other universities in our country, is an autonomous institution, and it would be improper, even by way of comment, for me to interfere in what they do on their campus in regard to running the university.

†Mr H D K VAN DER MERWE: Mr Chairman, further arising from the hon the Minister's reply, he is the Minister of Education in this country, and I want to ask him what his fundamental standpoint is in respect of affirmative action. He cannot hide behind the autonomy of universities.

†The MINISTER: Mr Chairman, affirmative action—as viewed from the radicals' perspective—is an action by means of which special measures have to be taken to enable those whom they regard as disadvantaged communities—communities disadvantaged as a result of the policies of the past—to come into line with the rest of the community that has not been disadvantaged. That is the standpoint held by the radical communities, and it is a point which those hon members, seeing that they are now going to participate in the negotiations, can debate with those communities in the negotiating forum.

Mr R M BURROWS: Mr Chairman, further arising out of the hon the Minister's reply, I want to ask him whether he would not agree that the definition of "affirmative action" is actually fixed in time and place and varies from group to group as disadvantagement changes. In the 1920s and 1930s affirmative action in South Africa was directed towards Afrikaans-speaking Whites, and now happens to be directed towards other disadvantaged groups. [Interjections.] In 10 years' time it may be directed towards White English-speaking males. [Interjections.]

The MINISTER: Mr Chairman, it is true that the content of the concept changes as time goes by and as situations in particular communities develop.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament.

Schools: major/minor works completed

*3. Mr R M BURROWS asked the Minister of Housing and Works:

(1) Whether his Department will make a special effort to complete major and minor works at schools before 1 April 1993, if not, why not; if so, what was the budgeted cost of such work for the 1992–93 financial year;

(2) whether his Department will or does exercise an inspection service in respect of Model C schools; if not, why not;

(3) whether he will make a statement on the matter? B570E

The MINISTER OF HOUSING AND WORKS:

(1) Yes. The Department of Education and Culture has indicated that the Department of Local Government, Housing and Works will only attend to the completion of the services in respect of which contractual commitments already exist. The contracts will be completed by the respective contractors according to the approved contract periods. The budgeted cost of such work for the 1992–93 financial year was R119 401 000 in respect of Provincial Education, excluding Extraordinary Education.

(2) The Department does operate an inspection service but this will be terminated on 1 April 1993 as the Department of Education and Culture has indicated that the Management Boards of the respective Model C schools will, as from that date, be responsible for the execution of major and minor capital works under the guidance of the Department of Education and Culture.

(3) No.

For written reply:

General Affairs:

MECs/ministerial representatives: residential accommodation

173. Mr P G SOAL asked the Minister of Public Works:

(1) Whether any (a) members of the Executive Committees of the four provinces, (b) ministerial representatives and/or (c) any other individuals occupied residential accommodation other than that provided by the State during the period 1 January 1990 up to the latest specified date for which information is available; if so,

(2) whether any amounts were paid in respect of the said accommodation to the persons in the above categories during this period; if so, (a) what amounts were paid to each such person in each calendar year and (b) why was each such amount paid;

(3) whether State-owned accommodation was available for occupation during this period; if not, why not; if so, how many residential units were available in each specified month during this period? B389E

The MINISTER OF PUBLIC WORKS:

The Department of Public Works is not responsible for the housing of Members of the Executive Committees of the Provinces, or Ministerial Representatives.

Payment of Members of the Executive Committees and Ministerial Representatives for the use of private residences as official accommodation (in terms of the Compensation Scheme for Political Office-Bearers) is the responsibility of the relevant Provincial Administration and the Own Affairs Administrations, respectively.

Blacks: social pensions/backlog in applications

200. Mr R M BURROWS asked the Minister of National Housing:

(1) What total number of Blacks in each of the provinces is currently receiving social pensions;

(2) whether there is a backlog in the handling of applications for social pensions in any province; if so, (a) in which provinces, (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? B448E

The MINISTER OF NATIONAL HOUSING:

(1) Cape Province 158 113
Orange Free State 87 867
Transvaal 291 890
Natal 73 219

(2) No.

(a) Falls away.

(b) Falls away.

(c) Cape Province ..... None
Orange Free State 231
Transvaal ..... None
Natal ..... None

(3) Cape Province ..... 28 February 1993
Orange Free State ..... 16 March 1993
Transvaal ..... 9 March 1993
Natal ..... 31 January 1993

Houses supplied with electricity in Port Elizabeth/Uitenhage area

210. Mr E W TRENT asked the Minister of National Housing:

(a) How many houses are supplied with electricity in (i) the metropole comprising Port Elizabeth, Ibhayi, Uitenhage and Kwanobuhle and (ii) each of these four areas and (b) in respect of what date is this information furnished? B468E

The MINISTER OF NATIONAL HOUSING:

(a) (i) 26 690 houses.

(ii) Port Elizabeth:
Motherwell ..... 5 412 houses
Kwadwesi ..... 1 745 houses
Kwamagxaki ..... 1 770 houses

Ibhayi (incl. Walmer) 9 303 houses

appeal against the conviction, it was never proceeded with. The media coverage this incident received caused embarrassment to the Administration.

(ii) It was alleged that he was under the influence of alcohol on 28 October 1988 whilst on duty.

(iii) Certain revelations were made during the James Commission of Enquiry on, *inter alia*, allegations of this involvement in electoral fraud during the Tongaat by-elections of the House of Delegates.

(b) Mr A K Mahomed: Control Personnel Officer.

(2) Yes.

(a) The officer made representations for the payment of his full emoluments during the period of his suspension for which provision exists in terms of Public Service Regulation A25.1 (b) (ii).

(b) R143 843.

(3) The question of the officer's reinstatement and/or other actions contemplated against him are under consideration at present.

New questions:

Musical instruments: importation from India

*1. Mr M RAJAB asked the Minister of Education and Culture:

(1) Whether her Department is investigating the alleged importation of musical instruments from India without proper authorization; if not, why not; if so,

(2) whether this investigation has been completed; if not, why not; if so, what were the findings;

(3) whether she will make a statement on the matter? D115E

The MINISTER OF EDUCATION AND CULTURE:

(1) Yes.

My Department has completed its investigation on the matter.

(2) Yes.

The Department's findings revealed that no musical instruments were purchased for and on behalf of the Department.

(3) Yes.

Should the need arise in the future to purchase musical instruments, the usual State Tender Board procedures would be followed.

Overseas tours: hiring of vehicles

*2. Mr A RAJBANSI asked the Minister of the Budget and Auxiliary Services:

With reference to the reply by the Minister of Foreign Affairs to Question No 2 on 3 March 1993, what was the total amount debited to the Administration: House of Delegates for costs incurred in respect of the hiring of vehicles for the members of the Ministers' Council referred to in that Question, during overseas tours undertaken by them since 1 January 1989? D121E

The MINISTER OF THE BUDGET AND AUXILIARY SERVICES:

According to the records maintained by the Departmental Accountant, an amount of R55 720,27 has been debited to the Administration: House of Delegates for costs incurred in respect of the hiring of vehicles for the members of the Ministers' Council during overseas tours for the period 1 January 1989 to November 1992.

Chatsworth: protest against principal

*3. Mr N SINGH asked the Minister of Education and Culture:

(1) Whether any parents of children at a certain school in Chatsworth, the name of which has been furnished to the Minister's Department for the purpose of her reply, lodged a protest against the principal of this school recently; if so, (a) when and (b) what are the details of this incident;

(2) whether her Department has investigated the matter; if not, why not; if so, what were the findings;

(3) whether any teachers on the staff of this school ganged up against the principal; if so, what are the relevant details;

(4) whether the conduct of these teachers has also been investigated; if not, why not; if so, what were the findings? D123E

The MINISTER OF EDUCATION AND CULTURE:

(1) Yes.

(a) 15 February 1993

(b) Picketing of the school and placard demonstration.

(2) Yes.

The principal's management strategies were unacceptable to the staff.

(3) The majority of the staff complained against the innovations introduced by the principal.

(4) No.

No official complaint pertaining to the conduct of teachers against the principal was lodged with the Department.

One formal complaint alleging victimization of a pupil was received from a parent, Mr Selvan Naidoo. Departmental officials met Mr and Mrs Selvan Naidoo on 18 March 1993. On the same afternoon, Superintendent for Management, Mr G V Naidoo visited the school to inform the Acting Principal that the pupil, Megandran Naidoo would return to school on 22 March 1993, after a period of a short illness.

The pupils are engaged in controlled tests at present. A full scale investigation in respect of the alleged victimization of Megandran will be conducted in the new term.

Early retirement of official

*4. Mr G MARI asked the Minister of Education and Culture:

(1) Whether a certain official, whose name has been furnished to the Minister's Department for the purpose of her reply, applied for early retirement recently; if so, (a) when and (b) on what grounds;

(2) whether his application was successful; if not, why not; if so, when is this official due to retire;

(3) whether this official is to be re-appointed in her Department in any other capacity; if not, what is the position in this regard; if so, (a) why and (b) in what capacity? D124E

The MINISTER OF EDUCATION AND CULTURE:

(1) Yes

(a) 13 January 1993

(b) In terms of a Departmental circular inviting applications for early retirement in response to Cabinet's directive for a 5% cut-back in State expenditure.

(2) Yes, with effect from 1 May 1993.

(3) No

(a) Falls away.

(b) Falls away.

Promotion of Indian languages at schools

*5. Mr A RAJBANSI asked the Minister of Education and Culture:

(1) What is the policy of her Department in respect of the promotion of Indian languages at schools under its control;

(2) whether she or her Department intends

cont'd

R1 extra in some pensions

SOME black pensioners in the Cape will receive R1 more than others during the April payout, Cape Provincial Administration's Western Cape Community Services regional director Mr Fanie Naude has announced.

All the cents accumulated during the year are to be paid to those who received pensions over 12 months, in a lump sum as a one-off occurrence.

"These pensioners will receive R296 this month." Mr Naude said. Others would get R295.

— Sapa (300)

1/4/1992

Govt budgets R4,8 bn for social pensions

(300) CT 5/4/93

Political Staff

THE government had budgeted R4,8 billion for social pensions outside the four independent homelands during the current financial year, the Minister of National Health, Dr Rina Venter, said yesterday.

A further R219,7 m had been allocated for a 7,5% increase and for parity in pensions for the four independent homelands, Dr Venter said in reply to a question tabled in Parliament by Mr Brian Goodall (DP, Edenvale).

She did not, however, say how much had been allocated for the payment of social pensions in Transkei, Bophuthatswana, Venda and Ciskei.

She indicated that R992,8 m had been budgeted for pensions in KwaZulu; R933,9 m for the Transvaal; R544,9 m through the House of Assembly; R514 m through the House of Representatives; R139,1 m through the House of Delegates; R342,3 m in the Cape; R213,4 m in Natal; and R278,9 m in the Free State.

SAAF: amount of capital account spent within country

179. Mr P J GROENEWALD asked the Minister of Defence:†

What (a) amount of the capital account of the South African Air Force was spent within the country in 1989, 1990, 1991 and 1992, respectively, and (b) percentage was cut back on this account in respect of (i) foreign and (ii) domestic expenditure in each of these years? B401E

The MINISTER OF DEFENCE:

(a) and (b) The UN weapons embargo has not been lifted and consequently it is not in the interest of the RSA to divulge such statistics.

SADF: recommendations regarding prosecution of members

228. Mr K M ANDREW asked the Minister of Defence:

(1) Whether any recommendations regarding the prosecution of members of the South African Defence Force were made by judicial commissions of inquiry during the latest specified period of 12 months for which information is available; if so, (a) by which judicial commissions, (b) when, and (c) what was the nature of the recommendations, in each case;

(2) whether, as a result of these recommendations, any dockets were opened or referred to the various attorneys-general for investigation of alleged criminal conduct on the part of the said members; if not, why not; if so, how many dockets were so opened or referred to each attorney-general in each case;

(3) whether any prosecutions were instituted following the opening or referral of the said dockets; if not, why not; if so, (a) how many, (b) by whom and (c) in respect of these prosecutions, how many members were acquitted;

(4) whether any of the attorneys-general concerned refused to prosecute members following the opening or referral of the said dockets; if so, (a) which attorneys-general and (b) in (i) how many and (ii) what matters? B552E

The MINISTER OF DEFENCE:

(1) Yes.

(a) A Committee of the Commission of Inquiry regarding the Prevention of Public Violence and intimidation (the Goldstone Commission), which investigated the conduct of members of 32 Battalion at Phola Park on 8 April 1992.

(b) 10 June 1992.

(c) 'The committee recommends however that as a matter of the utmost urgency the alleged acts of assault, rape and murder should be investigated and where appropriate the offenders brought to trial.' (Referring to the Phola Park incident, the same Committee, which also investigated the violence at Tokoza, inter alia reports as follows on 17 November 1992: 'Die komitee het reeds 'n tussentydse verslag oor hierdie voorval voorgelê. Ons het niks verder om by daardie verslag te voeg nie behalwe dat, op grond van getuienis intussen deur ons aangehoor, dit duidelik is dat die skietery begin is deur lede van die Phola Park-SVE as deel van 'n opsetlike inisiatief om die Weermag in 'n oorlog te betrek.'—par 58.)

(2) Yes, by the SA Police (Number unknown).

(3) and (4) No. The docket(s) are still being considered by the Attorney General, Witwatersrand.

Valkenberg manor house: cession of lease

237. Mr R R HULLEY asked the Minister of National Education:

(1) Whether the National Monuments Council has agreed to the cession of a lease over the Valkenberg manor house, situated on Erf 118877, Observatory, Cape Town, to the University of Cape Town; if not, why not; if so, when;

(2) whether his Department was requested to approve this cession; if not, why not; if so, (a) when and (b) why;

(3) whether he will make a statement on the matter? B540E

The MINISTER OF NATIONAL EDUCATION:

(1) Yes.

An agreement was signed on 23 March 1993 by the National Monuments Council and the University of Cape Town.

(2) Yes.

The Department was erroneously requested on 8 May 1992 to approve the cession as the National Monuments Council was under the impression that Ministerial approval was necessary. The then existing lease, which had been approved by the Minister, contained a clause to the effect that the lease could be ceded to a tenant who was approved by the National Monuments Council.

(3) No, but considering the importance of the Valkenberg property and the public interest in its long-term conservation, a press statement will be issued by the National Monuments Council as soon as the University of Cape Town has taken occupation of the property.

Social old-age pensions: amount budgeted

260. Mr B B GOODALL asked the Minister for National Health and Welfare:

(a) What total amount has been budgeted to be spent on social old-age pensions in the 1993–94 financial year and (b) how much of this amount will be and/or has been allocated (i) to each (aa) own affairs administration, (bb) province, (cc) self-governing territory and (dd) independent Black state and (ii) for any other specified purposes? B616E

The MINISTER FOR NATIONAL HEALTH AND WELFARE:

(a) R4 787 061 000 (TBVC-State excluded) and

(b) (i) (aa) Administration: House of Assembly R544 993 000
Administration: House of Delegates R139 098 000
Administration: House of Representatives R514 000 000,

(bb) Provincial Administration of Transvaal R933 855 000
Provincial Administration of the Cape of Good Hope R342 300 000
Provincial Administration of Natal R213 350 000
Provincial Administration of the Orange Free State R278 905 000,

(cc) Lebowa R412 808 000
Gazankulu .. R170 003 000
KwaNdebele R 83 543 000
KaNgwane .. R103 613 000
KwaZulu ... R992 793 000
QwaQwa ... R 57 800 000 and

(dd) in respect of the TBVC States only the amount for the 7,5% increase as from 1 July 1993 and parity as from 1 September 1993 can be submitted. This amount is R219 686 000 and

(ii) none.

Own Affairs:

Rent-controlled premises in Sea Point

245. Mr C W EGLIN asked the Minister of Housing and Works:

(1) How many rent-controlled premises were there in the Sea Point constituency as at 31 December 1992;

(2) (a) how many such premises were decontrolled in 1992 and (b) what is the (i) address and (ii) description of each of the properties concerned? B533E

The MINISTER OF HOUSING AND WORKS:

(1) All premises reflected in the records of the Cape Metropolitan Rent Board which were subject to rent control including all such premises situated in the Sea Point constituency have already been conditionally exempted from rent control in terms of the large-scale phasing out programme in respect of premises occupied before 21 October 1949, subject to the granting of continued rent control protection to the tenants thereof who qualify for continued protection by virtue of their income or age and uninterrupted occupation of controlled premises.

On 31 December 1991 there were still 401 units which had already been conditionally exempted from rent control and which were occupied by tenants who qualify for continued protection for as

'Who will take care of me?'

300

South 19/4-14/4/93.

By Quentin Wilson

AFTER 42 years of service to Cape Town's Jewish community, 76-year-old Mr Albert Tyilckile has been left in the cold.

His job as a caretaker for the Woodstock synagogue ended in 1987 when it was sold. Since then, he has battled to claim compensation from his former employers.

When the synagogue closed down and the Woodstock Hebrew Congregation dissolved, Tyilekile was told that as a "casual worker", he would not be supported financially in his retirement.

Instead, he was given R500 and told to leave the premises, which was where he lived.

"How can they tell me I was a casual worker? I worked hard to keep their synagogue in shape for 42 years. I painted, I cleaned, I fixed things when they were broken and now I am told I was a casual," Tyilekile said.

"I used to get up at 6.30 every morning to start work. On some Jewish holidays I was up until 2.30 in the morning washing the dishes after their feasts.

"I'm not complaining about the work. I enjoyed it and they treated me fairly, but I am angry that they have left me with so little. R500 for 42 years work is not a nice way of thanking me."

Tyilekile now makes and sells furniture. He rents a room in Woodstock — next door to his former home and workplace — and sells the furniture in Khayelitsha.

His seven children, who are all adults, have offered to take care of him in his old age. Tyilekile said he cannot accept their offer because they need the money themselves.

"They all have their own families to support. I would just be a burden to them, and they need all the money they can get for their own survival," he said.



CASUAL CONCERN: Mr Albert Tyilekile, 76, was given R500 for 42 years' service

"I am still hopeful that one day I will get what I deserve, but in the meantime, I have to work hard at selling my tables and cupboards."

His family sought help in February last year by appealing, through the Woodstock advice office, to the Union of Orthodox Synagogues.

The matter was referred to the Jewish Board of Deputies in June. They have yet to find a solution.

Mr Ian Sacks of the Jewish Board of Deputies said the board was working to find ways of giving Tyilekile a better deal.

The difficulty, said Sacks, is that the Woodstock Hebrew Congregation no longer exists — and it would have been a matter for them to resolve.

"Nevertheless, even though the Jewish Board of Deputies does not have any jursdiction over congregations, we are still trying to find a way to assist him," Sacks said.

"I cannot give a firm undertaking at this stage whether we will be able to give him a little extra money, but our committees are looking into the matter."

Sacks said the committees were bogged down by "bureaucracy" and that is why they were taking so long.

Cutback in TPA ambulance services

Star 12/4/93

300

Staff Reporter

Elderly outpatients will no longer be allowed to use ambulances as taxis to get to hospital because the vehicles are urgently needed for the disabled, chronic cases or people who need medical support, according to Johannesburg City Council management committee member Koos Roets.

Explaining the cutback, he said the move was due to the Transvaal Provincial Administration's rationalisation of ambulance services and the increase in violence.

About 60 percent of the annual 120 000 ambulance trips at R110 each were for the so-called "priority three" patients — mostly pensioners and residents of old age homes needing transport to medical service points. In future, ambulances would be used only for emergency cases, which included people in life-threatening medical emergencies, Roets said.

Patients whose presence in public may distress the public or would be a threat to public safety, and those with physical disabilities or psychiatric disorders, would still be transported by ambulance. Other categories also included are those with written requests from medical doctors or authorisation by the regional director of emergency medical services.

● All pensioners over the age of 70 and Government pensioners and war veterans over the age of 60 may use municipal buses free of charge during off-peak periods — roughly between 8.30 am and 4 pm.

Star 15/4/93

Senior citizen centre opened

By Shirley Woodgate

The Johannesburg Association for the Aged (Jafta) opened its first senior citizen centre in the northern suburbs yesterday. It will eventually cater for between 200 and 400 people.

Jafta chairman Bill Balsdon said at the official opening in the Masonic Hall in Parktown North that Jafta had altered its "care" aspect a year ago to mean "providing facilities for senior citizens to care for themselves".

The elderly should be encouraged to remain in the community as long as possible, and Jafta aimed to facilitate this approach.

Club organiser June Vorster invited senior citizens in the area to telephone 442-6944 to obtain details.

(300)

No. R. 623 **16 April 1993**

LABOUR RELATIONS ACT, 1956

FURNITURE MANUFACTURING INDUSTRY, WESTERN CAPE: RENEWAL OF MAIN AGREEMENT

I, Dennis van der Walt, Director: Labour Relations, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices Nos. R. 2458 of 28 November 1986, R. 381 of 4 March 1988, R. 2573 of 23 December 1988, R. 1744 of 11 August 1989, R. 899 of 26 April 1991 and R. 513 of 26 March 1993, to be effective from the date of publication of this notice and for the period ending 31 December 1993.

D. VAN DER WALT,
Director: Labour Relations.

No. R. 623 **16 April 1993**

WET OP ARBEIDSVERHOUDINGE, 1956

MEUBELNYWERHEID, WES-KAAPLAND: HERNUWING VAN HOOFOOREENKOMS

Ek, Dennis van der Walt, Direkteur: Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings Nos. R. 2458 van 28 November 1986, R. 381 van 4 Maart 1988, R. 2573 van 23 Desember 1988, R. 1744 van 11 Augustus 1989, R. 899 van 26 April 1991 en R. 513 van 26 Maart 1993, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1993 eindig.

D. VAN DER WALT,
Direkteur: Arbeidsverhoudinge.

MINISTRY FOR PUBLIC ENTERPRISES

No. R. 630 **16 April 1993**

TRANSNET PENSION FUND RULES

I, Dawid Jacobus de Villiers, Minister for Public Enterprises, under section 5 (2) of the Transnet Pension Fund Act, 1990 (Act No. 62 of 1990), hereby publish with the concurrance of the Minister of Finance as is required by that section, amendments to the Transnet Pension Fund Rules.

D. J. DE VILLIERS,
Minister for Public Enterprises.

MINISTERIE VIR OPENBARE ONDERNEMINGS

No. R. 630 **16 April 1993**

TRANSNET-PENSIOENFONDSSTATUTE

Ek, Dawid Jacobus de Villiers, Minister vir Openbare Ondernemings, handelend kragtens artikel 5 (2) van die Transnet-Pensioenfondswet, 1990 (Wet No. 62 van 1990), publiseer hierby, met die instemming van die Minister van Finansies soos deur daardie artikel vereis, wysigings in die Transnet-Pensioenfondsstatute.

D. J. DE VILLIERS,
Minister vir Openbare Ondernemings.

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate deletions in existing rules.

——— Words underlined indicate insertions in existing rules.

AMENDMENT OF THE TRANSNET PENSION FUND RULES ORIGINALLY PUBLISHED IN *GOVERNMENT GAZETTE* No. 12772 OF 5 OCTOBER 1990

A. Rule 21 of the Transnet Pension Fund Rules is with effect from 1 April 1993 hereby amended—

(a) by the substitution for paragraph (1) of the following paragraph:

"(1) Every employee of an employer, other than an employee referred in paragraph (3) (b), who has undergone a medical examination conducted for the purpose of employment **[or of Consolidated Service Condition 5]** shall, **[subject to paragraphs (5) and (6)]** be a member of the Fund unless such person—

(a) is less than 16 years of age;

(b) is engaged under a contract for a fixed period; or

(c) is employed in a casual capacity.";

(b) by the deletion of paragraphs (5) and (6);

(c) by the insertion of the following paragraph after paragraph (4):

"(5) an employee who, due to health reasons, could not obtain membership of the Fund prior to 1 April 1993, shall, with his consent be a member of the Fund provided he otherwise qualifies for membership in terms of paragraph (1).";

(d) by renumbering paragraph (7) to (6).

B. Rule 32 of the Transnet Pension Fund Rules is hereby amended—

(a) by the substitution in paragraphs (1) (a), (2) (a), (3) (a), (4) (a), (5) (a), (6) (1) (i), (7) (a) (i), (8) (a) (i), (11) (a) (ii) (aa), (12) (a) (i) (aa), (12A) (b) and (17) (a) (i) for the wording "a Pension which shall be calculated as a fraction of the member's last pensionable emoluments immediately preceding retirement" of the wording "a Pension which shall be calculated as a fraction of the member's average pensionable emoluments during the last 12 months prior to retirement" everywhere it appears;

(b) by the deletion of paragraph (10);

(c) by the insertion of the following paragraph after paragraph (9):

"(10) (a) a Member who is appointed in temporary or permanent employment and contributes to the Fund at the rate of 7,5% of his pensionable emoluments and is entitled to retire on completion of 40 years actual service, shall, subject to the provisions of subparagraphs (d), (e) and (f), be granted pension benefits as follows:

(i) a pension, which shall be calculated on the member's average pensionable emoluments over the last 12 months preceding retirement multiplied by the period of membership of the Fund expressed in years (each day of an incomplete year being reckoned as one three hundred and sixty-fifth of a year), and divided by 60.

(ii) a gratuity, which shall be calculated by multiplying each rand of one-third of the pension calculated in subparagraph (i), by 12 and in the case of a female member who exercised the option prior to 1 January 1991 that no pension benefit be paid to her spouse or children by 13.

(b) A member who is appointed in temporary or permanent employment and contributes to the Fund at the rate of 8,5% of his pensionable emoluments and is entitled to retire after completion of—

(i) 37 years actual service; or

(ii) 37 years actual service in the case of a member who occupied the position of Ore Train Driver, Shunting Driver or Driver's Assistant and was transferred to Transnet arising from the purchase of the Sishen-Saldanha Bay Project who elected to retire at the age of 58 years and contributes to the Fund at the rate of 8,5% of his pensionable emoluments; or

(iii) 35 years actual service in the case of—

a member employed prior to 29 June 1955 and who was a member of the former New Railways and Harbours Superannuation Fund; or

a member employed prior to 1 December 1981 and who was a member of the former Railways- and Harbours Pension Fund for Non-Whites;

shall, subject to the provisions of subparagraphs (d), (e) and (f) be granted the pension benefits in subparagraph (c).

(c) The following pension benefit shall be granted to a member referred in (b):

(i) a Pension, which shall be calculated on the member's average pensionable emoluments over the last 12 months preceding retirement multiplied by the period of membership of the Fund expressed in years (each day of an incomplete year being reckoned as one three hundred and sixty-fifth of a year), divided by 55.

(ii) A gratuity, which shall be calculated by multiplying each rand of one-third of the pension calculated in subparagraph (i), by 13,5.

(d) The member referred to in subparagraphs (a) and (b) shall pay to the Fund an amount equivalent to the contributions that would have been payable had the member remained in the employ of the employer until attainment of the age of 60 years for that member who contributes at 7,5% and the age of 55 years for that member who contributes at 8,5%.

(e) The contributions referred to in subparagraph (d) shall be calculated on the member's pensionable emoluments immediately prior to retirement.

(f) The employer shall pay to the Fund its contributions calculated on the contributions as calculated in terms of subparagraph (d).

(g) Pensionable service referred to in Rule 32 (2) shall be taken into account for the purpose of the period of membership referred to in (a) (i) and (c) (i).";

(d) by the insertion of the following new paragraph after paragraph (10):

"(10) (A) A member who has completed 35 years actual continuous service on 1 December 1992 to 31 March 1995 (both dates included) and elects to retire, shall be granted the same pension benefit referred in paragraphs (10) (a) and (10) (c), and is subject to the provisions of subparagraphs (d), (e) and (f).";

(e) by the insertion of the following paragraph after paragraph (17):

"(18) If a member appointed in temporary or permanent employment retires earlier than the prescribed retiring age by reason of any mental or physical defect, disease or infirmity which would be likely to interfere with the proper performance of his duties, he shall be paid only the total amount of his own contributions plus, in respect of each year for which contributions were paid in excess of 13 years, 3,6% of such contributions.";

(f) by the substitution in paragraphs (23) (c) (ii), (23) (f) (dd), (24) (b) (i) and (24) (b) (ii) "80%" for "70%".

Pension pay-outs delayed

Staff Reporter

OVER 2 000 township pensioners have had their payments delayed in the tense atmosphere pervading the Peninsula in the wake of Mr Chris Hani's assassination.

About 700 Crossroads pensioners were to receive their benefits yesterday but because of the unavailabilty of police, payments had been delayed until Thursday, a spokesman for the Goodwood Pensions Office said.

About 1 800 Guguletu pensioners were not paid on Wednesday and would receive payment on Tuesday, together with about 400 Khayelitsha pensioners who failed to collect their money, the spokesman said.

Mbekweni pensioners who are due to be paid on Monday will now be paid on Wednesday.

Counter services in Mbekweni which should have taken place yesterday will now be effected on May 7.

Counter services in Khayelitsha have been put back from April 19 to 26.

(300) CT 17/4/93

were open for (a) passenger and (b) goods traffic in (i) 1986 and (ii) 1992? B529E

The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of Transnet Limited has furnished the following reply to the hon member's question:

(a) (i) 794

(ii) 626 (470 Commuter Stations) (156 Spoornet Stations)

(b) (i) 677

(ii) 320.

Employment statistics

253. Mr L FUCHS asked the Minister of Home Affairs:

How many persons were employed in the (a) private, (b) public and (c) informal sector in South Africa during the latest specified period of 12 months for which statistics are available? B576E

The MINISTER OF HOME AFFAIRS:

(a)* 8 196 523

(b)** 1 681 776

(c) Not separately available.

* The number of persons employed in the private sector (formal and informal sectors), as on 30 September 1992, is estimated on the basis of the mid-year estimates of the economically active population and the ratio of unemployed persons according to the 1991 Population Census after subtraction of the workers in the public sector.

** The public sector comprises the executive institutions for general and own affairs, under which the Central government and Provincial administrations fall; the civil services of the Self-governing territories; local authorities; parastatal institutions; universities and technikons; agricultural marketing boards and public corporations. This information is as on 30 September 1992.

Transnet: staff/profit/loss

258. Mr R V CARLISLE asked the Minister for Public Enterprises:

(a) How many staff were employed and (b) what (i) profit or (ii) loss was made by (aa) the South African Transport Services in the 1986–87 financial year and (bb) Transnet in the 1992–93 financial year? B604E

The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of Transnet Limited has furnished the following reply to the hon member's question:

(a) (aa) 221 730

(bb) 140 693

(b) (aa) (i) R160,7 million

(ii) Not applicable.

(bb) (i) and (ii)

Financial results for the 1992–93 financial year are not yet available as the financial year of Transnet only ends on 31 March of each year.

SAA: offices/services/share

259. Mr R V CARLISLE asked the Minister of Public Enterprises:

(1) Whether the South African Airways (SAA) have closed or intend closing their offices in (a) Vienna, (b) Copenhagen and (c) Chicago; if so, why;

(2) whether the SAA intend to discontinue or curtail their services to (a) Vienna and (b) Australia; if so, why;

(3) whether the SAA are negotiating with two airlines, the names of which have been furnished to the Minister's Department for the purpose of his reply, in regard to the purchase of a share in SAA; if so, what are the relevant details? B605E

The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of Transnet Limited has furnished the following reply to the hon member's question:

(1) (a) No.

(b) Yes — A general sales agent has been appointed which is more cost effective in that market.

(c) Yes — A general sales agent has been appointed which is more cost effective in that market.

(2) (a) Yes — A code share agreement has been entered into with Austrian Airlines who will operate the service. This will make the route a more economically viable proposition.

(b) The Australian route is being evaluated at present to establish if it will develop into a viable route.

(3) No.

Own Affairs:

White pupils writing/passing Std 10 in African language

39. Mr K M ANDREW asked the Minister of Education and Culture:

(a) How many White pupils at Government schools (i) wrote and (ii) passed the Standard 10 examinations in an African language in 1992 and (b) what were the African languages written by these pupils in the said examinations? B519E

The MINISTER OF EDUCATION AND CULTURE:

(a)* (i) 1 000,

(ii) 992,

(b) Xhosa, South-Sotho, Northern-Sotho, Zulu and Tswana.

* It is not possible to determine from the statistics of the Senior Certificate examination how many of the candidates involved were white. The figures therefore indicate the total number of pupils. State-aided ordinary as well as private schools are included in the figures.

Number of hostels/places for pupils

42. Mr R M BURROWS asked the Minister of Education and Culture:†

(1) How many (a) hostels en (b) places for pupils at such hostels are there in each province in respect of (i) secondary and (ii) primary schools falling under the control of his Department;

(2) how many vacant places are there at such hostels;

(3) in respect of what date is this information furnished? B523E

The MINISTER OF EDUCATION AND CULTURE:

(1)

(a)	(i)	(ii)	(b) (i)	(ii)
Cape	241	64	24 728	4 423
Natal	59	37	4 770	1 701
OFS*	44	19	5 090	1 772
Transvaal ..	147	50,	23 828	6 591;

*There are also 68 combined hostels with 6 397 places of which 2 572 are vacant.

(2)

	(i)	(ii)
Cape	6 341	1 334
Natal	1 180	783
OFS*	1 387	573
Transvaal	7 837	2 352

*See (1)

(3) Cape ..... 1 February 1993
Natal ..... 1 February 1993
OFS ..... 31 March 1993
Transvaal ..... 19 January 1993.

Old-age homes: standard of care/training of staff

46. Miss M SMUTS asked the Minister of Welfare:

(1) Whether, with reference to certain statements in respect of the care of the aged made by the then Deputy Minister of Health Services and Welfare in an appropriation committee on 12 May 1992, the strategy to improve the care of the aged in old-age homes has as yet been implemented; if not, why not; if so,

(2) whether the supervision of staff has been intensified; if not, why not; if so, to what extent;

(3) whether the training of staff is being promoted; if not, why not; if so, in what manner;

(4) whether inspections are carried out at more frequent intervals; if not, why not; if so, to what extent;

Cont. →

(5) whether she will make a statement on the matter? B542E

The MINISTER OF WELFARE:

(1) Yes.

The comprehensive strategy is contained in a departmental circular to its regional and service offices for implementation. The Circular was sent out on 1 September 1992. The key role players in the implementation of the strategy are the personnel of the Department and the managements of homes for the aged. The main elements of the strategy comprise prevention of assault, exploitation and deprivation and instant remedial actions where and when it occurs.

(2), (3) and (4)

The implementation of the comprehenvise strategy in full requires time. The regional offices of the Department have been requested to report back on the progress that has been made with the implementation of the strategy, before the end of April 1993. In view of the instructions contained in the strategy, the Department is satisfied that its personnel, in co-operation with the management of homes, will take immediate remedial steps when irregularities occur with regard to the care of the aged in a specific home.

(5) No.

Schools in Natal: matriculation examinations

49. Mr R M BURROWS asked the Minister of Education and Culture:

(1) How many pupils at schools falling under the control of his Department (a) wrote, (b) passed, (c) failed, and (d) obtained matriculation exemption in, the matriculation examinations in respect of Natal at the end of 1992;

(2) how many of these pupils obtained (a) A, (b) B, (c) C, (d) D, (e) E, (f) F and (g) other aggregate symbols in these examinations;

(3) how many of these pupils passed in (a) Mathematics and (b) Physical Science in the above-mentioned year? B601E

The MINISTER OF EDUCATION AND CULTURE:

(1) (a) 8 271
(b) 8 095
(c) 176
(d) 3 860
(e) 2 600
(f) 852
(g) 123

(2) (a) 324
(b) 734
(c) 1 430
(d) 2 208

(3) *(a) 4 998
*(b) 3 346

* include higher, standard and lower grade.

Standard 10 examinations: Mathematics

53. Mr R M BURROWS asked the Minister of Education and Culture:

(1) How many pupils at schools falling under the control of his Department (a) wrote, (b) passed and (c) failed their 1992 Standard 10 examinations in respect of (i) Mathematics (Higher Grade), (ii) Mathematics (Standard Grade) and (iii) Mathematics (Lower Grade);

(2) how many pupils who wrote the Standard 10 Mathematics (Higher Grade) examinations in 1992 passed on the (a) Higher, (b) Standard and (c) Lower Grade level;

(3) how many pupils who wrote the Standard 10 Mathematics (Standard Grade) examinations in 1992 passed on the (a) Standard and (b) Lower Grade level? B603E

The MINISTER OF EDUCATION AND CULTURE:

(1) (i) (a) 14 960
(b) 13 402
(c) 1 558

(ii) (a) 26 760
(b) 23 659
(c) 3 101

(iii) (a) 3 115
(b) 2 687
(c) 428

(2) (a) 13 402
(b) 1 251
(c) 0

(3) (a) 23 659
(b) 1 617

Life industry's assets top R200bn

B/DAY 22/4/93

300 88

LINDA ENSOR

CAPE TOWN — Total assets managed by the life industry were worth R205bn by end-December, an increase of 19,5% over the R171,6bn for 1991, Life Office's Association chairman Neal Chapman said yesterday.

Public sector stock which was generally invested in infrastructural development represented 20% (19%) of total assets, cash 8% (8%), equity 51% (52%) and property 13% (12%), with miscellaneous assets making up the balance.

The investment income earned by the industry increased by about 12% to R13,8bn (R12,4bn), a rate of growth which Chapman said reflected the lower interest rates prevailing in 1992, especially towards the end of the year.

"One should keep in mind that this figure reflects a cash flow item. The total investment yield earned on behalf of policyholders and group scheme members is considerably higher," Chapman said.

Last year premium income from individual policies rose 27% to R21bn (R16,7bn).

Premium income from group schemes and pension funds increased by 25% to R12,4bn (R9,9bn), bringing total premium income to R33,5bn (R26,6bn). Total income rose 21,7% to R47,4bn (R38,9bn).

Expenses, tax and regional services council levies rose 12,7% to R6,2bn (R5,5bn). The industry's tax bill fell to R540m (R606m).

Benefits paid out totalled R21,9bn (R15,7bn) — about R84m per working day — which represented an increase of 39,5% over 1991.

Chapman noted that the social role of the life industry was highlighted by its benefit payments which assisted pensioners, widows, orphans and disabled workers.

While the number of new individual policies sold increased 4,3%, new premiums were 29% higher last year than in 1991.

Chapman said this reflected the adaptability of many modern policies which allowed people to increase their nominal insurance to take account of inflation without having to take out a new policy.

Additional cover or a new type of cover could in many cases be provided by adapting existing policies.

SA living through a 'grab and run' phase

B/DAY 22/3/93

SA was living through a "grab and run" period, Financial Services Board (FSB) deputy CEO Andre Swanepoel said yesterday.

He referred to an article by political analyst Professor Willie Esterhuyse itemising the indicators of a disintegrating society: the erosion of respect for life; corruption, theft, murder and maladministration; crumbling institutions; and a lack of discipline, the lack of a dynamic ethical culture and a lack of public responsibility.

He said all of these sounded very familiar in SA today.

Discipline

While the FSB could regulate and supervise financial services, it was not the supreme auditor. The real financial discipline lay with the financial institutions themselves and the FSB could only establish the regulatory framework, enforce compliance with the law and investigate complaints.

The FSB was now in a position to undertake unannounced, ad hoc inspections and Swanepoel said he hoped this would contribute to a better system. Fraud and misappropriation of funds was dealt with through the courts after inspection by the FSB.

Swanepoel cited a few aspects of control which might need attention — disclosure of information; protection of investors or retirement fund members; and the need for an industry ombudsman.

Socially desirable investments call for safeguards

B/DAY 23/3/93.

Reports by LINDA ENSOR

THE Independent Development Unit (IDU) set up 18 months ago by the Life Offices Association (LOA) to investigate suitable socially responsible investments is involved in intensive discussions with Eskom over life office investment in an electrification programme.

LOA and Southern Life chairman Neal Chapman said at the Ilpa conference in Cape Town yesterday that he believed the project would meet LOA criteria of safety, market-related yields and marketable paper.

"The financing mechanism is imaginative in that it meets an early low return, building to an acceptable level and the indications are that the response from the life offices will be enthusiastic."

He said the LOA saw the IDU growing in its activities and structure and said it would like to see the IDU's board of directors inlcuding figures of national importance and representatives from the industry.

"Discussions have been held with the managers of retirement funds and major asset managers and we are confident the participation will include these very important players as we move into the future."

Chapman said it would be a great pity if prescribed assets were to be reintroduced, adding that the LOA would rather see a meaningful response from the industry addressing macro needs in a manner acceptable to policyholders and pension funds.

Assets

He estimated that the total assets of the life industry now totalled about R200bn, that it had a gross income of about R44bn and a net income after paying out benefits to policyholders and administrative costs and commissions of about R20bn.

He noted that Finance Minister Derek Keys had said the date of introduction of the new four-fund approach to the taxation of life offices and the scrapping of the Sixth Schedule of the Income Tax Act still had to be agreed on.

"I cannot stress too strongly how important it is that this should not become the subject of delay. Having taken the step it is now of paramount importance that an effective date is announced and urgently, if we are not to have confusion, dismay and problems."

"The second issue concerns the 15% payable on dividends and we need to debate the level playing fields between mutuals and proprietary offices, and soon."

Chapman said there had been real and meaningful political progress in the last two to three months. He believed there was a new sense of urgency and an increased determination on the part of the key players to reach an agreement on how best to move through transition and take SA to its first full and free elections.

He was encouraged by the broad acceptance of principles such as individual liberty and the rule of law and was also encouraged by the progress that was being made on the economic front with the National Economic Forum and the Business Forum.



NEAL CHAPMAN

Chapman stressed the need to address the question of black empowerment. Expressing his personal view, he said the life industry was predominantly white, whereas the policyholder base had altered its colour dramatically over the years.

Disadvantage

"Unless there is someone in your boardroom, in meetings of general management and people in senior management positions who can give a point of view representative of the bulk of the people in this country, you will be at a distinct disadvantage. I do not underestimate the task of affirmative action programmes, but I do suggest to you that the cost of failure by far exceeds the cost of success."

Quality shares and property safe bets — BOE

B/DAY 23/3/93

QUALITY share and selected property investments would prove a mainstay in future uncertain and inflationary conditions, according to Board of Executors (BOE) Cape regional manager Tom Boardman.

Speaking at the Ilpa coference in Cape Town yesterday, Boardman said it was inevitable that inflation would characterise the new SA.

He said BOE research had shown that in situations of hyperinflation such as post First World War Germany, Israel and Brazil, the all share index in those countries had kept ahead of the rampant inflation.

BOE conducted research into the three main SA scenario plans — Clem Sunter's for Anglo American, the Nedcor/Old Mutual scenario and the Mont Fleur scenario — and found that a common characteristic was not only inflation, but also redistribution.

Redistribution could either be of the punitive kind characteristic of the low road and involving destructive taxation, printing of money and welfare handouts, or it could be achieved by means of pragmatic taxation and economic growth and a greater investment in human resources.

Advisable investments in the low road scenario would be financial rand stocks with a foreign hedge element, Krugerrands, collectibles and hard currency assets.

Domestic growth stocks, especially those in the consumer sector, would be the best investments in the high road scenario.

Business Day SURVEY

Growing involvement by trade unions in pensions issues led to a shift from employer-driven pension funds to more employee-participative provident funds. But with pensions funds becoming more flexible and investment performances improving, industry specialists expect a swing away from provident funds. **LYNN CARLISLE** *reports.*

Annuity funds are a great tax brea

IMMEDIATE cash flow advantages can be enjoyed by taxpayers whose employers are prepared to deduct contributions made to retirement annuity (RA) funds from monthly income.

Financial planning consultant Mark Colley of FK Pride says PAYE and Site taxpayers who provide proof of payments made to RAs may find their employers willing to make the deduction up front.

Normally, investors in RAs have to wait until the end of the tax year — after submitting their annual tax return — before receiving a refund from the Receiver.

Site, on the other hand, is a final tax liability, which is paid by employees who earn less than R50 000 net remuneration a year, and is deducted at source and submitted directly to the Receiver.

Because Site taxpayers are not obliged to submit tax returns it is important they ask their employers to make the deduction, to enjoy the benefits of tax deductibility, says Colley.

If proof of payment to an RA is submitted, the immediate increase in monthly net flow for PAYE and Site taxpayers is substantial.

Assuming a married taxpayer earns R6 600 a month (R80 000 a y thus placing him on top marginal tax rat 42%, he pays R2 799 per month. If his mor RA contribution is R1 his net cash flow i take home pay is R2

However, if employer is willing make the monthly front deduction (ie, R1 he is taxed the same on only R5 666 a m and will take home more — or R3 287.

"The tax deductil of an RA is one o strongest marketing tures and must be t advantage of," Colley.

Money unlocked to finance housing

RECENT changes in legislation, motivated by Old Mutual and the Urban Foundation, have facilitated easier access to retirement funds by members who wish to borrow from them to finance housing.

One of the key changes is that a retirement fund may now seek exemption from a provision of the Pension Funds Act, which requires a member who has borrowed money from a retirement fund (against the security of their withdrawal benefits) to begin repaying the loan immediately.

The latest exemption allows borrowers up to 10 years before they have to begin repayments.

Old Mutual employee benefits assistant GM Henk Beets says home ownership achieves some of the most important objectives that retirement funds strive for: the security of a home after retirement and the acquisition of a real-growth asset.

Furthermore, the member's normal benefits at retirement are not affected, as the full loan is repaid before retirement.

He says the extent of the housing crisis necessitates that new and innovative ideas be explored.

"Finance, through unlocking accrued benefits built up within retirement funds, is but one step in the process towards home ownership. The challenge exists for all interested parties to help remove other obstacles, such as the shortage of land and housing."

In response to the elimination of legal restrictions, Old Mutual has launched Homefunder — a home loan system aimed at retirement fund members who earn from R800 to R1 500 a month.

Precluded

Members in this income group are often precluded from home ownership because they cannot obtain the necessary deposit, or do not earn enough to make the monthly mortgage repayments, especially during the first few years.

Lending institutions usually limit the amount of bond repayment to 25%-30% of a person's monthly income.



HENK BEETS

"Through Homefunder, a fund member may now borrow against his accrued withdrawal benefit and use the money to pay a mortgage deposit or top up the monthly mortgage repayments.

"In time, the monthly bond repayment amount will decline as a percentage of salary and will reach a point where assistance is no longer required. It is then that the member will begin repayment of the loan from the retirement fund," says Beets.

Liberty's four-year plan reaches fruitic

A FOUR-YEAR plan by Liberty Life's group benefits division to increase broker share of new business from underwritten pension and provident funds has reached fruition.

Last year, brokers accounted for 35% of the record R160m new group benefits underwritten business premium income, compared with 10% four years ago.

Liberty GM (group benefits marketing) Mike Garbutt says new business, including investment-only income, was R678m in 1992.

Paramount

"We would like to push business from brokers up to 50%," he says.

In 1989, Liberty decided service was paramount in writing new business and that no product would be developed until the company "got its service right".

It also realised that brokers and employers required services first and foremost for group benefits-type business. Product and pricing, while tant, are secondary erations, says Garbu

"Employers are pared to pay a prem the administration f ment of the contri provided the servic the insurer is high q

"In many instance ployers have exper shocking administ and service on funds they opted for the administration fee."

Garbutt says th cause feedback fro market in the p months showed the pany's service was e the best in the count endorsement in Mar year enabled Liberty turn its focus to p innovation.

As a result, it la the Gateway Pro Fund, which caters s cally for small busi and the Preferentia Benefit — which he unique as it guar fund members' con insurability for the up of life policies future.

whole page

300

Experts expect swing back to pension route



DEREK PEAD

WITH pensions funds becoming more flexible and investment performances improving, retirement fund specialists expect a swing away from provident funds.

Growing involvement by trade unions in pensions issues caused a shift from employer-driven pension funds to more employee-participative provident funds.

The reason, says Metropolitan Life operational manager (corporate clients) Derek Pead, is that pension funds were more difficult to understand as they:

- ☐ Resulted in very low returns when employees resigned;
- ☐ Were perceived to provide small pensions and on death of the pension the remaining money was not available to heirs but reverted to the fund;
- ☐ The retirement lumpsum provided by provident funds seemed more attractive.

"The re-design of pension funds, allowing employee participation on the board of trustees of these funds and other changes could result in a swing back to the defined benefit pension fund."

Norwich Life manager (employee benefits) Ian McDonald says funds have been an emotive issue in recent years and positions have been taken often for the wrong reasons.

In this time there has been a fairly strong switch from traditional pension funds to more fashionable provident funds. Yet, from a legislative point of view, the differences between the two has lessened.

"The remaining differentiation is being questioned daily and it is generally accepted that in the short term the legal and taxation differences will be removed."

Accounting and business advisory firm Price Waterhouse Meyernel's financial planning manager Martin McAusland says that while taxation treatment for the date of retirement is similar in both instruments, the person retiring on a provident fund faces the dilemma of investing his cash.

"At least with a pension scheme there is a guaranteed rate of return and generally there are annual increases allowed.

"However, an advantage of the provident fund is the member can build it up to 20% of his annual income compared with 17,5% allowed for a pension scheme," says McAusland.

Influenced

Sanlam senior group benefits consultant Chris Bösenberg says retirement provision has been favourably influenced by trade union involvement in the design and management of retirement funds in recent years.

In the same period the impact of inflation and favourable investment returns over the last decade has influenced the structure of benefits.

Pead says other improvements include enhanced withdrawal benefits — comparable with those traditionally under provident funds, more flexible annuity arrangements and post-retirement increases.

Sanlam senior actuary Wouter Tomm says employers are showing less interest in open-ended liability funds as their returns worsen, and as the AIDS threat on benefits looms.

With employers worried about having to increase contributions to funds, they now favour defined contribution funds.

While the latter probably made up the majority of funds in the 1980s anyway, their popularity has been rising during the last three years.

For those members who are not exactly on the next boat to retirement, it probably does not matter whether they join a pension or provident fund, says McDonald.

What is of real consequence, he says, is whether they go the route of defined benefit — where the final benefit is guaranteed and the cost is open ended, or defined contribution — where the cost is guaranteed and the final benefit is open ended.

"The current trend towards defined contribution has been supported by experience over recent years when, on average, fund growth has considerably outpaced inflation.

"What will happen if we hit a period when, over time, inflation exceeds investment returns to the extent that we see a reduction in the buying power of retirement savings?"

Demand will swing back to defined benefit schemes, as members and their representatives in trade unions and boards of trustees again look to employers and future generations of employees to provide financial security in their retirement, he says.

Making benefits clearer for members is essential

EFFECTIVE and sustained communication is growing in stature as a prime tool used to increase and improve business — particularly in the pension and life assurance sectors.

Encouraging

This realisation gave rise to the annual Institute of Retirement Funds' Communications Award in 1987, aimed at encouraging pension and provident trustees to improve communication with members.

Liberty Life senior GM (group benefits) Ben Lipshitz says employers and trustees have done much good work in creating and managing pension and provident funds.

"However, while these funds provide good benefits, their full value is not always understood by the employee.

"For this reason, the adjudicators of the award place great emphasis on the clarity of communication and the ease of understanding, rather than on the extent of the information.

"Trustees should help their members appreciate and understand the value of the various benefits that they will receive," he says.

To encourage funds to enter the competition, which focuses on the primary means used by funds to communicate with members, three categories — small, medium and large funds — have been created.

Enhance

Lipshitz says this is because a small fund may not have the budget to enhance its presentation like a big fund.

"The criteria for selection is extensive and includes information regarding the nature of the fund, administration, actuarial valuation, investments and the accounts.

"The explanation of the different benefits available at various stages such as withdrawal, retrenchment, disability, retirement and death is also important.

"In addition to allocating points on the basis of these criteria, important factors are the clarity of presentation and ease of understanding," he says.

In line with the high degree of professionalism required in managing a successful fund and communicating its purpose and benefits, much thought has been given to the choice of the panel of adjudicators.

Presidents

They consist of the presidents of the Actuarial Society of SA, the Institute of Retirement Funds of Southern Africa, the executive director of the SA Consumer Council and the Registrar of Pension Funds.

Dorbyl has won the award for the past three years. Nedcor won in 198 and 1989 and Eskom in 199

Architects struggling to stay afloat in recession

BDay 19/5/93

PETER GALLI

ARCHITECTURAL practices are struggling to stay afloat because of the decline in activity in the building industry, say leading firms.

They say about 40% of registered architects have left the profession since the start of the recession, while many of those retained have not had salary increases for two years.

Institute of SA Architects director André van Graan said there had been a decline of about 20% to about 2 000 in the number of registered architects in the past year.

"But there has been a corresponding increase in the number of practices, to 1 550 from 1 400 previously. This indicates that some of those retrenched are opening their own practices," he said.

Osmond Lange MD John Dovey said many firms were battling to project activity three months ahead from the usual forward order-book of 12 to 24 months.

"Our practice has been in existence for 64 years, and the present economic and political situation has resulted in industry conditions being the worst ever," he said.

"The uncertainty in the country is responsible for the reluctance of institutions to commit themselves to major projects.

"Even during the Second World War there was certainty that it would end and matters would return to normal. There is no such certainty in SA at this point," he said.

If the downward spiral in work continued, many practices would have to retrench more people, close offices and consider shortening the working week for those staff retained, he said.

The industry was being put under further pressure by major institutions, which were placing much of the risk associated with new developments on the architectural practices.

Risk

"We are expected to produce drawings and plans for a proposed development upfront and, if the project is approved and we are appointed, we are then paid.

"However, if the project is shelved or takes years to get off the ground, we have to wait, or write off those costs," he said.

Willie Meyer of Smith & Meyer Pienaar agreed, saying this situation placed practices under extreme cash flow problems as work was being done but fees were not flowing in on a regular basis.

Van Graan said the increase in the amount of "at risk" work was industry wide as there was often no other work available. However, on the positive side this had resulted in the profession creating its own work.

"Architects are now putting projects together, jointly initiating projects and selling these. However, they should be insisting on a profit share — over and above the actual fee — to compensate for the increased risk they are taking."

Stauch Vorster deputy chairman Derek Garvie said not only were architectural firms taking greater risk, but clients were also demanding that fees be negotiated downwards.

Stauch Vorster had retrenched at least 40% of its workforce and had closed three satellite offices as part of its rationalisation programme. It had also disposed of its European connections.

"I have also tried to change the perception that the group is a bureaucratic organisation that deals only with large contracts. We offer a personal service that caters for the small, individual project as well as the huge corporate one," he said.

Meyer said the only consolation for the local industry was that its situation was less severe than those in Britain and the US.

"Like many other practices, we have closed our offshore offices as a result of the lack of work worldwide, and are operating only from our Johannesburg office," he said.

AIDS expected to have major effect on costs

AIDS is expected to affect SA retirement funds, with increased benefit payments as a result of more deaths, disability, ill-health and spouses' claims by younger members.

This projection by Old Mutual is based on the rising incidence of confirmed AIDS cases from December 1990 to June 1992.

Old Mutual assistant GM (employee benefits) Chris Newell says it is clear that retirement funds — a defined benefit pension fund and defined contribution provident fund — will be affected in some way.

The cost of providing pensions and refunds to defined benefit fund members will dip only slightly, from 5,5% to 5% of salary bill, as fewer retire. However, as the death rate increases, so will the cost of group life assurance.

"Costs will rise from 1% of salary bill to 3,5%. Spouses and children's costs will also increase as more benefits are paid, from 3% of salary to about 6%," says Newell.

Although disability benefit costs will rise, it will not be significant (1% to 1,6%), as the life expectancy for an individual who has developed full-blown Aids is about 18 months.

In total, he says the cost of providing benefits under this scenario will increase by 50% — or from 10% to 15% of salary bill.

"We are already seeing changes of this sort emerging in funds in countries to the north of us."

In defined contribution provident funds, the risk is carried by members, who are entitled to their share of the worth of the fund.

Those members who reach retirement will be slightly worse off because of the effect of AIDS on the economy and investment returns.

For the higher number of members who die earlier, there is clearly a penalty, in that only the value of their contributions will be paid on death, he says.

To the extent that the employer is responsible for the cost of any risk benefits offered under the programme, the overall cost increase will be more than for a defined benefit fund, as the employer no longer receives any benefit from the reduced contributions in respect of the retirement benefit.



CHRIS NEWELL

"Where the employer is responsible for only a contribution rate for retirement and risk benefits, he is not directly at risk to any rise in costs. Members would receive a lower benefit on death or disability."

Good growth through 'deliberate control'

WENDY Machanik Properties has grown from a one-person operation three-and-a-half years ago to an agency that employs 45 brokers through the northern suburbs of Johannesburg, Randburg and Sandton.

"I have deliberately controlled the growth of the company to ensure that while we are well represented enough for people to feel confident about referring others to us, we are still small enough to offer a personal, hands-on service," says MD Wendy Machanik.

PETER GALLI

The overall control of the company has been placed with recently-appointed GM Stewart Penn.

Growth in other regions will probably be through franchise operations. A Cape franchise is under consideration.

The company is to open a letting agency and will expand to include Bruma, Bedfordview, Linksfield and Kensington.

Unity will 'halt abuse of seniors'

CT 25/11/93 (300)

Staff Reporter

SENIOR citizens would never defeat the abuses and indignities foisted on them by a cruel commercial world unless the dozens of representative bodies in South Africa united into an independent national union for the elderly.

This was the message to several hundred delegates, representing organisations for the aged, at the first National Seniors Convention held on the Foreshore yesterday morning.

Among those who attended were Association for Retired Persons and Pensioners (ARP&P), Concerned Friends of the Frail and Aged, Elder Voice, and the Abbeyfield Society of South Africa.

It was organised by Rotary International to coincide with the United Nations year of the elderly.

'Aged seen as a soft target'

Convention director Mr Tony Connell said government regulations and watchdog bodies had been "ridiculously ineffective" in protecting seniors and the only way to safeguard their interests was by affording them a united voice.

Recent revelations of abuse and neglect in old age homes had fuelled the groundswell movement towards an independent national union, he said.

"Commerce considers the aged one of the two softest targets, the other is security. Put the two together and you must have one of the most lucrative of all markets," he said.

Mrs Kay Altman of the ARP & P supported the idea of a national forum to lobby Parliament for changes in fundamental issues like the high cost of medicines and health care, and the lack of accommodation for the elderly.

There was an enormous accommodation vacuum between the options of retirement villages and independent housing for seniors, said Murray and Roberts regional general manager Mr Geoff Turner.

Democratic Party leader Dr Zach de Beer said he feared that a future government would have inadequate funds to provide for the elderly.

Comfortable aged 'should help poor'

ANDREA WEISS, Health Reporter

COMFORTABLY-off white "elders" in South Africa should join hands with their less-fortunate compatriots to fight the injustices the elderly of this country are exposed to.

This is the view of Donna Ambrogi, a lawyer from San Francisco in the United States who is in South Africa as a voluntary worker for the Legal Resources Centre and the Black Sash.

She was addressing a national seniors' convention in the city organised by Rotary International.

Mrs Ambrogi said she found it shocking that black pensioners had to wait in long lines, sometimes only to be told that there was no money for them that month.

She also spoke out against the practice of laying off people in their 50s, effectively disqualifying them for their full pensions.

In the townships, there were no "meals on wheels", no hospices, no frail care and no overnight hospitals.

"These are scandals," she said. "I hope that white elders will help to find solutions to some of these problems. "You have the energy to do something about this."

At the same seminar, Naomi Slabber, of the Concerned Friends of the Frail Aged, said her organisation had received about 400 unsolicited complaints of the abuse of the elderly in 30 homes.

Nic Lee, former editor of the SA Medical Journal, made a strong case for the implementation of a national health service.

Move to secure MPs' pensions after elections

By EDYTH BULBRING
Political Correspondent

THE government plans to set up a R550-million fund to secure parliamentary politicians' pensions under an ANC government.

The pension fund will be established under a bill to be tabled before the end of the present and final sitting of the tricameral parliament.

Ministers and ordinary MPs presently pay a percentage of their salary to the central revenue fund. When they retire or fail to be re-elected, their pensions are paid from the exchequer.

Finance officials say that over R300-million in government stock would be transferred to the Public Investment Commissioners who will hold the stock in trust until the fund is established by the Department of Finance.

The fund would need to be topped up by R50-million a year for the next five years.

Many politicians have been anxious that a new government would not honour its commitments under the existing scheme.

The idea for establishing a political office bearers and parliamentary pension fund was first mooted by NP chief whip, Keppies Niemann, last year.

In a letter circulated to the chief whips of the other parties, he suggested that an R840-million pension fund be established to secure politicians' pensions under a new government.

When the letter was leaked to the press, he said that the idea for a separate fund had been scrapped.

Mr Niemann said this week that while he knew that a private pension fund was going to be set up, he had few details about it.

Officials from the Department of Finance first said the fund would be established with under R2-billion of government stock, but after this information reached the ears of the politicians involved in planning for the fund, the officials clammed up.

Public servants' concern over an ANC takeover in government was reflected in another piece of legislation this week.

The Exchequer Third Amendment Bill provides for the topping up of the five government pension funds by R6,9-billion in government stock.

A future government will have to pay about 11,7 percent interest a year on this stock, which will increase the public debt by R807-million a year.

DP pensions spokesman Brian Goodall said that fol-

□ To Page 2

MPs' pensions plan

□ From Page 1

lowing President F W de Klerk's February 2 1990 speech, the panic over pensions had been seen in an attempt to pump more money into the official pension funds to make them solvent.

In terms of the five government pension funds and those of Telkom, Transnet and the Post Office, the government used to match each rand contributed by the employee with about R2,70.

After February 1990, the government's contributions rose to R4,60 for every rand, and to R6,04 for every rand last year, Mr Goodall said.

He said by issuing government stock, it became an interest-paying proposition and an acknowledgement of debt that a future government could not easily renege on.

The solution lay in political guarantees, not the issuing of government stock, Mr Goodall said.

MPs up in arms over pensions

Own Correspondent

JOHANNESBURG. — Backbenchers have been threatening to revolt over a decision by the government to exclude MPs elected to Parliament in the 1989 election from lucrative pension deals won in multi-party negotiations.

A large proportion of both the House of Representatives and the House of Delegates MPs and several CP and DP MPs will be excluded.

There were rumours in Parliament last week that backbenchers would hold up the passing of the constitution if they were not included in the payout deal which was apparently reached between the government and the ANC during negotiations. CT 29/11/93

Legislation on the subject is due to be introduced next week, and a cut-off date for pension payouts under the old system has been set for the end of January.

NP spokesman Mr Martinus van Schalkwyk said he did not believe any NP MPs would put their own personal interests above the country's.

'Political pension' fund

Star 7/12/93

■ BY ESTHER WAUGH

Cape Town — A R440 million pension fund for "political pensioners" is to be established in terms of a Bill submitted last night to the last sitting of the Negotiating Council.

The Closed Pension Fund Bill, however, excludes the 76 MPs elected in the September 1989 election. The cut-off point for eligibility to the fund is five years' pensionable service.

Introducing the Bill, State Expenditure Minister Amie Venter said it was aimed at rationalising the different existing pension funds for "political pensioners".

Presently, political office bearers receive pensions for four provincial funds as well as the State Revenue Fund. These pension schemes will be terminated on January 31 when the Closed Pension Fund is established. (300)

The new fund will be limited to former state presidents, current MPs and President de Klerk. It will be established with R440 million worth of public stock and the Government will make regular instalments to it for nine years.

Pension funds 'will be used to build houses'

CT 2/12/93, 300

Staff Reporter

UNDER an ANC government pensions and provident funds would be controlled by workers through their unions, former Cosatu secretary-general Mr Jay Naidoo said yesterday.

He told a Cosatu rally of about 400 workers in Bellville that instead of the funds being used to build "big glass buildings" they would be used to build houses.

"People will know what is done with their money, it will be used for job creation, houses, and clinics," Mr Naidoo said, adding that under an ANC government "VAT will be removed from basic foodstuffs, and personal tax will not be increased".

Political philosophy lecturer Mr Wilhelm Verwoerd urged workers not to forget the past, "when people were treated like dogs because of skin colour.

"It's not enough to just vote ANC, we must begin a reconstruction process," he said.

Fm 3/12/93

THE ELECTION

Committees and camels

Readiness to compromise is a political virtue — but only if the result is meaningful. In rushing through an agreement that only one ballot paper will be used in the April 27 general election, the negotiators have produced a real monster. If it had been raised in good time, coherent and powerful protest could have been marshalled against it. But it was introduced at the last minute, so rational objections were confused with trying to hold the entire process to ransom.

With everyone weary of the years of talks, and longing to get the election over and done with, it is tempting to brush aside the ballot issue as an unimportant technicality. After all, the reasoning might go, we all know the ANC is going to win and the Nats are going to come second, so in the end will one ballot paper make that much difference?

Perhaps not to the overall composition of the national assembly — but it strikes at the essence of the agreement to devolve certain powers to regions. It could even be interpreted as an act of gross bad faith by the ANC and NP.

If powers are to be devolved, so must the power of the voters to make local choices. It might be attractive to many voters to support one party (the ANC, for instance) on a national level, but then switch their support to another (the DP, perhaps) at regional level. This is the whole point of having regions.

A multiple vote would force the parties to ensure that both their regional and national lists contained candidates of quality. This would strengthen the legitimacy and efficacy of regional authorities, providing better government as well as a forceful counterbalance to the central authority. It would also favour parties with a strong regional power base — examples might be the NP in the western Cape, Inkatha in Natal and the DP in the PWV region — and therefore dilute possible regional resentments.

Having only one ballot paper removes all these advantages. It also encourages the parties to put up any old candidates at local level, knowing that they can ride in on the coat tails of the stars on the national list.

The claim was that a multiballot election would be too confusing for a largely unsophisticated electorate. But the single ballot has already produced its own kind of confusion.

It has dawned on the negotiators that not all parties will contest seats on the national level and in all regions. They have had to make provision for one party to declare its support of another party, and have the votes counted accordingly. So if Inkatha fights for seats in Natal but not nationally, it can ask that its share of the national vote go to, say, the NP — or the other way round.

Once we get past the major parties like the ANC and NP, this provision will produce a forest of confusing alliances — and distort further the value of an individual's vote.

The whole question must be reconsidered or the election itself could be undermined. The suggestion by educationist Paulette Bethlehem, that the regional voting could be held after the national poll, could be the sensible way out. ■

MPs' PENSIONS

Fm 3/12/93

Last ride on the gravy train

For sheer audacity there is not much to touch the pensions deal that parliamentarians are doing for themselves. As most will not be returned to parliament, they have contrived to guarantee that they are able to maintain the style to which the taxpayer has made them accustomed. (300)

They are aiming to make their pension funds fully funded. That means they will not be dependent on annual Exchequer disbursements for their pensions. Most State pensions are funded on a pay-as-you-go basis from the national budget. Continuity hasn't been an issue, but annual increases are at the behest of the government.

So MPs have introduced legislation to create a pension fund which may not be alienated. They will then rest secure in the knowledge that their future incomes are inviolate.

They propose to vote R550m from the Exchequer, with smaller top-up payments to follow, for this purpose. Moreover, benefits may accrue after only five years' service.

A typical private-sector pension fund gives a benefit of 2% of final salary multiplied by years of service. For an ordinary MP the effective comparable percentage is 8%, which after less than 15 years means a 100% pension. Ministers get 8,33%, which, if a gratuity is taken into account, means a 100% pension in 12 years or less.

An MP can draw a pension after minimal service at age 40, whereas the rest of us have to wait until 55.

It is every citizen's duty to support his government, but not necessarily in the style to which this one has become accustomed. ■

PARLIAMENT

Fri 24/12/93

Easing the passing

300

While the unprecedented spectacle of a South African parliament voting itself out of office dominated local politics this week, another vote a few days earlier ensured that the pain of parting was eased considerably for most MPs.

The Closed Pension Fund Bill provided for a special fund to safeguard the pensions and gratuities of the 308 current MPs and another 700 or so who have already retired — or their widows. The debate on the Bill was characterised by MPs telling one another how hard they worked and how well they deserved their pensions and tax-free lump sum payments.

The measure — agreed to at the multiparty talks by the ANC — ended months of uncertainty over whether or not MPs would be guaranteed their pensions under a new government.

Up to now, pensions and gratuities have been paid directly out of the State Revenue Fund. MPs' contributions towards their pensions also went straight into the Fund. The new closed pension fund will be funded by an initial grant of R440m by government. The fund will be added to over the next nine years by amounts yet to be determined, in order to ensure that the fund can meet its obligations.

Pensions and gratuities will be based on basic salaries plus allowances, but excluding motor car allowances. Members with 15 years' service or more qualify for pensions equal to the full amount on which the calculation is based. Gratuities are calculated up to 20 years' service on the basis of length of service divided by 15, multiplied by two, multiplied by the total of salary and allowances.



Louw



Hendrickse



De Villiers



Botha

Figures provided by the State President's office show the following total salaries and allowances for various political office bearers:

The Speaker and Cabinet Ministers, R229 005; the Chief Whip of Parliament, R191 925; Deputy Ministers, R169 371; Chairmen of the Houses, R167 784; Leaders of the Official Opposition, R162 504; Chairmen of Committees and Chairmen of Joint Standing Committees, R145 014; Deputy Chairmen of Committees and of Joint Standing Committees, R139 848; Chief Whips of the Official Opposition, R138 285; Whips, R135 414; MPs, R124 818.

This means, for example, that an MP with only five years' service (the minimum to qualify for a pension) should receive a tax-free lump sum of R83 211 and an annual pension of R41 605.

Most current MPs have not served 15 years and will, therefore, not qualify for full pensions. Those who have not served five years will qualify for a one-off tax-free lump sum payment of R60 000-R70 000.

Among the larger payouts from the new fund will be those to the Speaker, Eli Louw, who should get a lump sum of R488 543 and a pension of R229 005.

Foreign Minister Pik Botha should get a gratuity of R610 679 and a pension of R229 005.

Conservative Party leader Ferdi Hartzenberg should qualify for a similar amount based on his previous service as a Minister, though it will be reduced if he took a portion of his pension when he quit the Cabinet to help form the CP.

Other Ministers or former Ministers who should receive full pensions and substantial gratuities include George Bartlett, Dawie de Villiers, Andre Fourie, Gert Kotze, Ami Venter, Allan Hendrickse and Jac Rabie.

Most of the large group of MPs elected in 1981 should qualify for gratuities of at least R199 700 and pensions of just under R100 000.

Doubtless the MPs who take office after the election on April 27 next year will see to it that they are similarly looked after. ■

Pension fund returns improve

CHARLOTTE MATHEWS

RETURNS on pension fund assets in the year to September managed by insurers and investment houses showed an increase on the year to June, according to the latest First Bowring investment performance survey. (300) B/Day

First Bowring director Lionel Goldblatt said yesterday one reason for the improvement was that returns had been relatively low in the quarter to September 1992.

There had been a divergence of investment tactics during the latest September quarter, with several funds markedly reducing their equity content and investment managers differing on the mix between long- or short-dated fixed interest stocks.

Board of Executors (BoE) Investors was the top performing insurer in the year to September 1993 with 24,5%, measured on a time-weighted basis which eliminates the effect of cash flows into or out of each fund. In the year to June BoE Investors returned 23,0%.

BoE Investors was followed by Standard General, with 21,3% (16,1%), Southern's SHOP fund and Liberty's LEM, both with 21,0%.

Among investment houses, the top return was made by Investec, which showed 27,3% (22,2%). It was followed by BoE with 20,6% (16,0%) and Foord & Meintjies with 20,0% (18,4%). 24/11/93

In the three years ended September 1993, the best performing fund among insurers was Southern's SHOP with 23,0%, followed by Metropolitan with 21,7%. The best performing investment house was RMB with 23,4%, followed by SMB with 22,8%.

In the five years to September, Metropolitan was the best performer amongst insurers with 22,5%, followed by Liberty LEM with 21,7%. SMB was the best performer among investment houses with 24,6%, followed by Foord & Meintjies with 23,8%.

Many safe returns

ST Times Buss J 27 6 98

LIFE assurers have R5-billion of the R38-billion of discretionary assets they manage on behalf of pension and provident funds invested in property.

Alexander Forbes consultant and actuaries director Paul Robson says non-insurance fund managers have R617-million of the R28-billion they handle for these funds in property. For the last five years property investments have earned 18,3% compared with returns on equity of 23,4% and 18,2% on fixed interest.

Mr Robson says equity has been the best performer over any five years in the past 30, apart from hiccups in 1976 and 1969.

"Property lends an investment portfolio stability — rental income is fairly regular and capital appreciation smooth. Returns on shares by one-year periods are volatile."

Because insurance companies have large resources they can afford to swop a certain degree of growth for stability and invest heavily in property.

Mr Robson says that trustees of pension and provident funds no longer look only at a 10-year performance. They have reduced it to five years.

Non-insurance fund managers, who are measured on short-term performance, prefer equities for quick returns.

They hold the assets in the name of each pension fund, which is not allowed more than 15% in property. It is thus difficult to find sufficient money for a large property development.

This is why they have only 2,8% of their funds in property against 13,03% for insurance companies.

Food parcel scandal rocks Atteridgeville

Star 30/6/93

Own Correspondent

Atteridgeville has been hit by a food rations scandal in which destitute elderly residents are made to pay for food parcels that are issued free by the Government.

Scores of elderly people who do not qualify for pensions are complaining that they have been asked to pay R2 to receive food parcels.

Marie Steyn, regional co-ordinator of the National Nutrition and Development Programme in Pretoria, said there had been problems over the food distribution.

"A full investigation was ordered and I received a report which recommended that certain people responsible for issuing food parcels be removed or put under close supervision."

The scheme is financed by the Department of National Health.

Food distribution worker Patricia Dibakwane denied people were being asked to pay.

"We used to have a fund-raising campaign in which people were donating R2, but we have since stopped that as rumours were flying that we were selling food."

But residents insisted they were being forced to pay for the parcels.

Susan Nkoane (60) said: "The last time I went there I was told to pay R2. I am unemployed and destitute. There is no way I can pay that amount of money for what is supposed to be a free meal."

Maria Vivian (51), who paid R4 for parcels for herself and her brother, said: "I don't know how we're going to survive."

Community leaders Lucky Ngale and Jopie Ntsoane confirmed they were aware of the scam.

CP 'apology' does the trick

Elderly ripped off over food parcels

Sowetan 30/6/93 (300)

■ **SELLING RATIONS** Destitute asked to pay for essential goods:

By Josias Charle

ATTERIDGEVILLE HAS BEEN hit by a food rations scandal in which elderly and destitute residents are made to pay for food parcels that are issued free by the Government.

Scores of elderly people who do not qualify for the monthly old-age pensions are complaining that they have been asked to pay R2 to receive food parcels.

In some cases, like that of the squatter community, beneficiaries have been asked to pay R5.

The rations are made up of nutritionally valuable foodstuffs such as milk powder, maize meal, flour, oil, sugar, tea, butter beans and, in some cases, candles and soap.

The regional co-ordinator of the National Nutrition and Development Programme in Pretoria, Mrs Marie Steyn, said she was aware there had been problems over the food distribution.

"A full investigation was ordered and I received a report which recommended that certain people who were responsible for issuing food parcels be removed or be put under close supervision."

The programme is financed by the Department of National Health and Population Development.

One of the people responsible for food rations in Atteridgeville, Miss Patricia Dibakwane, denied that elderly people were being asked to pay R2 for food.

"We used to have a fundraising campaign in which people were donating R2 but we have since stopped that as rumours were flying that we were selling food."

She said there was no way people could pay R2 for the kind of food that was being handed out. "That is far too little."

Dibakwane asked elderly people who were experiencing problems to contact herwas dependent on the food rations.

Two community leaders, Mr Lucky Ngale and Mr Jopie Ntsoane, confirmed they were aware of the problem and said they were working on it.

Revamp of retirement benefits in pipeline

JOHANNESBURG. — Government, tax experts and the pension and provident fund industry are expected to clear the way for a revamp of retirement benefits this week in a bid to plug tax loopholes and promote savings.

The parties want to streamline the taxation of retirement benefits to maximise fiscal efficiency and encourage people to retain, rather than cash in, their pensions.

The review may lead to the establishment of a single retirement instrument rather than the present system of pension and provident funds.

Tax Advisory Committee chairman Michael Katz said at the weekend the committee would present its recommendations to Finance Minister Derek Keys on the tax treatment of pension, provident, retirement and benefit funds on Thursday.

Institute of Life and Pension Advisers president Gerard Ehmke said: "There is strong concern that there is tax leakage out of the fiscal system — in many cases from perfectly legal practices — as well as certain benefits being tax-free in the hands of the recipient."

Pension benefits overhaul looms

BD 04 11/11/93

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Institute of Life and Pension Advisers president Gerard Ehmke said: "There is strong concern that there is tax leakage out of the fiscal system — in many cases from perfectly legal practices — as well as certain benefits being tax-free in the hands of the recipient."

A report in the latest issue of the institute's newsletter said that under the present tax system for retirement funds, contributions were tax-deductible, there was a tax-free build-up of investments and some benefits were effectively non-taxable. This arose from the tax-free allowances and the ease with which average rates could be manipulated.

There has been general consensus within the pension and provident fund industry

CHARLOTTE MATHEWS

that the tax structure of retirement benefits should be amended to encourage preserving lump sums. This will enable positive real rates of return through not taxing investment build-up and avoiding taxing low-income earners.

The industry was also concerned about safeguarding existing rights of those near retirement and civil servants, whose benefits were previously non-taxable.

One of the issues under discussion by the industry recently has been the possible creation of a single retirement instrument rather than a pension or provident fund.

"The ultimate benefit, namely the amount payable on retirement, can be taken at the discretion of the retiring employee either as a lump sum or as an annuity," Ehmke said. "The difficulty is that the build-up of contributions to both these funds is different from a tax point of view. Employees' contributions to a pension fund are tax-deductible but contributions to a provident fund are not. Employers' contributions to both pension and provident funds are fully deductible up to 20% of the employee's approved remuneration."

If the end-benefit on retirement — whether lump sum or annuity — was optional, there was a certain tax loss to the fiscus with a pension fund because deductions were allowed for contributions to the fund. No decision has yet been made on whether the end-benefit should be taxed or a portion remain tax-free, Ehmke said.

Commission to pension fund intermediaries goes up 20%

CHARLOTTE MATHEWS

THE sliding scale of commissions payable to intermediaries on pension fund business has been increased by about 20% on average. BIDay 2/11/93

The amendment to the schedule, gazetted on Friday, raises the ceiling for the 7,5% commission payable on annualised contributions to R85 000 from R68 000. Commission of 5% is payable on annualised contributions of between R85 000 and R145 000 (previously on R68 000-R115 000), 3% on contributions of between R145 000 and R315 000 (R115 000-R250 000). On contributions of R315 000 to R965 000 (R250 000-R770 000) commission of 2% is payable and on more than R965 000 (R770 000) 1% is payable. The 7,5% introductory commission on a new pension fund is payable to a maximum of R3 900 (R3 450).

The revisisons were welcomed by an independent broker, but a second industry source did not consider them generous, saying they were below the inflation rate.

Life Offices' Association executive director Jurie Wessels said the changes were made in consultation with the industry and that 20% was more than the current inflation rate. However, there was no increase in the cut-off rate in 1991 and the 15% and 10% inflation rates gave a cumulative total of far more than 20%. (300)

Pension fraud 'contained'

JOHANNESBURG — Teams of Transvaal Provincial Administration officials had been systematically defrauding pensioners, the TPA admitted yesterday but claimed it had "contained" the corruption.

MEC for Welfare and Pensions Mr David Chuenyane said that on the Witwatersrand alone, 26 cases of suspected theft and fraud had been handed over to the police and a further 165 cases were being investigated internally.

More than R260 000 is believed to be involved. CT 3/11/93

Senior citizens had also been subjected to intimidation and extortion and had been told they could forfeit their pensions as a result of their political views. (300)

Mr Chuenyane gave his assurance to the elderly that this was not true.

He said the TPA was following a vigorous plan of action to counter corruption. — Sapa

Pensioners victims of officials' extortion plot

BDay 3/11/93

THEO RAWANA

FRAUD and theft involving hundreds of thousands of rands at some of the 360 black pension pay points in the Transvaal had resulted in the TPA taking steps to stop the racket, the administration said yesterday.

Transvaal MEC for Welfare and Pensions David Chuenyane said yesterday teams of officials had defrauded pensioners and had threatened others with forfeiture of their pensions because of their political views.

Chuenyane told news conference in Germiston that cases had been reported where the elderly had been allegedly subject to extortion and had to hand over a monthly amount to intimidators, or forfeit their pensions.

About R260 000 had been lost in the Witwatersrand alone since 1990, and 26 cases had already been handed over to the police for prosecution. He said 165 cases were still being investigated internally before being handed over to the SAP. Officials "from the top down" had worked in teams to defraud pensioners.

Chuenyane said the TPA had had talks with financial institutions for pensioners to get their money through them, but the effort was frustrated by some of the beneficiaries' reluctance to go to banks because of illiteracy and the distances some would have to travel to banks.

He said only 25% of pensioners in Johannesburg had their pensions paid into bank accounts, 12% in Germiston, 14% in the western Transvaal, 12% in Pretoria, 13% in the northern Transvaal and 10% in the eastern Transvaal.

Stricter control had been introduced on pay-outs with senior staff carrying out regular inspections at pay points.

A special team of investigators from the Witwatersrand Regional Office had been placed on the fraud cases. (300)

Chuenyane said the TPA had paid out at least R109,5m to 299 429 pensioners during October.

The problem of theft and fraud in pension payouts had been a problem for many years and 11 officials from the Albert Street office in Johannesburg had been charged with theft in 1989. Eight had been found guilty and discharged.

In March last year two officials in Groblersdal stole R10 000, which was recovered. In the western Transvaal a pay-team incorrectly paid out money which was later recovered from them.

In Randfontein a man had been suspended and was awaiting trial and on the East Rand another six were awaiting trial.

At head office a man had been discharged as a result of fraudulent bank deposits made last December.

ANC, government in pension pact for public servants, MK

300 ARG 9/11/93

Political Staff

PRETORIA. — The government and the ANC have broken their deadlock on the future of the 1.2 million public servants.

They have also made provision for pension payouts to non [illegible] servants, like Umkhonto we Sizwe, and their dependants who "made sacrifices or served the public interest in the establishment of a democratic constitutional order".

Although this provision is a new clause in the constitution, it is not new to the Defence Force.

Earlier this year senior SADF sources said they recognised the need to pay some form of pension to members of the ANC's armed wing.

It appears that the minders of the SADF budget have already factored this into their calculations.

In government circles yesterday there was clearly relief at the agreement on "the very sensitive matter of the future of public servants".

In the interests of what sources described as "the need for balance between opposing views", the deal that appears to have been struck is that no presently-employed public servant will suffer financially in terms of pension commitments but that there will be an element of restructuring of the service after elections.

There is a clause destined for inclusion in the constitution which guarantees pensions and another which prevents arbitrary alterations to retirement ages of public servants as established on October 1 this year.

But the deal also recognises the need to restructure the public service "to promote a broadly representative" body.

This will not only be written into the interim constitution but will be enshrined as a constitutional principle in the important list of principles against which a future constitutional court will measure the drafting of a new constitution after elections.

The principle also emphasises the need for an "unbiased and impartial" public service which will "loyally support the government of the day".

The controversy surrounding the government's bid to have public service jobs guaranteed in the constitution appears to have been averted by guarantees instead that no one will be discriminated against financially in the event of losing a job to restructuring.

MK cadres set to get state pensions

B/Day 9/11/93

UMKHONTO we Sizwe (MK) members are likely to qualify for state pensions under a new deal on the public service thrashed out between government and the ANC.

The deal also secures the conditions of service and pensions of the 1,2-million public servants in SA and the TBVC states.

The details of the deal relating to Umkhonto were not given. However, in terms of the deal hammered out at last week's bosberaad, provision has been made for a new principle to be entrenched in the constitution. This states that people who have not served in any public service prior to the new constitution, but "who have made sacrifices or who have served the public interest in the establishment of a democratic constitutional order" will qualify for pension payments (~~250~~) (300)

BILLY PADDOCK

Public servants are guaranteed that their conditions of service and pensions will not be threatened by restructuring and affirmative action. In the event of a public servant being retrenched, his package will be governed by current law, not new laws promulgated by a new government.

In terms of the deal, if the law governing pension funds is changed, the real value of accrued benefits will be maintained. The retirement age will not be changed without the public servant's consent.

☐ To Page 2

Pensions

B/Day 9/11/93

☐ From Page 1

The constitutional principle to be entrenched states that the public service will be non-partisan, career-oriented and based on equitable principles. It will be obliged to promote a broadly representative and efficient public service; it will be regulated by laws dealing specifically with such a service; and its structure, function and terms and conditions of service will support the government of the day (300) (~~250~~)

Every member of the public service will be entitled to a fair pension. It is proposed that another constitutional principle dealing with labour rights be amplified to include protecting public servants against unfair labour practices.

A public service commission, accountable to Parliament through the president, will be set up to regulate the organisation and administration of the service.

Provision has also been made for a regional commission to maintain national norms and standards for public servants.

During the transitional period, public service will be regulated by current legislation until new laws are promulgated.

Public servants will remain employed subject to the provisions of the new constitution and the laws governing employment in the public service.

Until consolidation and restructuring of the various administrations takes place, public servants will continue in their jobs.

Provision is also made for a judicial commission to review all promotions, appointments, amendments of contracts and awarding of terms and conditions of service and other benefits occurring between April 27 1993 and September 30 1994.

Old-age home manager fined

(300)

CT 10/11/93

Staff Reporter

THE manager of an Oranjezicht old-age home has been fined R200, suspended for five years, for running an unregistered home and denying social workers access to an aged person.

George Schoonraad, 61, of Constantia, who was convicted in Cape Town Magistrate's Court yesterday, had earlier admitted running an unregistered home, the Belmont Frail Care Centre, but had pleaded not guilty as it was "an offence of necessity".

He had also denied refusing three social workers access to patients on June 7, but later admitted doing so because of their "militant attitude".

The court heard earlier that the home had been temporarily registered, but that permanent registration had been denied until a number of conditions were met, including improving its poor state of repair.

'Necessity'

Schoonraad said he had been unable to meet these before the December 30, 1992 deadline, but renovations were now underway.

He said he had run the home after the permit expired on May 3 out of "necessity".

In his judgment yesterday the magistrate, Mr W J Faught, said there were five conditions necessary for a crime to be one of necessity, and Schoonraad had not met two of them — that a legal interest must be threatened and that such a threat must have commenced or be imminent.

Schoonraad's interest, however, was economic, and he had had six months to meet the conditions laid down for permanent registration.

Mr Faught also rejected Schoonraad's contention that the Department of Welfare had to give him three months' grace.

Saying the penalty clause of R100 (and/or three months in jail) was "entirely insufficient", he sentenced Schoonraad to R100 (or 60 days) on each count and conditionally suspended the sentence for five years.

incurred

Those who 'made sacrifices' will qualify

Star 11/11/93

Cadres to get pensions

THOSE who 'served the public interest' in creating the new SA set to qualify for State assistance

■ BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

Members of Umkhonto we Sizwe and others who have "made sacrifices or who have served the public interest" in the creation of the new South Africa will qualify for State pensions.

The Negotiating Council yesterday agreed "in principle" to a submission arising from talks between the Government and the ANC on the desirability of pensions for certain categories who had not served in the public service before.

The details will still have to be thrashed out, but those likely to qualify include MK members, perhaps Apla, and other liberation movements.

In a statement later, Sam de Beer, the Minister responsible for the office of the Commission for Administration, said: "The amount of the pensions must also still be determined. Naturally the affordability will have to be taken into account."

300

He said that although the money would come from the Exchequer, this did not necessarily mean the taxpayer would have to fund it.

The number of those who qualified would be limited.

The clause was agreed to by sufficient consensus.

The issue gave rise to some lively debate, with the Afrikaner Volksunie's Corlea Kruger drawing angry responses when she charged that "terrorists" or people who "planted bombs or killed a few people" should not get pensions.

The Labour Party's Luwellyn Landers hit back, saying members of Military Intelligence's Civil Co-operation Bureau, who were believed to have been responsible for murders and deaths, were receiving pensions and gratuities.

Meanwhile, the Negotiating Council also agreed in principle to a wide-ranging agreement between the ANC and the Government on the future of the public service. In essence the agreement gives job security and guarantees pensions for existing civil servants, binding a new government to affirmative action.



Sam de Beer



Luwellyn Landers

Storm of protest at R200 fine

300
CT 11/11/93

Staff Reporter

A STORM of protest has erupted following the R200 fine imposed on the owner of a frail care centre found guilty of operating without a licence and not allowing social workers access.

After a Cape Town magistrate imposed the maximum fine this week, the SA Council for the Aged said the sentence "opened the way for exploitation of the aged".

'Way opened to exploit the aged'

Mr Jan du Pisani, Department of Welfare deputy director, said the department was involved in the revision of the Aged Persons' Act of 1967 and the appointed inter-departmental committee felt that the fine should be much greater. "The situation is completely unsatisfactory. We had hoped that Belmont Frail Care Centre could be made an example of," he said.

Magistrate Mr W J Faught, who fined Belmont Frail Care Centre manager George Schoonraad on Tuesday in the Cape Town Magistrate's Court, said the penalty of R100 on each count was "entirely insufficient". The court heard that the home had been refused a permanent licence as it was in a poor state of repair.

Revelations of alleged maltreatment of the elderly, insufficient care, unsanitary conditions and of a "pathetic" man who was reduced to eating his own faeces, have also emerged in a concurrent magisterial inquest into the home.

Director of the SA Council for the Aged, Mr Syd Eckley, said the 1967-set maximum fine was inappropriate and opened the way for the exploitation of the aged. He urged people only to support registered welfare organisation homes which were subject to strict operational criteria.

"Going to an unregistered home is opening yoursef up for abuse," he said. "Many of these places have no night staff. We know of cases where the elderly are strapped to their beds or are incontinent and are unable to get help."

The Department of Welfare expressed regret at the small fine imposed on Belmont Frail Care Centre in Oranjezight, which continued to operate after May despite failing to qualify for a licence. The inquest into the centre continues.

Shield for aged

(300) ARG 13/11/93

Welfare guidelines drawn up to prevent abuse

DI CAELERS
Weekend Argus Reporter

■ Lobbyists for an end to the abuse of the aged in homes and in the community have welcomed new government guidelines designed to eliminate maltreatment and neglect.

ABUSE of the aged is for real — and the fact that a single rights group for the aged had 400 complaints in less than a year proves it.

But the good news, say the activists, is that constant and unrelenting lobbying has resulted in a new set of guidelines from the Department of Welfare to protect the dignity of the elderly both in homes and in the community.

The Concerned Friends of the Frail and Aged (CFFA), which has played a vital role in raising awareness of the maltreatment and neglect both in the government and among members of the public, told Weekend Argus it has compiled what is believed to be the first independent statistics on the issue.

The group's figures show that it had 400 complaints — and that's in spite of the fact that the biggest problem appears to be intimidation and victimisation with 52 such complaints recorded.

The new guidelines will be distributed to national and provincial welfare organisations involved in care of the aged, subsidised homes for the aged, regional and service offices of the department, social workers and all registered homes.

Guidelines for homes include the following:

■ The management is responsible for the proper care of the aged in homes under their control. It is therefore necessary for that management to be involved in all aspects of the care of the residents.

■ Personnel, especially the lay personnel, must be properly trained.

■ Regular communication between the management and staff of the home must occur and management must support the staff.

■ A concise pamphlet setting out the terms and conditions of admittance, as well as other information about the home, should be drawn up and made available to prospective residents to eliminate unrealistic expectations.

■ A set of house rules must be made available to residents and their families, including the stipulation that no tips or presents may be given to staff members, nor may they be paid for services. The complaints procedure should also be made clear along with the fact that no complainant will be victimised or intimidated.

■ Liaison between residents, their families and friends, and management must be encouraged and implemented.

■ A behaviour and disciplinary code for the staff must be compiled and its terms strictly enforced.

■ Management must ensure that job descriptions for all members of staff be compiled and made available to them.

■ Management must take steps to ensure that, as far as possible, theft of possessions of the aged is prevented.

■ Management and staff must be aware that visits by departmental inspecting officers will include confidential interviews with residents to determine the quality of care. Unannounced visits will also be made.

A CFFA spokesman said complainants should make sure they complained to the right people.

■ The CFFA can be contacted at ☎ 75 3760. The address is P O Box 92, Plumstead, 7800.

Pension fund transfer urged

Star 22/11/93

■ BY MOKONE MOLETE
SOWETO BUREAU

Diepmeadow Council policemen in Soweto want their R55 million pension fund transferred from Old Mutual to a government scheme.

The fund was established before the merging of the Diepmeadow security department and the SAP in October 1989. Since then, sources within the force allege:

■ The fund pays more to council employees than to the policemen who are on the same scheme.

■ Beneficiary nominations made by members are unilaterally altered.

■ It takes a long time before beneficiaries are paid out. 300

■ Salary codes on some employees' pay slips reflect those of other councils in Soweto.

"We believe that if the pension fund was transferred to the government scheme, our interests would be well catered for," an informant said.

In one instance, documents presented to The Star show that one member nominated that his parents get a 30 percent split of his pension.

Fund administrators resolved to give them 20 percent, with the rest being invested in a trust fund. "A nomination is like a will, why do they decide to change it?" asked the source.

The SAP public relations division said there was no need for contributions to be transferred to the Government Service Pension Fund as they already belonged to a fund.

"Municipal police members enlisted prior to the takeover of the municipal police by the SAP in 1989 remained under their individual pension funds. All members who joined the SAP after the takeover and are stationed at Diepmeadow are members of the government fund," the statement said.

The question of incorrect salary codes was an "administrative error".

Foschini sews up 37% growth in earnings

CT 24/11/93

Tight cost control, lower tax delivers the goods

By AUDREY D'ANGELO
Business Editor

THE Foschini group lifted attributable income by an impressive 37,4% — from an already high base — in the 26 weeks to September. This was achieved on an increase in turnover of 17,8%.

But financial director Roy Norman said there had been no widening of profit margins. He said the higher profits were due to improved productivity and tight cost control.

The lower rate of company tax also helped to bolster after-tax income, which rose to R53,3m from R38,7m. Pre-tax income was 19,5% higher than a year ago, at R88,3m (R73,9m).

Earnings at share level rose to 117,1c (85,2c) on an increased number of shares in issue. There are now 45 504 196 issued shares compared with 44 421 214 at this time last year.

In line with a decision taken in July 1991, when the group bought a stake in Oceana Investment Holdings, the interim dividend of R52,4m will be in the form of shares.

It will be based on the ruling price of R68 a share on the day the dividend was declared. One new share will be given for every 59 held. Fractions of a share will be paid in cash.

The net asset value per share has risen to 1 096,2c from 838,1c.

In his interim statement MD Clive Hirschsohn said these results were "a welcome precursor to the remainder of the year as there are now signs pointing to the economy turning the corner.

"The festive season will hopefully give further impetus to this trend."

Hirschsohn said all five trading divisions — Foschini stores, Markhams, American Swiss, Pages and Sterns — had performed satisfactorily.

Sterns, bought in April, "underwent a consolidation phase while the business was restocked and restrategised and is well placed to make a profit contribution in the second half."

After "a moderate expansion of 12 new stores during the review period the pace will be stepped up during the second half year. During October alone 15 new stores were opened."

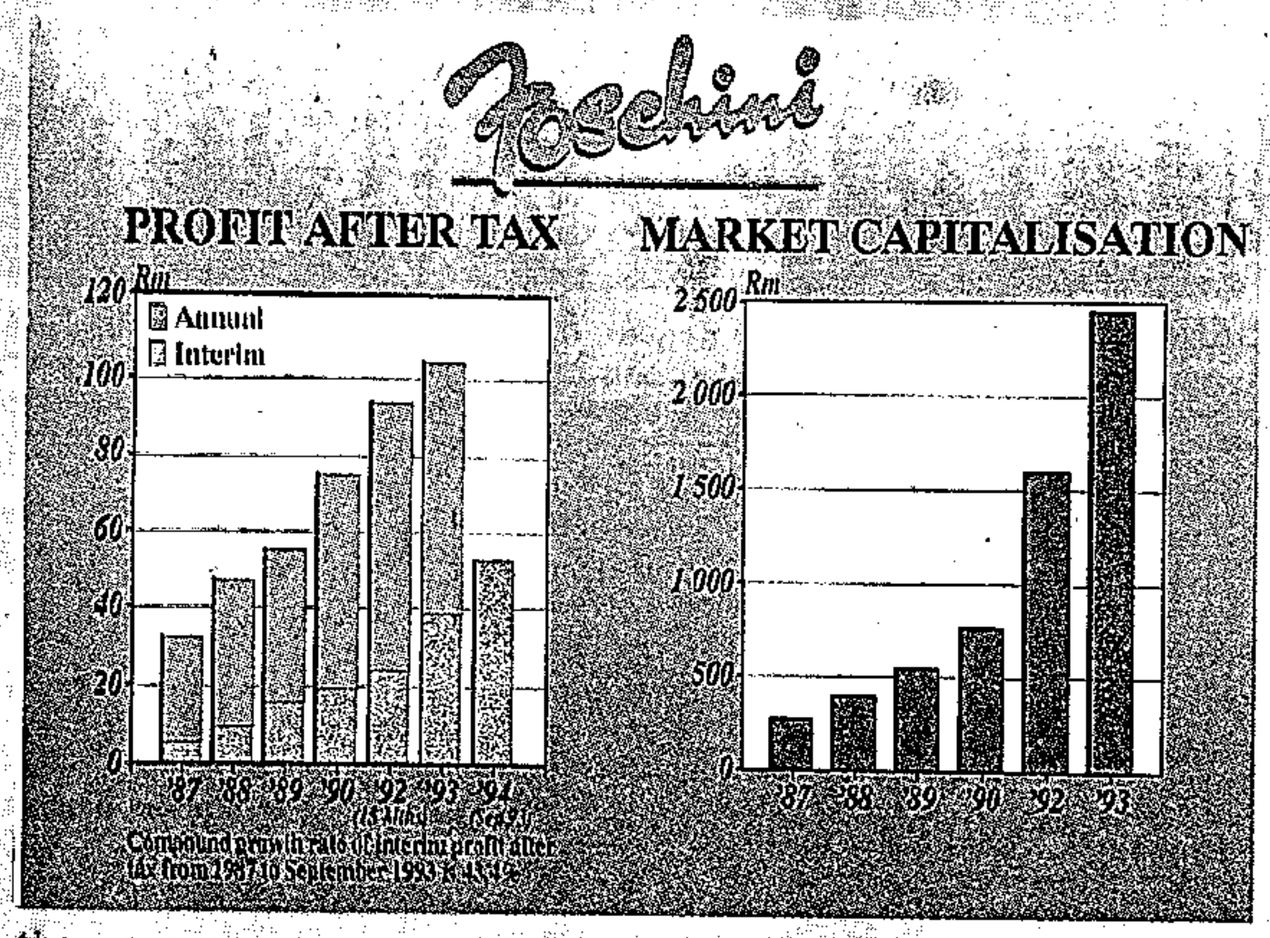
Roy Norman said there were no signs from current trading patterns that the upturn had started.

"The volume of sales is not there yet. A rise of 17,8% is not very much for us.

"But the macro-economic signs suggest that the recession has ended."

Norman said that about 50% of group customers were now black and this proportion was expected to rise as incomes improved.

Discussing plans to move into Africa, he said the group was already well represented in Namibia and was looking at Botswana and possibly Malawi.



Fillip for pension fund deficits

CT 24/11/93

IN a move to bring all government debts on balance sheet, government is to issue stock to cover pension fund deficits and losses on forward cover.

No funds would be raised on the capital market, but R6,9bn of interest-bearing paper will be issued directly to government pension funds to cover the deficits and to provide for retiring MP's pensions following a deal at the World Trade Centre.

The stock will be issued to fund existing shortfalls and new obligations arising from the transition. It is understood the amount of R6,9bn was agreed on during meetings at the World Trade Centre.

Legislation tabled in Parliament also envisages the issuing of government stock worth R9bn to cover losses accumulated in the Gold and Foreign Exchange Contingency Reserve Account. The stock will be issued to the Reserve Bank to bring on balance sheet government's debt to the Bank on forward cover losses.

More finance on pages 15 to 17

Old shops tarted up

ST Times [Buss]
27/6/93

A Business Times SURVEY

IN SPITE of South Africa's troubles, commercial and industrial property has remained a relatively stable and profitable investment. TERRY BETTY reports.

TRENDY Johannesburgers are buying good-quality old houses at low prices, refurbishing them and selling at a large profit.

It seems that the trend of using what exists instead of starting from scratch has started to catch on in the retail and office sector.

Architect Adrian Maserow is involved in revitalising shopping complexes.

He says developers buy the property at a yield of about 11% to 12% and refurbish and retenant it, providing a different atmosphere.

Returns are a few percentage points higher than those from major shopping centres.

Higher returns are the result of the property being bought at a discount because it is poorly tenanted or unimaginatively marketed.

For example, cafes used to be a major drawcard in a neighbourhood. But large retail chains have now taken over as a hub.

Mr Maserow says: "This gives a stronger rental base as it includes a popular 'calling card' that attracts people from other neighbourhoods."

For example, clothing retailer Queenspark often attracts people from other areas.

Queenspark chairman Stewart Shub says that not all neighbourhood shopping centres work well.

"We choose those that are easily accessible and can be fed by several good suburban areas where A, B and upper-C earners live."

Fridge

He believes it is not worthwhile to be in a major a shopping centre where rents are more than four times higher than in the smaller ones.

He does not believe that being placed next to a large food chain in a regional shopping centre brings an advantage.

"Most people hate grocery shopping. By the time they get out of the shop with a trolley-load of food all they want to do is get home, put everything in the fridge and relax.

"We experimented by putting a small Queenspark store in Tyger Valley near Cape Town. But the takings a square metre of our Sandton store doubled this store's."

Mr Shub says a coffee shop is desirable in a shopping centre.

Mr Maserow says gymnasiums and coffee shops are part of the entertainment aspect of a shopping centre. People can use them to relax, watch passers by and inspect clothing.

Mr Maserow says that to succeed, these centres must have attractive architecture.

Mr Maserow says shopping centres should have several types of food or clothing shops.

He says the underlying cost of building a specialised centre is about R1 000/m² as opposed to about R1 500m² and more for the average shopping centre.

Even the office market is latching on to the trend of upgrading what exists instead of demolishing.

Seeff chairman Lawrence Seeff says that because of rising demolition and construction costs as well as time constraints, it is worthwhile for a developer to refurbish, especailly if the property is in a good position.

Position

"It will not be any less comfortable than a new block and the rentals, at about R20/m², are at a large discount to those of new buildings."

Another trend is the provision of spacious, efficient but affordable office space. Marble, granite and expensive finishes are the hallmarks of posh head offices.

Mr Seeff says this trend is evident abroad.

"Designers have put up lofty, open buildings of basic construction with minimum finishes, but located in prime business areas. They give tenants critically located space at competitive rates where they can alter the interior."

Many safe returns

ST Times [Buss] 27/6/93

LIFE assurers have R5-billion of the R38-billion of discretionary assets they manage on behalf of pension and provident funds invested in property.

Alexander Forbes consultant and actuaries director Paul Robson says non-insurance fund managers have R617-million of the R28-billion they handle for these funds in property. For the last five years property investments have earned 18,3% compared with returns on equity of 23,4% and 18,2% on fixed interest.

Mr Robson says equity has been the best performer over any five years in the past 30, apart from hiccups in 1976 and 1969.

"Property lends an investment portfolio stability — rental income is fairly regular and capital appreciation smooth. Returns on shares by one-year periods are volatile."

Because insurance companies have large resources they can afford to swop a certain degree of growth for stability and invest heavily in property.

Mr Robson says that trustees of pension and provident funds no longer look only at a 10-year performance. They have reduced it to five years.

Non-insurance fund managers, who are measured on short-term performance, prefer equities for quick returns.

They hold the assets in the name of each pension fund, which is not allowed more than 15% in property. It is thus difficult to find sufficient money for a large property development.

This is why they have only 2,8% of their funds in property against 13,03% for insurance companies.

Death of a sunny hamlet

S/Times 27/6/93

By CHARMAIN NAIDOO

A PALL of gloom hangs over a sunny hamlet tucked under a range of blue hills in the Eastern Transvaal. The residents, most of them pensioners, are about to lose their homes.

Picturesque Waterval Boven is not an ordinary town. Since its birth in 1895 it has always been a "railway town" where everyone and everything was employed or owned by the SAR & H.

But electrification and a shift in South Africa's relations with Mozambique sounded the death knell for the town.

Once livelier and more fashionable than Lowveld neighbour Nelspruit, the population of Waterval Boven shrank to 1 000 people living in 450 houses.

When Transnet privatised, Waterval Boven became a cumbersome burden.

Transnet housing manager for the northern Transvaal Izak Campher confirmed: "We don't need those houses any more.

"We called for three sets of valuations and are selling the houses at market related prices. But we will act responsibly towards the old people. We will not kick them out."

Agency

Mrs Ellie Murray is a sprightly 80-year-old who came to Waterval Boven as a young bride 48 years ago. She has lived in her semi-detached cottage for 46 years.

"I have looked after this house for them, painted it, fixed the geyser, looked after the garden. Now they don't need us, they are effectively saying 'bugger off'.

Transnet has granted sole agency rights on the houses to Grootvlei-based developer Aquafin for six months.

Managing director Danie Heyns wrote to the pensioners telling them what their houses were worth on the open market.

The figures were considerably higher than municipal valuations.

When David Roets, 68, and his wife Anne, 65, move to nearby Breyten next week, it will be the third time since he retired seven years ago that they have been uprooted.

Bending over a packing crate this week, he said: "In April 1991, I wrote to Transnet offering R18 000 for my two bedroomed house — the same price my neighbours were paying.

"I heard nothing. Now I have been quoted three prices for my house — R35 000, R27 000 and R40 000. Even the lowest is out of my price range."



NOWHERE TO GO . . . Waterval Boven residents are in a quandary as their homes go on sale Picture: CHRISTINE NESBITT

The municipal valuation on the Roets' house is R16 500.

Chris Marais, 80, and his wife, Aletta, 76, have restored their 100-year-old thatched house to its former glory.

When the house was condemned 12 years ago, he offered to pay R5 000 for the foundation. Today the house is on sale at R46 000.

Joyce Woods, 68, moved into her house four years ago.

"I was just handed a bunch of keys. You should have seen the dreadful condition of my house. I spent months fixing and cleaning it up, laying out a garden, making it a home.

"Now, because of the alterations I've made, my house, which was going for R18 000, has been priced at R50 000. I can't afford that — and where do I go?"

Mr Heyns has appealed to residents not to leave Waterval Boven without first discussing their positions with him.

"I certainly want to develop this town, but not at the cost of the residents. These people have kept it going and we will try to accommodate them."

7 200 gun licences a week!

S/Times 27/6/93

By NICK OLIVARI

EVERY week 7 200 people apply for gun licences — to add to the nearly 3,5-million firearms already in use by registered owners.

Despite police denials that gun licence applications have increased since last year, trends show 350 000 more guns will come into circulation this year compared with an average of 200 000 a year since 1990.

"We haven't had sales like this since 1976," said Mr Frikkie van der Merwe, a spokesman for the firearm wholesale firm Photo Agencies.

As a supplier for 700 dealers around the country, he said: "Each dealer now takes up to 30 of our 25 revolver types in stock whereas they previously ordered only two a month."

He said the agency would normally hold up to 250 000 of each cartridge type in stock but it was now unable to meet demand.

More and more buyers are black people seeking a weapon for personal protection.

Backlog

Transvaal chairman of the South African Gun-Owners' Association, Mr Johan Vermeulen, said 28 percent of association members were black and the figure was increasing.

A spokesman for the licensing section of the SAP, Brigadier Willie Blaauw, said firearm licence applications were not higher than last year, but he admitted there was a backlog in the processing of applications.

Blaming the failure of a new computing system for the delay, he said: "We have had problems with the system going off-line, but all equipment is now installed and working correctly."

He said the licensing section was receiving up to 90 complaints and inquiries from members of the public a day, and a separate office had been opened to deal with them.

He confirmed his office was receiving an average of 7 200 applications a week, 70 percent of which were for handguns, and said 119 staff members were working overtime to clear the backlog.

Sanlam queries Osborn's State pension claims

ST Times Buss 27/6/93

By CIARAN RYAN

SANLAM has hit back at suggestions that defunding State pension funds would eliminate their R28,9-billion actuarial deficit and save R6-billion a year in interest.

Replying to Nedcor Bank chief economist Edward Osborn's call to halt efforts to reduce the actuarial deficit on the grounds that they are undermining State finances, Sanlam general manager Francois Marais says this would worsen the shortfall.

"Mr Osborn is in fact voting for the pay-as-you-go system which helped to cause the huge deficit in the first place, partly because the extent of the problem could be hidden," says Mr Marais.

Security

"He seeks a repetition of that grossly irresponsible system."

Mr Osborn says that instead of trying to eliminate the 49% funding shortfall in the four funds, the Government should "collapse" them into the State revenue account and disburse benefits directly from it.

This would reduce public debt by R39-billion and save R6-billion a year in interest payments.

The State's contractual obligation to public servants is adequate security for pensioners, says Mr Osborn.

Mr Marais counters: "Changing to pay as you go would not save money. It would merely defer payment, causing an even larger hidden Government debt in the form of an actuarial deficit."

Mr Marais argues that full funding induces discipline and ensures that retirement benefits remain a stable percentage of payroll.

"A pay-as-you-go system makes smaller demands on cash flow at first, which will have to be made up by larger contributions later. Funding provides security for the members."

Mr Osborn says: "Francois Marais's reaction to the idea of defunding the State pension funds is perfectly understandable and visceral.

"The idea of defunding may be seen as too radical for the moment, but it may be forced on SA ultimately."

Mr Osborn says pension obligations are another category of State liabilities and if dishonoured, would undermine the constitution and the law of contract.

To reduce the shortfall, the State is paying employers' contributions 2,8 times that of employees compared with two in the private sector.

A further R4-billion in capital contributions has been pumped into the funds.

It has also been suggested that the Government has tailored high interest rates on long-term stock held by the funds to achieve full funding.

Expense

"The effect of these extraordinary measures, which are at the expense of the taxpayer, is to accelerate the rise in the public debt and, consequently, the increase in the interest burden in the budget," says Mr Osborn.

"The choice is stark: the ultimate apparent security of the public servant pensioner or the bankruptcy of the State."

Zimbabwe and Britain have adopted the pay-as-you-go method of funding.

Mr Osborn says imminent political changes make it unlikely that such a system will be adopted in SA.

Star 22/5/92

Insurance perk for old folk

PENSIONERS who meet certain risk management criteria can now enjoy discounts of up to 55 percent on standard domestic insurance rates through Protea Assurance.

Says Protea's executive director Jim Brayson: "The discounts are being granted as a result of research which revealed that senior citizens have a better risk profile than the rest of the population.

"Pensioners generally represent a better risk because they tend to be more cautious with their possessions. As a result, we believe that sound risk management and responsibility by this class of citizen should be rewarded through premium discounts.

"To be eligible for a discount of 40 percent, pensioners must be over 55, not work fulltime, have a satisfactory claims experience and meet certain basic underwriting criteria.

"To be eligible for additional discounts, pensioners should live in secure environments such as retirement villages and townhouse complexes that have high quality protection such as metal window grilles and armed-response alarms."

National forum on aged

Sunday Times (Metro) 23/5/93

A NATIONAL forum to co-ordinate the views and interests of the elderly has been established with temporary offices in Pinelands.

Elder Voice chairman Victor Broad said the movement would seek representation on all matters affecting the elderly.

The movement incorporates national bodies involved in the care of the elderly, Mr Broad said.

Regional forums will be brought into being and will supply the national body with information. The national body will, in turn, make representation to the government or other bodies when necessary.

Further information can be obtained on 531-3966.

— Sapa

	Howick	40
	Estcourt	53
(b)	Pietermaritzburg	745
	Glencoe	39
	Howick	53
	Estcourt	74
(3) (a)	Pietermaritzburg	734
	Glencoe	39
	Howick	53
	Estcourt	74
(b)	Pietermaritzburg	11
	Glencoe	0
	Howick	0
	Estcourt	0

Reserve Bank/Corporation for Public Deposits: profits

353. Dr W J BOTHA asked the Minister of Finance:†

(1) Whether the Reserve Bank showed a profit (a) during the period 1 January 1921 up to and including 31 December 1988 and (b) in 1989, 1990, 1991 and 1992, respectively; if so,

(2) whether any portion of this profit accrued to the State during the periods mentioned in paragraph (1) (a) and (b); if not, why not; if so, what was the amount, in each case;

(3) whether the Corporation for Public Deposits has shown a profit since 1 January 1984; if not, why not; if so, what is the relevant figure in respect of each calendar year since that date? B828E

The MINISTER OF FINANCE:

(1) (a) Yes.

(b) Yes.

(2) The total profits after a dividend of not more than 10 per cent and a transfer to the statutory reserve fund of 10 per cent of the remaining profit, is paid to the Government annually in terms of the South African Reserve Bank Act, No. 90 of 1989.

The following amounts have been paid to the State:

Financial year ended 31 March	*R(millions)*
1921 – 1988	405,1
1989	48,7
1990	147,1
1991	70,9
1992	139,4

(3) The Corporation for Public Deposits has realised the following profits since its inception in 1984:

Financial year ended 31 March	*R(millions)*
1985	10,4
1986	16,7
1987	16,7
1988	15,7
1989	19,0
1990	35,6
1991	31,7
1992	27,1

HOUSE OF DELEGATES

UESTIONS

ndicates translated version.

or written reply:

eneral Affairs:

Illegal abortions: persons charged

. Mr M RAJAB asked the Minister of stice:

(a) How many persons were charged with illegally performing abortions during the latest specified period of three years for which figures are available and (b) how many of the persons so charged were convicted on this charge? D233E

The MINISTER OF JUSTICE:

The following statistics were obtained from the Central Statistical Services:

	July 1988–June 1989	July 1989–June 1990	July 1990—June 1991
(a) Number of persons prosecuted	33	44	33
(b) Number of persons convicted	26	36	20

wn Affairs:

Financial assistance to institutions

. Mr A RAJBANSI asked the Minister of elfare:

Whether any financial assistance was given by his Department to certain institutions, the names of which have been furnished to the Minister's Department for the purpose of his reply, in the 1991–92 financial year; if not, why not; if so, what was the (a) nature and (b) extent of the assistance given to each of these institutions? D282E

e MINISTER OF WELFARE:

Yes.

(a) Granting of subsidies

(b) (i) Aryan Benevolent Home Council—Chatsworth

Children's Home	R1 166 021,16
Home for the Aged	R 504 015,48
Home for the Handicapped	R2 777 829,24
Service Centre for Aged	R 28 199,98

(ii) Cheshire Home—Chatsworth

Adult Home	R 101 576,24
Children's Home	R 76 433,26

(iii) Chatsworth Child and Family Welfare Society R 563 773,15

PENSIONS FM 28/5/93 (300)

Tax deal that works

Revenue and pension fund administrators have reached some agreement on tax rules for funds that are accessible and can be transferred from one employer to another. They apply in particular to "parking places" where savings stay while employees seek new jobs.

The preservation of pension rights has been a sensitive issue since government tried to enforce it in the early Eighties. That attempt was unpopular among workers who, in the absence of a system of social security, relied on pension payouts to see them through periods of unemployment. After opposition from major unions and considerable labour unrest, the concept of enforcing preservation was shelved — though it was revived as an ideal in the recent Mouton report. Life offices, meanwhile, came up with schemes to bridge the unemployment gap with funds that offered preservation and some accessibility.

The arrangement now reached with the Commissioner for Inland Revenue by life offices and other fund administrators, appears partly a compromise with the tax position and a wholehearted attempt to allow preservation where the departing employee wants this.

Several fund managers create a preservation fund separate from the main pension or provident fund. Southern Life employee benefits manager Rod Stevenson describes his company's Horizon Funds as typical. He says such funds provide a haven, temporary or permanent, for a person who leaves one job without having another. When he finds employment he can transfer the preservation fund to the new employer's fund. If the new employer does not operate a fund, the employee's existing benefits can still be preserved.

Stevenson stresses that preservation funds provide an incentive to protect savings. Without such an intermediate vehicle, much of the payout from pension and provident fund savings is dissolved instead of being directed to retirement.

Last year Revenue raised objections to schemes such as Horizon: entry was optional; membership did not necessarily involve an employer-employee relationship; and members could cash benefits from the funds before retirement without withdrawals being related to leaving service. As these possibilities were contrary to the provisions of the Income Tax Act, the Commissioner threatened to withdraw tax approval.

Preservation rules have now been set. Before an employee may transfer a withdrawal benefit from another fund to the preservation fund, the employer from whose firm the employee is leaving must already be participating in a fund such as Horizon, says Stevenson. "Employees who are members of the employer's main fund will also have to be members of Horizon before any transfer of a benefit."

The agreement with the Commissioner includes rules for eligibility, the situations in which transfers may take place and taxation of transfers. If all the Commissioner's stipulations are met, there will be no taxation on transfer except where it is from a pension to a Horizon-type provident fund. Stevenson says there will be no exemption from tax for bulk transfers from pension to provident funds. "That means there's no tax exemption for the portion of the amount transferred that is attributable to the employer's contributions."

The Commissioner will accept transfer of past service under the main fund for the purpose of determining tax-free lump sums at death or retirement.

** cont'd

Stevenson says the regulations might seem restrictive "but they make a workable solution to the problem of reconciling preservation vehicles with the Act." ■

Fedlife put R18-m in pensions into Mykonos

Star 29/5/98

FEDLIFE insurance company invested R18 million of pension and annuity fund money in Club Mykonos at Langebaan, the Nel commission inquiring into the Masterbond crash has heard in Cape Town.

Masterbond agent Mark Galbraith told the commission he and colleagues attended a meeting hosted by Fedlife in the eastern Cape in October 1990.

At the meeting Fedlife launched a new "equity property participation" scheme. Investors were to buy shares in Club Mykonos, and Fedlife would make R40 million available in loans.

For each R100 000 placed in the scheme, Fedlife would invest R200 000.

"We were told that in five years the money would have doubled to R600 000. Investors would pay Fedlife back R200 000 and make R400 000 profit."

Galbraith said he had "absolute faith and belief" in the scheme because it was backed by Fedlife and because the company was prepared to put up "sacred" pension fund money to back it.

He later sold Club Mykonos shares worth R12 million.

Fedlife had invested a total of R27 million in the scheme, of which R18 million came from pension and annuity funds.

ALIDA DASNOIS

Galbraith said he had since learnt that Fedlife's investment division was hostile to the scheme.

However, this was not disclosed at the meeting.

Other financial institutions such as the Bank of Pretoria and the United Building Society had also backed the scheme, he said.

Fancourt

Masterbond agent Sid Goodwin told the commission that in August 1991 Financial Services Board executive officer Piet Badenhorst agreed to release Masterbond investors' funds frozen in the Pretoria Bank because he was satisfied that the money would be well placed by Masterbond.

Some of these funds — R12 million — were paid into a non-interest-paying bond in favour of Fancourt Holdings.

Goodwin said the funds were not used for development but to repay short-term investments in Masterbond.

"This meant that the funds left a safe interest haven and went to a less safe investment where no interest was paid," he said.

Catholics open home for elderly

ANOTHER home for elderly pensioners — to be known as Pothier House — has opened at 2 Regent Square, Woodstock.

This is the 16th house for the elderly that the Catholic Welfare and Development project has provided for social pensioners.

Mrs Margaret Dobson, the project leader, said: "Pothier House, which will be home to 10 social pensioners, was donated by the trust fund of a well-known Cape Town firm. The renovations were made possible by a private benefactor who asked that the house be named after Jean Pothier, a well-known member of the St Vincent de Paul Society, a worldwide Catholic charitable organisation".

She said the Catholic Welfare and Development's 16 houses provided a home for 94 pensioners in a scheme providing adaptable, sheltered, cost-effective housing for the fit elderly. This scheme allowed them to live in a home-from-home environment allowing them to pursue normal activities.

"Our five houses in Khayelitsha and two in Atlantis are the only ones in those areas. We hope that this will improve and the project's model will take off so that other residential homes can be provided," said Mrs Dobson.

Pothier House was opened on May 28 and was blessed by His Grace Archbishop Lawrence Henry, who also celebrated Mass in the house.

For more information call (021) 252-095.

LIFE ASSURANCE FM 4/6/93

Brokers champion savers

When and how often a contractual saver can gain access to his savings, as well as what interest he should be paid, are in question. Draft legislation will make it harder for policyholders to borrow against life policies.

The Financial Services Board's latest draft of the Long-Term Assurance Bill — described in the board's covering note as "absolutely the bloody last" — has clauses that give a policyholder access to a prescribed percentage of his savings only once during the policy's life. The formula is based on premiums paid plus 5%.

The Bill will include an industry-accepted code that allows only one surrender and loan within the first five years of the policy's life. The aim is to eliminate situations which Revenue regards as undesirable.

"Theoretically," says Life Offices Association director Jurie Wessels, "a single-premium policy could be issued on which the holder receives annual payment of, say, 12% of the original capital. But he would not be taxed on the payments because they are partial surrenders of the policy. Meanwhile, a tax-free maturity value after five years, in excess of the original consideration, may be quoted."

An LOA convention allows member companies to base interest projections to prospective policyholders on 12%-15% for illustration. Final payouts have usually exceeded 15%. Allowing multiple access would make the assurer a deposit-taking business offering yields above the 5% envisaged in regulations.

The controversy surrounding these issues involves not only the board and the association but also Finance Minister Derek Keys and the Insurance Brokers' Council. The council claims its stance is in the interest of the consumer who needs access to savings; the life offices describe the council's attitude as silly because it ignores the difference between life assurance and banking. The council counters that it doubts a court would uphold the right of an insurer to refuse a policyholder access to his savings.

The disagreement follows Keys's announcement that the sixth schedule to the Income Tax Act is to be abolished. This limited the form in which life offices could sell tax-efficient policies so that they could not compete directly with deposit-taking institutions through short- or medium-term instruments. It raised little or no revenue and so was seen as being regulatory — and that irritated the Financial Services Board which believes it (not Revenue) should regulate financial services. Revenue agreed and, in the March Budget, Keys announced the schedule would be abolished, without setting a date.

Anticipating Keys's announcement, the life offices had already established their code of conduct.

Insurance Brokers' Council national life chairman Eric Craig believes the restrictions on borrowing against a policy go too far. He faxed the board last week: "This issue cannot possibly be aimed at levelling the playing fields (between assurers and banks)." Nor can it be designed to protect Revenue, he argues. When the "four-fund approach" to the taxation of life assurers is introduced in the Income Tax Act, the rate on assurers' taxed funds is likely to be 30%, higher than the average rate which policyholders endure.

Craig says certain life offices have a vested interest in the once-only withdrawal clause. Wessels counters that the code is a simplified way of demarcating between insurers and banks. The sixth schedule used to perform this function by demanding a penalty tax if policy proceeds were withdrawn within 10 years.

The code is intended to prevent people using assurers as short-term repositories while enjoying tax advantages.

Nothing is clear yet. The schedule will go — sometime. There is a code to replace it. The essence of the code will be in a new Insurance Act which has now gone through five drafts and about which there is still no agreement.

It's understood not all LOA members agreed with the restriction on multiple withdrawals. They say the authorities should describe the type of activity they want to control — in this case, life offices acting as depositories for short-term funds — instead of putting a blanket ban on multiple transactions.

But a definition of that class could lead to compiling legislation even more complicated than the sixth schedule — and life offices all want the schedule to go. The life offices say some brokers designed products they thought could exploit the abolition of the schedule — to their advantage and clients' — but found the code and pending legislation foiling those aims. ■

Old-age homes' ombudsman plan 'pointless'

■ An ombudsman is the only way to halt abuse and maltreatment in old-age homes, say the aged rights activists. But the government disagrees.

BY CAELERS
Weekend Argus Correspondent

AS the government and aged rights activists lock horns over the necessity for an ombudsman to help curb abuse in institutions for the elderly, residents continue to be pinched, ignored, drugged, left lying in soiled beds and served cold food.

Democratic Party MP for Umbilo Ms Carole Charlewood has joined the Concerned Friends of the Frail and Aged in their call for the introduction of an ombudsman programme to act as a watchdog — but deputy health minister Dr Boy Geldenhuys believes the situation is under control.

While Dr Geldenhuys says only 126 complaints about old-age homes were received last year, Ms Charlewood counters that the shortage of such accommodation has resulted in "a culture of intimidation".

In short, people would rather grin and bear it than risk losing their place in the home altogether.

In America, the ombudsman programme has been running for more than 10 years and it's "teeth" mean a home can be fined $700 (R2 100) if a member of staff dares to so much as pinch an elderly resident.

Pinching, says the Concerned Friends of the Frail and Aged, is commonplace among the scores of complaints they constantly receive and which include bruising and rapid weight loss, bad communication between staff and residents, stroke patients developing bedsores, soiled linen left on beds, infrequent bathing, bells and calls left unanswered, and stealing from residents.

"There is presently no impartial body the complainants can turn to. We keep having people come to us who are terrified to complain to the home and are just as put off by the idea of a government department.

"An ombudsman who can get into the homes and set up a working relationship with the staff and residents is essential. And there would be plenty of volunteers. We as a group are very close to the problem because we're an obvious choice for people scared of officialdom," a spokesman for the organisation said.



Ms Carole Charlewood



Dr Boy Geldenhuys

Ms Charlewood, who spoke out on the issue at a mini-debate in parliament last month, told Weekend Argus it was essential for an independent group from the community to be empowered to enter homes.

"One of the things we have suffered from in this country is a lack of transparency — it's a kind of paranoia — but we need to open the door."

She said an ombudsman could "work beautifully with the bureaucracy" which did not need to feel threatened by the idea. An ombudsman could also provide the support necessary for carers in the homes whose jobs were extremely difficult and who needed support too.

"The number of people over the age of 65 will almost double in the next 20 years and the number of very old (85 and over) will increase by 70 percent. And by 2000, 60 percent of all old people will live in urban areas.

"Clearly, these statistics present a tremendous challenge and and sorting out their futures will form part of the process of social reconstruction."

But, Dr Geldenhuys said his overall impression was that the majority of people in old-age homes were receiving excellent treatment.

"We have 430 subsidised homes for the aged in South Africa with 32 448 residents. Last year our department received only 126 complaints.

"While every one of these cases were thoroughly investigated, I don't think the scope of the problem warrants the appointment of an ombudsman."

He could not agree with the suggestion that people were put off by officialdom, questioning who, if they complained to his department, was going to victimise them.

Dr Geldenhuys said his regional officers visited old-age homes as often as possible and although he could not say exactly how often, their efforts were certainly hampered by understaffing.

"I welcome the existence of watchdog organisations from the community and would like to stress that our door is open to anyone with complaints. But I have held this post for six months and in that time have received only one complaint.

"I am satisfied that the majority of people are treated well in old-age homes."

Safety for seniors campaign

THE Western Cape police in conjunction with the South African Council for the Aged is to launch a Senior Citizen Safety campaign in the Peninsula and rural areas from Monday.

Western Cape police relations division head, General Deon du Toit, said the campaign would focus on the safety of the elderly.

It had been found that attacks on them had escalated since the 1980s — especially muggings.

Police officers would address the elderly at meetings, the first of which would be at the Somerset West city hall on Monday.

Guest speakers would offer hints with the use of audio/visual presentations where necessary, on protecting oneself in and around the home. — Sapa.

Union battles for clarity on R11m in pension money

ARG 5/6/93

■ Trade unionists are trying to find out what happened to an R11 million pension fund of a former Tollgate company. (300)

JEAN LE MAY Weekend Argus Reporter

THE Transport and General Workers' Union is seeking clarity on the whereabouts of about R11 million in pension fund money which was the subject of a secret inquiry into a liquidated Tollgate subsidiary, Fetlar Foods.

The inquiry under Section 417 of the Companies Act was ordered by Mr Justice Rose-Innes in the Cape Town Supreme Court soon after Fetlar Foods was liquidated following the Tollgate collapse.

"We believe the money has been paid back, but we can't get any clarity on the issue because the inquiry was secret," TGWU spokesman Nic Henwood told Weekend Argus.

Mr Barrie Gie, executive director of Golden Arrow and a trustee of the retirement plan, told Weekend Argus that the matter had been settled "to the satisfaction of the trustees" but refused to give any further details.

The inquiry was asked for in camera by the Golden Arrow Retirement Plan, which undertook to pay all costs.

The inquiry was to be undertaken by Mr Bertrand Hoberman, SC.

Counsel for the Golden Arrow Retirement Plan was authorised to examine, among others, Tollgate director Mr Laurie MacIntosh, Safegro director Mr I M Lewis, Safegro managing director Mr K S Cockcroft, Equikor managing director Mr I Hirschon and Tollgate Holdings secretary N Blackshaw. Others to be interviewed were Tollgate director Mr Mervyn Key, Golden Arrow chairman Mr Nic Cronje, and several employees of the Hosken Employee Benefit Fund including managing director Mr R S Davey.

Golden Arrow Bus Services took over Tollgate's City Tramways early in 1992.

Fetlar Foods were the owners of the former Gants factory in Somerset West which was bought early this year for R9 million.

Gants was off-loaded by Tollgate in August, 1991 for R80 million.

Transnet may get pension transfusion

(Star/Business Times) 6/6/93

By DON ROBERTSON

THE State may take over the burden of topping up the R10,2-billion shortfall in the Transnet pension fund.

It is believed that Transnet managing director Anton Moolman has discussed the problem with Public Enterprises Minister Dawie de Villiers. He may accept an offer by Dr de Villiers, who said the underfunded pension and medical funds were Transnet's biggest problem.

A Transnet spokesman says that although Dr de Villiers is prepared to discuss the matter, no official representations have been made.

When Transnet's annual report was released last November, Dr Moolman conceded that the company would have to make a profit of R1,8-billion a year for the next 10 years merely to cover the shortfall in the funds.

In the year to March 1992, Transnet provided R979-million to fund interest on loan stock. This was one of the reasons for its suffering an attributable loss of R90-million compared with a profit of R515-million in the previous year.

When South African Transport Services was commercialised in April 1990, the new Transnet inherited a pension fund with an actuarial shortfall of R17,1-billion. Of this, R10,4-billion was funded by the issue of loan stock to the pension fund by Transnet.

Every woman should plan for retirement

300

ARG 8/6/93

WOMEN LIVE longer than men. This is a simple fact for which every woman has to plan, says Frieda Botma, Sanlam's senior manager: product promotion.

One way of planning for a secure old age, is by taking out adequate retirement annuities. More and more women do this, for several reasons:

● A husband's pension may not be sufficient for a comfortable retirement. Most men change jobs more than once, often fairly late in life. Every time they forfeit pension benefits.

● Inflation. Money constantly loses its value — what would seem like substantial provision for old age now, may turn out to be inadequate once retirement comes.

● Modern products such as Sanlam's The One Retirement Annunity offer flexiblilty: monthly contributions can be adjusted to financial ability.

● A retirement annuity is an excellent way of accumulating a large sum of money by means of affordable monthly contributions, or savings.

● Good real returns on the money invested: Major insurers such as Sanlam have managed to stay ahead of inflation.

● Women who are single, divorced or widowed mostly have to provide for their own retirement.

Then there is the matter of income tax. Like men who are top performers, many women in the higher income brackets regard retirement annuities as a sensible way of getting some tax relief.

As the Income Tax Act reads at present, says Mrs Botma, tax deductions are allowed even when both husband and wife are members of a retirement-annuity fund.

Where the wife's income is added to her husband's for tax purposes, all legal deductions will apply.

If she belongs to a retirement-annuity fund, her contributions may be deducted from her husband's income.

In practice this has come to mean that even if the wife has no income of her own, the couple still gets the tax advantages.

By law, certain maximums apply. In the case of single people and couples taxed together, the maximum deductions allowed annually are the largest of all:

R3 500, less the deductions already claimed for contributions made to a pension fund; or R1 750; or 15 percent of non-pensionable income (subject to some legal conditions).

When married couples are taxed separately, says Mrs Botma, each partner is allowed his or her own deductions. The husband is allowed the full maximum given above, as for a single person. But the taxman allows the wife less.

Maximum deductions allowed for couples taxed separately are not influenced by those of the other partner, and unused portions may not be transferred between partners.

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hon the Minister aware that those requirements were abolished by at least the Isidingo Technical College near Daveyton last year? Is he prepared to have this investigated and to act if examination admission requirements were not met at that technical college?

†The MINISTER: Mr Chairman, I was not aware of that. I am prepared to have an investigation conducted into the matter. I will establish what the facts are and in the light thereof decide on further action.

Business interrupted in accordance with the Rule 180C (3) of the Standing Rules of Parliament.

Matric examinations: fees

*3. Mr A GERBER asked the Minister of Education and Training:†

(1) Whether the payment of examination fees by matric pupils under the control of his Department has been suspended in respect of 1993; if so, for what reasons;

(2) whether he or his Department has approached bodies in the private sector or has been approached by bodies with regard to the loss that will be suffered by the State as a result of the suspension of the payment of examination fees being made good by such bodies; if not, what is the position in this regard; if so, what are the relevant details;

(3) whether he or his Department has established whether tax concessions will be granted to bodies rendering such financial assistance; if not, why not; if so, what is the (a) nature and (b) extent of these concessions;

(4) whether he will make a statement on the matter? B902E

The MINISTER OF EDUCATION AND TRAINING:

(1) Yes. The suspension of examination fees for 1993 has proved to be the only solution to defuse an explosive situation without sacrificing the principle of a user charge for educational services. If no solution had been found, no further teaching would have taken place in many schools this year. In addition to wide consultation which has already taken place, the principle of examination fees has been referred to the National Education Forum, which is yet to be constituted, for advice before any further decisions on this matter are taken.

(2) No. Exploratory talks have been conducted on the recovery from private sources of the loss the State stands to suffer as a result of the suspension of examination fees for the Std 10 examination. The hon the State President's announcement on 26 May 1993 that the various departments of education would have to recover the additional costs involved from savings effected in their budgets does not exclude the further pursuit of possibilities of finding the money from private sources.

(3) Yes. If donations are made by taxpayers in terms of section 18A of the Income Tax Act (Act No 58 of 1962), these would be tax-deductible.

(4) No.

Public service: permanent posts

*4. Mr R M BURROWS asked the Minister of Education and Training (Minister responsible for the Commission for Administration):

Whether any steps are being taken to permit persons occupying posts contemplated in section 7 (1) (c) (i) of the Public Service Act, 1984 (Act No 111 of 1984), and complying with certain requirements, to be appointed in a permanent capacity with effect from 1 July 1993; if not, why not; if so, (a) what steps and (b) how many persons will be affected in this regard? B904E

The MINISTER OF EDUCATION AND TRAINING (Minister responsible for the Commission for Administration):

Yes,

(a) the steps taken imply that State departments must consider the fixed appointment of each person in their service with due consideration of specified requirements laid down by the Commission for Administration; and

(b) accurate figures regarding the number of persons involved are not available at present.

Government Service Pension Fund: temporary employees

*5. Mr R M BURROWS asked the Minister of Education and Training (Minister responsible for the Commission for Administration):

(1) Whether any steps are being taken to make it possible for certain persons who are currently members of the Temporary Employees Pension Fund to be admitted as members of the Government Service Pension Fund (GSPF); if not, why not; if so, (a) what steps and (b) how many persons is it envisaged will be so admitted to the GSPF;

(2) whether the admission of these persons as members of the GSPF will have any financial implications for the State; if so, what amount will be required for this purpose? B905E

The MINISTER OF EDUCATION AND TRAINING (Minister responsible for the Commission for Administration):

(1) Yes,

(a) steps are being taken for the promulgation of regulations by the Minister of Finance in terms of the Temporary Employees Pension Fund Act, 1979 and the Government Service Pension Act, 1973, so that—

(i) serving personnel who are members of the Temporary Employees Pension Fund (TEPF) will be transferred to the Government Service Pension Fund (GSPF) from 1 July 1993 with a reduction of 5% of their pensionable service, except if such members indicate in writing that they do not wish to become members of the GSPF; and

(ii) Public Service Act personnel who are members of the TEPF and who retire or are discharged with pension on or after 2 March 1993, but on or before 1 July 1993, and who have at least 10 years of pensionable service, may be transferred to the GSPF from the date of retirement or discharge, provided that before such a transfer is effected, such members must elect in writing that they want to be transferred and in such cases also indicate in writing that they accept that their pensionable service will be reduced by 5%.

(b) Approximately 250 000 members will be affected, but the eventual number will depend on the choice made by them.

(2) Yes, but the amount cannot be calculated at this stage, because the actual financial implications for the State as employer can only be determined after it is known how many members have eventually elected to be transferred to the GSPF.

Farmers: police protection

*6. Mr E K MOORCROFT asked the Minister of Law and Order:

(1) Whether any funds are to be made available by the State for the purpose of providing police protection for farmers; if not, why not; if so, (a) what amount, (b) when and (c) who will qualify for such aid;

(2) whether he will make a statement on the matter? B906E

The MINISTER OF LAW AND ORDER:

(1) No.

Protection of farmers forms part of the policing function of the South African Police and expenses for this purpose are met from the Police Budget.

(2) No.

Note:

An amount of R50,97 million was approved by the Cabinet for protection of certain farms and smallholdings within South African territory against the budget of the South African Police.

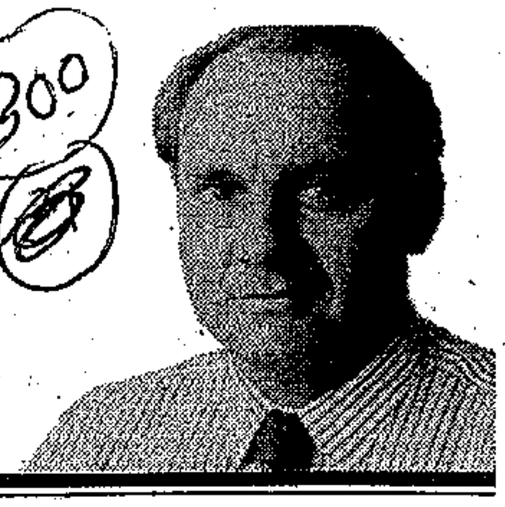
The amount will be utilized to pay subsidies to the owners of identified farms and owners who are 60 years of age and older of identified smallholdings for the protection of the property of the residents.

cont'd

Endowment or RA? Not a simple choice

Star 12/6/93

MONEY MATTERS



MAGNUS *Heystek*

THE article in last week's Saturday Star about Andre van Kaam, who is unemployed and broke but yet has R90 000 tied up in a retirement annuity (RA) fund, has created quite a stir.

Several people have phoned me up at the office as well as on Radio 702 to discuss the issue. Apparently people have also been calling Liberty Life to vent their anger, but to be fair, Liberty is not to blame.

It's up to the Commissioner of Inland Revenue to decide in what circumstances access to RA funds will be allowed or not.

I'm also glad to say that several people have phoned to offer Andre employment. So perhaps the story might have a happy ending after all.

But the issue once again demonstrates the confusion between RAs and endowment policies.

Planning long-term savings requirements always pops the inevitable question — retirement annuity or endowment policy?

It's difficult to compare the two, as we are not comparing apples with apples.

The one is funded with pre-tax money (RA) 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 now, 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.

Remember, no single investment product is the answer to everyone's objectives.

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).

Minimum

● The minimum term for an RA is one year, provided maturity is after age 55. The minimum terms to achieve a tax-free payout on an endowment used to be 10 years but is now five.

● 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 two years' premiums have been paid.

However, if you are declared bankrupt, the cash value of your endowment will become part of your estate and can be seized. If Andre had put his money into an endowment it might have been lost as well.

● Single premium contributions are allowed on RAs. Until the repeal of the sixth schedule of the Income Tax Act, this was not possible with endowments, but now it's again possible.

● 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. An endowment pays out a fully tax-free cash lump sum after five years.

● Contributions to an RA are tax deductible to certain limits, but 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 endowments.

● RAs can be matured only between the ages of 55 and 69, whereas an endowment has no age specification. When an endowment matures it is possible to keep the policy growing tax-free indefinitely.

A lot of heartache can be avoided by asking as many questions as one can about the various types of products. Many of these products — RAs in particular — are complex ones and you need to have some kind of understanding of what these products offer.

Consult a good broker or agent. But with the high turnover of people marketing these products, you might be wise to do some basic homework yourself.



Cold comfort . . . warmly wrapped-up pensioners queue at the White City pension payout point, a scene repeated throughout the year at 13 venues in Soweto where the elderly collect their R290 for a month's expenses. Picture: George Mashinini

Star 15/6/93 (300)

Help those shivering as you snuggle up

By Shirley Woodgate

The icy weather of the past few days pushed demand for Eskom electricity to a new record yesterday.

At 9 am, countrywide demand for power reached 22 462 MW — 55 MW higher than the previous record established in July last year and "more than all the other electricity consumption in the rest of Africa", an Eskom spokesman said.

Winter's grip is the sign for highveld residents to donate generously to The Star's Operation Snowball: to old men and women struggling to survive on meagre pensions, young children with hungry bellies.

The Star Operation Snowball

This project has for close on 30 years been the Reef's winter conscience, reminding the privileged to donate funds for blankets.

But the Martha Washington ladies who regularly organise the distribution of help to the needy are themselves out in the cold.

At this late stage they are still unable to obtain free premises where the blankets and clothes can be deposited for about three months.

Please help with cash donations to Operation Snowball, Box 1014, Johannesburg 2000 or telephone Hilly Camacho at (011) 633-2635

THE NEW SA: *Privatisation a safeguard for future?*

Retirement fund jitters

Star 19/6/93

300

TRUSTEES, writes our finance staff, fear they might be expected to fund social reconstruction.

AS THE first non-racial elections draw near, pension and provident fund members and trustees' thoughts are turning to retirement funds' safeguards, says Johan van Rensburg, a director of Dewar Rand Group's financial services division.

Contemplating

"Until recently, Van Rensburg says, much of the debate on retirement funding centred on the relative advantages and disadvantages of pension and provident funds.

"More recently, with the new South Africa swimming into view, retirement fund members and trusts have begun contemplating the likely future of retirement funds under a new political dispensation.

"One of their main concerns is the perception, justified or not, that a future government might zero in on life assurers as primary sources of funding for social reconstruction.

"This is no idle speculation, given the vast amount of capital controlled by these organisations.

"After all, the two major Cape-based institutions alone account for nearly 30 percent of the Johannesburg Stock Exchange's total market capitalisation."

Van Rensburg says this train of thought is leading many trustees of sizeable funds to speculate whether it would be more beneficial to "privatise" their investments.

This can be done by re-registering pension/provident funds currently underwritten (that is, managed and administered by an insurer) as privately administered funds.

Under the Pension Funds Act, the assets of an underwritten (or insured) fund may be owned only by an insurance company. The fund is also managed and administered by the insurer, and audited at the same time as the insurer's annual review — the overall accounts being submitted to the registrar.

The main difference between an underwritten and a private fund is that the assets of the latter may be owned by an insurer and/or the fund.

The fund is free to use any registered portfolio manager — say a merchant bank — as investment manager.

Fund administration is usually done by independent administrators, allowing greater flexibility in placing investments and insurance cover competitively. A private fund's books must be audited separately by auditors and annual accounts submitted to the registrar.

"Many investors find the notion of 'privatising' their funds attractive as a hedge against policy changes regarding the insurers," Van Rensburg says.

Advocates point to significant commercial benefits, as it would seem from investment surveys that there is a tendency for non-insurance fund managers to provide better returns.

However, one must question whether it is realistic to believe that underwritten funds will be "targeted" by a future government merely because their assets are owned by an assurer.

"What seems conceivable is that, short of returning to the old policy of prescribed investments, a future government will want somehow to encourage socially desirable investment.

Constructive

"Likelier still is that initiatives already started in this regard by the Life Offices Association (LOA) and others — in consultation with investors, communities and political leaders — will be allowed to accelerate and multiply," says Van Rensburg.

"If so, a constructive and encouraging development will have emerged from the private versus underwritten debate."

not, why not; if so, (a) what steps and (b) by whom? B962E

The MINISTER OF EDUCATION AND TRAINING:

(1) Yes.

(a) University of Zululand

(b) The University Council elected a new rector in the place of Professor A C Nkabinde, who is to retire on pension as from 30 June 1993. Certain people attached to the university suggested in a letter to the hon the Minister that the rector's appointment had not taken place in accordance with procedure. Apparently they were also not satisfied with the elected candidate. Therefore they requested the hon the Minister not to give his legally required consent to the appointment.

(2) Yes. (a) and (b) The hon the Minister considered the Council's decision and on 10 June 1993 approved the appointment of Professor C R M Dlamini as rector. The objectors have been informed that the Minister has no other function than to consider whether or not he concurred with the Council's decision.

Public service pensions

*9. Mr R M BURROWS asked the Minister of Education and Training (Minister responsible for the Commission for Administration):

(1) Whether it is the intention to ensure that constitutional guarantees in respect of the preservation of public service pensions be contained in any proposed new South African constitution; if not, why not; if so, in what manner;

(2) whether the question of the preservation of pensions is currently under discussion at the multi-party talks; if not, why not; if so, what are the relevant details;

(3) whether he will make a statement on the matter? B963E

The MINISTER OF EDUCATION AND TRAINING (Minister responsible for the Commission for Administration):

(1) Yes. The manner in which this should be done is receiving urgent attention.

(2) As far as is known, this matter has not been discussed yet.

(3) No.

Cellular telephones: construction of masts

*10. Mr C W EGLIN asked the Minister of Posts and Telecommunications:

(1) Whether the introduction of a cellular telephone service will include the construction of a number of masts; if so, (a) what is to be the height of such masts and (b) where they are to be constructed;

(2) whether the approval of any local communities is to be obtained for the construction of these masts; if not, why not; if so, in what manner;

(3) whether any environmental impact studies have been or are to be made at the locations where it is proposed to erect these masts; if not, why not; if so, what are the relevant details? B964E

The MINISTER OF POSTS AND TELECOMMUNICATIONS:

(1) Yes, the introduction of a cellular service does require the construction and erection of a number of masts.

(a) These masts generally range in height from 5 m to 55 m, with an average height of 35 m, and

(b) the masts will be erected wherever it is intended to provide cellular coverage;

(2) Yes. Local authorities are notified of the intention to erect a mast in their area of authority. If no response is received within 30 days, it is assumed that the local authority has no objection to the envisaged erection of the mast. In instances where the local authority of a certain community objects to the erection of a mast, the matter is negotiated with those involved;

(3) No. Environmental studies on the effect on the environment of the erection of these masts are not specifically conducted. In terms of radio regulations, it is a requirement that antenna systems comply with the requirements of the local authority concerned. This provides

the opportunity to accommodate the needs of the local authority and community they represent.

Race-track purchased: financial rand transaction

*11. Mr A J LEON asked the Minister of Finance:

(1) Whether, with reference to certain information that has been furnished to the Minister's Department for the purpose of this reply, an application for the purchase of a certain race-track by way of a financial rand transaction has been submitted on behalf of a company or its shareholders; if so, what is the name of this company;

(2) whether he will furnish the names of the beneficial shareholders of the said company; if not, why not; if so, what are the relevant particulars;

(3) whether he will make a statement on the question of the acquisition of South African assets by foreign companies at a discount by using the financial rand to purchase such assets;

(4) whether he will disclose whether a certain person, whose name has been furnished to the Minister's Department, has any material or financial interest in the above-mentioned company; if not, why not; if so, what is (a) this person's name and (b) the nature of this person's interest in the said company? B965E

The MINISTER OF FINANCE:

(1) No; (2) and (4) fall away.

(3) A request from a non-resident investor to introduce financial rand for the purpose of acquiring fixed assets locally (excluding farms and residential property) would receive favourable consideration in terms of existing policy parameters.

Howard Commission: report

*12. Mr A J LEON asked the Minister of Justice:

(1) Whether the Government intends responding to the Report of the Commission of Inquiry into Certain Lotteries, Sports Pools and Fund-Raising Activities (the Howard Commission) tabled in Parliament on 22 April 1993; if not, why not; if so, (a) when and (b) what will be the nature of this response;

(2) whether it is the intention to submit draft legislation in this regard; if not, why not; if so, when? B966E

The MINISTER OF JUSTICE:

(1) and (2) Yes. A statement in this regard will be issued in due course.

Durban area: new airport

*13. Mr R F HASWELL asked the Minister of Transport:

Whether, in view of the need for a new airport in the Durban/Pietermaritzburg region, any consideration has been or is being given to sites other than the La Mercy site; if not, why not; if so, what are the relevant details? B969E

The MINISTER OF TRANSPORT:

Yes. In 1970 the Department of Transport selected a number of alternative sites for a future international airport to replace Louis Botha Airport. One of these alternative sites was in the vicinity of Pietermaritzburg. Seven internationally accepted criteria for a major international airport were used to evaluate the suitability of these sites and La Mercy was found to be the most suitable site. Since 1970 the situation has been monitored continually and La Mercy has continued to be the preferred site.

Publications available at police stations

*14. Mr J VAN ECK asked the Minister of Law and Order:†

(1) Whether certain publications, copies of which have been furnished to the South African Police for the purpose of the Minister's reply, have been made available to the public at any charge offices and/or police stations; if so, (a) at which charge offices and/or police stations, (b) what are the names of the publications concerned and (c) who is the publisher of each of these publications;

(2) whether any formal authority was granted for making available these publications, if not, why not; if so, by whom;

(2) *Department of Health and Welfare—QwaQwa*

(a) 641 and

(b) no change

Department of Health, Welfare and Pensions—KwaNdebele

(a) and (b) none

Department of Health and Welfare—KaNgwane

(a) 968 and

(b) no change

Department of Health and Social Welfare—GaZankulu

(a) 2 551 and

(b) 2 560 29 February 1993

Department of Health—KwaZulu

(a) 10 366 and

(b) no change

Department of Health and Social Welfare—Lebowa

(a) and (b) 5450 31 March 1992

Information contained in this reply has been furnished by the Department of National Health and Population Development, provincial administrations as well as the self-governing territories.

Old-age/war veterans' pensions for Blacks

402. Mr P G SOAL asked the Minister for National Health and Welfare:

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 1992–93 financial year? B923E

The MINISTER FOR NATIONAL HEALTH AND WELFARE:

(a) *Old Age Pensions:*

Provincial Administration of Transvaal	11 893
Provincial Administration of the Cape of Good Hope	6 268
Provincial Administration of the Orange Free State	4 140
Provincial Administration of Natal	1 458

(b) *War Veterans Pensions:*

Provincial Administration of Transvaal	93
Provincial Administration of the Cape of Good Hope	34
Provincial Administration of the Orange Free State	31
Provincial Administration of Natal	25

Health matters: total budgetary allocation

403. Mr M J ELLIS asked the Minister for National Health and Welfare:

(1) (a) What was the total budgetary allocation for health matters, including additional appropriations and amounts recovered from other Government Departments for agency work, for (i) each province, (ii) each of the own affairs administrations, (iii) the South African Development Trust and (iv) the Department of National Health and Population Development for the period 1 April 1991 to 31 March 1992 and (b) what are the actual or estimated figures in each case for the period 1 April 1992 to 31 March 1993;

(2) whether she will furnish the information requested in paragraph (1) of this Question in respect of the self-governing territories; if not, why not; if so, what are the corresponding particulars? B941E

The MINISTER FOR NATIONAL HEALTH AND WELFARE:

(1) (i) *Provincial Administration of the Cape of Good Hope*

(a) R2 292 097 000 and

(b) R2 379 362 000

Provincial Administration of Natal

(a) R1 114 979 000 and

(b) R1 347 859 000

Provincial Administration of the Orange Free State

(a) R607 066 000 and

(b) R696 082 000

Provincial Administration of Transvaal

(a) R3 133 430 000 and

(b) R3 827 541 000

(ii) *Administration: House of Assembly*

(a) R1 044 890 000 and

(b) R1 215 650 000

Administration: House of Delegates

(a) R312 193 000 and

(b) R377 544 000

Administration: House of Representatives

(a) R165 352 000 and

(b) R195 952 000

(iii) (a) R55 294 000 and

(b) The funds for the South African Development Trust were devolved to other institutions as from 1 April 1992 and

(iv) (a) R700 314 946 and

(b) R921 774 690;

(2) *Department of Health, Welfare and Pensions—KwaNdebele*

(a) R25 214 000 and

(b) R31 123 000

Department of Health—KwaZulu

R641 105 400 (Not stated to which year this amount is applicable.)

Department of Health and Welfare—KaNgwane

(a) R82 191 699 and

(b) R96 153 574

Department of Health and Social Welfare—Gazankulu

(a) R140 953 568 and

(b) R178 123 620

Department of Health and Welfare—QwaQwa

(a) R63 890 000 and

(b) R67 335 000 (This figure does not include additional funds as calculations have not yet been completed.)

Department of Health and Welfare—Lebowa

(a) No information available and

(b) R341 041 429 (capital projects excluded)

Information contained in this reply has been furnished by the Department of National Health and Population Development, provincial administration, as well as the self-governing territories.

Question No 404—see col 2205.

***Ad valorem* excise duty paid on cosmetics/toiletries**

409. Mr M J ELLIS asked the Minister of Finance:

What amounts were paid in 1992 in *ad valorem* excise duty on (a) locally manufactured and (b) imported (i) cosmetics and (ii) toiletries? B973E

The MINISTER OF FINANCE:

(a) Locally manufactured cosmetics and toiletries: R210 290 087,89

(b) Imported cosmetics and toiletries: R19 389 699,85

Separate figures for cosmetics and toiletries are not available.

Written reply to questions set down for oral reply on Wednesday, 30 June 1993:

Ulundi airport: extensions

*1. Mr G C ENGEL asked the Minister of Transport:

Whether he will furnish information on whether any extensions to the airport at Ulundi are being planned; if not, why not; if so, (a) what are the reasons for these extensions and (b) what are the expected costs involved? B974E

The MINISTER OF TRANSPORT:

No. The Ulundi aerodrome is the property of the KwaZulu Government. The Department of Transport therefore has no control over any activities or the day to day management of the aerodrome.

What is a provident fund?

300
Sowetan 24/6/93

A PROVIDENT fund is one of the best ways in which an employer can provide for his workers when they are too old to work any longer.

Provident funds provide people with a cash amount at retirement. The worker then chooses the way in which he will invest the money so that he has an income. The cash amount which the worker receives should not be seen as a gift; but rather as wages saved while working for the company.

Usually both the employer and the worker pay an amount towards the provident fund on a weekly or a monthly basis. The employer may choose to pay an extra amount to provide other benefits for his workers. These could be one or more of the following:

* **Funeral benefits:** Here a cash sum is paid to cover funeral expenses should the member or one of his immediate family die;
* **Group life benefits:** This benefit provides a cash sum to the worker's family should he die in service;
* **Disability benefits:** A lump sum is paid to the worker should he have an illness or injury that makes it impossible for him to work.

It is important to remember that provident funds give workers the freedom to choose how they manage their lump sum. However as the whole benefit is paid in cash, no further money is paid if they should invest the money unwisely.

If a worker should leave the company before retirement date the contribution which he has made to the fund will be paid back to him usually with a certain amount of interest. Whether the worker will also get some of the monies which the employer has paid in for him, depends on the way in which the employer has decided the benefit should be paid.

This cash payment may be taxed depending on how large it is. It is important to remember that people who frequently change and take the cash instead of investing it will not have enough money at retirement. They should rather transfer it to the new employer's retirement fund or even leave it in the old fund where the money will get interest until their retirement date.

Usually people only think about their retirement when they are quite close to retirement age. At this time it is normally too late to save enough money. Everybody no matter how young they are should plan for their retirement.

Some of the advantages for an employer who looks after his workers in this way are:

* The work force is usually more stable as they realise the advantages of retirement funding and death and disability benefits;
* The employer will be able to deduct his contributions from his profits for income tax purposes;
* If a worker should die or he is disabled and the employer is approached for help by the family, it could be difficult for the employer to help. However if the worker had death and/or disability benefits insurance the money wil be paid by the insurance company to the family.

If your company does not have a retirement fund for the workers you should speak to your employer or to an intermediary (i.e. broker) or somebody who represents a major life assurance company such as Fedlife. This person could then approach your employer to organise a retirement fund. Even if you are self employed it is still possible for an individual to provide for their own retirement by approaching the life office directly or to deal through an insurance broker.

— This article is written by GERARD EHMKE Company Marketing Manager of Fedlife

N2035

Fm 29/10/93

PENSIONS

The right to know

Three fund managers, Standard, Liberty and Syfrets, are in the running to handle the assets of the troubled motor industry pension funds. A spokesman for the funds says other managers, including life offices, made presentations before the short list was established.

For any fund manager the motor industry pension funds, with savings of 180 000 members, are a plum.

Until now they have been managed internally — a situation which gave rise to problems exposed in the past 10 days.

Not least, the funds had an extraordinary exposure to property at a time when most managed funds were spread across gilts, cash and equities with property hardly featuring.

The pension fund managers promised that a statement would be made this week. But an executive hinted it would not detail past investments and touch on the fund's involvement in futures, said to have created about R9m of the actuarial shortfall.

Yet numbers quoted as resulting from poor investment need to be seen in perspective. In a R1,5bn fund, the shortfall can be absorbed in cash flow though that does not excuse poor performance.

Accounts of the directors' repentance, taken from tapes, appeared in investigative newsletter *noseWeek*, which has a 3 000 circulation, before being taken up by mainstream media.

Legal action was taken to prevent a property developer publishing tape recordings of board meetings. But *noseWeek* features editor Maureen Barnes says the order does not bind her publication. She intends to "print and be damned" unless she gets a specific restraining order.

The order to interdict publication of the tapes, said to have been obtained illegally, was based largely on an earlier judgment, in what is known as the "Sage case" — in which judgment went against the *FM*.

The situation does need clarifying: the use of information obtained illegally for publication can be prohibited except where there is "overriding public interest."

A crucial issue is what is illegal and what is overriding?

All newspapers receive information daily, often from disgruntled employees whose terms of employment would make transmitting the information illegal in the strict sense of the word.

Interpretation of the term "overriding public interest" can be highly subjective.

The magazine's editor, Martin Welz, insists: "The tapes, my tapes, were not stolen, not illegally acquired. But even if they had been, I would still have used them."

Meanwhile, the Financial Services Board, which monitors financial institutions including pension funds, is defensive about the affair.

Contrary to some news reports, the motor industry funds do report to the board. Like most funds administered by industrial councils, the funds report to the Department of Manpower but file financial returns with the board, which is considered the competent monitoring authority. Asked if he had detected problems or knew of any in other funds, an officer of the board Frans Reyneke, acknowledged he received the returns. Asked if he had detected problems or had knowledge of problems in other funds, he replied: "I am bound by an oath of secrecy." ■

Fm 29/10/93

Pension funds stall legislation

SI Times 31/10/93

By CLAIRE ROBERTSON

LEGISLATION bringing under public scrutiny the billions of rands held by industrial council pension funds has been delayed for almost a year because of resistance from the funds themselves.

This emerged after revelations of the shoddy administration of millions of rands by a firm in charge of four motor industry funds. (300)

Lawyers acting for Motor Industry Fund Administrators (Pty) Ltd have denied any mismanagement.

The Financial Services Board — a body employed by 15 000 pension funds to regulate them — said this week it will investigate the allegations against MIFA.

However, a spokesman admitted the pension funds under MIFA control were not bound by the legislation the board enforced — the Pension Funds Act.

The board has attempted to beef up legislation since last year, with the introduction of the Financial Services Act, which aims to bring pension funds set up by the country's 85 industrial councils under its control.

A source at the board said this week "there has been quite a lot of resistance" to the tighter regulations.

The pension, provident, medical and other funds set up by the industrial councils affect more than 800 000 workers and some 24 000 employers.

The Department of Manpower has refused to reveal how much money is administered by the industrial council funds, but it is known that the two largest councils — the motor and metal industries — control more than R6-billion between them.

MIFA does not have a record of good business, having overloaded its portfolio with low-return property investments and miscalculated benefits to the point where two funds faced an actuarial shortfall of R92-million unless corrective measures — including increasing employee contributions — were taken.

MIFA pointed out this week that it has since cut back on its property holdings from 47 percent to only 30 percent of its holdings.

It also blamed the "state of the economy" and the actions of former employees for the state of some of its funds.

A lawyer acting as a spokesman for MIFA warned the Sunday Times "to be very careful where you put the blame", pointing out that the directors were not responsible.

"The board of directors at all times took immediate and corrective action such as dismissing the employees concerned and instituting action necessary on legal advice obtained," the lawyer said.

The directors include multi-millionaire businessman Cecil Jowell, Pretoria garage owner Graham Anderson, retired Port Elizabeth industrialist John Herdman and trade unionists Les Kettledas of the National Union of Metalworkers and Johan du Plessis of the Motor Industries Staff Association.

They have served on the MIFA board for between three and 18 years.

At one meeting Mr Herdman told his colleagues, after berating the group and himself for their handling of the portfolios: "There is an old saying in business, that one of the best ways to ruin your reputation when you retire is to get a few seats as a non-executive director on a board where you have to take all the responsibility for the disasters, but you are in no position to improve it. And that is just what is happening as far as we are concerned."

He noted that, had MIFA taken corrective action "four or five years ago, we would not have been in half the trouble we are now".

In July this year MIFA appointed three external managers — Liberty Asset Management Ltd, Syfrets Managed Assets Ltd and Standard Merchant Bank Ltd — to manage the investment of all assets except fixed property.

MIFA board has brought in actuarial experts and consultants to assist it at board meetings.

"There is no cause for concern as the funds managed by the company are all in a sound financial position," MIFA said.

PEOPLE'S LIVES *Equal pensions have been in effect throughout the country since last week*

Mixed reception for pension parity

Sowetan 25/10/93

By Isaac Moledi

■ BASIC QUESTION *Soweto Grannies want to know if it fulfills their needs:* 300

LONG-AWAITED RACIAL parity in social pensions and other allowances, which was effected for the first time this month, received mixed reactions from pensioners and welfare organisations.

Although some pensioners hailed parity as a good move, the majority said an increase would not improve their lot as the cost of living had gone up.

Soweto grannies who braved long queues and threatening weather to receive their increased pensions said they welcomed the parity as long as it would make a difference to their lives.

Transvaal Provincial Administration spokesman Mr Nico Pieterse said R370 parity among all the racial groups had been effected throughout the country since last week. The move does not include pensioners of the bantustans and self-governing states.

Welfare organisations said they opposed any move to finalise any social assistance without full consultation with all relevant interest groups.

The African National Congress said it welcomed the move as long as the parity put into practice met the basic needs of the pensioners. The organisation's spokesman, Mr Karl Niehaus, said however that the ANC would review all issues relating to social benefits when it comes to power.

Although pensioners said they welcomed the long-awaited parity, they insisted that the money would still not meet their basic needs.

Mr Letsatsi Tsiu (72) of Mapetla, who appeared cautious about the increase, said though he would add few items in his budget, this might not make a a difference.



Despite savings account being opened to Blacks, grannies all over the country still prefer to queue for their pensions. PICS: MBUZENI ZULU.

"I do the same thing an employed person does. I pay rent and buy food. Can R370 meet my needs?" he asked.

Another woman complained that she had never known how much she was being paid ever since she joined the old age scheme. She said every time she was paid, there was a deduction in her pension.

Mrs Gertrude Mobalakane (89) of Central Western Jabavu said she was "less concerned" how much other racial groups were getting as long as she got enough for her living.

For her, the pension money was her only source of income and was not enough even if it was increased. She said she was even doubtful whether whites were getting R370.

Responding to parity, Johannesburg Child Welfare Society said social security provision needed to be thoroughly and democratically negotiated as it was a critical aspect of the country's welfare policy.

"At this time South Africa has a golden opportunity to redesign its welfare system so as to tackle its massive social problems in a healthy and cost effective way, with an emphasis on prevention," the welfare body said.

Retirement age 'should be raised'

Staff Reporter CT 18/10/93

PENSION or retirement funds would eventually collapse if enforced retirement at a certain age continued, said Mrs Elizabeth Mullen, international director of the American Association of Retired Persons.

Speaking at a seminar in Cape Town at the weekend, she said that if all older people were to retire and become economically inactive, no economy in the world would be able to support them.

Mrs Mullen was invited to South Africa by Prestasi Insurance Brokers and has presented other seminars in Durban, Pretoria and Johannesburg.

She said there was a world-wide trend for the older population to grow faster than the younger one.

This would present "monumental" economic problems if the idea continued that age meant retirement.

"Older men and women are human capital which no econmoy can afford to squander," she said.

Mrs Mullen said that while life expectancy had increased, the "magic" age of 65 as the time to retire had not.



WARNING . . . Mrs Elizabeth Mullen, international director of the American Association of Retired Persons. Picture: STEWART COLMAN

'Invested' without permission

300

ARG 16/10/93

BRUCE CAMERON
Business Staff

■ In what was described in papers before the Supreme Court as a "scam", more than R22 million of the Golden Arrow Bus Company pension fund was invested without permission.

THE skimming of R22 million of pension fund money controlled by an IGI associated company and its laundering through the collapsed Tollgate Holdings empire has been revealed in papers filed in Cape Town Supreme Court.

The disclosures came in evidence of close connections between the short-term insurance giant IGI, which has been placed under judicial management, and Tollgate Holdings, in provisional liquidation.

IGI direct investments and loans to the Tollgate empire were said to be a major reason for the failure of IGI.

The major portion of R70 million in investments went to Tollgate companies.

The evidence shows part of the role played by then HCI and IGI chairman Michael Lewis, who was also a director of Tollgate Holdings.

An IGI associated company, Safegrow Institutional Fund Ltd, in the Hosken Consolidated Investments (HCI) group, paid over R22 million of the pension fund from the Tollgate-owned Cape Town bus company, Golden Arrow, to the Tollgate company without permission of the pension fund.

The money was to be used by Tollgate to purchase the old Gants fruit canning factory at Somerset West but R2 million was siphoned off into Motor Racing Enterprises when the money was laundered through various Tollgate accounts.

When the pension fund objected an initial amount of R11 million was repaid by HCI.

The pension fund then made moves for an inquiry under the Companies Act to establish what had happened.

HCI, IGI, and Michael Lewis went to court to prevent the hearing in February this year.

An application was made for the proceedings to be held in secret.

And in a final effort to cover up the issue the pension fund was paid out the remaining R11 million as well as R2 million interest and R250 000 in legal fees within hours of the opening of the court hearing.

Mr Lewis did not escape being cross-examined on how the money was taken without permission.

Cape Town advocate Gavin Woodland raised the matter in the inquiry into the liquidation of Tollgate.

Mr Lewis said in the papers that the pension fund never signed the agreement for the money to be removed and the money was refunded because "we felt morally we had not done this thing correctly".

He said the whole affair was a "scam".

Mr Lewis told Mr Woodland: "I am really spelling that out, and we were very ashamed of being involved in this transaction and that the reason why we met our obligations and we paid the interest and we did everything that was there, and that's it."

Mr Lewis said it was a scam because he had been told by "everybody" that the trustees of the pension fund were in agreement.

He said he knew the money had been paid but he had not realised there was no signed agreement until some months later.

CGF outruns market leaders

South 11/10 - 5/10/93

A STUDY OF South Africa's first socially responsible investment fund revealed it would have performed better than market leaders in the industry over a five year period.

Commissioned by the National Union of Mineworkers, the study coincides with the maiden annual results of the Community Growth Fund (CGF).

The CGF gave investors a return of 16,3 percent, well above the Johannesburg Stock Exchange (JSE) All Share Index and inflation.

The Fund has 17 criteria for investment, including companies placing a high priority on job creation, good industrial relations which include recognition of centralised bargaining, training offered, opportunities for women and affirmative action.

The fund attracted R44,8 million since starting in June last year, and continues to attract new investors which include retirement funds, savings groups and individuals.

The National Union of Mineworkers, a large investor in the CGF, compared their approved shares with various market leaders over three and five years. This notional CGF portfolio beat all the market leaders over three years, and all but one over five years.

The CGF is only a year old — too young for concrete comparisons. (300)

However, a theoretical portfolio was constructed and tracked back to 1988. The returns of this portfolio were then compared to two other unit trusts — the market leader in terms of performance and the market leader in terms of size.

The results startled researchers at the Labour Research Service, which carried out the study: the notional Community Growth Fund portfolio beat the top performing fund over three years, and came close over five years. And the portfolio beat the unit trust industry's largest fund every year over five years.

The notional CGF portfolio also beat the JSE (JSE) Overall Index and the JSE Industrial Index, as well as inflation over three and five years.

The researchers also compared shares approved by the CGF with those rejected by participating unions. Again, the socially responsible portfolio won easily. The unions controlling the CGF have approved 21 shares — used to construct the notional portfolio — and rejected 10.

Over five years, the approved shares would have returned 32,9 percent a year, while rejected shares achieved 26,6 percent.

Socially responsible investing pays, said NUM's General Secretary, Mr Kgalema Motlanthe.

He said the five-year study should comfort investors. "We always believed that it was possible to combine good performance with social responsibility.

The unions participating in the CGF have been tough on companies that have failed to meet their standards. But they have been responsible enough to select a good range of well-managed companies that satisfy CGF requirements. And now we know that these companies are also top performers on the JSE."

Motlanthe added that there was a perception that the unions would go for companies with "soft" managements. And some critics believed profitable companies were those which squeezed workers hardest.

"The study has proved these perceptions wrong. Good management today must also mean good industrial relations and good relations with the union.

"Companies that adopt a hostile attitude to their workers are obviously getting lower productivity and industrial strife. CGF is selecting companies with good management all round, including social issues."

The CGF is managed by Syfrets Managed Assets. While Motlanthe agreed that Syfrets has to get credit for selecting the initial portfolio, he added that the performance study showed that the union's involvement had actually added value to the portfolio — the approved shares performed better than the rejected shares proposed by Syfrets.

"The union's role has been vindicated," he said.



Picture: ROY WIGLEY, The Argus.

PENSIONERS PICKET: Mrs Aida Jaftha, sitting left, leads a placard demonstration by a group of more than 100 old folk to promote appreciation for the elderly.

Bleak time could lie ahead for the aged in a new SA

(300 ARG 29/9/93)

JOHAN SCHRÖNEN, Staff Reporter

THE elderly will have to "fight for their rights" in a new South Africa in which social spending would not necessarily be as generous as in the past.

This is what the executive director of the Council for the Aged, S C A Eckley, had to say at the launch of the Week of the Aged.

It seems old cars become vintage and valuable, old furniture becomes antique, but old people become forgotten and left by the wayside.

But the South African Council for the Aged says: "The aged are valuable — treat them that way."

This week — the Week of the Aged — the Council for the Aged is promoting a positive attitude among the elderly to instil in them an awareness of the "irreplaceable" role they play in the community.

The week ends on October 2.

Mr Eckley foresaw "uncertainty and expectation" in the "long and difficult" road ahead in the changing South Africa

"For many years the aged were privileged to have a government which had interests high on the priority list," according Mr Eckley.

Mr Eckley said "stark reality" in the nearby future would mean "government expenditure on elderly being curtailed towards blacks".

The elderly were warned not to be "losers" and to "fight for their rights" because the "time of privileges and benefits has passed".

Mr Eckly also warned political leaders to "stop intimidating the aged with scare stories and identifying them as "political targets."

New govt regulations make grants a privilege rather than a right, say lawyers

Star 29/9/93

'Thousands could lose their pensions'

(300)

MANY are concerned that new legislation will leave elderly blacks without a monthly income

■ BY ZINGISA MKHUMA

Every month since last October Piet Raditaolani (69) and Jarius Matlhokwe (65) of Dobsonville, Soweto, have been taking an early morning walk to join the long queue at the township's pension payout point.

But each time the two neighbours would go back home dejected and empty-handed. The reasons they could not be paid varied, they said. "It's either that your fingerprints were not done correctly or your application form was misplaced."

Whatever the reasons for the delay in their payments, one thing is certain: the two men, who both support their families, will not get their pensions for many more months to come.

Raditaolani and Matlhokwe — and scores of other pensioners and mentally retarded or disabled people — are victims of new draft regulations of the Social Assistance Act. These regulations, which stipulate that pensioners should fill in new application forms and be questioned by clerks before they qualify for grants, have been strongly condemned by social welfare organisations, lawyers and the Black Sash.

Although the regulations have not yet been gazetted, The Star found people who already qualified for State grants were being made to re-apply and subjected to the means test.

In terms of the regulations they must now produce:

- A house permit.
- An unemployment insurance number.
- A marriage certificate.
- Proof of employment, including the employer's signature.
- Details of assets, including bank balances.

National director of the Legal Resources Centre Geoff Budlender said last week that, when the Social Assistance Bill was first introduced in Parliament, the LRC warned it was an attempt to take away a legal right and replace it with a privilege, which would be granted at the discretion of Government officials.

The Government denied this and, after sustained protests, it removed some of the most controversial aspects of the Bill, which was then enacted.

Difficult

Budlender said the new draft regulations under the Social Assistance Act confirmed "our fears" that Government officials intended using their powers to undercut the right to pensions.

"They place wide discretionary powers in the hands of officials, and in practice will make the legal right to a pension very difficult."

The Government recently announced the parity of social pensions and other allowances for all racial groups to ease the plight of the poor.

It said the maximum amount for old-age pensions, disability grants and grants to foster parents would be R370 a month, but that in terms of the regulations a new means test would be used and each case assessed on its own merits.

The Black Sash said the regulations proposed a totally new system of means testing, which seemed more complex and difficult to understand. It also decreed that children living with parents may be deemed to be boarders and this would be considered as income.

"There is an overwhelming number of highly discriminatory clauses effectively allowing the director-general to decide the date from which an applicant's grant may be paid, the amount, the worth of his or her property, or to decrease or increase a grant."

Pinky Vilakazi, of the South African Council for the Aged, confirmed the regulations were already being implemented, and said they would disqualify thousands of black pensioners, some of whom could not produce marriage certificates because they had married under customary law.



Chasing elusive pensions ... Piet Raditaolani and Jarius Matlhokwe both have families to support but can't get their grants paid. PICTURE: KEVIN CARTER

Care centre owners 'shocked' nurse-aid

HENRIETTE GELDENHUYS
Staff Reporter ARG 1/10/93

A NURSE-AID at Belmont Frail Care Centre in Oranjezicht has told the Cape Town Magistrate's Court inquiry into alleged abuses she was shocked at the way George and Anita Schoonraad treated patients and staff.

Susan Vass said when a colleague had been ill one day, Mr Schoonraad grabbed her by the neck and literally pushed her down the passage and out of the centre, saying: "You kaffir, leave my property."

The inquiry is being heard in terms of section 6 of the Aged Persons Act to investigate alleged irregularities at the home.

Mrs Vass said staff who approached Mrs Schoonraad with problems were told to "go toyi-toyi or go to the ANC".

Mr Schoonraad exposed patients to "life-threatening danger" by leaving medicine on the medicine trolley in the corridor as they sometimes took the wrong medicine by mistake.

Mrs Vass said Mr Schoonraad had not acted on reports that a patient was ill and uncomfortable, and he had taken money from patients for medicine without producing the medicine.

Mrs Schoonraad was a "loveless person" who was never affectionate towards patients.

A woman patient had chronic bladder infection because an unsterile catheter had been used.

Poor quality food was prepared by unqualified kitchen staff. Very little food and no fresh fruit was provided. Staff members used their own money to buy food for patients, who often received left-overs at the centre.

Bedding was worn-out, furniture was in a bad condition and the roof leaked.

Frail people were generally "morbid and unhappy" and the families of many patients had removed them because of poor conditions.

Ward-aids received no in-service training. Nursing personnel also acted as cleaning staff.

"Staff were absolutely exploited. We had to wash and iron clothes and do painting without extra pay," she said.

The case continues today.

Mr Schoonraad represented himself and Mrs Schoonraad after his lawyer, G Boswell, withdrew yesterday. Alistair Downing appeared for the State. Magistrate Ingrid Freitag was on the bench.

Mitchell's Plain to get senior care centre

LENORE OLIVER
Staff Reporter

MITCHELL'S Plain is to get its first senior care centre.

Sited on the corner of Rambler Street and A Z Berman Drive in Beacon Valley, the centre will cater for senior citizens in Khayelitsha, Crossroads and Mitchell's Plain.

The first sod was turned at a ceremony yesterday attended by Minister of National Population Development Jac Rabie.

The project is the brainchild of the Mitchell's Plain Foundation, whose main aim is to identify and fill community needs.

It will consist of a residential facility for 135 frail aged, a service centre for the elderly who live in the community, and a child-care centre for the children of staff and for grandchildren of child-minding grandparents who want to join in the activities of the service centre.

A meals-on-wheels section will service home-bound seniors and supply Mitchell's Plain pupils with supplementary feeding at schools.

The educare centre will also be used by the Mitchell's Plain Youth Orchestra and as a literacy centre teaching senior citizens to read and write during evening classes.

Plans for the complex were drawn up after visits to similar institutions with the architects involved, and were passed by the relevant authorities.

The foundation has successfully negotiated a 100 percent loan from the State.

He said tenders for the project were rolling in.

The centre will cater for 135 residents, provide day activities for 120 people, meals-on-wheels for 150 home-bound seniors and provide day care for 800 pupils a day on a rotation basis.

Care centre resident 'begged to go home'

Staff Reporter

A 77-YEAR-OLD woman spent a week in "excruciating agony" in an Oranjezicht old-age home before her daughter removed her, a Cape Town Magistrate's Court inquiry heard yesterday.

The inquiry, under Section 6 of the Aged Persons Act, is investigating alleged irregularities at the Belmont Frail Care Centre in Oranjezicht.

Constantia resident Mr George Schoonraad, who manages the home with his wife, Mrs Anita Schoonraad, also faces charges of running an unregistered old-age home and denying a social worker access to a patient.

Yesterday Mrs Catherine Reichelt said she had admitted her mother, Mrs D Swanepoel, to the home on June 26. She had osteoporosis in her back and needed bed rest. (300)

When she moved her in she noticed the floor in her room was dirty, the bed linen was old and the mattress sagged. CT 23/9/93

In telephone calls her mother "would cry on the phone" and she "became terribly depressed". The next Saturday her mother wept and said "take me home, take me home".

Despite her mother needing bed rest, nursing staff had made her get up and walk around every day. "She was in excruciating agony."

The inquiry continues today.

Mrs I Freitag presided. Mr A Downey prosecuted and Mr G Buswell appeared for the Schoonraads.

Frail-care manager 'kept patients in state of fear'

☐ Walls damp, floors filthy, bedding old and dirty — inquiry told

ARG 23/9/93

HENRIËTTE GELDENHUYS
Staff Reporter

A MANAGER at Belmont frail-care centre pushed patients when they did not walk fast enough, shouted at them, and kept them in a state of fear, the Cape Town Regional Court inquiry into alleged mental and physical prejudice to the aged at the centre has heard.

Mrs Anita Schoonraad, co-manager of the centre on the corner of Belmont Avenue and Molteno Road in Oranjezicht, pushed patient Mrs D M Swanepoel forward when she did not walk fast enough, Mrs Swanepoel's daughter, Cathy Reichelt, told the court.

She said her 77-year-old mother cried when she phoned her at the centre, was in "excruciating agony" and was subsequently removed from the centre a week after she booked in.

Mrs Swanepoel was ill and had to stay in bed, but was forced by nurses to walk around, said Mrs Reichelt.

Walls were damp, the floors were filthy, bedding was old and dirty and mattresses were sagging, said Mrs Reichelt.

Mrs Lynette Rossouw, regional head of the department of health services and welfare, said in a statement that Mr George Schoonraad, Mrs Schoonraad's husband and co-manager of the centre, was operating an unlicensed home. No domestic workers were available for cleaning, washing and dishing up food. Food was also unappetising.

Patients' pyjamas were sometimes not washed and their clothes and bedding disappeared. Linen, curtains and floors were dirty.

Mrs Schoonraad shouted at staff and residents and they seemed frightened of her. Patients were bored and were not allowed to leave the premises, said Mrs Rossouw.

A ward aide at the centre, Ms Joyce Agnes Garrard, said staff members were treated "very unfairly" by Mrs Schoonraad.

"She was rude to us and didn't think about our feelings, only of hers."

Nursing staff argued about Mrs Schoonraad "all the time" and disliked her intensely.

"If she (Mrs Schoonraad) shouted at nurses, it bothered them. Old people also get nervous when they hear people shouting," said Ms Garrard.

After these arguments, nurses became "funny and did not want to work with the patients or do their work well".

Nurses involved patients in the arguments and spoke to patients about Mrs Schoonraad.

Two of the residents complained of eating only mince and sausage during the day.

Male residents wet themselves regularly, but she could not say how long they had to wait before their clothes were changed.

Patients never went on outings, said Ms Garrard.

G Boswell represented the Schoonraads. Magistrate Ingrid Freitag postponed the inquiry to tomorrow. Alistair Downing appeared for the State.



Picture: OBED ZILWA, The Argus.

IN THE SPOTLIGHT: Mrs Anita and Mr George Schoonraad, managers of the Belmont frail-care centre.

Nurse tells of neglect at home

(300)
CT 24/9/93

Staff Reporter

WEAK, sick and bedridden residents at the Belmont Frail Care Centre in Oranjezicht were so neglected that they lay for long periods in wet and soiled beds, a Cape Town Magistrate's Court inquiry heard yesterday.

A Health Department nurse also told the court that there were insufficient blankets and old people had to go to sleep cold, the roof leaked and there was a "dangerous situation" with medicines lying around.

The inquiry, under Section 6 of the Aged Persons Act, is investigating alleged irregularities at the old-age home.

Constantia resident Mr George Schoonraad, who manages the home with his wife, Mrs Anita Schoonraad, also faces charges of running an unregistered old-age home and denying a social worker access to a patient.

Elderly left in soiled beds

Yesterday, Sister R Zeeman, Chief Nurse for the Department of Health Services and Welfare, told the court she had visited the home several times and found the physical and psychological condition of the patients, many of whom needed 24-hour supervision, to be unacceptable.

Mrs Zeeman said there was no proof of toilet training programmes for the incontinent who were reduced to "pathetic figures".

One incontinent resident regularly ate his own waste.

Mrs Zeeman said the men were coerced to sit outside irrespective of whether the grass was wet or if it was too hot.

Staff responsible for dispensing large doses of strong medication were unqualified. "It was a very dangerous situation with medicines lying around."

She said food served was of poor quality.

The building itself, she added, was badly in need of repairs.

The case was postponed until September 30.

Mrs I Freitag presided. Mr A Downing prosecuted and Mr G Buswell appeared for the Schoonraads.

RETIREMENT PLANNING FEATURE



Not everyone who has reached the age of 65, in case of males, or 60, in case of females, qualifies for a pension.

Pensions are for needy

Sowetan 24/9/93

300

By Tsale Makam

ACCORDING TO THE Social Pensions Act of 1937, an aged person is, in case of a male, any person who has reached age 65 and, in the case of a female, any person who has reached age 60.

To determine whether a person qualifies for a Government grant, not only the age is taken into consideration. This means that if the applicant or his/her spouse is very rich, they will not be eligible for a pension.

Grants have to be reviewed annually to ensure that the recipients still qualify. If you marry a rich man, then your pension can be cancelled. Grants are suspended if the recipients do not present themselves to the Social Security officials on time.

The Transvaal Provincial Administration's Ms Letitia Visagie said: "Many people assume that because they are old then it's their right to get the pension. This type of grant is for people with no assets or other form of income."

At present Government grants for the aged are paid at 640 pay-points by 224 TPA officials in the Transvaal. The average amount of money handled by TPA officials during pay periods varies between R75 million and R81 million a month.

Individual pay teams transport between R150 000 and R500 000 a day.

Because of long queues, the TPA has taken to depositing grants into bank accounts, a fact that is a hassle for many black pensioners. According to the TPA, more than 50 percent of rural people make use of the bank accounts.

Pensioners and TPA officials themselves are victims of armed robberies and muggings.

Elderly people stand in queues for long periods. For this reason shelters and benches have been erected at pay points.

Some officials have been found guilty of corruption after misusing pensioners' funds. This, according to the TPA, results in dismissal.

A piece of advice to pensioners: Before leaving a pay-point you should count your money to ensure it's the right amount.

You should not hand over your identity documents to people other than the computer operator at the pay-point. If you cannot fetch the money yourself, you need only send some one else with written authority.

"This type of grant is for people with no assets or other form of income"

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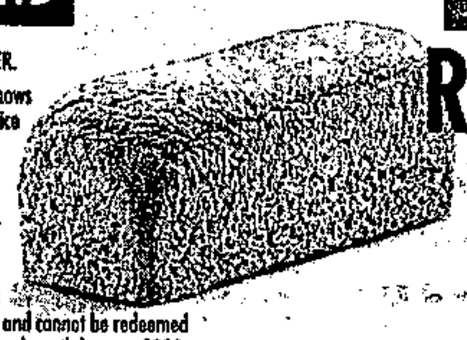
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"This type of grant is for people with no assets or other form of income"

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Pension parity on the way

Sowetan 24/9/93

THE Government's plan to introduce parity in social pensions and other allowances for all races will begin on October 1.

The Department of National Health announced in Pretoria last month that the long-awaited parity was to taken effect from the beginning of September (300)

Transvaal Provincial Administration spokesman Mr Nico Pieterse said: "Although parity with the white population groups has been effected from September 1, the actual payments will take place during the month of October."

People receiving old-age pensions, disability grants, pensions for the blind and parents' allowances would now get R370 a month. Children allowances stand at R115, foster care grants at R260, attendants' allowances at R60 and war veterans' pensions at R370 plus R18 additional allowances.

Speaking at a health conference at Midrand last week, Dr Jay Hughes, right, and Tom Breedlove of the Proudfoot Centre of Excellence for Health Care in the US. Picture: ROBERT SOTHA

Call for urgent cramming

KATHRYN STRACHAN

THE National Education Co-ordinating Committee (NECC) has warned that the two-week postponement of black matric exams would be meaningless if it did not coincide with a period of intensive learning.

The NECC, which spearheaded the campaign to have the exams delayed to allow pupils to make up time lost through teachers' strikes, violence and classroom disruptions, said it welcomed Education and Training Minister Sam de Beer's announcement on Friday.

It would assume its share of responsibility in ensuring the two weeks of grace was used well, together with its affiliates the Congress of SA Students (Cosas) and the SA Democratic Teachers' Union (Sadtu).

It hoped other groups, particularly the Education and Training Department (DET), would also throw their weight behind catch-up activities.

But schools in Soweto were thrown into fresh disarray last week when Sadtu members hounded principals from their schools and barred them from returning until teachers' demands had been met.

Teachers are demanding the refund of money deducted from their salaries during their participation in a strike earlier this year. The union claims the principals are responsible for reclaiming the money, although principals were not consulted by the DET when it decided on the deductions.

Pensioners' medical costs spiral

CHARLOTTE MATHEWS

THE funding of medical expenses for retired employees had become a major cost and was about to overtake retirement funding as a percentage of salary bills, Southern Life assistant general manager Mike Hogan said on Friday.

Hogan told a conference on pensioner health care funding that over the past 10 years retirement funding contributions had remained steady at about 10% of an individual's salary bill but medical scheme contributions had risen to 10%-12% from 2% of salary 10 years ago, reflecting compound medical inflation of 35% a year.

In the past, many medical schemes have been implicitly funding pensioners' medical costs by loading normal pay-as-you-go contributions by 10% and building up a reserve.

In practice, the higher cost of claims has dissipated this reserve. The cost of providing medical cover for pensioners has had to come out of contributions, but historically the contribution rates for pensioners have been considerably less than that of in-service members.

It has always been assumed that there will be a sufficient flow of younger, high-contributing and low-claiming members to subsidise the higher-claiming, lower-contributing pensioners.

Medical aid schemes are now planning to phase out pensioner subsidies because of the lack of reserves and the increasing ratio of pensioners to in-service members and are moving towards relating contribution rates to claims experience.

Realistically, pensioners will not be able to afford the cost if their claims are separately costed and paid for. Research conducted for Southern Life shows the true medical servicing — a major cause of medical inflation in SA — accounted for 20% of overall health care costs.

The cost per pensioner is now between R700 and R800 a month, against the average pension of R490 a month according to the 1992 Mouton Report.

Southern Life has developed a scheme to prefund retired members' medical costs, the integrated funding plan. It undertakes an actuarial evaluation of a medical aid scheme, identifying the cost of prefunding for active in-service members and the fund's liability for existing pensioners. Medical claims are projected to estimate an affordable level of funding. Southern Life also offers advice on legal and tax matters, administration systems and asset management.

The advantages of prefunding retired members' medical aid costs are increased security of members' benefits, smoothed contributions from year to year and accelerated tax relief on contributions. Contributions to a medical benefit fund can be transferred from one fund to another.

...ICAN BREWERIES ...report was based on selectively ...tions. Findings were also based on "so-called indepen- ...ment, but declined to comment further ...I can't give you details at this particular stage. In the fairly near future I believe

Act 'erodes legal right to pensions'

KATHRYN STRACHAN

SOCIAL Assistance Act draft regulations threatened the legally enforceable right to a state pension and could lead to fragmentation of the welfare sector, welfare and legal groups said yesterday. B/Dac

Legal Resource Centre national director Geoff Budlender said publication of the planned legislation confirmed fears that government officials intended to use their discretionary powers to undercut the right to a pension. 22/9/93

Budlender added that although the original Act had been passed more than a year ago, government had failed to circulate the latest proposals and there would be no time for public comment.

National Council for the Aged spokesman Pinky Vilikazi said although they were intended to be a first draft, the regulations were already being implemented.

Family Life Centre representative Lyn Caywood said slashing family care and maintenance grants would not contribute to keeping families together. For the first time, foster parents would be subjected to a means test, which would lead to an increase in institutionalised children.

Johannesburg Child Welfare Society spokesman Jackie Loffell said the regulations failed to meet the challenge of redesigning the welfare system to tackle massive social problems. (200)

"Assisting a destitute mother to maintain her child is a far cheaper and healthier option than accommodating that child," she said.

Transnet Pension Fund eyes V&A

300

ARG 18/9/93

WILLEM STEENKAMP
Weekend Argus Reporter

THE Transnet Pension Fund is on the verge of buying the hugely popular Victoria and Alfred Waterfront development from Transnet, the current owner.

Gideon van Zyl, executive manager of the Transnet Pension Fund, said negotiations had reached an advanced stage and a decision could be taken before the end of the year.

Buildings had to be assessed, tenants' concerns and interests taken into account and future development costs had to be considered to decide what constituted an acceptable price.

"It must be realised that we as a pension fund have a responsibility to ensure that when we invest our money in a project we should get a positive return."

Mr Van Zyl would not speculate on the price the fund was prepared to pay, but it is estimated that it will run into hundreds of millions of rands.

Mr Van Zyl said he felt positive about the outcome of negotiations and believed agreement was imminent.

When asked how the fund was able to afford such an investment — particularly in the light of a shortfall of more than R17 billion when the South African Transport Services was converted into a company in April 1990 — Mr Van Zyl said before the commercialisation and deregulation of Sats into Transnet, the pension fund had to invest in government bonds.

The return on these investments was below inflation, leading to a shortfall. "We are hoping to convince the government to take over more than R8 billion of this shortfall.

"This would in effect mean that the government would carry the pension burden of pensioners prior to the founding of Transnet — that is, when it was still Sats."

Mr Van Zyl said the situation where Transnet had to carry the liabilities of the Sats pensioners put the commercialised company in a disadvantaged position for competing with other companies on an equal footing.

"To advance the government's policies of deregulation and the creation of competition, it is of vital importance that Transnet is not burdened with the funding of (previous) Sats pensioners," said Mr Van Zyl.

Not taking into account the R8,8 billion which the fund wants the government to take over, the pension fund currently has a shortfall of more than R6 billion.

R1 000-a-month pension now worth meagre R100

Star 16/9/93

Inflation over the past 15 years has reduced the buying power of a R1 000-a-month pension to about R100, says Professor Wynand Mouton.

For this reason, he says, the Pensions Fund Act should be amended so that there is a minimum amount of cash for individuals, regardless of the retirement instrument used.

He says the minimum cash level is needed to be suitably protected against the ravages of inflation.

Mouton told reporters at the launch of Old Mutual's inflation-adjusting Optiplus pension scheme yesterday that pension funds should allow for sufficient income to meet basic needs, make adequate provision for non-earning spouses and provide at least some, or full, protection against inflationary increases.

"Employers and employee members should be urged to negotiate the design and financing of fund benefits so that allowance is made in advance for pension increases.

"In addition, they should educate members about the need for a sufficient initial pension and the impact of inflation." (300)

It was essential for all life offices to market the necessity for increasing retirement incomes, he said.

"If we don't succeed, many of the elderly will land in the lap of the state, and thus the ratepayer, for financial support." — Sapa.

Three bills overhaul labour law

CT 14/9/93

Political Staff

THREE bills which will fundamentally change labour law concerning farmworkers, maximum hours for domestic workers and workman's compensation were tabled in Parliament yesterday, three years after negotiations to change the laws began.

The bills do not provide for a minimum wage for either farm or domestic workers, although this topic will be the subject of negotiations in the future.

The Compensation for Occupational Injuries and Diseases Bill proposes a compensation council which will include representatives from the state, employers, employees, the insurance industry and medical practitioners.

The fund established in terms of the bill was essentially a compulsory insurance scheme and would remain under state control.

In exchange for losing the right to sue an employer, employees had won a statutory right to compensation without having to prove employers' negligence.

The bill proposes that employees have a statutory right to be covered for medical costs arising from injury and disease and employers were exempted from common law liability for injuries.

The Agricultural Labour Bill proposed that large sections of the Labour Relations Act would apply to farm workers.

A significant difference with the provisions of the Labour Relations Act was that farmworkers and their employers would have to engage in arbitration before a strike or a lock-out occurred.

State President to decide on pensions

CT 14/9/93 (300)

Political Staff

A BILL tabled in Parliament will allow the State President to determine by a notice in the Government Gazette, what pension and other benefits will go to ministerial representatives.

The positions of the 20 ministerial representatives — who serve as a link between own affairs administrations and the people — are to be scrapped at the end of this month.

The Pensions for Ministerial Representatives Bill is currently before the standing committee on finance, although no date has yet been set for it to meet.

The bill will give the State President the right to determine what pension and other benefits they receive.

Normally pension benefits are determined by a formula.

The bill also gives the State President the right to amend any law by proclamation in the Gazette to give effect to these benefits.

What the benefits are will only be known once they appear in the Gazette, which means the State President will effectively be given a blank cheque.

Civil service for affirmative action

CT 14/9/93

Political Staff

AFFIRMATIVE action directives had been issued to make the civil service more representative, Education and Training Minister Mr Sam de Beer said yesterday.

He said the Commission for Administration had issued directives based on merit and efficiency principles to create a public service "more representative of the groups served by departments/administrations".

He was replying to a question tabled in Parliament by Mr Roger Burrows (DP, Pinetown).

Mr De Beer — the minister responsible for the Commission of Administration — said it was impossible to obtain a breakdown of the numbers of each "population group" employed by the civil service as the Population Registration Act had been repealed.

State President to decide on pensions

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City Press

Supplement to *City Press*

Issue No. 19 - 12 September 1993. Page 73

Reading Press



Old aged pensioners queue for small pensions.

UNCERTAIN FUTURE FOR PENSIONERS

Suppl to CIPress 12/9/93

AS the elections in South Africa get nearer, the issue of pensions has many workers, particularly white civil servants, very worried.

Soon there will be no difference between the old age pensions received by black and white workers. Adjusting the uneven pension scale could cost the government several billion rands. That's money that a new government might not have.

The **treasury** is going to be stretched when the new government tries to help those who were hurt under apartheid.

Right now the State is putting large sums of money into pensions. Many civil servants are receiving **golden handshakes** because their jobs may not be secure under a new government.

Over R18 billion a year is spent by the Government on pensions. "More than they spend on the country's entire **infrastructure**, including houses, schools and hospitals," says the DP's Brian Goodall. "How proper is this pension funding in a country with such huge development needs and such low investment?" (300)

This large amount drains the country's economy and places a large burden on the taxpayer.

Pensions have become an extremely emotional issue in SA. Last year the government tried to even out the pensions paid to different racial groups, but stopped short of full **parity**.

The state increased old-age pensions for blacks from R225 to R293 a month; for Coloureds and Indians from R263 to R318; and whites from R304 to R345. The ANC said that the extra R2 billion it would have cost to reach parity would help to **alleviate** poverty in the country.

Mismanagement of the official pension funds for government employees makes most South Africans angry. According to the Reserve Bank, the State contributes R10 billion for these employees' pensions.

For every one rand that a government employee contributes to his or her pension fund, the government puts in R2,70. In the private sector companies provide only R1,50 for each rand contributed by their employees. More than a million civil servants fear their payouts will disappear or be reduced under an ANC government.

Last year nearly one out of five civil servants took lump sum payouts to retire early. Then they were reemployed by the State to do the same job as before. Many of these people are teachers.

It's understandable that white civil servants in senior positions are concerned about their pensions once there is majority rule next year. The ANC's position on civil service pensions is **ambiguous**.

ANC spokesman Carl Niehaus has said that the ANC would honour "reasonable pensions". However, he admitted that some pensions were "**ridiculous** in terms of golden handshakes".

Some experts suggest that a new government guarantee civil service pensions as the British government did in Zimbabwe.

Most economists agree that the best guarantee for pensions is a growing economy. A new government will not be able to sink as much into old age pensions, if workers are not contributing during their working years.

DICTIONARY

Treasury: the place where money is kept.
Golden handshakes: a pension or payout large enough to make you want to leave your job.
Infrastructure: various parts of an organisation.
Parity: to make equal.
Alleviate: to make something less of a burden.
Mismanagement: to handle something badly.
Ambiguous: uncertain, with a double meaning.
Ridiculous: silly, to be laughed at.

Check your payslip very carefully

C Reed 12/9/93

Your payslip contains information that you should always check to make sure that it is correct ...

A PAYSLIP is a piece of paper that has information about your salary. The Basic Conditions of Employment Act says that by law you have to get a payslip. But sometimes employers do not give payslips or they do not give all the information that is needed. This makes it hard for workers to know what deductions were made and what salary they were paid.

The payslip must have the following information: your employer's name; your name or your number on the payroll; what work you do; the amount of time the payment is for, for example, two weeks or four weeks or one month; the number of normal hours you worked; the number of hours worked on a Sunday or on a public holiday; the number of hours you worked overtime; your gross pay (this is the amount you earn before deductions); details of any other payments coming from your job; details of any deductions made; your net salary (this the amount paid to you after deductions the amount you take home).

There are usually four parts to a payslip:

PERSONAL INFORMATION

This includes information about yourself, for example, your name, if you are male (M) or female (F), and if you are married (M) or single (S).

EARNINGS

This section shows the money you earned in normal hours, overtime, public holidays or any miscellaneous (MISC) payments that are extra, such as a Christmas bonus.

DEDUCTIONS

This section shows the money that is deducted from your salary to pay for things such as taxes (or Pay As You Earn, PAYE), Unemployment Insurance Fund (UIF), pension, trade union fees and medical aid.

STATISTICS

This section usually appears on computer payslips. It is a record of money paid to you for the year until that pay week.

KEEPING TRACK

It is very important to keep all your payslips so that you know what you were paid, and how much you contributed to your pension fund or UIF.

You should also check that you know what all the deductions are for, and that you are paying the right amount for your pension or UIF.

Also check the money you get. Make sure you get the amount the payslip says is your net salary, and that all the hours you worked are recorded correctly.

If there is a mistake on your payslip or something you do not understand, you should talk to your shop steward, your manager or your local advice office.

GEM FOOD PRODUCTS Date: Payslip no.

Personal information

Tax number	Employee Name	Occupation	Employee No.
1234567	JOHN NOLOI	BAKER	13922X

Sex	Status	Children	Tax Wk	Birth
M	M	5	1	1953/11/12

Earnings

Normal Hrs	Sunday Hrs	Overtime	Sick pay	Bonus
46		2		

Normal pay	Sunday pay	Overtime pay	Public Holiday	Gross earnings
160·24		10·44		170·68

Deductions

Pension	P.A.Y.E.	Medical	UIF
11·22	12·60	9·80	1·44

Trade Union	Staff Assoc.	Savings	Total Ded.
0·75			35·81

Statistical Data

Interest E.	Taxable	Non Tax	Pension	Medical
	4949·72		325·38	284·20

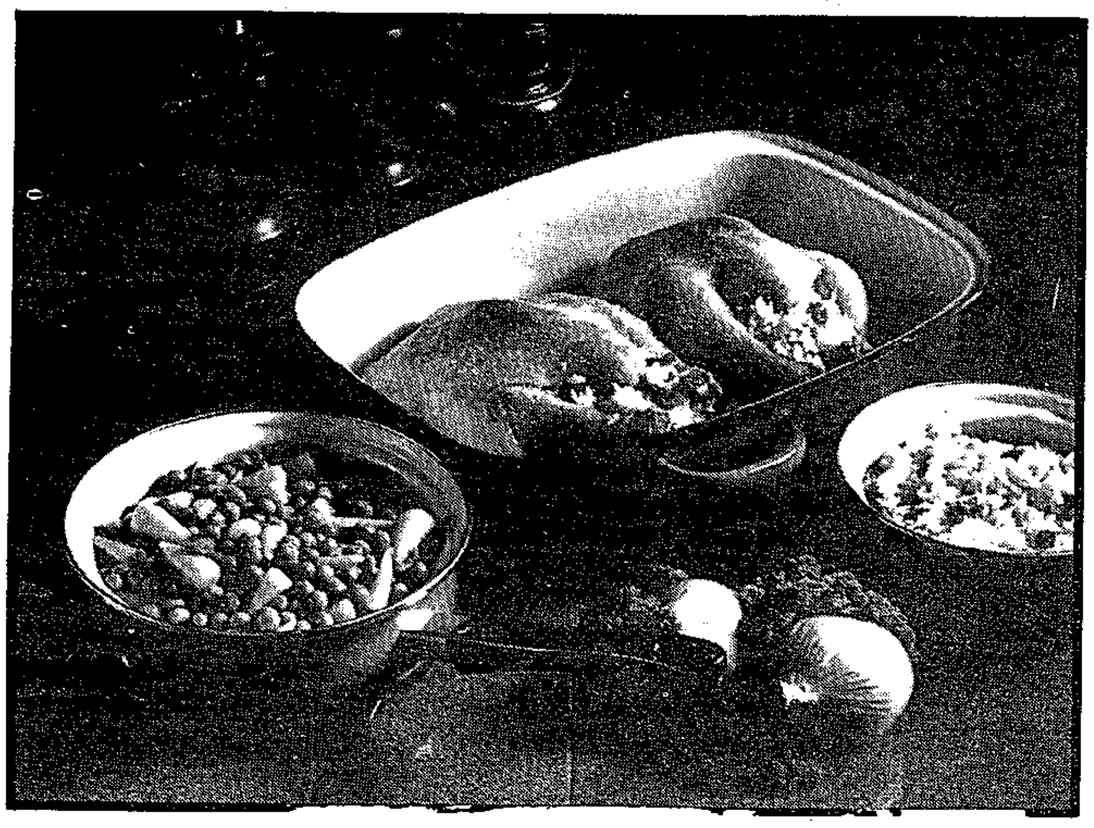
UIF	Tax Paid	Days Absent	Days sick	Nett Pay
41·76	365·40			160·24.

An example of a payslip.

Adapted from Learn and Teach magazine. Available at CNA's, Cafes and street corners.

Learn & Teach
It's more than a magazine,
It's an education!
ON SALE NOW!

COOK A HEARTY MEAL FOR THE FAMILY



Tasty roast stuffed chicken and vegetables.

USE this recipe to treat your family to a tasty meal of stuffed chicken and vegetables.

For 4 - 6 people you will need:

1 chicken with the giblets removed
Salt
Pepper
Garlic flakes
Mixed herbs
1 thick slice of bread
1 egg
1 onion, chopped
2 cups of rice (500 ml)
5 cups of water (1.25l)
2 teaspoons salt (10 ml)
1/2 cup raisins (125 ml)
2 cups of peas (500 ml)
2 cups of carrots, peeled and cut into blocks (500 ml)

Switch the oven on at 160 degrees Celcius. Break the bread up into fine crumbs. Add the herbs, the onion and the egg. Mix together with a fork. Stuff the hollow inside of the chicken, pushing this mixture right down. Rub the salt, pepper and garlic flakes into the skin of the chicken. Place the chicken in a roasting pan or metal container. Cover with a lid. Place in the oven to cook for about one hour. After 30 minutes, turn the chicken so that it browns on both sides. Now place the peas and carrots with 1 teaspoon of salt in a pot with about 2 cups of water. Bring to the boil, cover with the lid, switch the heat down and allow to cook for 20 minutes. Place the rice, remaining salt and raisins in a pot and add 5 cups of water. Allow to boil gently for 20 to 30 minutes with the lid on. Drain the water from the vegetables. Remove the chicken from the oven and carve into pieces. Serve together with the rice.

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Kid-gloves don't keep fingers out of the till

300

ARGT 11/9/93

■ R60 million in pension money is stolen every year, but clearing out the rotten apples is made more difficult because no strong stance is taken on wrong-doers, says a senior civil servant in the House of Representatives.

JEAN le MAY, Weekend Argus Reporter

KID-GLOVE handling of wrong-doers in the public service was severely hampering attempts to clean up the administration, Dr Ebrahim Jarodien, chief director of the Department of Health Services and Welfare in the House of Representatives, said in Cape Town yesterday.

Dr Jarodien caused a sensation earlier this week when he disclosed that as much as R60 million of pensioners' money was being stolen from the department every year.

All pensioners were going to be asked to re-apply for pensions, he told Weekend Argus.

This would enable the department to ensure that all pension payments were in order.

A cut-off date for the payment of pensions under the present system would be announced in good time, said Dr Jarodien.

As an example of the kid-glove approach, Dr Jarodien gave the case of Vernon Vercuil, a Wynberg pensions clerk found guilty in June of stealing more than R12 000 of pensioners' money.

Vercuil is still employed at the Cape Town head office of the House of Representatives' Department of Health Services and Welfare pending a departmental decision.

"We're not allowed to sack him until there has been a disciplinary hearing," said Dr Jarodien.

"This situation makes the task of cleaning up the department and prosecuting wrong-doers all the more difficult.

"In Vercuil's case, our hands are tied.

"The Department of Budgeting and Auxiliary Services (which includes personnel) will hold a disciplinary hearing and only they are entitled to decide whether he will be discharged.

"We moved him to a position where he won't handle money or be in contact with the public, but he is still drawing his full salary plus all perks."

Head of the Department of Budgeting and Auxiliary Services (House of Representatives) Dirk Heyns told Weekend Argus that Vercuil was found guilty in Mitchell's Plain Magistrate's Court on June 30. He was sentenced to a term of correctional supervision on July 30 and was transferred to a clerking job at head office on August 18.

"Our legal department has been asked to draw up a charge sheet for a disciplinary hearing," he said.

"It could still take months. We have to give him a chance to explain the circumstances in which he stole the money. "There may be mitigating circumstances."

The Public Service Act laid down sentencing options, he said.

These were: Caution or reprimand, a fine of not more than R6 000, transfer to another department, reduction in salary, and dismissal or obligatory resignation. Moreover, the decision on sentencing may be postponed for a year.

Dr Jarodien disclosed the names of two other people — formerly employed by the department — who recently had been found guilty of theft.

R Thompson of Mitchell's Plain had been sentenced to an effective 12 months in jail for stealing R2 500 and A B Thompson of Wynberg had been given a suspended sentence for stealing R14 167. He had resigned "under pressure".

Several other cases in the Transvaal and in Kimberley were pending.

Dr Jarodien said the R60 million, which represented five percent of the departments's pensions budget, was a guesstimate based on the shrinkage factor at major department stores.

"I can give only a ball-park figure because there is just no way of estimating the loss accurately," he said.

Dr Jarodien emphasised that the majority of departmental employees were honest.

The trouble was caused by "rotten apples in the barrel".

However, tracking down wrong-doers was, in effect, treating symptoms instead of curing the disease, he said.

The real answer to the problem would be an efficient method of identifying people entitled to pensions. Computer-aided finger-print technology, costing up to R40 million could provide a solution, said Dr Jarodien, who had been assured that the technology would be cost-effective.

Legislation on pension funds in pipeline

CHARLOTTE MATHEWS

FINAL comments were still being received on draft legislation circulated within the pension industry on the appointment of trustees to pension funds and an ombudsman to handle complaints, Financial Services Board (FSB) deputy executive officer Andre Swanepoel said yesterday.

Swanepoel said the necessary legislation for these two measures would not be passed this year because of the short parliamentary session, but the FSB hoped to have the Bills drafted for the 1994 sitting of parliament. Both proposals originated from recommendations of the Mouton report.

BTDay 9/9/93

On trustees, draft legislation centred mainly around how the trustee body would operate, Swanepoel said. At this stage it was not compulsory to have a trustee body or employee representatives on the board of trustees or board of control of a retirement fund.

(300)

The legislation envisaged making it compulsory to have a board of control and for each board to have at least one trustee elected from employees' ranks.

On proposed legislation relating to an ombudsman for the retirement fund industry, Swanepoel said there were different approaches at present. One was to make the findings of the ombudsman binding on retirement funds while another was that the ombudsman would make only recommendations which the retirement fund would be free to comply with or ignore. The third possibility was a combination of these two.

Responses to the draft legislation on these two issues had not shown wide divergence, Swanepoel said.

Union fund 'a winner'

ARGUS 8/9/93

TOM HOOD, Business Editor

THE trade union controlled Community Growth Fund claims it is beating almost all other unit trusts hands down.

And it has the potential for outstanding investment returns, according to a study commissioned by the National Union of Mineworkers, which claims its investment in socially acceptable companies is paying far better than any investment in the companies it rejected.

The study by NUM, a large investor, compared the shares approved for the one-year-old CGF with other funds over three and five years.

The notional CGF portfolio beat all the others over three years and all but one of them over five years, says NUM.

CGF is too young for meaningful comparisons, so a theoretical porfolio was constructed and tracked back five years to 1988.

The returns of this portfolio were then compared with two other unit trusts — the market leader in terms of performance, and the market leader in terms of size.

The study produced startling results:

■ The notional CGF portfolio beat the top performer fund over three years and came close over five years.

■ It beat the unit trust industry's largest fund every time over one, two, three, four and five years.

■ It also beat the JSE Overall Index and the JSE Industrial Index as well as inflation over three and five years.

Researchers also compared the shares approved by the CGF with those that were rejected by the participating unions.

Again, the socially responsible portfolio won hands down, said CGF. The controlling unions approved 21 shares making up the notional portfolio and rejected 10.

Over five years, the approved shares would have returned 32,9 percent a year while the rejected shares achieved only 26,6 percent, says CGF.

NUM general secretary Kgalema Motlanthe said the five-year study must give comfort to investors.

"We always believed it was possible to combine good performance with social responsibility. The unions participating in the CGF have been tough on companies that failed to meet their standards.

But they have been responsible enough to select a good range of well-managed companies that satisfy CGF requirements."

Mr Motlanthe said there was a perception the unions would go for companies with "soft" managements.

Some critics believed profitable companies were those which squeezed the workers hardest.

"The study has proved these perceptions wrong. Good management today must also mean good industrial relations and good relations with the union."

CGF is managed by Syfrets Managed Assets and Mr Motlanthe added: "We must give Syfrets credit for selecting our initial portfolio."

ARG 31/8/93

Old-age pensions review pledged by IFP and ANC

300

Political Staff

THE Inkatha Freedom Party and the African National Congress both pledged today that if they came to power they would re-assess the R370 "peanuts" pension paid to old people.

One of the major racial discriminations in apartheid South Africa — pensions — falls away tomorrow. Finance Minister Derek Keys said on Budget Day, March 17, that parity in social pensions and other State allowances would be introduced on September 1.

All old-age social pensioners will from tomorrow receive R370 a month.

ANC spokesman Mr Dumisane Makhaye said today equalising pensions was a step in the right direction. Paying different pensions to the aged and the disabled according to their race was one of the worst crimes of apartheid, he said.

However, the ANC had always felt that pensions, whether paid to black or white people, were actually "peanuts", Mr Makhaye said.

"We believe that in a democratic society, pensions will have to be reviewed. We cannot allow our old mothers and fathers to live below the bread line. A nation that does not honour its old people is a cursed nation," Mr Makhaye said.

The IFP said the government probably had to scratch the barrel to achive parity in pensions, "so we cannot expect any more from them".

"However pensions are not in line with the cost of living."

Even with parity, pensioners "are still struggling," the IFP said. An IFP government would re-assess pensions "when it comes to power".

Democratic Party spokesman Carole Charlewood said parity in pensions was long overdue, "but the problem is just so little for anybody in these days of inflation".

"How anybody can survive on R370 I just do not know," Mrs Charlewood said.

The DP wanted the government to look at the means test, which ruled that people with assets of more than R42 000 did not qualify for a pension.

Social pensioners and people receiving grants from the State received a 7,5 percent increase on July 1. This added R521 million to the pensions and allowances bill. Introducing parity will add another R694 million. This means taxpayers will spend just over R7 billion on social pensions and other allowances this financial year.

End of the day ... Colin Blackburn of Johannesburg watches his rods as the sun sets over Hartbeespoort Dam after a peaceful day's fishing. PICTURE: KAREN SANDISON

Star 31/8/93

Social pensions to be equal at last

Parity in social pensions and other allowances comes into effect tomorrow, the Department of National Health has announced in Pretoria.

The decision follows an announcement during the last Budget reading that the Government was looking at ways to ease the plight of poor and needy people.

The department said the maximum amount for old age pensions, disability grants and parent grants would be R370 a month, but the means test would be used and each case or application assessed individually.

(300)

The increases, first proposed by a committee under the chairmanship of Professor Wynand Mouton, will cost the taxpayer R1,2 billion more this year. — Pretoria Bureau.

Pension parity move widely welcomed (300)

Political Staff CT 31/8/93

THE government's announcement yesterday that social pensions for all race groups would be equalised at "white levels" — at a maximum of R370 a month — from September 1 was widely welcomed.

But the ANC has said pensions, which it said were "peanuts", will have to be reviewed by a new government.

ANC southern Natal spokesman Mr Dumisani Makhaye said pension disparity had been one of the heinous crimes of apartheid but the announcement was "a step in the right direction".

DP welfare spokesman Ms Carol Charlewood welcomed the final eradication of a "ludicrous" policy, but said it was essential that an obligatory state pension scheme be introduced without delay.

The CP's Natal vice-chairman Mr Duncan du Bois, however, said the move was "a Robin Hood tactic" which would further discriminate against the "overwhelmingly overburdened white taxpayer".

Full pay— and State pensions

ST Times [Buss]

5/9/93

By CIARAN RYAN

THOUSANDS of public servants in South Africa and the homelands are cashing in their pensions while remaining on the State payroll.

They have joined a rush to bleed State pension funds before a new government takes office next year.

More than 1 000 teachers were paid pensions and gratuities worth an estimated R250-million in the past year, but have been re-employed — a practice known as double-dipping.

Many have joined the Government's temporary pension fund. They will thus become entitled to two pensions when they retire. Most of the teachers are said to have been re-employed after receiving about R180 000 each.

Nearly all Venda's 22 000 public servants are believed to have cashed in their pensions. The Venda Government claims it has stopped the practice.

Venda's R780-million pension fund is said to be draining away. Its public servants have started a new pension fund.

Car sales are booming in Venda, as is the casino. An insurance agent in the capital Thohoyandou says some public servants are burying their pensions in the ground, others are building houses.

Double-dipping is also occurring at Transnet, the SABC and other State and semi-State organisations.

Democratic Party spokesman on pensions Brian Goodall says employer contributions to State and parastatal pension funds — paid for by taxpayers — were R11,8-billion in 1992.

That was more than six times employee contributions. The ratio is 1,5 times in the private sector.

This week Transnet announced a loss of R1,74-billion for year to March 1993 after interest payments of R2,03-billion on loan stock it issued to reduce the deficit on its R19,1-billion fund. The deficit is down to R6,5-billion.

Transnet plans to eliminate the deficit in the next 10 years from profits.

Executive manager of the Transnet pension fund Gideon van Zyl says double-dipping occurs on a small scale in some divisions, such as SA Airways.

"Staff who have been retired are sometimes brought back temporarily to train new workers."

ANC deputy head of economics Tito Mboweni says he is aware of cases of double-dipping at the SABC.

"This is a dangerous practice and it looks like jobs for pals."

The reappointment of public servants is allowed only under strict circumstances, says the Office for Administration. (300)

The only buy-back system in operation is no different to that offered in the private sector.

The deficit on the five State pension funds is estimated at R29-billion, the result of the buy-back system and low returns on investments in the past. The funds were privatised last year to improve returns and reduce the deficits.

Star 31/8/93

Social pensions to be equal at last

Parity in social pensions and other allowances comes into effect tomorrow, the Department of National Health has announced in Pretoria.

The decision follows an announcement during the last Budget reading that the Government was looking at ways to ease the plight of poor and needy people.

The department said the maximum amount for old age pensions, disability grants and parent grants would be R370 a month, but the means test would be used and each case or application assessed individually.

(300)

The increases, first proposed by a committee under the chairmanship of Professor Wynand Mouton, will cost the taxpayer R1,2 billion more this year. — Pretoria Bureau.

Now pensioners to get equal grants

PARITY on social pensions and other allowances starts tomorrow, the Department of National Health has announced in Pretoria. (300)

The decision follows an announcement during the last Budget that the Government was looking at ways to ease the plight of poor people and others whose incomes could not meet their needs. 31/8/93 Sowetan

The department said that the maximum amount for old-age pensions, disability grants, and parent grants would be R370 a month but the means test would be used and each case or application assessed individually.

The parity decision also includes grants to war veterans, maintenance grants as well as grants-in-aid and special grants.

The increases will cost the taxpayer R1,2 billion more this year.

Black pensioners will receive the lion's share of the new pensions payout.

88 — Sept - Dec

New govt to face pensions problem

C/Press 29/8/93

By JENNIFER GRIFFIN

AS South Africa approaches majority rule, the issue of guaranteed pensions has many workers, particularly white civil servants, extremely worried.

Soon there will be no discrepancy between the old age pensions received by black and white workers. Redressing the uneven pension scale, which penalised blacks, could cost the government several billion rands. That's money that a new government might not have.

The treasury is going to be stretched when the new government attempts to address the country's infrastructure needs and help those who were hurt under apartheid.

At present the State is pumping massive sums of money into pensions and many civil servants are receiving hefty golden handshakes because their jobs may not be secure under a new government.

The South African government now spends over R18 billion a year on pensions. "More than they spend on the country's entire infrastructure, including houses, schools and hospitals," according to the DP's Brian Goodall. "How appropriate is this pension funding in a country with such dramatic development needs and such low investment?"

Escalated

In recent years the amount the government has paid for old age pensions has escalated dramatically. Since the mid-1970s the cost of old age pensions has escalated by 21 percent a year (or 7,5 percent in real terms), according to Goodall. The State presently pays R8,5 billion for this type of pension.

Such expenditure represents a serious drain on the country's economy and a large burden on the taxpayer.

"It's been a major problem that has been examined since the mid-1960s. Thirty years later, still nothing has been done," said Goodall.

Pensions has become an extremely emotional issue in SA. Last year the government tried to even out the pensions paid to different racial groups, but stopped short of full parity.

The State increased old-age pensions for blacks from R225 to R293 a month; for coloured people and Indians from R263 to R318; and whites from R304 to R345. The ratio of white to African pensions was reduced from 1.35:1 to 1.18:1, but black political parties expressed frustration with the partial move toward equal pensions.

"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 of this issue," said the ANC.

300

Mismanagement

The extreme mismanagement of the official pension funds for government employees raises the ire of most South Africans. According to the Reserve Bank, the State contributes R10 billion for these employees' pensions.

For every one rand that a government employee contributes to his or her pension fund, the government puts in R2,7. This represents a far higher investment by the government than by the private sector for its employees' pension funds. In the private sector companies provide only R1,5 for each rand contributed by their employees.

"There was never a shortage of contributions to this fund," said Goodall. "But because of the way the funds were administered, the returns were low and the benefits overly generous."

Traditionally these funds were invested in the government's parastatals, such as Eskom – the country's only electric company – and the Post Office. Such investments did not pan out for the government. The fund has been actuarily insolvent for years and has a deficit of between R40-50 billion, says Goodall.

After years of mismanaging public funds, the government is cleaning out its coffers to fund civil service pensions. More than a million civil servants fear their payouts will disappear or be dramatically reduced under an ANC government.

Many are taking lump sum payouts to retire early and then are being reemployed by the State in the same capacity they served before. Nearly one out of five civil servants who took retrenchment packages last year have been rehired and are once again earning a salary. Many of these people are teachers.

"When it comes to pensions, this government has always been confused," said Goodall.

Minister of Finance Derek Keys recently announced that the budget deficit would reach R24,5 billion or 6,8 percent of GDP. Keys explained that 23 percent of the deficit (R8 billion) was due to building up civil service pensions funds.

"There is a lot of nervousness," said Dr Azar Jammine, chief economist for Econometrix, a private consulting firm. "You may see the funds being taxed to fund social upliftment. There may be high taxes for the pension funds."

It's understandable that white civil servants, particularly those in senior positions would be concerned about their pensions once there is majority rule next year. The ANC's position on civil service pensions is ambiguous.

ANC spokesman Carl Niehaus has said that the ANC would honour "reasonable pensions". However, he admitted that some pensions were "ridiculous in terms of golden handshakes".

However, present assets should not be used to pay for future liabilities. As a result of the civil service drain, little money is being left in the treasury to help those who lost opportunities under apartheid, particularly those who had their land taken by the government.

Guarantee

Some experts suggest that a new government guarantee civil service pensions as the British government did in Zimbabwe under the Lancaster House agreement.

The DP wants to guarantee civil servants' pensions via the Constitution, in order to address the fears that are leading to these hefty golden handshakes.

With inflation at about 10 percent, many worry that their pensions will be inadequate when they retire.

While some form of forced savings for the future needs to be in place, the huge amounts being spent by the government on civil servants' and old age pensions is draining the economy and resulting in the further neglect of infrastructure improvements.

Most economists would agree that the best guarantee for pensions is a growing economy. A new government will not be able to sink as much into old age pensions, if workers are not contributing during their working years.

From unbelievable to ludicrous

ST Times (Buss) 29/8/93

By DAVID BULLARD

PUBLIC officials have never been eager to be accountable to either the press or the taxpayer and the well-publicised PIC bond options affair does not look like changing that.

The Public Investment Commissioners (PIC), trustees of the State pension funds, sold one-week at-the-money options on long-dated government bonds for R900 to selected parties. Option holders pay a premium for the right to buy or sell the underlying commodity, in this case gilts or long-term government bonds.

"At the money" refers to the situation where the option is priced at the market price of the gilt itself.

The real market price at the time of the PIC deal was at least R2 800. Because the bond market deals in millions of rands, this gives a handsome, risk-free bonanza to the lucky few at a cost to everybody else.

Explanations offered by the PIC range from the plain unbelievable to purely ludicrous. One of the more entertaining is that the PIC priced the options using "intrinsic volatility".

Nobody else has ever heard of intrinsic volatility.

Besides, there is no intrinsic value in the out-of-the-money options which the PIC claimed to be selling.

Similarly, the claim to be using a different options pricing model has been met with disbelief. Whatever else they may be, the commissioners are not at the leading edge of financial instrument technology. (300)

Initially, the commissioners asked the public to believe that they dealt only with people who did not job or speculate but traded back to back. Part of the condition of the option was that it should not be on-sold (at least one firm is believed to have ignored this condition and washed the options through a bank). (252)

If that were the case, how could one sell a non-negotiable option to somebody who only trades back to back?

Whoops ... the commissioners reversed the story and now claim that they limit transactions to those parties who, from experience, they associate with large deals in the stocks concerned.

So why don't the commissioners deal with three of the most active merchant banks in the bond market? Surely that would improve the marketability of government stock more than dealing privately with selected stockbroking firms, some of which may be undercapitalised for this role?

Many of us in the market are asking how the commissioners can be both an investor in government debt through the pension fund role and at the same time claim to be an issuer of it.

This hermaphroditic existence would seem to suggest that the role of the Reserve Bank as market maker in government stock is superfluous; a ridiculous suggestion, particularly because its dealings with the market are beyond reproach.

So what is to be done? One suggestion is that an independent inquiry be launched by the Minister of Finance.

The Office of Serious Economic Offences has wide powers of discovery and they should be invoked, extending, if necessary, to the inspection of personal bank accounts.

The full legal process should follow. Any individuals involved should be banned from membership of the Bond Market Association on the grounds that the Act provides for the exclusion of those who are not of good character or high business integrity.

The bond options market is far too large and important to ignore problems of this kind and it might be good to see more than lip service paid to the concept of the level playing field, particularly from the JSE.

David Bullard is a director of the Johannesburg Options Market, a company which specialises in options trading.



DAVID BULLARD: The full legal process should follow

Pensions: pay in most you can

FEATHER your own nest because no one else will do so for you, LEIGH ROBERTS was told.

DON'T be caught short in your savings for your retirement ars. High inflation, no ore than bread-line ate pensions and gher tax on fund bene- s await you in the new uth Africa.

The main emphasis of tirement planning in e future will be on self- ovision of your needs. ie extent of your capi- l savings will deter- ine whether you'll be ıancially independent lead a miserable life your retirement.

Earlier this week, Leon rdaan, senior manager legal and tax services Southern Life, ad- essed a meeting of The ar/FNB Investors' Club the Sandton Holiday n. Jordaan painted a newhat bleak financial ture for retirement ınning in the new eco- mic and political age.

He said trends for the dustry were emerging om the utterances of e major political par- s and the string of re- nt investigations into is area. The Mouton re- rt and the Jacobs re- rt, he said, would set e background for the neral direction of linking with regard to tirement planning.

Jordaan outlined a mber of future scenar- which, in his opinion, ould be considered ien providing for your ure retirement.

He foresees a number



LEON JORDAAN: A bleak picture.

Don't be caught short in new SA

eggs" would be protected but "golden handshakes" would not.

In other words, voluntary termination payments on, say, retire-

buying power of R558 in 2003.

"Retirees will have to accept a lower initial pension or ensure higher capital to provide themselves with an inflation-linked income. Another option is for the retiree to give up the commuted portion of his retirement lump sum in order to purchase a greater pension income," he said.

Jordaan foresees a change in the law to allow for limited access to pension fund monies in the form of loans from the funds. He said this would aid the preservation of retirement monies as people who lost their employment would not be forced to cash in their pension to provide them with a living income while they sought new employment.

Jordaan said another suggestion that had been made by the ANC was that in future a tripartite system could exist. The State pension would cater for the unemployed or low-income group, a compulsory contribution system would govern those earning above a minimum income level, and voluntary funds would exist for those who could afford it.

He said there was already a move towards socially desirable investments being made by the pension fund sector.

"There are several hundred billion rands invested in the pension fund industry. The new government will tap into



Steering clear of the ugly sisters

MONEY MATTERS



MAGNUS *Heystek*

EVER heard of the three ugly sisters of investment? If you haven't, you are not alone. I hadn't either until this week's Star/FNB Investors' Club meeting, which focused on retirement planning.

Who are these sisters and what do they have to do with investment, you might ask.

Guardbank Unit Trust head George Mikula, who spoke at the seminar, says the three ugly sisters of investment are Greed, Faith and Hope.

A nice touch — it highlights failings we all have when it comes to money — and quite apt too, as in many cases one or all three factors can be blamed for financial disaster.

Let's take a look at the sisters and a fourth sibling: Ignorance.

Greed

Let's be honest.

Each and every one of us has a greedy streak. In some it might be stronger and in others it might be weaker, but it's there.

Greed has been the downfall of many people. Just think of the Ver-



FAITH



That money was given to him by peoplewho believed he could get their money out of thecountry and increase itsubstantially.

Among the people who lost substantial amounts were prominent Johannesburg people, including the family o a well-known golfer. The Allem family lost more than R9 million to Myers's scheme.

I often get calls from complete strangers who want me to handle their money.

In some cases, large sums are involved. When I jokingly suggest they bring it in unmarked R50 notes in a briefcase they think I'm serious and say they will gladly do so.

Ho ie:

Star 28/8/93

300

of changes in existing tax legislation. Tax allowances on contributions to retirement funds are likely to be retained, he said, as they are recognised as an important way to encourage self-provision.

However, an upper limit on these deductions was likely. Currently, the tax deduction for pension fund contributions was stated as a percentage of income earned. A capping of the deduction in rand terms was likely.

The current tax-free concessions on lump sums from retirement funds could well be reduced in the future.

He said the ANC has said that "pension nest-

would lose their current preferential tax treatment and be taxed at normal rates.

A future of high inflation was looming. This would erode the capital and spending power of the pension and other retirement funds. Jordaan said escalating pension payments would become essential but these required extra capital.

He cited an example: In a non-escalating pension and assuming an inflation rate of 15 percent, the buying power of R1 000 today would be worth only R243 in 2003. A pension which escalated annually at, say, two-thirds of the inflation rate would render the

this for the upliftment of socially deprived communities," he warned.

He added that socially desirable investments, whether forced or voluntary, amount to an indirect tax on what are currently untaxed funds.

There was also a move towards more employee participation on the boards of trustees of pension funds.

Moves were afoot to appoint a pensions ombudsman to deal with complaints of fund members.

Jordaan concluded by saying the future is unpredictable and advised individuals rather to over-cater for their retirements than risk being caught short.

Out of every 100 who retire:

- 4 will be rich
- 5 will be financially independent
- 32 will depend on the State
- 17 will depend on their families
- 8 will depend on welfare services
- 34 will be forced to go back to work

maas debacle, or kubus, or any one of the many financial scandals that have hit the front pages in recent years.

Gambling

Not satisfied with the returns offered by more stable and solid investments (after all, some unit trusts average annual growth of *only* 27 percent over a 25-year period), people are always looking for ways to double their money overnight.

The gambling instinct is strong in most folk, and there are unscrupulous people who will prey on this failing.

Money and greed often bring out the worst in people.

It's not only the gambling instinct that makes people greedy.

Quite often one hears how well friends or neighbours seem to be doing in certain investments. Not wanting to be left behind, people scramble to get in with their money.

Be very aware of this trait when it comes to making an investment.

Faith:

The second sister, not necessarily in order of seniority but equally ugly, is Faith.

How often one hears: "But he was such a nice man; I can't believe that he would do this to me."

There are many variations on this theme.

Many people instinctively trust other people.



GREED



IGNORANCE

Call them naive, gullible or even foolish, but it is human nature. And there are people who abuse this beautiful quality in others.

So often the abusers have open, honest faces, nice smiles, and in most cases, come across as clever and convincing.

Such was the case with Roy Myers, who apparently committed suicide in London last year after skipping the country with R75 million which did not belong to him.

We all live in hope when it comes to money and investment planning.

Most people hope the investments they make will one day be sufficient to retire on or buy a yacht or whatever they dream of.

Foresight

Investment planning — and especially retirement planning — needs to be far more scientific than merely putting money into something and hoping for the best.

With a little elementary knowledge and foresight one need not lean on hope, which quite often turns to despair.

Ignorance:

I think Mikula will pardon me for adding Ignorance to the family.

Many people will remain ignorant all their lives, but I feel that in many cases financial institutions deliberately keep people in the dark.

As a British judge recently said: "The public is quite often kept ignorant so that they don't know they are being ripped off."

Personal finance and investment planning is not taught at school.

Normally it is a hit-and-miss affair (more often miss than hit) and only the truly gifted and persistent succeed.

A follow-up workshop on the practical aspects of retirement planning will be held soon.

Details will be published in next week's paper.

PENSIONS

Fm 27/8/93

FSB to get tough with cherry-pickers

(300)

Plundering pension funds is called cherry-picking at the Financial Services Board (FSB). There is evidence that cherry-pickers are active and the FSB is determined to curb them.

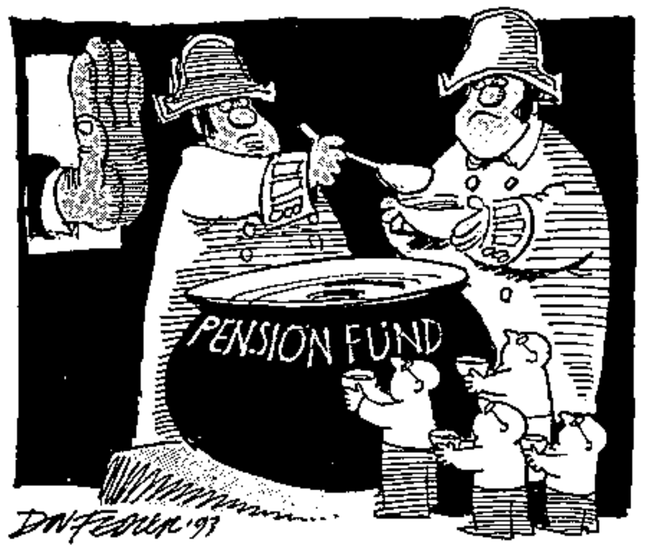
Cherry-picking becomes common in a recession. According to the board, some funds are actuarily over-funded by 200%. That is intended to provide for contingencies such as, a refund of own contributions, plus interest, in the case of a withdrawal, a share of employer contributions if applicable, natural investment growth, and for inflation-compensating increases to retirees' pensions.

Over-funding to such an extent is rare and not officially encouraged. Actuarial funding of 105% of liabilities is a norm. Excesses can be a strong temptation to those who control the fund.

Yet even a normally funded scheme can be a target in a recession. The board's Andre Swanepoel gives two scenarios.

In one, a company is sold to a larger group and its employees transferred to the buyer's pension fund together with their valued benefits. The surplus stays for the benefit of the former owners.

In the other, employees are retrenched and get their own contributions plus a small amount of interest. "The fund ends up with two or three members. When the company goes bottom up, the surplus is distributed among the surviving members" — usually



directors and/or shareholders.

It has happened, Swanepoel says.

The problem touches the concept of "reasonable expectation." This argument has been bothering the retirement industry for years. "Reasonable," according to one view, means that an early leaver gets back his own contributions, the employer's contribution which is seen as deferred compensation, plus any investment growth.

Not all employers and trustees share that view. It is widely held in the industry that the surplus in a fund gained from early resignations or retrenchments belongs to those who serve through to normal retirement.

A Life Offices Association subcommittee investigated the debate three years ago and concluded that a surplus belongs to neither employer nor employees but to the fund. Logically, then, if a fund is reduced to a handful of members, they own the surplus.

Clear signal

Swanepoel says the FSB will investigate any instance that suggests deliberate cherry-picking. As a yardstick, it proposes that the contents of a fund in a company which ceases to trade should be distributed among all employees who have been retrenched during the last year of operation.

Over-regulation, he says, is not the board's policy. "But we want to send a clear signal to employers that they will no longer be able to alienate funds which were intended for employees' retirement." ■

Fm 20/8/93

Thinning the gravy

The days of plenty are over for civil servants



Privatisation of State pensions — with the alternative of fully funding these benefits — is turning up some surprising results. The news is not all bad. Taxpayers might find comfort in knowing they will not bear the entire brunt of paying inflated pensions to former civil servants. Since the period when Andreas Wassenaar, then chairman of Sanlam, challenged the system and exposed the iniquities of State pension schemes, a degree of conservatism has been introduced.

Which is not to say that the consumer or taxpayer escapes unscathed.

The State's pension portfolio can be divided roughly as follows:

☐ The five funds which are still acknowledged as State-funded. These are called "official" and are administered through the Department of Finance. They include the "central" fund, which embraces most main-

Continued on page 30

Continued from page 26

stream civil servants and members of the uniformed forces. Also included is the "associated" fund (PFAI) which comprises about 200 separate employers and embraces most of SA's academics;

☐ Funds covering utilities which were previously State-owned but are now at least partly commercialised. Telkom and Transnet are moving towards solvency.

In the case of Transnet, says the Financial Services Board (FSB), the solvency gap was so great that the board had to insist on a business plan to bring it in line with the Act. Iscor's fund is now registered under the Pensions Act and administered privately.

The utility pension funds are in a special category. When they opted for commercialisation (as distinct from full privatisation), they took responsibility for funding their employees' pensions. Though some of the funds were only halfway to becoming solvent, this problem was transferred away from the taxpayer. According to the Retirement Institute, most of the utilities — including Telkom, Eskom, Iscor and the SABC — are now solvent and registered under the Pensions Act or, having presented business plans on solvency, are moving towards registration.

The solvency aspect is crucial. A private pension fund registered in terms of the 1956 Pensions Act must either be actuarially solvent or have a plan in place to become solvent within nine years.



Wassenaar



Keys



Korsten

The nine-year clause is being exploited. It was introduced with the intention of allowing newly created funds a period of grace to fund the pensions of employees who were not covered before their fund existed. Now under-funded semi-State corporations are using the clause to give themselves breathing space. The FSB says the nine-year clause is not a green light for everyone; all who wish to be included under the Act must submit a suitable business plan. The FSB, which monitors solvency, fell under the State umbrella until two years ago. After that, it was allotted its share of the State's assets and liabilities — and then submitted to itself a programme for reaching solvency.

As they head for solvency, the bill for the utilities and several other former State enterprises has shifted from the taxpayer to the consumer. The solutions chosen are wide-ranging, but usually the tariffs charged for services are affected. In the case of the FSB, charges raised against the institutions it monitors were increased sharply at the beginning of this year — in part because of the FSB's need for continuous pension funding. When the board privatised, salaries went up in line with the commercial sector. Actuarial estimates of pension liabilities increased accordingly.

The State's own five funds remain a threat to the taxpayer. When the Korsten Committee was convened two years ago to find solutions, the funds were only about 43% on average on the road to solvency. A more recent valuation showed an improvement to well above 50%.

Laurie Korsten says his committee's next report is due to reach Finance Minister Derek Keys by end-September. He won't say much before then. But several steps have been taken to reduce the insolvency level: "We've eliminated most of the funnies," says Korsten.

That's a reference to the extraordinary ripoffs perpetrated against taxpayers. These included the right to buy back pension rights to age 16 and the habit of civil servants being promoted during their last month of service so that their rights would be pegged to their ceiling salary. Now, as with most private concerns, pension entitlements are based on salary during the last two years of service.

A degree of panic has become evident. Prospects of a new government, early retirements and other omens have made the solvency issue critical. Until now, government has been content with a pay-as-you-go policy, so that employer and employee contributions never came close to matching actuarial liabilities. The system had many supporters — including some at the biggest life office, Old Mutual, which argued that since States do not go insolvent, full-funding was not a justifiable policy. The fact that pay-as-you-go transfers the liability from one generation to the next was not, apparently, important.

Then, as political hues changed, it became obvious the comfort zone could be invaded by a future government. What if, it was asked in Pretoria, future State pensions were allocated according to the money actually in the fund? Expectations would have to be revised, downwards and sharply.

To a lesser extent, the private sector is also guilty of transferring benefit liabilities from one generation to the next. But the problem there — to be registered under the Act, there must be an actuarial valuation every three years — has never assumed anything like the proportions that State funds operating outside the Act have reached.

Korsten hints that his next report will show some good news for the taxpayer — and for civil servants. The multiple effect of eliminating the "funnies" from government schemes, coupled with their emancipation from the shackled investment policies of earlier years, should be beneficial.

Freeing pension money to be channelled to value-related investments, instead of diverting it to government stocks and the money market, will have an immediate effect on valuation. Even before the results of emancipated investment trickle through, the valuators have been able to revise their actuarial judgments. Also, the consulting actuaries responsible for most government business have merged, so a common approach to valuation is more likely than before.

Taken overall, says Korsten, it's likely now that the government funds can be valued at around the 70% solvency ratio: not good enough, but a vast improvement on the dismal picture of two years ago. The Finance Department's Chris Mostert confirms this, without giving specific figures. And, he says, the picture varies from fund to fund. Some of those in the "associated" fund are subsidised by government, others get nothing.

It is the "associated" fund which may be the solvency pathfinder. It's a complicated association, with only 60 000 members, about 200 employers, one set of rules and many divergent opinions. The membership includes most of SA's academics, embracing universities, technikons, science institutes, the SA Bureau of Standards and similar organisations.

Korsten feels that if a university would accept its share of assets and liabilities, there would be sufficient campus brainpower to take the fund into solvency in reasonable time. He is probably right. A difficulty, however, is that what suits one employer might not suit the rest. With 200 disparate employers, he will have a problem getting all to agree to the same terms.

If Korsten can splinter the "associated" fund, it will be one less potential burden for the taxpayer; the pension burden will be transferred to those who use a particular institution's services.

Under-funding of the other State funds, even if it turns out to be less than was feared, remains a potential tax burden. Finance Minister Keys is known to be in favour of the pay-as-you-go method. He could hardly think otherwise, for the cost of full funding — even over three years — would put intolerable strain on his budgeting. Even if the money could be made available, it would be politically disruptive.

Civil servants are, rightly or wrongly, perceived as having designed their pension benefits to the disadvantage of the rest of the nation. The service is also associated with apartheid.

It's possible that civil servants might have to eke out their retirement with less than they had hoped for. It's also possible that not too many people would weep for them — certainly not the already-retired brigade who designed the system and are now enjoying its fruits. ■

R1bn blue chip bonus for govt pension fund

300
CT 18/8/93

From TIM MARSLAND

JOHANNESBURG. — Government's pension fund is set to pick up almost R1bn in blue chip shares following the unbundling of the Industrial Development Corporation (IDC), taking its total equity holdings to about R3,5bn.

The Public Investment Commissioners (PIC) — which manages the state pension funds — concluded the deal with the IDC, PIC director Badie Badenhorst confirmed yesterday.

The shares include CG Smith Foods, CG Smith, Engen, Impala Platinum, Palabora Mining, Sappi and Sasol. The pension's fund equity holdings at present consist mainly of Sappi, Sasol and Imphold shares.

Badenhorst said the IDC had offered the PIC the opportunity to purchase its more than 50% stake in IDC subsidiaries National Selections (Natsel) and Industrial Selections (Indsel).

The PIC had also agreed to offer smaller shareholders cash at full market value for their odd lots. The value of these odd lots came to about R175m. The shares would be paid for out of pension funds.

Badenhorst said the PIC's long-term aim was to lift the ratio of equity to gilts to about 50:50. At present, 83% of the PIC's R62bn funds is invested in government bonds. But to avoid having a major effect on share prices, few purchases would be done directly through the JSE's floor.

Sources say the PIC had already concluded large bookovers through the floor.

The IDC announced at the end of June it would unbundle Natsel and Indsel to give shareholders a direct interest in the companies' underlying blue chip investments. Historically Natsel and Indsel had traded at a discount to the value of their underlying investments.

Pensioners fear move to close post offices

CLIVE SAWYER
Municipal Reporter

MORE than 700 pensioners face huge inconvenience if a plan goes ahead to close Bergvliet and Diep River post offices.

A new post office is to open at a Meadowridge shopping centre.

The Bergvliet-Meadowridge Ratepayers' Association, backed by the city council, has called on the postmaster-general to halt closure of the two post offices because there is no public transport to the shopping centre.

● The council disconnected the power supply to more than 10 000 homes in June and July, said city treasurer Eddie Landsberg. Almost R43 million in electricity arrears were due.

● Long Street Turkish Bath may be leased to a private company.

The amenities and health committee agreed in principle to R450 000 improvements to the bath.

A proposal to lease the bath to a commercial enterprise was to be on the agenda when the executive committee debates the renovations.

● The question of closing the part of Burg Street crossing Greenmarket Square is to be reopened. The city council approved the closure two years ago. The decision was ratified by the Department of Local Government in March last year.

Workers fund curbs firms

ARG 14/8/93 (300)

ALIDE DASNOIS
Business Staff

TRADE unions are using their financial clout in the Community Growth Fund to pressure employers to improve employment practices.

The CGF, in the first half of the year, added mining shares to its union-approved portfolio, buying into Trans Natal, De Beers, Southvaal and Palabora. But another mining share, Western Deep, was sold because union representatives were critical of safety standards.

Shares selected by Syfrets are evaluated by directors of the trade union company Unity, which co-owns the fund, in terms of 16 social responsibility criteria including job creation, industrial relations, conditions of employment, training, affirmative action, health and safety, product type and financial transparency.

■ Shrewd investments might one day replace labour's more traditional clout in pushing for higher pay and better conditions...

Several blue-chip companies suggested by Syfrets were rejected by the unions last year, including Rembrandt on the grounds that tobacco is detrimental to health.

Two rejected companies, Safcor and Berzack, have met union representatives to try to iron out difficulties.

Unity has insisted that the fund will be used as a means of encouraging better employment practices — and not as a stick with which to beat employers.

Berzack, rejected on the grounds that training programmes for black workers were inadequate, has adopted a new training scheme at its head office.

Unity's Irene Barendilla said the share could be approved soon if the training scheme worked.

Safcor, of which unions disapproved because of a strike plan which made provision for calling in the police, was also involved in discussions with union representatives before its takeover by Bidvest.

In his mid-year report, Unity chairman Tommy Olifant explained the additions to CGF's equity portfolio:

■ Premier was approved by the unions because of progressive practices in its food division.

But Mr Olifant noted that Premier's other divisions had not developed the same practices and even in the food division there was "a long way to go".

■ Foschini paid higher than average wages and had agreed to centralised bargaining for its 700 clothing and jewellery stores. The group got marks for an affirmative action programme and its maternity leave allowances.

■ De Beers paid the highest minimum wage in the mining industry (R1 241 a month in January), negotiated in a national forum and had recognised the National Union of Mineworkers. But union representatives were unhappy about hidden discrimination in that some allowances were only paid to white employees.

■ Palabora Mining paid the second highest minimum wage in the mining industry (R1 225 a month) and had helped to build houses and electrify the Namakgale township at Palabora. But the union was concerned at low wages paid by sub-contractors and at the way houses were allocated.

■ Southvaal's minimum wage, at R617 a month, was low considering working conditions in the gold mining industry, said Unity.

In all, 22 companies were approved by Unity and the CGF's portfolio contained 17 shares at the end of June though liquidity was still high at nearly 70 percent.

Total assets amounted to nearly R45 million with the bulk of investments coming from provident and pension fund cash flows.

A decision to sell off some City Lodge stock was not based on social criteria but on the share's performance, Ms Barendilla said.

Chairman Anthony Asher said in his report that the fund's performance compared satisfactorily with the rest of the share market and with other unit trusts, posting a 16,3 percent return in its first year of operation.

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...AND TOMORROW

Lift clubs: remember your insurance

Brake on consumer spending — but luxury car sales race

John Cleese: a management guru with a difference

TO LET

No more back-pay for pensioners

Sowetan 7/8 - 11/8/93

300

By Rehana Rossouw

PENSIONERS receiving funds from the Department of Health and Welfare in the House of Representatives (HoR) will from next month no longer be receiving back-pay.

According to a confidential memorandum issued by the department's head office, the HoR is changing the way the funds are administered.

Previously, the Pensions Act stipulated that pensions were granted with effect from the first day of the month in which it was applied for or two months after the applicant turned 60.

But, according to the HoR memorandum, the pension can be granted at a later date if "circumstances necessitate it".

The memorandum said that at a meeting in April attended by regional directors it was decided to stop payments of backdated monies owing to pensioners.

The memorandum said "it is therefore brought to your attention that no back-pay will be calculated for all new applicants before 1 September 1993".

However, a spokesperson for the Department of Health and Welfare, Mrs Sonja Blignaut said pensioners would not be disadvantaged by the new procedures.

"Whereas a pensioner previously had to wait for six to nine months for social back-pay, he qualifies for emergency relief immediately, which is replaced when the pension becomes payable," Blignaut said.

Join the South Commuters

Black pension rise is effective from August

Staff Reporter

THE Cape Provincial Administration (CPA) yesterday cleared a misunderstanding surrounding the pending increase of black social pensions.

After a number of pensioners asked the Cape Times why they had not yet received their first increase, a CPA spokeswoman said increases were due in the next pension payouts in early August.

She said pensions received at the beginning of July were for June and were the last at the old rate.

The government announced in the March budget that black pensions would increase by 5% from July 1, and that from September all pensions across the colour spectrum would increase by a further 7,5%.

More 'pure' investment vehicles in the pipeline

CT 22/7/93

By GRETA STEYN and MAGGIE ROWLEY

MAJOR financial institutions, banks, stockbrokers and consultants are working on a number of "socially responsible" investment vehicles that offer an acceptable return to investors.

The union-controlled board of the Community Growth Fund (CGF), Unity, is planning to launch a second socially responsible fund to complement the CGF, a Labour Research Service discussion paper has disclosed. The paper was released at the ANC's conference on foreign investment this week.

The Community Income Fund (CIF) will be managed by Old Mutual if the union movement gives its go-ahead to the plan.

The funds flowing to the CIF will be invested in bonds which help the development of black communities. The CIF could invest in electricity bonds, or bonds for the provision of water, or infrastructure. Such investments would comply with normal investment factors, but would also contribute to community development.

The CIF will draw on the 25% of retirement funds that cannot be invested in equities in terms of prudential requirements. These funds have to go into fixed interest investments.

Another investment vehicle on the drawing board is Simpson McKie's proposal for $5bn capital guaranteed 12-year equity participation loanstock, issued by a trust that was credible to foreign investors.

About 53% of the inflow into the fund would be invested in 12-year Eurodollar Zero Coupon stock which on maturity would ensure capital repayment.

The balance of the funds would be invested via the financial rand in community development projects and venture capital projects geared towards fulfilling criteria of black empowerment and job creation. As income and capital returns from these investments are received by the trust, these will be distributed to investors.

● Meanwhile, Old Mutual unit trust manager Selwyn Feldman said yesterday that while repurchases had increased to R632m last year the positive net inflow into Old Mutual unit trusts had topped R300m.

He said gross sales had neared R900m per year for the past three years and while repurchases had increased these had not reached the "alarming levels" seen after the 1987 crash.

"What is important is the ratio of repurchases to asset base. Old Mutual trusts are running at about 15% which is marginally below the industry average and indicates that people are staying in longer.

The right reasons

"It would appear that while repurchases have increased people are taking their money out for the right reasons — they have saved up for something and five to seven years later they now need the money for that purpose."

In spite of the recession, Old Mutual's seven unit trusts had attracted 70 000 new investors in the past 12 months and the number of account holders was expected to breach the 500 000 mark soon.

Old Mutual unit trust assets — which have trebled in the past five years — passed R4bn for the first time last month.

Feldman said Old Mutual was likely to launch additional unit trusts over the next two years.

Trade union fund shows slow growth

w/mail 16/7 - 22/7/93.

By MONDLI MAKHANYA

THE trade union controlled Community Growth Fund (CGF) learnt a hard lesson in social investment in the past year, when it missed out on the gold price surge.

The CGF reported mild growth for its first year of operation, posting returns of 16,3 percent, just above the rise in the Johannesburg Stock Exchange's All Share Index, which was 15,4 percent.

The fund invests in companies which meet the investment criteria set by Syfrets fund managers and the trade unions' social responsibility criteria.

But, as mining companies are perceived by the unions as being among the most conservative employers in industry, they have not met the social responsibility criteria.

Hence, the fund's missing the gold rush which so many other funds joined. But this may change in the coming year.

"We are going to be approving some gold companies soon," says Labour Research Services' Mark Anderson.

Six new companies were approved in the past six months, bringing the total in the portfolio to 17. Nine others are currently being studied.

While there was some scepticism in union ranks last year, Anderson says the CGF has greatly improved since then.

"Presentations have been done to shop stewards and many actually ask why we are not approving a greater number of companies," he says.

CGF Management Company's Anthony Asher adds that it is the corporations rather than unions who are increasingly sceptical of the fund.

"It involves the empowerment of unions and they therefore feel threatened," Asher says.

The CGF — now worth R45-million — certainly has no shortage of cash to invest, only avenues.

Union pension funds pump between 10 and 20 percent of their cash flow into the fund every month.

Relief for unpaid Cape pensioners

Staff Reporter 300 ARG 15/7/93

THOUSANDS of unhappy Peninsula pensioners who were not paid this month because of a House of Representatives computer error are about to become happy pensioners.

"Because it's our mistake we have already instructed officials to identify errors and call the pensioners in for social relief," said apologetic deputy-welfare director Mr Errol Hess.

And the relief would not be deducted when the computers came back on line next month, he said.

"Firstly, I must apologise to the pensioners for the inconvenience.

"In the event of any beneficiaries being short of money, they can go to the Wynberg office to apply for social relief."

In the meantime, the Wynberg office would identify errors and call the pensioners in.

Social relief varied from a R21 food voucher a week for single pensioners, to R688 a month for married couples with four children.

TERS P 16 RACING P 18 SPORT P 18 P 19 P 20

Syfrets' community growth fund up 16,3%

CT 13/7/93 300

Business Staff

SYFRETS' Community Growth Fund — the socially responsible unit trust launched in June last year — achieved a rise of 16,3% over the 12 months, beating the All Share Index which rose by 15,4%.

The income distribution for the six months to June was 4,83c a unit, bringing the total for the year to 11,71c a unit.

The fund has added six new companies to its portfolio in the course of the year. They are the Premier Group, Foschini, De Beers, Southvaal, Palabora and Trans Natal.

To date 22 companies have been approved as suitable for the fund to invest in and 19 are currently being assessed.

Syfrets, which manages the portfolio, reports that strong cash flows towards the end of the year resulted in the fund more than doubling in size to just under R45m.

The strong cash flow raised liquidity to 70%. Syfrets' intention is to raise equity exposure by buying carefully selected stocks at times of market weakness.

Happy retirement — now give us your house!

South 10/7 - 14/7/93

By Shannon Neill

PEOPLE who have accepted a "voluntary" retrenchment package offered by Spoornet have discovered that they stand to lose the houses they bought from the company.

The retrenchment letter states that workers have the right to either stay or go, and that if they go they may "stay in the company house for a maximum of six months."

Mr Mogamat Matthews, 59, worked for Spoornet for 15 years. When he accepted the retrenchment package his pension of R26 333 was automatically paid into his housing loan. His house in Lentegeur cost R39 000.

"I thought my pension would be enough to pay off the house. They never said there would be a problem," commented Matthews.

Having accepted the package, he was informed he had six months in which to pay the outstanding balance of R10 798, otherwise the house would be sold.

Matthews said that the houses did not belong to the company because they are bought by the employees.

Housing Manager of Transnet, Mr Jan van den Berg, said: "These employees have a contract with the housing department that if they ever leave our employment they have to pay their loans.

"If they can't get a bond elsewhere, they have to sell to pay their debt. (335)

"We will assist them in selling their houses and will give them the balance, after settling the outstanding amount."

In response to the proposal that employees be allowed to pay off their loans, Van den Berg said, "We are not a building society that we can assist them in paying off their loans." (300)

Matthews, and others in a similar position, say they did not understand the terms of their housing agreements and would never have accepted the retrenchment packages if they had realised it would mean losing their homes.

Before he bought the house in 1989, Matthews and his family had a nomadic existence, staying with relatives and friends. After an argument with his relatives Matthews and his family were forced to move out.

His wife took their two young children and went to live with her mother, and Matthews went to live in a mosque.

At this point he took out the company loan and bought his house.

"I don't want to sell my house, where will we stay? In the bush?" said Matthews.

"I could pay off the loan at R150 a month, but they want the money immediately. Where could I get this much money?"

Matthews is seeking legal advice from the Legal Resources Centre in Cape Town.



NOT GIVING UP: Mr Mogamat Matthews and his wife, Salama, with their children outside the home they are fighting to keep Pic. Yunus Mohamed

Homes for aged a priority — minister

Political Staff

OLD-AGE homes for coloured people are to be built in Lotus River, the Strand and Mitchell's Plain in an attempt to address the lack of housing for the aged, said coloured Housing Minister Gerald Morkel.

Opening Mandolin Square Place in Retreat yesterday, he said old-age homes would also be built in Oudtshoorn, George, Dysselsdorp and Mossel Bay.

"This type of housing is one of the priorities of my department."

Mr Morkel said the complex represented a new thrust in the provision of housing for the elderly.

"We owe our senior citizens a decent environment where they can enjoy retirement."

Social and physical security would be provided at Mandolin Square, which was built at a cost of R2 million to accommodate 64 residents.

Pensioners demand their homes back

By GEORGE MAHABEER

WHITE pensioners have joined more than 100 Indians in demanding the return of property expropriated under the Group Areas Act.

The claimants are former residents of the Durban suburb of Bellair and their applications will be decided by the Advisory Commission on Land Allocation.

Retired motor spares parts manager Allen Sydney Bodil, 70, is now renting his own home from the government.

He was paid R31 500 for his three-bedroom house, which had a garage and pool.

Mr Bodil said he would gladly return the money to the government.

"They took away my house in Ratcliffe Drive in 1981 and since then I have been living in it as a tenant at R150 a month.

"It's a reasonable rent but, by the same token, the amount they paid me for the house was small. I could have sold it at a higher price."

The commission, chaired by Mr Justice SW McCreath, will hear evidence at a public hearing at the Arena Park Regional Hall, Rose Height Road (Road 604), Unit 6, Chatsworth, at 9am from Tuesday to Thursday.

Most claimants will be represented by Durban attorney Mr Rowley Arenstein who has been instructed by the Victims of the Group Areas Act committee.

The commission has advertised details of 202 properties in the Bellair area calling on previous owners to claim them.

Committee chairman Mr Celvan Naiken said more than 100 claims — mostly from Indians — had been lodged.

"In their greed for land power, the former Community Development Board expropriated almost 30 properties from white owners in an area which had been declared white.

"Six homes expropriated in Ratcliffe Drive are still standing and are occupied by tenants," he said.

Mrs Florence Vechranges, 80, whose house was bulldozed, said: "The government paid me R27 500 for my house. I am now demanding compensation."

Dismay as sick bay goes

Star 7/7/93

By Jacqueline Myburgh

Residents at Casa Mia Villa old age home in Berea will no longer receive 24-hour medical care, in line with the Johannesburg City Council's policy to "rationalise all services", a letter to residents says.

One elderly resident, who did not want to be named, said yesterday all the people living in Casa Mia were "very upset" about the closure of their sick bay, since a lot of them needed frail care.

She and about 180 other residents were informed this month that the 24-hour medical facility in their complex would be scaled down and finally closed at the end of September. Thereafter the elderly will receive primary health care at a clinic to be established next door to the home. (800)

"Many residents can't take care of themselves," The Star's source said.

"What happens in the middle of the night, when someone is ill?" she asked.

The city's Community Health Director, Dr Eric Buch said, however, the sick bay in Casa Mia had been under-utilised.

A new clinic in Berea would be more cost-effective since it would provide health care to all the elderly in Berea and Hillbrow.

Buch said no other municipal old age facility had a sick bay and in these homes a caretaker would call an ambulance or relatives when an emergency arose.

He said no local authorities provided frail care facilities since this was considered a State responsibility.

Students help pupils to catch up for matric

Star 7/7/93

The National Education Coordinating Commitee (NECC) has teamed up with University of the Witwatersrand under-graduate students in its attempt to assist black matric pupils catch up for lost time.

Organised under the Students' Teaching Education Programme (Step), the Wits students have arranged extra tuition for township pupils attending Department of Education and Training schools on the Reef.

The students have initiated programmes ranging from Saturday classes to a recently launched winter school.

Isack Mosiane, a tutor at Step, said yesterday his institution had expected thousands of pupils to flood the classes but only 300 had registered so far.

"We can accommodate many more pupils," he added. — Staff Reporter.

Spread of deadly virus set to erode pension funds

Steer 10/7/93

200

DEFINED benefit funds will be more greatly affected than defined contribution funds — but none will escape unscathed, writes Old Mutual's CHRIS NEWELL.

THE World Health Organisation estimates that between 10 million and 12 million people worldwide have the Aids virus and that one in 40 adults in Africa is infected.

The disease, far from being a "homosexual disease", affects the whole of society.

Statistics derived from Aids cases recorded in South Africa between December 1990 and June 1992 showed a 38 percent increase in incidence among homosexuals, a 153 percent increase in the paediatric group and a 216 percent increase among heterosexuals.

Although projections vary, it is widely accepted that at least 20 percent of South Africa's population will be infected by the year 2000.

The effect of this on the cost of a defined benefit fund can best be illustrated by adjusting the actuarial assumptions of a typical defined pension fund to reflect a future scenario in which about 25 percent of the population is infected with Aids.

The cost of providing pensions and refunds to members will drop slightly from 5,5 percent to 5 percent of the salary bill as fewer people retire from funds. However, as the death rate increases, so will the cost of group life assurance.

Costs will rise from 1 percent of salary bill to 3,5 percent — a dramatic increase. Spouses' and children's costs will also increase as more benefits are paid. The increase will be from 3 percent of salary bill to about 6 percent.

Disability benefit costs will increase as the life expectancy for an individual who has developed full-blown Aids is roughly 18 months. Putting it all together, the cost of providing benefits under this scenario will increase by 50 percent, or from 10 percent to 15 percent of salary bill.

We now turn our attention to the implications for defined contribution provident funds. Under such schemes the risk is carried by members, who are entitled to their share of the worth of the fund.

Members who reach retirement will be only slightly worse off if one assumes that the real rate of return on contributions will be slightly less (because of the effect of Aids on the general economy).

For the increased number of members who die young, only the value of their contributions will be paid on death.

The overall cost increase for the employer, who is responsible for the cost of any risk benefits offered by the programme, will be more than for a defined benefit pension fund since the employer will no longer benefit from the reduced contributions in respect of the retirement benefit.

Where the employer is responsible only for a contribution rate for retirement and risk benefits, he is not directly at risk of incurring any rise in costs. Members would receive lower benefits on death or disability.

If projections become reality, Aids will affect us all. The extent will depend on the measures we take now to contain the problem. The key is to prevent the disease spreading, and education is the only long-term solution to this.

We therefore urge funds to implement effective education programmes, as we have done at Old Mutual, to secure the future of their employees as well as the country as a whole. There are many, including ourselves, who can assist with such programmes.

● *The above is a summary of a paper delivered at a retirement funding conference held earlier this year.*

Different, but much the same

DIFFERENCES BETWEEN PENSION AND PROVIDENT FUNDS

	PENSION FUND	PROVIDENT FUND
Retirement benefit	Must be in the form of a regular income (pension), except that up to one third of cash value of pension may be taken as a cash lump sum.	May be paid as a lump sum. Part or whole of the lump sum may be used to purchase a pension.
Normal retirement age	No legislated age.	If retirement takes place before age 55 (males) or 50 (females), a lump sum benefit is taxed as a withdrawal benefit (more onerous taxation than retirement benefit), unless: (a) employee is retiring because of ill health or (b) the Commissioner for Inland Revenue agrees to tax the lump sum as a retirement benefit.
Post-retirement death benefit	Any post-retirement lump sum death benefit is restricted to R2 000.	No restriction on size of post-retirement lump sum.
Tax deductibility of employee contributions	Employee's contribution tax deductible up to certain limits.	No tax deductibility of employee contributions.
Disability benefits payable on permanent and total disability	Must be paid in the form of an annuity (normally for at least five years).	May be payable in the form of a lump sum or an annuity.

Source: Southern Life.

SIMILARITIES between pension and provident funds include the following:

☐ Both types of funds must provide retirement benefits.
☐ Retirement benefits may only be provided for retired employees.
☐ Both types of funds may provide death and disability benefits.
☐ Employees may be categorised (for example, according to occupation, sex, marital status) under either type of fund for determining:
- eligibility qualifications;
- contribution rates by employer and employees;
- normal retirement benefits;
- death benefits;
- withdrawal-from-service benefits;
- retrenchment benefits.

☐ Alternatively, all employees may be subject to the same conditions.
☐ Rules must be written, specifying the above eligibility, contribution and benefit conditions.
☐ The rules may subsequently be amended.
☐ Both types of funds may use the defined-benefit (also known as "final salary") or defined-contribution (also known as "money purchase") method of providing retirment benefits.
☐ Both types of funds may be "privately administered" or "underwritten".
☐ The investment income and capital appreciation of both types of funds are exempt from tax.
☐ Employers' contributions to both types of funds are added and their tax deductibility is limited to a percentage of salaries.

OptiPlus tackles inflation

OLD Mutual has launched a new group retirement product, Pension OptiPlus, which the company regards as being the first to take into account recommendations of the Mouton Committee.

Old Mutual GM: Employee Benefits Garth Griffin says the product is designed to provide pension trustees and fund members with greater flexibility.

He says that the product's main aim is to counter the effect of inflation on pensions. He notes that the Mouton Committee recommended that employers and employee bodies should negotiate the design of fund benefits as well as their financing in order to allow for inflation-adjusted pension increases.

OptiPlus achieves this by using a portion of the retiree's capital to guarantee a defined benefit pension.

The remainder of the capital amount goes towards a "profit participation" scheme which would generate an annual pension bonus increase, Mr Griffin says.

He notes that the assets of a fund will be managed on a "separate pools" concept, thereby removing the problem of allocating fund surpluses.

"If the trustees take advantage of the individual option they can allow the retiree flexibility in terms of the size of the initial pension and the level of profit participation which determines the increases."

Speaking at the launch of OptiPlus, Professor Mouton said that although retirement funds had become more aware of the need to provide pensioners with some protection against inflation, "on the whole I think it is fair to say that the level of increases granted still implies that pensioners, on average, continue to be seriously exposed to inflation's effects".

Prescribed assets as a means of milking

COMMENTATORS have speculated that a future government is likely to consider the R20bn-a-year retirement industry as a ready and immediate cash cow to solve the country's social funding problems.

The implications of this for contractual investors are immense, particularly in light of SA's high inflation rate, financial advisers say.

Their greatest concern is that a future government will reintroduce the dreaded "prescribed asset" requirements which, prior to 1989, determined the industry's investment criteria, resulting in over 50% of fund assets having to be invested in under-performing government stocks. Such a step will have a detrimental effect on the capital appreciation of pensioners' assets.

Financial Services Board (FSB) deputy executive officer André Swanepoel says that prescribed investment could once again become a "issue on the table for discussion".

He adds that, although there is no guarantee that prescribed investment will not be introduced into legislation, "the FSB would advise against reintroducing at the levels which were previously in place".

Mr Swanepoel says that if prescribed investment were reintroduced, it would not be advisable at more than 10% to 20% of industry assets.

The retirement industry is, however, confident that a future government will act responsibly on the issue of prescribed assets. The industry also recently launched the Investment Development Unit (IDU) to identify "safe" socially orientated investment projects through which funds could invest on a voluntary basis.

IDU GM David Geary says all of the major political parties were kept informed with the forming of the IDU, "and we have not received any negative response".

Through the IDU, the industry invested roughly R500m in May this year in an Eskom township lighting project. Other major social investment projects include the Collatorised Housing Investment Paper (CHIPS) scheme.

Mr Geary points out that the Eskom project worked extremely well, receiving strong participation from the industry: "As a result, I don't see any future problems arising from lack of industry support. Also, the industry is well aware that if this initiative is not supported, prescribed investment will inevitably follow."

The major obstacle standing in the way of increased voluntary investment in social upliftment is the lack of quality projects, according to Mr Geary.

Liberty Life MD Dorian Wharton Hood says that the success of such investment might depend on the introduction of innovative investment instruments, perhaps involving government guarantees on returns fetched.

"Our first priority must be toward the policyholder, to protect his investment and ensure that returns on investment are market related."

Mr Wharton Hood notes that the forming of the IDU demonstrates the industry's sincere objective of finding a "tangible means of investing in socially related projects on a voluntary basis. We are very anxious to see that the IDU is a success."

Gerard Ehmke, Fedlife's head of marketing and president of the Institute of Life and Pension Advisors, notes that progress is being made daily.

Furthermore, he adds that a future government is unlikely to act irresponsibly on the prescribed asset issue, "you just have to look at the present financial problems of the State-owned pension funds to recognise the dangers of investing in under-performing assets".

Bearing in mind the vast sums of labour union pension monies handled by the industry, Mr Ehmke says a future government will come under extreme pressure against any attempt which could jeopardies these funds.

Industry still in the dark over tax

THE release last year of the Government-sponsored Jacobs report, which raised the possibility of greater taxation of retirement contributions, raised major concerns for both the retirement industry and pension-fund members.

Although the subsequent release of the Mouton Commission's findings settled these immediate fears, pension members are still in the dark as to whether their pensions will be safe from future tax legislation and if existing tax incentives on retirement provision will remain in place.

Sources close to discussions between the pension industry and the Tax Advisory Committee say that, although the current tax incentives on retirement contributions will probably remain in place, increased taxation of benefits can be expected. It is unlikely, however, that this will affect funds enjoying the protection of "vested rights".

The government is expected to raise roughly R5,5bn a year in additional tax revenue from the pension industry, largely by scrapping the present "tax-free" treatment of the one-third cash benefit which can be withdrawn from a pension or provident fund at the time of retirement.

Sources say it is still unclear when such legislative tax changes will be introduced. However, Life Offices Association (LOA) director Jurie Wessels says the issue can only be addressed once the present tax inequalities between State and private pension funds have been settled. Financial Services Board (FSB) deputy executive officer André Swanepoel says this will probably take a number of years.

Absa Consultants and Actuaries managing director Ben Solomon notes that the authorities seem to have accepted the principle that it will not be possible to have private retirement provision unless the State provides adequate tax incentives.

"We believe that because of the vast number of people who are currently making retirement provision by means of contractual savings that a new government will not remove these incentives entirely. It is possible that a limit may be placed on the level of the incentives."

TYPE OF BENEFIT					
FEATURE		EMPLOYEE		EMPLOYER	
		ADVANTAGE	DISADVANTAGE	ADVANTAGE	DISADVANTAGE
Defined Benefit	Pension is a % of final salary	• Certainty of benefit linked to final salary • Group approach	• Poor withdrawal benefits • Complex benefit structures • Compulsory membership • Control and surplus in hands of employer	• Loyalty of staff	• Open-ended risk in company's hands
Defined contribution	Fixed contribution	• Simple concept • Greater employee involvement • Avoids uncertainty of future pension increases • Individual approach • Surplus vests in employee	• Risk of benefit in employee's hand • Factors which influence this risk are — inflation — investment return — cost of benefits — taxation	• Outlay known • Simple concept	• Might be called on to "help" employees in scenario of high inflation, low investment returns, high cost of benefits or increased taxation.

Source: Commercial Union

Despite the uncertainty in the market, he adds that, "it would be foolish to stop providing for old age or stop making use of the incentives that exist at present in anticipation of what may or may not happen at some future date".

Chris van der Walt, manager at Norwich Life and a member of the Institute of Life and Pension Advisors (ILPA), notes that the current industry-Government discussions cover far broader changes than the tax issue. He says that, based on the Mouton Commission's recommendations, the retirement industry is pushing for the introduction of a "single retirement" group scheme as opposed to the current situation of three types of schemes of pension, provident and benefit funds.

A pension or provident fund is generally the accepted form of scheme which companies utilise for their employees. Although both types of fund serve the same purpose, there are a number of discrepancies between the means of payment of the end benefit and tax treatment of contributions and benefits. (See table below.)

Mr Van der Walt explains that the single fund — to be called a "retirement fund" — will level the current differences, making for a more manageable system. "A single-fund approach will greatly reduce the red tape involved and provide a clear definition on the taxation of retirement funds. We need to have a uniform set of rules."

In general, the retirement industry seems in favour of the Mouton Committee's recommendations, particularly with regard to the introduction of a single-fund system. It also, by and large, supports the concept of reducing the present tax-free allowances on early withdrawals and one-third lump sum benefits, thereby enhancing the attractiveness of income-providing funds.

Old Mutual assistant GM employee benefits Chris Newell says that compulsory preservation of retirement benefits, "as a mechanism to ensure that all citizens have adequate retirement capital", has always been a vexed issue for the industry.

He adds that, "an area of particular concern in the retirement industry has been the extent to which retirement assets have been paid out to members when they leave a fund as a result of resignation or ret[i]rement". He notes that a study taken by the Mouton C[ommittee] shows that less than 10% of [those] withdrawing from a fund [transfer] their benefits to another fund.

As a result, Old Mutual [believes] there is sufficient grounds for [introd]ucing a single fund based [on the] following criteria:

- ☐ Fully commutable pensions;
- ☐ Appropriate taxation of wit[h]al benefits;
- ☐ Tax neutrality between [lump sum] payments and pensions;
- ☐ And, if the Government [wishes to] encourage a particular form of [benef]it payment, namely pensions [instead] of lump sums, then the tax [system] should be structured appropri[ately].

Sanlam GM group benefits [Fran]cois Marais says he is also in [favour] of a single fund: "It is high [time] the unproductive, artificial [and] sometimes discriminatory [distinc]tions between pension and p[rovident] funds are eliminated. In place [there] be a comprehensive new type [of] tirement fund with uniform [contri]ments and benefits in which [all] one can participate."

Although a single reti[rement] scheme will provide numerous [bene]fits, it is also likely to re[move] flexibility presently enjoy[ed by] provident fund members.

The current system enables [provi]dent fund members to claim [the] entire benefit at retirement — [which] is taxable above the R120 [000] free allowance — as opposed [to pen]sion funds, which offer [members] same R120 000 tax-free sum [and] the remainding benefit is [paid] monthly income. A member [joining] under the new single fund [system] may not be provided with the [option] of claiming the entire benefit. The new fund is expected to [focus] on an income-providing [benefit] with a limited lump sum [option].

However, with the differ[ences] tween pension and provident likely to be eliminated, ABSA [Consul]tants and Actuaries manager [of] cal services Mike Elliott [says] that the means of funding [the] retirement funds should [be] dressed by employers and [employ]ees' bodies.

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Good ending built on an early start

Planning for retirement is an exercise that all South Africans should contemplate — preferably each and every year. **SEAN VAN ZYL** looks at the issues individuals should consider when investigating life assurance, pension and provident funds and the challenges facing the industry's managers.

A BUSINESS TIMES SURVEY

ALTHOUGH "career building" has become the apex of our daily lives, retirement planning tends to take a back seat in our priorities and is perceived as 'tomorrow's problem".

However, according to life assurance companies, roughly 90% of people retiring, who may well have been highly successful in their careers, will spend their remaining free years without proper financial independence.

Furthermore, the problem of inadequate preparation for retirement is compounded in South Africa where the state social security system, particularly regarding care of the aged, is hopelessly inadequate.

The Government, through tax incentives, has pursued a policy of encouraging individual saving for retirement. Life assurers point out, however, that these incentives have been neglected by the public, largely due to a misconception that "the company pension fund will take care of my retirement".

However, industry statistics show that the average individual with 25 years' service at a company will receive a monthly pension of only 50% of final salary.

Bearing in mind inflation running at around 10% year on year, this amount would be further halved within seven years. Liberty Life legal and technical marketing manager Helita Mankowitz says that as a result of this 78% of South Africans are forced to continue working after retirement age.

Johannes Jordaan and Magnus Heystek's updated guide on "How to Plan for a Happy Retirement" highlights the importance of early planning:

"Retirement planning is like planting a tree. The sooner you plant the tree and the more water and fertiliser you feed it the bigger it will grow." The authors also note that life expectancy through improved health care has been steadily rising — a man retiring at age 60 is likely to live for another 15 years and a woman for 19.

Michael Belling, a member of the Institute of Life and Pension Advisors (ILPA) and senior manager marketing of Sage Life, says although most people have cover in case they die, the majority have not prepared adequately for when they are alive.

"Living too long is no less important than dying too soon," he says.

Belling also emphasises the cost of delay in supplementary saving for retirement.

"On a R100-a-month contribution to a retirement annuity, a delay of only one year for a 40-year-old could cost over R140 000." A delay of four years could result in the same individual retiring with less than half of the amount he might otherwise have earned.

Southern Life assistant GM marketing Dave Johnson notes that "retirement planning" is far broader than merely setting aside a certain amount of current income for retirement. He says people have different needs in their retirement and therefore their approach to preparing for the time would differ from individual to individual.

Johnson says retirement planning should also be regarded as part of the individual's total financial planning. "So even the 22-year old paying off his student loan could be regarded as planning for retirement as he is clearing a debt now to enable him to start investing earlier."

He notes, however, that a well-structured financial plan, preferably prepared sooner rather than later and based on the individual's resources versus future expectations, is crucial in achieving a happy retirement.

Liberty Life's Mankowitz highlights a number of issues which should be taken into account when planning for retirement:

- ☐ What will it cost to continue living in the style you are accustomed?
- ☐ Have you considered other potential liabilities, namely tax or estate duty?
- ☐ Have you provided adequately for your family in the event of death?
- ☐ Do you have a properly documented, and recently reviewed, will and testament?
- ☐ Do you have adequate health cover?
- ☐ Do you have sufficient funds for emergency needs?
- ☐ Will there be amounts outstanding on your mortgage bond?

Mankowitz notes that there are numerous investment vehicles, from whole-life policies to pure investment options, available to cover these requirements.



Factors that wreck savings

FINANCIAL advisers say risk, inflation and tax are the three most important issues affecting long-term savings.

Due to time pressure and limited cash resources, the average salaried person is normally restricted to proven investment vehicles, like saving deposits, unit trusts, endowment policies and retirement annuities (RAs).

While an investment in interest bearing stocks tends to provide the maximum level of financial security, based on historical performance, this form of investment seldom provides an inflation-beating return over the long term.

Even the net returns provided through "inflation-beating" schemes vary due to the tax treatment of the initial investment.

Sage Life senior manager marketing Michael Belling notes that the potential risk with these investments varies greatly: "Generally speaking, the higher the risk, the higher the potential return."

Mr Belling stresses the importance of tax planning. Although the first objective in structuring an investment portfolio should be to achieve the highest income attainable, making them as tax efficient as possible should also be taken into account.

Sanlam marketing actuary Jacques de Villiers notes that a working, married couple can now increase deductible contributions to a RA by at least 50%.

"Should both join an RA fund, both will be entitled to a deduction and both will have their own tax concessions at retirement."

Who pays the ombudsman?

AMONG amendments to the Pension Fund Act to be recommended by the Financial Services Board (FSB) next year is the appointment of a full-time retirement fund ombudsman.

FSB deputy executive officer André Swanepoel says that the FSB acts as government's watchdog, but "with over 1 500 pension funds in SA, it is inevitable that disputes will emerge between the various parties concerned.

"In accordance with the recommendations of the Mouton Committee, we feel it has become necessary to appoint an ombudsman to investigate and settle such differences."

The FSB handles around 2 000 member complaints a year, of which 35% are disputes with retirement funds. Mr Swanepoel notes that the greater proportion of complaints arise from members' misunderstanding the workings of their funds.

He says: "There are two schools of thought regarding the ombudsman, namely an ombudsman purely operating by way of negotiation and persuasion and that the ombudsman should have the same powers as a special court.

"The FSB supports a combination of these two views in that a determination should be by way of mediation and that the deliberation of the ombudsman should be binding on all parties concerned, subject to the right of appeal."

The FSB has also proposed that the ombudsman's office should be financed by levies raised on all pension funds and that the person concerned should be appointed by the Minister of Finance.

He notes that the retirement industry has not been fully supportive of this proposal, claiming that the appointment should be the responsibility of the industry. The retirement industry also feels the ombudsman should only act in an advisory capacity.

Life Offices' Association (LOA) executive director Jurie Wessels notes that the industry has a life ombudsman: "Although the office does not have legal powers, most queries are handled successfully."

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SOCIAL SECURITY_ PENSIONS & Care OF the AGED

1994

Guguletu to get a home for the aged

MAGGIE ROWLEY
Property Editor

300
CT5/11/94

THE Cape's first old age home in a township is to be built in Guguletu at a cost of R5,5 million by the South African Council for the Aged in association with the Phumlani Association for the Aged.

After 15 years of planning, work on the site begins next week and is due for completion in December.

To be known as the Phumlani Home for the Aged, the home will provide accommodation for 122.

It will also provide day centre facilities for elderly people from the surrounding area.

The centre, which will include a kitchen, sickbay, dining and laundry facilities, will be built by construction firm Stocks Housing.

Ms Wil Bryan, deputy director of the council, said the government had provided a low-interest loan. Subsidies per resident would be provided by the CPA.

She said residents would have to pay two-thirds of their state pensions to help cover running costs.

Mr Johan Kriek, managing director of Stocks Housing (Cape), said all labour for the project would be drawn from the local community.

Buoyant 29,34% return from CGF

Business Staff

THE socially responsible Community Growth Fund (CGF) which is controlled by seven major unions and managed by Syfrets Managed Assets put in a 29,34% return on a repurchase to repurchase basis for the 12 months to end December.

In the 18 months since the fund was launched by the unions, assets under management have grown to R70m.

Fund manager Guy Woolford said they had taken advantage of the weakness in the equity market in July and August, ahead of the run towards the end of the year, to increase the portfolio's exposure to the equity market from 32% to 65%.

He said considerable interest in the fund had been expressed by foreign investors following presentations being made by Tommy Olifant and Irene Barendila, a CGF director, to US and UK investors last year.

An income distribution of 8,86c per unit will be paid.

Tommy Olifant, chairman of Unity, the union controlled partner in CGF, said that the unions were delighted with the performance and were "proud that they had been able to prove that investment decisions and socially responsible actions combine well to provide excellent returns."

Cabinet accepts report on pension payments

PRETORIA — The cabinet has accepted recommendations to improve the situation at pensioners' pay points, the Department of National Health and Population Development said in a statement today.

The recommendations were contained in a report by a working group which investigated the payout system for black beneficiaries.

The implementation of a uniform pensions management system was the primary recommendation made by the working group.

The department said the working group had been appointed to investigate problems and shortcomings of the existing payout system.

The working group found the existing systems, which were not fully interlinked, to be inadequate.

To control expenditure effectively and to prevent double-payment, a link between the computer systems of the different role-players should be established, the group found.

The cabinet supported a recommendation that possible alternative methods of payment should be investigated. — Sapa.

Pensioners suffer inhuman treatment by corrupt system, report finds

B/Day 18/1/94 (300)

PRETORIA — The shambolic state of SA's multibillion-rand social pension system was made public yesterday in a report disclosing fraud, corruption, inefficiency, and inhuman treatment of pensioners and the disabled.

The working group report to Deputy Welfare Minister Glen Carelse detailed the system through which 2,6-million beneficiaries in SA, the TBVC states and self-governing territories received R9,67bn in annual payments.

A wide array of problems was discovered in virtually every area, from application procedures and methods of payment to physical conditions at payout points.

"The most critical problem experienced at pension payout points is that beneficiaries are required to stand in long queues of 300 to 400 people for extended periods of up to six hours awaiting their benefits."

At many of the 4 000 payout points, no water, toilets, shelter, chairs, medical facilities or transport were available.

A Mamelodi payout point supervisor complained to Carelse yesterday that critically ill patients, who were forced to receive their pensions in person, were

ADRIAN HADLAND

brought to payout points in wheelbarrows. It was not unusual for some to die while waiting in the queue.

The report said complicated and time-consuming application procedures "often lead to fraud and corruption by officials who take advantage of the ignorance of beneficiaries".

It said the priority was to unify the pension systems operated by provincial administrations, government departments, self-governing territories and pension payment agencies. A National Health official said this rationalisation could take more than a year.

The working group estimated that about R70m was needed to introduce a non-discriminatory uniform pension system. But Carelse said government could not make any financial commitment regarding the improvement of administration or facilities. "Provincial administrations will do it out of their own budgets, if they can."

Other findings were:

☐ The exploitation of pensioners and mugging were prevalent at payout points;

Pensioners

B/Day 18/1/94 (300)

From Page 1

English, so many were ignored or not understood and payments were suspended;

☐ Authorities were often not notified of beneficiaries' deaths, and some families continued drawing the pensions;

☐ District surgeons could not cope with the large volume of applications for medical reports and were not given sufficient guidelines to assess disability;

☐ Staff shortages badly affected services and some officials' negative attitudes were cause for concern;

☐ There was ineffective, and in some cases an absence of, control by senior personnel at district offices; and

☐ Inadequate facilities meant some payout teams in rural areas paid out pensions from car boots.

The working group, which was appointed in 1992, focused on the administration of pensions for blacks. It included representatives from provincial administrations, government departments, the Clearing Bankers' Association of SA, the SA Council for the Aged, the Black Sash and the Federal Council for the Disabled.

Sapa reports that National Health said the Cabinet had accepted the working group's recommendations.

☐ Officials often underpaid beneficiaries, who sometimes paid for places in queues;

☐ Beneficiaries were required to acknowledge receipt of their money before receiving it. "Due to large-scale illiteracy among beneficiaries, most do not know how much is due to them and this opens the system to corruption and fraud";

☐ Large amounts of cash were transported and kept in unlocked containers — more than R5m in one case;

☐ Notices that pensions were to be reviewed were issued only in Afrikaans and

☐ To Page 2

SA's pension chaos shown

CT 18/1/94 (300)

Own Correspondent

PRETORIA. — The chaotic state of South Africa's multi-billion rand social pension system was made public yesterday in a report that made disclosures of fraud, corruption, inefficiency and the "inhuman" treatment of pensioners and the disabled.

The disclosures were made in a working group report presented to deputy Welfare Minister Mr Glen Carelse yesterday.

It gives details of the system through which 2,6 million beneficiaries in South Africa, the TBVC states and self-governing territories receive total annual payments amounting to R9,67bn.

The working group, which was appointed in 1992 and includes both governmental and non-governmental members, focused on the administration of social pensions for black South Africans.

Problems were discovered in almost every area examined by the working group, from application procedures and methods of payment to physical conditions at pay-out points.

"The most critical problem experienced at pension pay-out points is that beneficiaries are required to stand in long queues of 300 to 400 people for up to six hours awaiting their benefits," the report said.

A Mamelodi pay-out point supervisor complained that critically ill patients, who were forced to receive their pensions in person, were brought to pay-out points in wheelbarrows. It was not unusual for some of these beneficiaries to die while waiting in the queue, she said.

Priority

The report noted complicated and time-consuming application procedures "often lead to fraud and corruption by officials who take advantage of the ignorance of beneficiaries".

While making many recommendations, the working group conceded the priority was to unify the different pension systems operated by the provincial administrations, government departments, self-governing territories and pension payment agencies.

One National Health Department official said this rationalisation could take more than a year. Mr Carelse said the government could not make any financial commitment regarding the improvement of pensions administration or facilities. — Sapa

Pension chaos, fraud revealed

■ STAFF REPORTER

A Government-commissioned report has revealed chaos and fraud in the R9,67 billion State pension system. Star

The Democratic Party said the report was proof of the National Party's failure to heed the plight of the aged. 19/11/94

A working group's report to Deputy Minister of Welfare Glen Carelse revealed shocking conditions at many of the 4 000 payout points where as many as 400 people often have to queue for up to six hours for their R371 old age pensions.

Problems ranged from iniquities in application procedures to exploitation of pensioners. A total of 2,6 million people collect their monthly payments at the 4 000 offices. (300)

Many of these points lack water, toilets, shelter, seating places, medical help or transport, the report said.

Complicated application procedures often led to fraud and corruption by officials who took advantage of beneficiaries' ignorance and illiteracy.

The working group estimated about R70 million was needed to introduce a non-discriminatory, uniform pension scheme.

'Better' pension system

South 21/11 – 25/11/94

THE GOVERNMENT has accepted recommendations to improve the situation at pensioners' pay points, the Department of National Health and Population Development said in a statement on Monday.

The recommendations were contained in a report by a working group which investigated the payout system for black pensioners.

The implementation of a uniform pensions management system was the primary recommendation made by the working group.

The department said the working group had been appointed to investigate problems and shortcomings of the existing pay-out system. The existing systems were found to be inadequate. (300)

To control expenditure effectively and to prevent double payment, a link between the computer systems of the different role-players should be established; the group found. — **Sapa**

Pensioners queue from 1am

South 28/11 – 1/2/94

300



LONG, WEARY WAIT: People queue in the blazing sun for hours to get their pensions and disabilty grants

SOUTH went to the Khwezi Centre in Guguletu where hundreds of people had been queuing to get their money, some from as early as 1am.
At 10am the Cape Provincial Administration (CPA) officials arrived and began attending to people.
By this stage a woman had had convulsions and another three people had fainted during the long wait.

Mrs BETTY ZUZILE works voluntarily at the ANC offices in Athlone. Her only income is from her grant.

"I'm coming here for my review. I came last week as well but they didn't attend to us. They were so rude.

"They said that we were rude to them and that we must come back on Friday.

"We were there from five in the morning on that day and then they just said to us we must leave and come back another day.

"We come here at five in the morning every Wednesday. Sometimes when we get to the front of the queue they say they're closed because it's 12 o'clock.

"Then we have no money, no food, nothing until we must try again the next week.

"They don't care about us. What if it was raining? They don't care. We must just stand and wait.

"Look how hot it is today. Already many people have fainted. But what can we do? Nothing."



Mr ALFRED NOREX, 67, and his orphaned granddaughter are surviving solely off his pension.

"This is the second time I'm standing here and I can't even get a chance to go in the yard.

"I came at half-past-seven this morning and I am still in the queue here at half-past-ten.

'My granddaughter's name is Pinky Johan and she hasn't got a mother or a father. I took her in when she was six months old and now she is 13.

"Her mother died after a long sickness. Then they stabbed her father when he was coming home from work.

"I am paying for her school books, food and everything. Yesterday the schools opened and I had to buy a new school uniform.

"My money is not enough but she must go to school."

Mrs MARY MAKAU, 63, is a widow who after two years is still waiting to receive her husband's insurance money.

"We come here, then they say we must wait for the next week. What must we do if we have no money?

"Since last year I have been coming here. I can't come every week.

"Always it's the same story. We wait and wait and then — nothing. "They must give me my husband's insurance and let me live my life and not always have to come here in the heat and the rain."

Mrs ZODWA MAGDELINE, 59, is trying to get a review of her case — she used to get a disability grant, but has been told that now she must get an old-age pension.

"They take my fingerprints, they make me sign the forms for review, then they tell me that I must renew it before February or else I will not get my R370.

"But what can I do? The doctor will not sign my papers because he says that now I am under the government. I was getting a disability but now I must get a pension.

"But the people of the pension do not give it to me because they say I am getting a disability.

"I came last Wednesday at six in the morning and then they didn't work. I came on Friday like they told us and they didn't finish. I came today again at six in the morning.

"I have no money, I'm sick, I have trouble with my heart and they make me come to this office since last year.

"These people make our lives very hard."

Mrs ANNE TSHONGWANA, 61, receives a state pension of R370. She is raising her granddaughter and has been trying for years to get a grant for the child.

"My daughter disappeared in 1986 in the fighting. We heard the fighting start one afternoon and she went out to see what was happening. I have never seen her again.

'She left her daughter who was then two-and-a-half years old. The child is now eight.

"I get my pension and we have always had to live on that. But now it's too little with the child at school. The money is not enough.

"I decided to get help and therefore I approached them (the CPA) for help.

"They said I must get a paper from the police. So I did that and I came here with the paper. They said they could not help me so I went back to the police station with the child.

"The police have sent me back here. I have been here since half-past-five this morning and I have still not been helped.

"This is not even the place where I get my pension. I have to stand in the queue for my pension at Athlone because I am coloured and then I have to come to this other office in Guguletu for the child because she is black.

"So much time waiting and queuing and still they have not helped me with the child."



Mrs MAGGIE MFEKELA, 54, has walked with the aid of a stick since her knee-cap was removed two years ago.

"I am here for my disability. I have been here since five o'clock this morning. Last week I came but they said I was too late — I came in at five o'clock that morning.

"I came so early but I was too late. I was in the queue all day and then I just had to go away. I had no money last week. I had to just borrow from other people then.

"I still am going to the hospital for treatments. I don't know what I will do if they say I must go away this week."

Mrs GRACE SIYATHI, 64, has been coming to the centre for the last three weeks trying to get her pension.

"The last two weeks I could not stand in the long queues because I have a painful knee.

"This time I told myself that I would stay here until I am attended to.

"I have been standing here since 3am this morning but I was only attended to at 11am.

"I was one of the first people to arrive but the civic officials took people from the back of the line and pushed them forward.

"The evil actions of the civic people are a recipe for conflict. They should stop their mischief before it's too late."

Mrs ANNA MLOMBO, 69, cannot walk without the aid of a stick.

"My knee became painful when I fell down in my home two years ago. I have been coming to the centre for a year to renew my pension grant. I had to wait for three hours.

"I don't understand why old people have to renew their pension as if they were sick people. There is no possibility that I could be young again, therefore there is no need for me to be put under the surveillance of the CPA."

ANC PROMISES BETTER DEAL

ANC social welfare policy co-ordinator, Ms Viviene Taylor, says the ANC's approach to social security and social benefits will directly benefit the poor and historically disadvantaged in South Africa.

"The ANC aims to transform the existing social welfare policies in a way that ensures basic welfare rights to all South Africans through an attainment of a minimum standard of living, prioritising those who have been historically disadvantaged.

"There will be a non-racial and democratic welfare system.

"The ANC is committed to securing the social welfare of all, especially the aged, by removing the problems of maladministration of social pensions at all levels, especially at the point of delivery.

"We will remove bureaucratic red tape that creates unnecessarily long waiting periods before pensions are approved."

CROSSTALK debates are presented in association with the Institute for Multi-Party Democracy, a non-partisan organisation not affiliated to any institute or political party. Its mission is to promote multi-party democracy, political tolerance and national reconciliation in South Africa.
For more information, telephone (021) 419-3680.

INSTITUTE FOR mpd MULTI-PARTY DEMOCRACY

Tokoza pensioners still not paid

Star 4/2/94

■ BY HAPPY NKHOMA

A march by armed hostel dwellers kept Tokoza pensioners from getting their pensions on Wednesday. Yesterday, "administrative problems" got in the way, and disappointed pensioners went home after a long wait — their pockets still empty.

As the pensioners stood outside the Tokoza Town Council offices yesterday afternoon, hostile youths and hostel dwellers taunted each other in the tense township.

Earlier in the day, pensioners had been bused to Germiston where they were to have received their money. The aim was to avoid the risks of the previous day, when pensioners fled the payout office as armed hostel dwellers protested nearby against the presence of SADF members. (300)

But only a few pensioners were paid at Germiston before they were told to wait for buses that would take them back to Tokoza, where the payout would resume.

Back in Tokoza, pensioners queued from about 11 am to 3 pm while the pension clerks did their paperwork. At 3 pm the payments began, but lasted only half an hour. The officials refused to work overtime.

■ The task group to oversee the peace plan to be implemented in East Rand townships would be operating soon, task group head General Jan van Loggerenberg said yesterday.

Fingerprint plan to iron out pension snags

(300)

VUYO BAVUMA ARG 12/2/94
Weekend Argus Reporter

■ The Cape Provincial Administration is investigating means to improve black pension payments.

THE Cape Provincial Administration is planning to introduce new fingerprint identification technology to improve payments to black pensioners.

The scheme will involve a biometric identification system that encodes fingerprints electronically and stores them in a data base.

It will be linked to the CPA's existing computer payment system which stores the names and identity numbers of pensioners as well as the amounts of their grants.

Automatic cash dispensers will be be installed in armoured vehicles.

At present, most of the 15 000 black pensioners in the Western Cape get their cash at 13 payout points in community centres.

At most of the payout points, pensioners have to queue in the open. The points lack adequate toilet facilities and seating.

Mr Andre Louw of the CPA said the finger-printing system was tested in Paarl in November last year and was positively received.

He said the scheme not only improved service, but eliminated frauds.

"By linking the system, it would be impossible to pay the wrong person or pay the wrong amount.

"For security reasons the system will be linked to an automatic cash dispenser to eliminate mistakes."

Some pensioners collected two grants because they had two set of IDs and this was very difficult to detect, he said.

Mr Louw said the CPA was consulting with community organisations about the new system.

"We are hoping to finalise the matter by next month and to look for tenders for the system. The alternative is to privatise the service."

Star 18/2/94

CGF's assets now top R70-m

■ BY JOHN SPIRA

The Community Growth Fund (CGF) now boasts assets that top R70 million, making it three times as big as it was a year ago.

The CGF was formed by a broad cross-section of trade unions, which influence its investment decisions.

Chairman Anthony Asher says CGF's 1993 return was 29,3 percent — well ahead of inflation of 9,5 percent in the same period.

"The good returns follow exceptional price gains on the JSE towards the end of 1993. It's a performance which was achieved while maintaining a relatively low risk profile.

"The exposure of only 65 percent to the JSE was counterbalanced by the better-than-average performance of the 23 companies in which CGF invested."

Tommy Oliphant, chairman of Unity Corporation, the union-owned company representing the seven unions



Tommy Oliphant . . . 29 companies approved.

in CGF, says Unity has now approved a total of 29 companies for investment by CGF; 11 have been rejected in terms of Unity's investment and social responsibility criteria.

Since June, six shares — Edgars, Smart Centre, Pick 'n Pay, Freegold, Samancor and Southern Life — have been bought for the fund by investment manager at Syfrets, Guy Woolford.

Sasol is one of the rejected companies, primarily because of its "poor industrial relations record". (29) (300)

On the positive side: "Considerable progress appears to have been made in skills-training for all levels of employees and the training compares particularly well with that of other companies. Unity will continue to monitor progress at Sasol."

Another to get the thumbs-down is Western Deep Levels. The mine's allegedly poor safety record is the reason given.

Oliphant says that apart from the companies approved and rejected, a further 12 reports on companies assessed were submitted to the Unity board in 1993.

"The board was unable to approve these companies, but believes that with certain improvements or progress in certain areas, a positive decision could be made. Several meetings have been held to present Unity's decision to management."

On the list are Hunt Leuchars & Hepburn Holdings, and Bidvest where discussions with Unity continue.

Interestingly, observes Usher, shares in the companies approved have outperformed those which have been rejected, strongly suggesting that enterprises with a social conscience perform better than those without.

At the end of December, 34,12 percent of CGF's portfolio comprised liquid assets and the remaining 65,88 percent JSE-listed equities.

Largest individual shareholdings were in De Beers (4,2 percent), Stanbic (4,24 percent), Southern Life (4,75 percent), Lenco (4,31 percent), City Lodge (3,99 percent) and Foodcorp (5,47 percent).

According to Woolford: "Areas of the SA economy which have been dogged by recession and under-utilisation of resources, such as the building, construction, cement and cable industries, in particular, will benefit from the emphasis placed on low-cost housing, electrification and the ANC's reconstruction policy."

Union-controlled fund shows healthy growth

BDay 18/2/94

ASSETS managed by the Community Growth Fund (CGF), a unit trust controlled by trade unions and launched in May 1992, grew to R70,3m in the year to December 1993 from R20m in December 1992.

CGF director and chairman of Unity, the union-controlled partner in CGF, Tommy Oliphant told a news conference yesterday the fund was "delighted" at the response from investors. Since the end of December another R10m had flowed into the fund and a R10m investment from a single provident fund was being finalised.

The CGF's policy is to provide a low-risk investment, particularly for provident funds. In view of this policy, the return of 29,3% for 1993 was "more than satisfactory", according to CGF chairman Anthony Asher. In the fourth quarter of 1993 the fund's rate of growth was 21,2%.

"We expect in the future when the market turns down that the fund will perform particularly well," Asher said.

CGF portfolio manager, Guy Woolford of Syfrets, said the reason the fund performed well when the market was weak was that it was invested in a highly focused portfolio, in companies with low gearing and predictable returns. It continued to grow by 0,5% in the first quarter of 1994 when the market had fallen by 10%.

In the year to December it was invested in 23 companies which met its investment criteria of social responsibility. Investments included a 6% weighting in De Beers, 6,4% in Standard, 7,2% in Southern Life and 8,3% in Foodcorp. Overall the fund was only 65% exposed to the JSE.

So far 29 companies had been approved for investment. Syfrets identified shares which met standards of financial strength, sustainable profit growth, strong management, asset backing and the ability to withstand currency weakness. Unity weighed an investment against social criteria such as job creation, quality of industrial relations, conditions of employment, training, equal opportunities for women and health and safety.

CHARLOTTE MATHEWS

Sasol was the 11th company rejected by Unity because of its poor history with unions, Oliphant said. BP

"They have now written to us and asked to set up a meeting to discuss problems between them and the workforce.

"Sasol will only be considered as an investment for CGF when Unity is sure that the company's practices are equal to the best in the oil industry." (300)

Unity had also removed Western Deep Levels from its list of acceptable shares because of its poor safety record.

Oliphant said there had been considerable interest in the fund from the US, including from Lehman Brothers, and from the UK. However, US investors were unable to put money directly into CGF unless it was registered in the US.

"We are in touch with organisations in the US to find a solution," he said.

Woolford said CGF's strategy for 1994 would be to maintain equity exposure at 80% since the fund managers believed large amounts of funding would be coming to SA during the year and there would be a strong upturn in the economic cycle.

The fund managers also considered that dollar strength and rand weakness would be important in the next 18 months.

"We will continue to expand the universe of approved stocks and will concentrate on high-growth shares," Woolford said.

When the Community Growth Fund was launched about two years ago as a pioneering investment venture between labour and capital, cynics were many, especially within the union movement. But, reports ***John Spira****, the fund has grown from strength to strength*

Star 21/2/94

CGF has Lenin spinning in his grave

The plethora of positive economic news coming to the fore is tending to eclipse some of the more latent aspects of bullish change emerging from South Africa's rapid evolution to full democracy.

One such example is the early and conspicuous success of a fledgling born of a marriage between capital and labour — the Community Growth Fund (CGF).

The CGF is a unit trust whose activities are:

- Circumscribed by a union-owned company.
- Managed by a financial institution.
- Focused on investing in shares listed on the Johannesburg Stock Exchange.

A crucial cornerstone for the future success of the South African economy is effective co-operation between labour and business in an environment which actively promotes the free market ethic.

Not possible in a climate where labour is aligned to a political party whose fold includes elements sympathetic to the discredited communist ideal?

Think again.

In CGF we find seven large unions actually owning a company controlling a unit trust whose funds, derived largely from the trade unions, are invested in the shares of companies listed on a stock exchange.

Lenin is turning in his grave; Marx indulging in calisthenics in his.

The nail was driven partially into the communist coffin when the CGF was formed a little more than a year ago.

Now, with assets in excess of R70 million — three times more than a year ago — and a 1993 return of 29,3 percent, no more than the head of the nail is visible.



The CGF's birth was not without complications. The concept initially met with fierce resistance from several constituents of the union movement. Those opposed to its "nasty" capitalist connotations distanced themselves from the baptism ceremony. And disapproving workers whose unions came to the party succumbed with reluctance.

The reservations have since been replaced by approbation.

Jerry Mnisi, one of the men from Syfrets (the institution responsible for the CGF's investment management) observes: "It's difficult to remain disgruntled when success is staring you in the face."

What Mnisi hasn't said (no doubt because it's as obvious as a wage packet) is that it's difficult to go on strike when you have a financial interest (albeit indirect) in the company for which you work.

The great pity is that the CGF — or anything like it — didn't come into being long before it did.

For, in addition to the free enterprise-related benefits arising from its creation, many other highly positive spin-offs have become manifest.

While on the one hand the CGF concept obliges labour to behave responsibly, it also imposes a like obligation on the management of the companies in which CGF invests, and on companies which would like CGF to buy its shares.

That's because CGF invests only in companies which display an awareness of their social responsibilities to their workers — equal opportunity, health, safety, conditions of employment, affirmative action, environment, worker participation and social spending (among others).

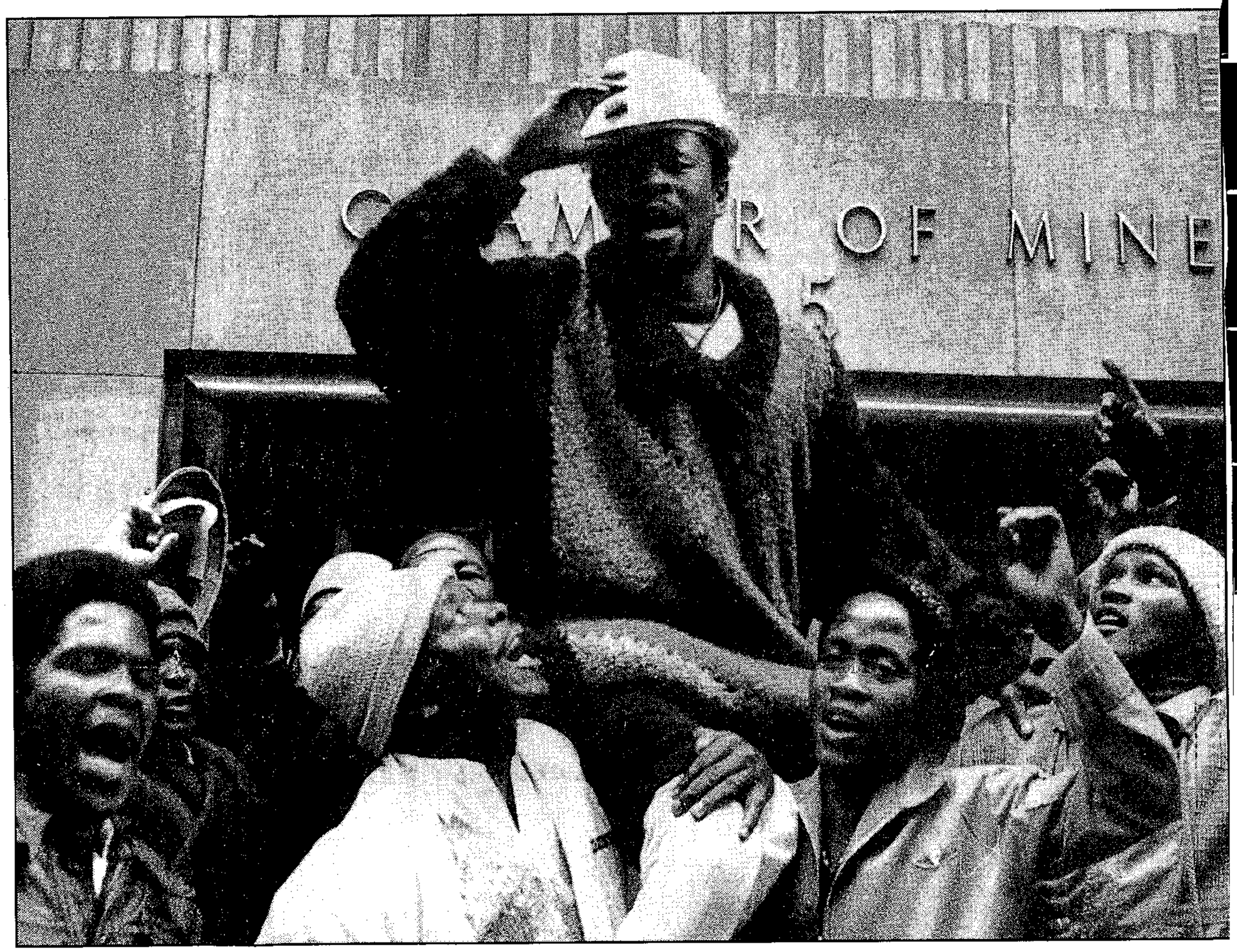
The 23 companies in which CGF is currently invested can proclaim with pride that they comply with the bulk of the criteria laid down by CGF. Those which have fallen under the CGF miscroscope and have been found wanting will carry a black mark until they clean up their act.

Do they care?

Some clearly do, partly because they have a conscience and partly because they suspect that the CGF route is one which is likely to attract an increasing number of corporate travellers in the years ahead.

And they're going to heed the words of CGF chairman Professor Anthony Asher: "The shares in the companies approved by CGF have outperformed those that have been rejected. The conclusion is obvious."

- The unions participating in the CGF are the National Union of Mineworkers; the Paper, Printing, Wood and Allied Workers' Union; the Transport and Allied Workers' Union; the Construction and Allied Workers' Union; the Metal and Electrical Workers' Union; the Transport and Allied Workers' Union; and the National Union of Food, Wine, Spirits and Allied Workers.



Another time, another place . . . members of the National Union of Mineworkers protest outside the Chamber of Mines headquarters in Johannesburg. The CGF venture is one more dimension in capital-labour co-operation. PICTURE: ALF KUMALO

'Flow of pension funds into unit trusts likely'

PENSION and provident fund members are beginning to take control of investment decisions instead of leaving them entirely to the trustees — and this is likely to lead to more money flowing into the R20bn unit trust industry — says Selwyn Feldman, manager of Old Mutual unit trusts.

He forecasts strong growth in the industry over the next 10 years, and believes the number of funds, currently 57, will double.

But Feldman cautions that government regulation governing entry to the industry "is essential to protect the investor from being exploited by unscrupulous operators. CT 25/2/94

"There have been calls to broaden the industry players to those who do not have institutional backing. But the strong asset base of an institution, coupled with the required depth of management systems, is vital if the industry is to maintain its unblemished record."

Feldman says the existing trustee system where independent watchdogs oversee day to day running of the funds is working well.

Aged go hungry in the wake of strike

Sowetan 21/3/94

By Russel Molefe

SOWETO pensioners yesterday returned to their homes empty-handed after they found council offices where they normally receive their pensions locked.

Transvaal Provincial Administration officials were also not there to pay out the pension grants.

Pension payout points at council offices throughout the township had been locked by the TPA since last Tuesday when about 2 800 Soweto Council workers went on strike.

The workers downed tools in support of a demand that R35 million in wage arrears dating back to 1988 be paid to them.

Hundreds of pensioners, some in wheelchairs, waited for hours at the payout points in the hope they would be paid their pensions.

Some of the pensioners said they were aware that council workers were on strike but did not know this would affect their pensions.

Most said they would return to the payout points today in the hope the offices would be open.

A TPA official, a Mrs Van der Merwe, said the strikers had intimidated officials who had come to pay out the pensions yesterday. She said arrangements were being made to use police stations as temporary payout points.

"I cannot, however, give assurances at this stage on when the pensions would be paid out," she said.

The vice-chairman of the South African Municipal Workers' Union, Mr Lite Sehlapelo, said the TPA had told the union it had made alternative arrangements to pay out the pensions.

He said a meeting between Soweto Council officials and the union had been arranged to take place this week in an attempt to break the impasse.

Meanwhile, services in Soweto have virtually collapsed because of the strike. Water is running in the streets from burst sewerage pipes and most robots are out of order as traffic officers are also on strike.

PENSIONS

Battling inflation

Leading life assurers are demonstrating that managed pension funds can far outstrip inflation and that funds should be able to keep pensioners abreast or ahead of inflation.

Cape-based life assurer Old Mutual claims that, over a 10-year period, pensioners participating in its Pension Plus retirement plan have seen their purchasing power rise.

This year, pensioners received a 12% increase, against inflation at 9,7%. In the 10 years to January bonuses averaged 15%, while inflation (officially) averaged 14,2%. And, in the past five years, bonuses were 2,4 percentage points above inflation.

Old Mutual says its Pension Plus members who received a monthly pension of R1 000 in 1983 now receive R4 020.

Funds invested with Southern's Timed Exposure Portfolio (Step) should also maintain pension purchasing power, judging by its performance since launch in July. Step has attracted R700m from large pension and provident funds and, over six months, the portfolio produced an average annualised gross flat return of 22,9%, accelerating to 25% in the last quarter of 1993.

Liberty Life has reported bonuses of 32,1% and 36,2% for its managed and Liberty Element Managed portfolios in 1993.

The company pensioner cannot expect the full portfolio increase — that belongs to existing contributors — but, on the performances recently reported, he does have a grievance if his purchasing power decreases in real terms. ■

Managers 'must note Pension Act changes'

BEATRIX PAYNE

FAR-reaching amendments to the Pension Fund Act enacted in December were fundamental and demanded the urgent attention of fund managers, said Old Mutual assistant GM Chris Newell yesterday.

He said the Act represented a move to greater transparency in terms of the affairs of a pension fund and was aimed at ensuring greater protection for fund members through stricter procedural and reporting requirements.

The Act would be phased in soon. It provided for redefinition of underwritten funds, revised valuation criteria and greater disclosure requirements.

Fund managers would have to take decisions affecting fund structures and benefits offered to members, Newell said.

Underwritten funds were previously exempt from the Act's provisions but in future exemptions would apply only to the appointment of an auditor and a valuator.

The distinction previously made between an "underwritten" and a "privately administered" fund would now become invalid. Newell said a more useful distinction would be between an exempt and a non-exempt fund.

To qualify as an exempt fund under the Act a number of requirements had to be met, in addition to the rule that all fund assets could consist only of policies of insurance. These requirements were that all benefits payments had to be made by an insurer, all contributions to the fund had to be made directly to an insurer and only one insurer could be appointed as the administering insurer.

Under the new Act "all funds will require an actuary to state whether or not they need a valuation", Newell said. All non-exempt funds would have to do a full audit every year.

Retired people urged to use options

B/Day 17/3/94

CHARLOTTE MATHEWS

RECIPIENTS of retirement funds from their pension or retirement annuity were often not aware they could move cash to another insurance company offering better rates, Brantam Financial Services Group director Bob Bartholomew said yesterday.

He said the original company rarely told investors about the option or that there were alternative products to the standard life and guaranteed products on offer.

"These choices can make a substantial difference to the income that a retired person can obtain, bearing in mind that this would be the last shot that a pensioner has at providing income for the rest of his life."

Under present legislation two thirds of a pensioner's benefit had to be reinvested in an annuity. The remainder could be taken as a lump sum. Of this, up to R120 000 was tax-free, subject to a formula.

Bartholomew said it was not wise for an individual to lock himself into a compulsory annuity for life. Annuity rates were at a historical low at present.

The annuity table — which compares rates for a male aged 65 and nine months buying a R100 000 compulsory annuity payable monthly in arrears, with a nil-year and 10-year guarantee — shows annuity rates are mixed to unchanged from a month ago.

Company	Nil year	Ten year
Metropolitan	R1 446,26	R1 293,27
Fedlife	R1 426,37	R1 263,76
Momentum	R1 383,46	R1 258,22
Southern	R1 380,50	R1 240,83
Sanlam	R1 367,37	R1 230,75
Commercial Union	R1 355,79	R1 213,25
Sage	R1 329,66	R1 218,39
Liberty	R1 323,92	R1 195,08
Protea	R1 323,37	R1 196,01
Old Mutual	R1 323,34	R1 204,37
Norwich	R1 295,61	R1 179,49

E & O.E. Rates quoted at 14/03/94

Graphic: KAREN MOOLMAN Source: COMPUTERISED PENSION BUREAU.

For example, Metropolitan Life's rates on a nil-guarantee annuity were nearly 2% above February's, while Old Mutual's were 1,4% less. Several of the 10-year guaranteed rates have improved slightly over the past month.

Bartholomew emphasised that, once in, the investor could not increase income later as rates improved.

"We would recommend putting the money into an equity-linked annuity rather than a life or guaranteed annuity.

"With an equity-linked annuity the investor can select his income level and increase or decrease it at a later date, allowing income to be pegged when annuity rates start to rise."

Pensioners could phone around for the best annuity rates for their circumstances, or could employ a reputable broker. (300)

One of the problems in doing it himself was that he might find himself comparing "apples with oranges". One company could quote a life annuity at a tax rate of 15% and another a guaranteed annuity at 40%, and the income could differ by thousands of rands.

It was also not necessarily best to pick the company offering the highest rate, Bartholomew said. Other factors such as the reputation of the company had to be taken into account.

He said the omission from many life companies' documents of an option for the pensioner to move his money away from the company could not be seen as a legitimate marketing strategy.

"It is a moral issue. You are talking about a man's retirement income for the rest of his life. This is not a dress rehearsal."

Union launches provident fund

ARG 26/3/94

SHARON SOROUR
Labour Reporter

COMMERCIAL workers' union Saccawu has launched a national provident fund, in a bid to improve the socio-economic well-being of its members.

SA Commercial, Catering and Allied Workers' Union acting president Setena Khaile said the aim of the fund was to provide good retirement benefits for its members.

"In addition, it will provide needs-related benefits during the member's working life such as good retrenchment benefits and a disability income, family funeral cover and a death benefit to provide the necessary peace of mind."

The fund, to be administered by Old Mutual, differed from others because of its management structure and investment philosophy.

"The board of trustees will comprise only union-elected members, who will provide the policy direction of the fund. This implies there will be no company management at all on the main board.

"Once the fund has been negotiated at company level, management will be asked to make the worker and company contributions into the fund's accounts."

Pension panic rises

ARG 26/3/94 (300)

Experts warn of dire toll if all were to demand payouts

■ Amid mass protests by public servants in the homelands and growing uncertainty about their future, the Transitional Executive Council (TEC) is being urged to reassure public servants that their pension schemes are secure.

FRANS ESTERHUYSE
Weekend Argus
Political Correspondent

TICKING away in the volatile South African political scene is a financial time bomb in the form of mounting fears and demands among public servants, especially in the homelands, about the fate of their pension funds in the new South Africa.

Experts warn that such fears — mostly unfounded and based on rumour — could have disastrous consequences if allowed to develop into panic demands for withdrawals from pension funds. This could lead to the collapse of such funds, even those that are financially safe and sound.

Signs that uncertainty and fears about state pension funds are getting out of control have emerged in some of the homelands amid mass protests by public servants.

Some experts say top-level reassurances are needed urgently from the TEC to dispel unfounded fears among public servants.

Some, fearing their pension monies will be unsafe in the new South Africa, have demanded immediate payouts, while others have sought payouts in the hope of receiving a second pension when their homelands are integrated into the new South Africa.

As long ago as September last year, it was reported that thousands of public servants in South Africa and the homelands had joined a rush to bleed state pension funds before a new government took office. Some were said to be cashing in their pensions while remaining on the state payroll.

Nearly all of Venda's 22 000 public servants had cashed in their pensions, it was claimed.

The Democratic Party's pensions specialist Brian Goodall said the payment of pension benefits to civil servants was guaranteed in terms of the interim constitution.

Pension funds — both in South Africa and in the homelands — were separate legal entities with rights and obligations. There was not only one state pension fund and all should be safe and secure, even when homelands were integrated into the new South Africa, he said.

Under a new dispensation there could be various options for the funds. Some could continue in their present form, while others might choose to get transferred to new funds.

Whatever happened, the constitutional guarantees were there to protect the interests of pension fund members.

The worst that could happen was that everybody would start demanding pension payouts in the public sector.

Mr Goodall said this could lead to a pension-fund crisis because most pension funds were not fully funded and would not have enough assets to meet their liabilities at that moment. Civil service pension funds in South Africa were funded to the extent of about 55 percent of their liabilities.

"The position is similar to that of a bank. If everybody suddenly demanded all their money in cash, the banking system would break down. Similarly, if everybody suddenly demanded all their pension monies, the pension-fund system would collapse.

"The net result of what is happening now is that people demanding their pension payouts immediately are harming themselves. With the passage of time they will get everything that is owing to them. But, if there is a crisis through forced payouts, they will get less than they would have," said Mr Goodall.

In the light of what was happening, reassurances needed to be given to public servants by the full TEC as well as by its finance committee.

Two simple messages needed to be put across to all public servants:

■ It is in everybody's interest that the pension-fund system should be allowed to make an orderly transition to the new South Africa, especially for people who are members of state pension funds. Members must be assured that steps had been taken to make funds financially sound and that members' rights are guaranteed in terms of the constitution; and

■ If a pension fund crisis were to occur in South Africa, it would take decades to recover from its effects.

Mr Goodall said South Africa's financial and banking sector had a remarkably good record which South Africans should do everything in their power to protect. Neither politicians nor trade unions nor employer organisations should turn this great asset into a political football. If that were to happen, there would only be losers and no winners.

"A pension-fund system is based on trust. I make a contribution now and trust that when I retire the money that I had contracted for will be there. If that falls down, the pension-fund system as we know it will collapse and we will then have tremendous problems for years to come." said Mr Goodall.

British crown court judge bail 'more equal'

FM 8/4/94

Fedlife says that after an *FM* inquiry, it inspected the policy and found nothing suspicious. "It's a free standing investment policy that has no connection with any fund of any nature whatsoever." It's necessary, says Fedlife, that a life policy must nominate a life or lives, even though the beneficiary may be the union. For ethical reasons, Fedlife will not comment further.

Yet, given the peculiar circumstances involving the disputes surrounding the HIPPF money, with its connection to Saccawu and Fedlife, it's a pity the premiums have not been directed instead to a totally transparent transaction such as a unit trust.

The background to the dispute, which is due to be tested in the Supreme Court soon, is:

- ☐ Fedlife has been administering HIPPF. On two occasions, a majority of trustees has voted for the fund to be transferred to the administration of Southern Life;
- ☐ Fedlife is alleged to have resisted instructions from the trustees to hand over the money and paperwork to Southern Life;
- ☐ Horwitz, who led the trustee revolt, now operates from an office in Southern Life's Johannesburg premises; (300)
- ☐ Saccawu, HIPPF's umbrella union organisation, has done a deal for its retirement funds to be administered by Old Mutual;
- ☐ Southern Sun, largest of the employer organisations involved with HIPPF, sees no reason for moving the fund to Southern Life and wants its employees' savings transferred to its own plan;
- ☐ Saccawu would rather see the fund become part of its deal with Old Mutual; and
- ☐ Saccawu has informed trustees that the transfer to Southern Life is null and void. The Saccawu letter also stated that Horwitz was no longer "recognised" as a worker trustee, he was no longer an official of Saccawu and he has been instructed to phase himself out in favour of another union official, Biko Sekgabi.

This week there was no-one at Saccawu to comment on any of the issues involved. ■

PENSIONS FM 8/4/94

Storm in a whisky glass

A row over the administration of the R82m Hospitality Industry Pension and Provident Funds (HIPPF), has every appearance of a dirty tricks campaign. The problem is to detect who, if anyone, is behaving improperly. The ingredients are the trustees of HIPPF, Fedlife, Southern Life, Old Mutual and Saccawu (SA Commercial, Catering and Allied Workers' Union) (300)

In the last two weeks, a disaffected trustee of the HIPPF, Allan Horwitz, has done the rounds of newspaper offices with voluminous files on the dispute. Among the papers produced is an accepted pure endowment policy, issued by Fedlife over the lives of Saccawu general secretary Papi Kganare and three shop stewards, one of whom is a HIPPF trustee, in the sum of R40 000 a month and bearing an illustrated benefit after five years of R3m-plus.

Pensions are safe in new South Africa

Sowetan 14/3/94

By Mzimkulu Malunga

THERE is no need for people to panic about the safety of their pensions in post-election South Africa, says a leading insurer.

300

Fedlife's managing director, Dr Morris Bernstein, says there is no need for an apparent rush to cash in pensions because both the Transitional Executive Council and the ANC have undertaken to ensure continuity of the pension funds and to protect them.

"Even with reincorporation of the homelands into South Africa, people have got nothing to fear," says Bernstein.

The pension and provident funds are managed by insurance companies and it is not easy for these funds to be abused. He says even people who intend taking as much money as possible from the national coffers before getting out of government have no access to these funds.

The disturbing factor, he says, is the fact that the push to get pension payouts is no longer limited to the homelands and the public sector, but has spread to the private sector as well.

Some pension funds are receiving on average of about 100 claims a day. Bernstein says about 90 percent of the claims come from the black community.

Some people are opting to resign their jobs so that they can access their pensions. This could backfire in the long run as it will be a struggle to get another job.

Profit shores up Transnet pension fund

S/Times [BUSS]

17/4/94

By CIARAN RYAN

TRANSNET's expected operating profit of R1,7-billion for the year to March will be swallowed by interest on pension fund borrowings, says managing director Anton Moolman.

The state-owned company appears to be reaping the fruits of its four-year commercialisation drive. Operating profit before paying interest on pension fund borrowings should be 50% higher than the previous year's R1,2-billion. Final results will be published in August.

Interest on pension fund borrowings of R10-billion will swallow R2-billion, leaving the group with a shortfall for the year of R300-million. The fund's deficit is down to R6,5-billion from the previous year's R10,4-billion thanks changes to pension fund benefits and appropriations from Transnet's operating profit. (2bn)

Transnet turnover should be about 2% higher than the previous year's R13,5-billion. Spending was cut by 3%, resulting in a 5% extra margin.

Dr Moolman says: "We reduced staff by 25 000 in the year. A further 15 000 were employed elsewhere in the group."

Portnet should show a profit of about R700-million (1993: R623-million). Spoornet is the largest division with turnover of more than R7-billion. It is the most profitable division.

Pipeline operator Petronet expects a profit of R150-million.

SA Airways remains in the red despite showing a profit on domestic operations. International routes continued to lose money. It lost R78-million in the year to March 1993.

Because so many national air carriers are losing money, a southern African regional carrier similar to North Africa's Air Afrique is possible, says Dr Moolman.

"There is resistance to the idea in neighbouring countries because they perceive a loss of national identity. But this is the way we will have to go. The world trend is to mergers and alliances with large carriers."

Dr Moolman says Transnet should post a small profit in the year to next March after paying another R2-billion into the pension fund. The pension fund deficit was R17-billion four years ago at the start of the commercialisation drive. Transnet raised R10-billion on the capital market to reduce the deficit, which will take another 10 years to eliminate. (300)

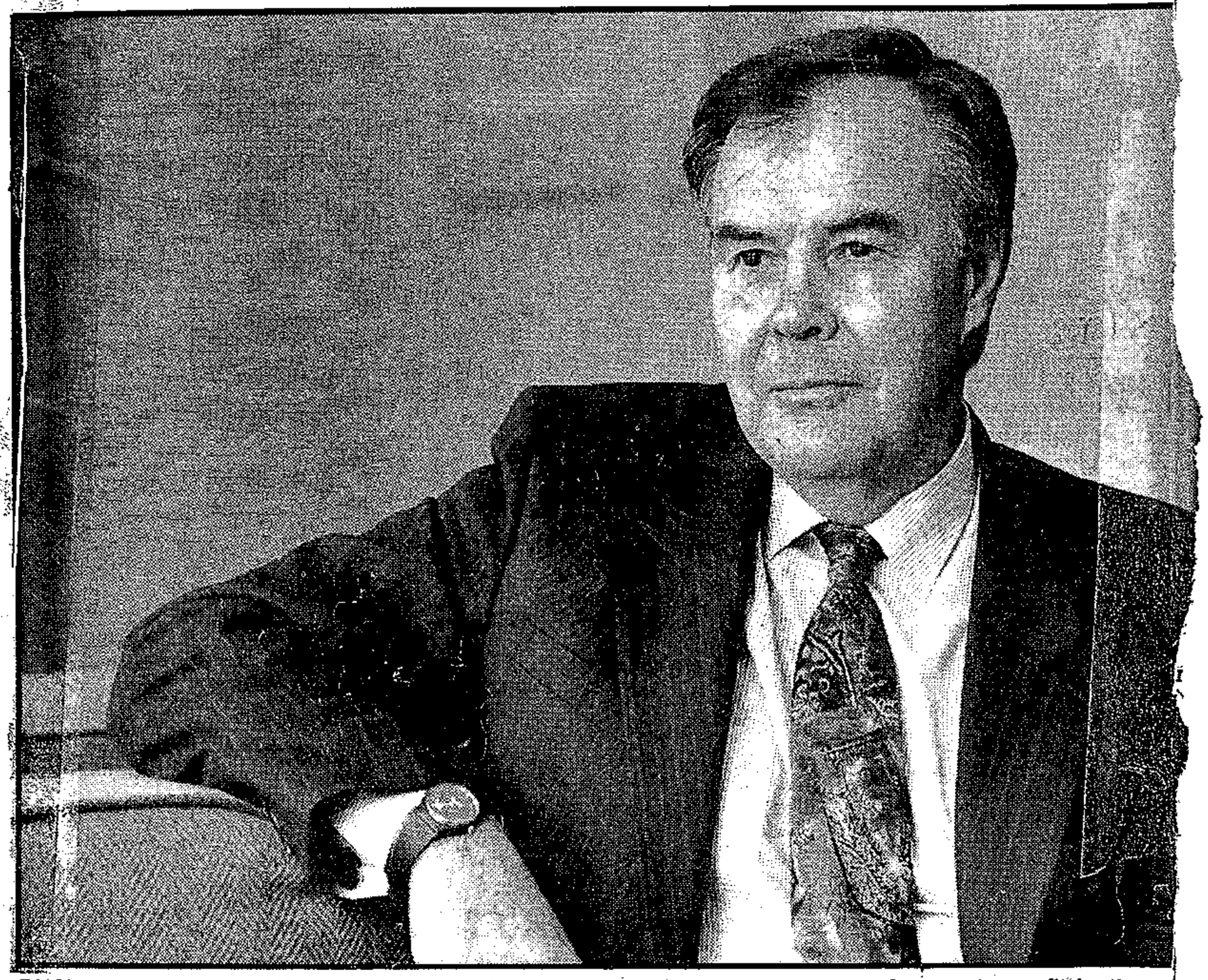
One of the main reasons for the deficit was the earlier obligation to invest in low-interest government stock. Since commercialisation, 40% of the fund has been invested in growth equities.

Dr Moolman rejects suggestions that funding the pension fund on a "pay as you go" basis — paying current benefits out of current income — would enable the group to show a better return.

"Ten years ago, for every pensioner drawing benefits there were 3,7 contributors. Now the ratio is 1:1."

Nearly 108 000 pensioners receive pension benefits compared with 94 500 two years ago.

There is some concern that the government will be unable to repay a debt of R5,9-billion to compensate Transnet for the increased burden on the fund caused by commercialisation.



BUOYANT . . . Transnet MD Anton Moolman, who foresees a 50% increase in Transnet's operating profit for the ye to March 1994.

Pension, provident fund members demand payout

BDay 18/4/94

CHARLOTTE MATHEWS

SOME SA pension and provident fund members had been pushing to have benefits paid out before the elections, market sources said at the weekend.

Alexander Forbes director Paul Robson said the demands were rooted in pre-election jitters and fears that pension fund assets would be tampered with.

There was also a belief, especially among lower wage earners, that the next government would provide for them.

Robson said pension and provident fund members were being told that withdrawing benefits was against their interests and that pension funds were unlikely to be nationalised.

The ANC also gave assurances that rights would be preserved.

ANC economist Maria Ramos said the party was committed to honouring everyone's benefits and did not intend interfering with people's rights "in respect of their pensions and benefits".

And, in an open letter to workers, ANC president Nelson Mandela and Cosatu president John Gomomo said: "An ANC government will make sure that your money is secure and that you will receive all the benefits you are entitled to when you retire."



● EHMKE

Institute of Life and Pensions Advisors president and Fedlife marketing head Gerard Ehmke said Fedlife had not seen a rush to claim benefits, but had voiced its concerns to the ANC. The ANC had given a written reassurance in reply.

He said the TEC finance subcouncil had warned last month that immediate pensions payouts would have a negative effect on the economy and SA's image abroad.

It had reassured workers that their pension benefits were adequately protected by the constitution.

Section 212(7) of the constitution specifically protected the accrued benefits of members of official pension funds and provided that any amendments to pension benefits which might be prejudicial to members could not be instituted retroactively, the subcouncil said.

Robson said belonging to a company pension or provident fund was compulsory under the Income Tax Act.

The only way an employee could take benefits before death or retirement age was by resigning or if the fund was wound up.

There were rumours that at least two employers had terminated their funds to satisfy workers' demands for payouts, he said. Such a move was unfortunate because it meant workers would be deprived of future employer contributions.

Any government that nationalised pension and provident fund assets would alienate voters, Robson said.

Nationalising such funds would also alienate the international community. One of the conditions laid down by the IMF was protection of pension rights.

Three-way wrangle over union pension money

WM 31/8-7/4/94

Reg Rumney

A BIZARRE three-way struggle has broken out over who administers R82-million of pension and provident funds set up for workers in the catering sector.

The row has set the trustees of the fund against both one employer and the troubled South African Commercial, Catering and Allied Workers' Union (Saccawu).

At the centre of the row are the 7 000-member Hospitality Pension and Provident Funds (HIPPF), launched more than a year ago and based on the Wits Liquor and Catering Pension Fund.

The trustees, led by former Saccawu official Alan Horwitz, allege Fedlife has not administered the funds properly, citing problems such as failure to pay out accurate claims, and have voted to transfer the administration to Southern Life.

Horwitz, who is no longer a Saccawu representative although his position has been endorsed by the other trustees, says:

- A trusteee decision to move administration of the funds from Fedlife to Southern Life is being blocked by Fedlife, which is holding on to all funds and the money.
- Southern Sun has demanded all Southern Sun workers transfer their money out of the HIPPF into its own retirement fund.
- Saccawu wants the HIPPF to dissolve and transfer its R82-million into a new National Provident Fund to be administered by Old Mutual.

Fedlife legal adviser Darryl Morris confirmed a move to tranfer administration of the money to Southern Life, and that there was a dispute over the interpretation of the existing rules of the funds.

However, he said Fedlife was talking to Southern Life, and hoped to "resolve the matter on an amicable basis in the near future".

Southern Sun human resources director Andrew Maclaurin said the company was blocking the move as it saw no reason for it. The rules of the funds allowed for this, he said.

Moreover, he said that though he was neutral on Fedlife he was highly sceptical of the need to move the funds to Southern Life.

He said the move was motivated mainly by one trustee, Horwitz, and that other employers were not enamoured of the move.

He said Southern Sun was not demanding that all workers join the company fund.

That workers belonged to five different funds, with different retirement benefits and contributions, was unhealthy and he considered it would be better if they belonged to one fund. But this was up to employees to decide.

He said Saccawu had not, as the trustees have claimed, demanded that Southern Sun join a new National Provident Fund administered by Old Mutual.

The trustees said the move was first proposed in December 1992 but on December 1 last year Fedlife admitted it had failed to serve members properly and proposed a six-month plan to sort out administration problems. However, trustees' counter-proposals were rejected, leading to a trustee vote on January 26 to shift to Southern Life, with Saccawu rejecting the decision.

Attempts to get comment from the union at the time of going to press were unsuccessful.

Your cash's safer in a pension fund

S1 Times (Buss)

1/5/94

Cashing in benefits early may have more dire repercussions for pension fund members than the taxation policies of a new government, writes TERRY BETTY.

300

EMPLOYEES scared of future government policies are cashing in their pension-fund savings.

They seek to protect their money against the possibility of reduced tax benefits on cash withdrawals. They also fear nationalisation of their savings or the reintroduction of prescribed investments.

Alexander Forbes Negotiated Benefits Consultants managing director Max Maisela says: "Retirement-fund trustees throughout the country have been approached by members asking for their withdrawal benefits."

Pride Group managing director Bryan Hirsch says: "Many people close to retirement age withdrew from their pension funds before February."

Another matter of concern to pension-fund members is low interest on cash withdrawals.

Mr Hirsch says: "People worried about the introduction of prescribed assets should remember that we had it for 40 years until 1986."

How bad were the returns? In most cases they beat the inflation rate.

The new government is unlikely to remove all retirement-planning incentives because it needs people to save for their old age. SA could never support all the nation's aged.

Mr Hirsch says: "Most South Africans save in only one place because by belonging to a pension fund they have no choice. Why should the new government tamper with the one thing that works?"

Mr Maisela says the ANC appreciates the importance of retirement planning. Its reconstruction plan gives all workers the right to belong to pension and provident funds, controlled by employees and employers. These funds will be "transparent and accountable".

It is not easy for people to withdraw from a pension fund. An employee must remain a member as long as he is employed by a company which provides a fund. He may be paid the benefits only when he leaves his job.

Those who leave merely to cash their pension-fund entitlements risk not being re-employed, says Mr Maisela.

The risks associated with early withdrawal from a pension fund may be more dire than any policies of the new government.

Mr Hirsch says some people may suffer because they risk losing death and disability cover that comes with pension-fund membership. Funds provide benefits which the member might not qualify for on his own.

In withdrawing from the pension fund, a member forfeits future bonuses based on years of service.

Mr Maisela says: "Cash withdrawal benefits are much lower than the inherent value in the retirement fund."

The broader repercussions of a mass withdrawal from pension funds include a negative effect on the JSE.



BRYAN HIRSCH ... no need to tamper with something that works

ANC investigating workers' pensions

BIDaily 4/5/94

GRETA STEYN

THE ANC wanted to ensure that workers contributed to a pension or provident fund to alleviate the pressure on the fiscus to provide pensions, ANC social welfare co-ordinator Viviene Taylor said yesterday.

"We need to find ways of ensuring that workers who can contribute will be encouraged to do so," she said. Since a large part of the population was unable to contribute, those who could save should do so to take the burden off the state. 300

Workers who were not in stable jobs, but were earning enough to put aside income for pensions, should be able to contribute.

Taylor said current legislation, which failed to provide for the transfer of pensions when changing jobs, would have to be reviewed. Workers who were forced to buy out their pensions were at a disadvantage. However, a range of interests would have to be consulted including the private sector and the trade unions. Some preliminary talks had been held with Cosatu, and approaches would be made to business in the next six months to broaden the discussion.

Taylor said suggestions in the reconstruction and development programme (RDP) on social security still had to be fleshed out and the party wanted to emphasise that all pensions were guaranteed.

The RDP proposed social insurance, including compulsory private contributory pension schemes or provident funds for all workers, and state social pensions. It also proposed linking contributory and non-contributory schemes, as well as the transfer of contributory pensions and the setting of criteria for a social pension.

Taylor said finding a link between private and state schemes was essential but

□ To Page 2

ANC pensions

BIDaily 4/5/94

□ From Page 1

the form it would take would be subject to negotiation with all interested parties. 300

The RDP also proposed reviewing the existing pool of social service workers and their conditions of service. The present number of social workers — about 7 500 — was inadequate, and their training often inappropriate, the RDP said. Within a five-year period, a minimum of another 3 000 community development workers had to be trained to work within provincial and local government structures.

"Development workers are essential to ensure that decision-making at community level is democratised," Taylor said.

PENSIONS FM 6/5/94

Taking the strain

300

Conventional pension funds are fast becoming the Cinderella of the retirement sector, as more employees opt for provident fund benefits. The impact on the contributions of employers can be serious — as much as an extra 5% on the payroll for those members who do not switch to the provident fund.

P.TO

FM 6/5/94 300

Employee contributions will also be affected.

Typically, where an employer contributes 10% of the payroll to a pension fund, the actuarial formula allocates 4% to young employees with many years of service ahead, while up to 15% is necessary to fund the promised benefits of more senior colleagues. By implication, younger employees are cross subsidising older colleagues.

The flight to provident funds has changed all the calculations. Old Mutual actuary Anthony Lester says the provident funds were introduced largely after union pressures and when the employers felt they had to offer a choice or risk falling foul of fair labour practice rulings. At that stage, provident funds were seen as blue collar.

Now, says Lester, employers are becoming reluctant to allow new employees to join pension fund members. In a provident fund, if the investment performance is poor, the members take the knock. In a defined benefits pension scheme, the investment risk is taken by the employer. "In the last six months I've detected that employers are wary that salary increases may in future exceed investment returns."

Even if pension funds stay open, they are unlikely to attract members. Younger workers tend to be driven by resignation benefits, always inferior in a pension scheme, rather than retirement promises.

Whether closed or not to new membership, pension funds will be left with an ageing, and in many cases, highly salaried membership.

André Pienaar of consulting actuaries Alexander Forbes identifies three dilemmas facing trustees and advisers of closed funds:

- ☐ The required employer contribution rates, as a percentage of payroll, to cover the promised benefits will increase over time as the membership ages;
- ☐ The fund will face liquidity and cash flow problems as the outflow from the fund can be expected to exceed any income; and
- ☐ The trustees will have to manage with care any remaining surplus to ensure it is used effectively.

A surplus, where it exists, may be used to offset the increased employer contributions otherwise required.

Taking into account death and disability payments and the impact of Aids, Pienaar suggests an employer currently paying 13% towards its retirement fund, could see this increase by the year 2000 to about 22% or 23% if the fund has no intake of new members.

The estimate is not as frightening as it appears — if the majority of employees have moved to a provident fund, the increased pension fund contributions will apply to a small and dwindling number of staff. Lester says he has been designing models to induce senior staff to take the defined contribution route with built-in factors to compensate for any changes in their retirement prospects.

Mike Codron, of actuaries Fulford Brothers, says the pitfalls in funding closed schemes are explained to clients when they offer the provident fund option to employees. He says if the effects are known at the outset and planned correctly, increased employer contributions can be smoothed. ■

Govt won't 'meddle with pensions'

Star 13/5/94

■ BY NORMAN CHANDLER
PRETORIA BUREAU

Municipal workers have been assured by the Government that their pensions and pay out benefits "would be respected at all times", says the South African Association of Municipal Employees (SAAME).

Hans Deetlefs, the organisation's national president, says there had been "growing fears among members regarding their pension rights in a new South Africa".

300

Members had wanted their pensions to be paid out and municipal pension funds dissolved.

Assurance

SAAME had approached the senior partner in the Government of National Unity, the African National Congress, and had received a written assurance that pensions would not be interfered with.

"The ANC has stated that it is unambiguously committed to honouring the pension rights of individual members of pension funds and has no intention of freezing or interfering with people's hard-earned pensions in a way that will be detrimental to their welfare," Deetlefs added.

Defined pension schemes fading out

Business Editor

THE increasing militancy of the workforce was causing many companies to close their defined benefit pension schemes to new entrants, trustees said yesterday.

Chairman Reginald Jonker said the annual contribution rate to the fund had risen from 5% of payroll in 1979 to 18% by 1984.

He told the annual conference of Retirement Funds that the alternative was also expected to lead to more "passive" pension fund managers to reduce costs and lessen the risk of poor performance.

A "passive" fund manager aims to match the performance of the average fund rather than outperform the market.

Mr Jonker, who is also chairman of Retirement Funds South Africa, said: "Many overseas companies are closing down their pension schemes because they are unable to meet the cost of providing pensions for their employees."

But "since the alternative is to close down the business, only a few companies have taken this drastic step".

An "active" manager who does not switch funds between markets in search of the best performance could lose out on the chance of buying cheaply and selling dearly.

Union distances itself from provident fund

CHARLOTTE MATHEWS

THE SA Commercial, Catering and Allied Workers' Union (Saccawu) has disassociated itself from the Hospitality Industry Pension and Provident Fund (HIPPF), which has about 6 000 members and more than R80m in assets, Saccawu said on Tuesday.

It appealed to Saccawu members to remain in their present funds and not to associate themselves with the HIPPF.

It was recently reported that some of the trustees of the HIPPF intended to take Fedlife, the administrator of the fund, to court to force it to release the fund's assets and records to Southern Life. A decision had been taken to move the assets as a result of dissatisfaction with Fedlife's administration. As reported previously, Fedlife said it could not hand over the assets until this was agreed to by the employers involved.

Saccawu said the establishment of the HIPPF had been initially a joint venture between Saccawu, whose negotiating team was led by Allan Horwitz and shop stewards, and employers. Horwitz had then resigned from the union and Saccawu had set up the Saccawu National Provident Fund.

Saccawu said the decision to move the HIPPF to Southern Life was not valid because Saccawu had not endorsed the decision and Horwitz, who had taken the decision, was no longer an official of the union.

Horwitz said a formal decision had been taken by Saccawu after he left the union that he remain as a trustee, and it was only a year later, when the union had started moves to set up the Saccawu National Provident Fund, that his position had been questioned.

At that point the issue of whether Horwitz should continue as a trustee was taken to the HIPPF board of trustees. His position was endorsed by a decision taken by four of the seven Saccawu shop stewards on the board and the majority of employers, he said.

Horwitz's statements were corroborated by the Fedhasa representative on the board of trustees, Marie-Luise Winter, who added the rules of the fund stated that only the trustees could vote to remove a trustee from his position.

"He is acting entirely in the interests of the fund's members," she said.

Horwitz said he had decided to remain because he believed his duty was to HIPPF members.

The HIPPF would have no problem with joining the Saccawu fund if its members decided this in a democratic way. Money could be transferred now but accurate payouts were not possible until the HIPPF's affairs had been sorted out.

Adapt to new needs, retirement industry urged

ARG 17/5/94

ALIDE DASNOIS
Business Staff

THE retirement industry could not afford to be complacent in the face of immense socio-economic needs, Director-General of Finance Estian Calitz said.

Addressing the Institute of Retirement Funds conference in Somerset West; he said pension fund managers would increasingly be called on to reassess the risk profiles of their investments and change their portfolios to take into account these needs.

The industry had an opportunity to act innovatively to the advantage of the poorer sectors of the population.

Dr Calitz said the ANC reconstruction and development programme (RDP) provided a good framework for economic policy.

"It is a sound basis for the trade-off between scarce resources and insatiable need."

In implementing the RDP the new government could build on progress which had already been made in its financial sector, tax and trade reform, the encouragement of small business and the reallocation of government spending from defence to social services, particularly education.

There was a large measure of consensus about economic policy. The new government would shift economic priorities to the disadvantaged sectors of the population and would expect the private sector to follow suit.

But dramatic "business unfriendly" policies were not on the cards.

Mobilising the country's savings was a priority for economic growth. Contractual saving had grown by 18 percent a year to reach R45 billion in 1993. This had been offset by "discretionary dis-saving".

In 1990 net personal savings had dropped to 1 percent of disposable income — a record low.

Though the level of saving had improved since, it was necessary to encourage personal saving through tax and interest rate policies.

With R800 billion under management at the end of last year, financial institutions including private funds played an important role in financing private and public investment.



PATIENT PENSIONERS: Every month pension queues stretch for hours and hours

ON THE GRANT

The "grant", or social welfare benefits, brings relief to thousands of families on the Cape Flats. But taxpayers spend billions every year to keep desperate families alive and questions are being asked whether people are becoming too dependent on government help. BARBARA-ANN BOSWELL investigates:

ON A rainy Wednesday morning Mr Riedewaan Allies joins a queue outside the Department of Welfare's office in Wynberg.

He is unemployed and desperate to feed his family of five, but he was told to come back another day with his birth and marriage certificates, and proof that he cannot find a job.

Mr Allies is one of thousands of people who queue at the Department of Welfare's offices for hours every day to apply for the only income they can find — welfare grants.

Miss Bonita Marais and her boyfriend, Mr Ronald Rhoode, are also unemployed and in the queue.

Miss Marais, 27, says she is unfit to work because she is mentally ill and needs a grant to raise her nine-year-old son.

The father of her child is untraceable and she has no income other than her disability grant.

"I receive a grant of R370, but I must care for my child, pay rent, buy food and do many other things with that little bit of money," says Miss Marais.

"If I can get a grant for this child it will be a great help."

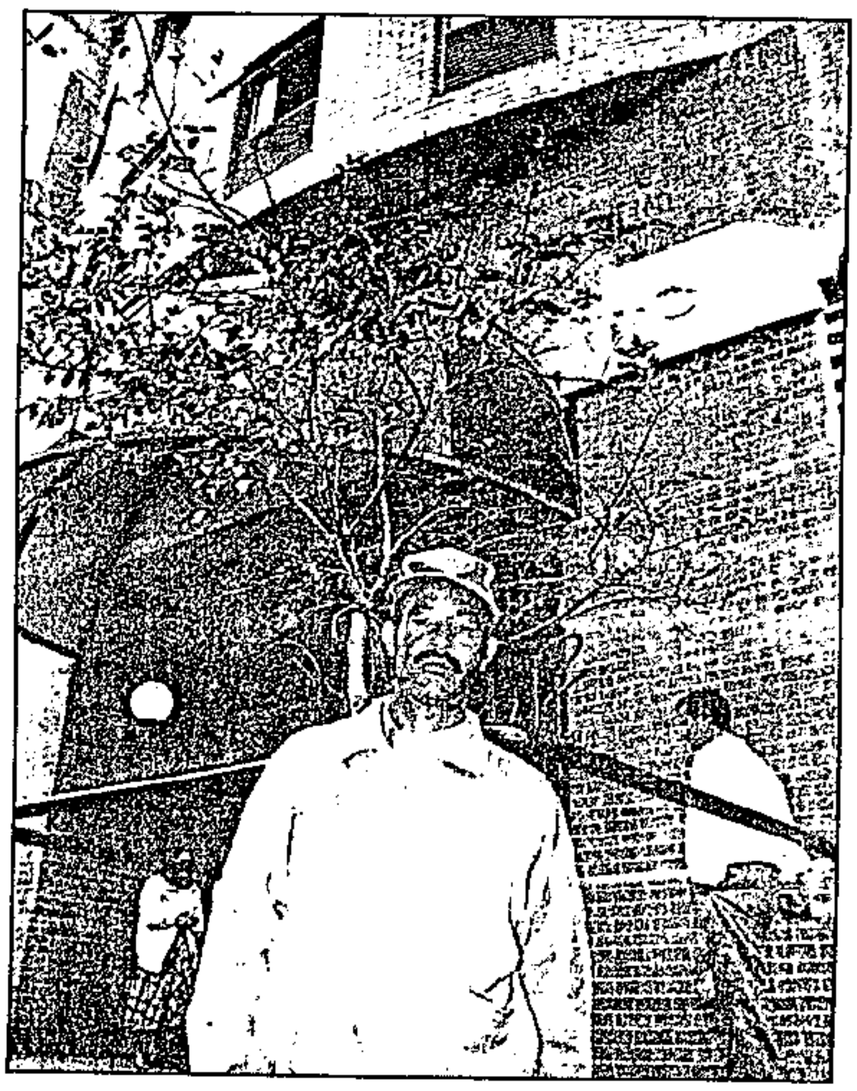
Miss Ragiema Jaftha is another young mother who has come to apply for a grant. She first applied for a grant for her two children in December last year, but five months later she has still not heard from the department.

"I used to work at a factory in Diep River but I lost that job two years ago," she says.

Miss Jaftha's first husband died and she is divorced from the second. She has to care for two children aged eight and four years.

She says she would like to work, but can't find a job, and hopes to get a grant for both her children.

She filled in all the relevant forms, but has not heard from the department.



IN NEED: Riedewaan Allies at the Wynberg welfare office

How to get a grant

PEOPLE visiting the Department of Welfare's offices to apply for grants often have to spend hours in queues, and many have to visit the offices several times because they do not have the correct information.

Mr Errol Hess, deputy director of the Department of Welfare, gave advice on what people should know when applying for grants.

Disabled people, parents and foster parents, war veterans, pensioners and blind people all qualify for grants.

If they are disabled, people should bring medical certificates with them and war veterans have to bring service discharge certificates or medals as proof.

Blind people must bring proof that they are registered as blind, Mr Hess said.

People also have to bring proof of income and/or assets, and for maintenance grants parents have to bring proof that children are attending school and their progress reports.

"Recipients get R370 a month for old age pension, blind person's pension, and disability grants, while war veteran pensioners receive an additional R18 a month," Mr Hess said.

Maintenance grants are made up of a R370 parent's allowance and R115 a child up to four children. Divorced mothers receive an extra R7,50 a month. Foster parents receive R260 a month for every child up to six children.

"People who qualify for grants can approach this department's offices or service points at Wynberg, Athlone, Mitchell's Plain and Bellville, where they will be assisted with the completion of the necessary application forms."

Grants drain taxpayers

SOCIAL welfare grants cost taxpayers enormous amounts of money.

During 1992 the House of Representatives spent over R1 billion on welfare grants.

In April alone 47 283 coloured people in the Western Cape received grants and pensions.

Mr Henry de Graff, a social work lecturer and researcher into the social welfare system at the University of the Western Cape, says the grants may be creating dependency.

"There are many single mothers who are dependent on grants — their only income," he says.

"Pensioners' have so many children and grandchildren who are dependent on the grant. They wait for it at the end of the month."

People are heard saying it is a blessing to live with a pensioner.

But he feels people who depend on grants should not be judged too harshly because of widespread poverty and unemployment.

There are also problems with disability grants.

"People getting TB grants will not take their tablets to extend their grants," says Mr De Graff.

Mr William September, another lecturer at UWC, says students found foster parents sometimes take children just for the money.

"It doesn't happen often, but it does occur," Mr September said.

"With any state assistance you find people who will try to bleed the system as far as they can."

But Mr De Graff says the screening process is so strict that sometimes people who genuinely qualify for grants are turned away.

'Aged also need concessions'

AGE discrimination was still prevalent despite the changes in South Africa, the SA Council for the Aged said yesterday.

In the first speeches in Parliament only small children, pregnant mothers and disabled people had been identified for special relief and health programmes, said council executive director Mr Syd Eckley.

"Is this the first indication that older persons are not important to the government?"

The aged are demanding tax incentives and rewards for people who had made reasonable provision for their retirement; free health services for social pensioners; no VAT on prescriptive medicines; tax incentives for people who care for frail social pensioners at home; a single social pension payout system; and an ombudsman for the elderly so their human rights can be protected.

"For many years this council has fought tooth and nail with the government on these demands, with very little success. We believe it is time the older citizens of a new South Africa make their voices heard." — Sapa

(366) CT28/5/94

Centre will give Mitchell's Plain oldies and kids new deal in 1995

DALE KNEEN (~~295~~ 300)
Weekend Argus Reporter ARG 28/5/94

THE initial phase of Mitchell's Plain's first old age home and childcare centre will be completed in four months.

The entire R10-million centre, being built by Stocks & Stocks in Beacon Valley's A Z Berman Drive, will be ready for occupation by mid-1995.

The centre is a project of the Mitchell's Plain Foundation, a welfare organisation launched in 1986 by the clergy, retired educators and representatives from various Mitchell's Plain senior clubs.

Foundation secretary Isaac Japtha said the centre will accommodate 135 senior citizens and also house a hospice and educare centre.

The R791 136 first phase will house the "matron's quarters" and workshop.

The centre, funded primarily by a R9,5 million loan from the Department of Community Services, will provide a comprehensive service for the elderly.

There will be rooms for couples as well as larger units shared by up to four people.

People to be housed in the centre will be identified among the needy by the district surgeon and community nurses.

Part of their pensions will be retained by the centre for payment and additional funding will be provided by donors.

A hospice managed by St Luke's Hospice will form part of the centre.

"We'll also have a service centre which can be used by people who are still mobile and living at home," said Mr Japtha.

"Golden Arrow has offered to provide them with free transport to the centre, where they will be able to have meals and make use of the facilities, which will include an occupational therapy centre, hobby rooms and a television lounge."

A "meals on wheels" operation will also be launched to feed frail people in Mitchell's Plain who cannot get to the centre.



□ **MODEL HOME:** A model of Mitchell's Plain's first old-age home shows what it will look like when completed next year.

The educare centre will accommodate 60 children and will have three playrooms which will also be used for computer training.

The foundation still requires funding to furnish the centre and is appealing to the public to assist. Anyone wishing to help can call Mr Japtha at ☎ 761 7594.



Picture: HANNES THIART, The Argus.

CHAOS: Pensioners and welfare grant recipients queue at the Athlone Cape Provincial Administration service point for "white slips" authorising their payouts.

ARG 15/6/94

(300)

Pensioners forced to stand in line for hours for payment slips

LIBBY PEACOCK
Staff Reporter

HUNDREDS of elderly pensioners, some of them ailing, queued for hours in the cramped corridors and offices of a Cape Provincial Administration service point in Athlone to get slips authorising pension payouts.

The pensioners and some recipients of welfare grants said when they arrived at the post office to collect their money as usual, they were told to go to the service point to get "white slips" authorising the payouts and then to return to the post office.

While The Argus was visiting the premises yesterday, a woman fainted in the long queue. Some elderly people sat where they could find space, while others hobbled along at a snail's pace, leaning on walking sticks or family members.

Some pensioners said they had difficulty getting up the steep flight of stairs to queue in the corridor.

It was after noon and some had arrived at the post office at 7 am, before being sent to the service point.

Pensioner Walter Quickfall, of Plumstead, said: "There are old people here with asthma and heart problems. There is not enough place to sit. We have been here for hours."

A staff member said: "This is pathetic. There are no proper facilities here for the pensioners. There is no confidentiality.

"They didn't inform these people beforehand that they had to come here. There's nothing for them to eat or drink and only one toilet."

She said reviews were being done of all the grants and pensions paid out in the Peninsula, but staff had warned authorities that there would be "logistical problems" doing it this way.

Errol Hess, deputy director of CPA welfare services, said the department was conducting a review project of pensions and grants.

All pensioners and recipients of grants had received "call-in letters" to visit department officials to get their records in order.

People who had not responded to at least two letters might find their payments stopped.

It was mostly these people who had to queue at the service point to have their *bona fides* cleared and be given slips so that they could return to the post office to collect their pensions.

He conceded that many people who had moved might not have received the "call-in letters".

Mr Hess said about 260 extra contract workers had been appointed throughout the Peninsula to cope with the extra workload, but "possibly" that was not enough.

Pensions: Money purchase in vogue

(300) CT 22/6/94

By AUDREY D'ANGELO
Business Editor

THE PENSIONS scene in SA is changing fast — with an increasing number of companies offering money purchase schemes with defined contributions but no fixed benefit in place of the older fixed benefit schemes.

This is among facts to emerge from the seventh Sanlam biennial survey of retirement benefits in Southern Africa, released yesterday.

Presenting the report in Cape Town yesterday Sanlam GM (employee benefits) Francois Marais said that in the 1980's, in which returns from equities far exceeded inflation, members of defined contribution funds would have done much better than those receiving fixed, salary-based pensions.

But he was not certain this would be the case in the 1990's.

Under money purchase pension schemes or provident funds, the employee receives a pension or provident fund pay-out based on his or her own contributions plus those of the employer and the investment earnings from these.

In a fixed benefit scheme the employee is guaranteed a fixed pension which is normally 2% of salary multiplied by the number of years of service, and the surplus earnings go into a pool to meet the fund's obligations. There is an increasing tendency for this to be based on the final year's salary and not, as in the past, on an average of the last three years' salary.

Discussing medical aid pensioners, who have a proportion or even 100% of their contributions paid by former employers, Marais said this was a huge burden which he did not think could be continued indefinitely. The cost of medical aid for pensioners was normally much higher than that of younger people.

The survey showed that provident funds had become more popular. The number had risen from 97 in 1992 to 163 in 1994.

"The overwhelming majority of these funds — 92% — operate on a money purchase basis. While members of a money purchase fund stand to benefit directly from periods of good investment returns they also carry the risk of returns falling short of expectations."

In many cases employees were given a choice of which type of fund to belong to. And in keeping with the trend towards greater member representation, 70% of boards of trustees had both member and employer representatives.

Marais said that employee benefits in SA were far superior to those in most overseas countries, including the US and the UK, although in many of these countries they were supplemented by a national insurance scheme.

Pension deal for those who 'sacrificed'

By ANTHONY JOHNSON
Political Correspondent

UMKHONTO weSizwe guerillas and other South Africans who made sacrifices in the fight against apartheid will soon qualify for special pensions.

Finance Minister Mr Derek Keys announced yesterday that the Department of Finance was in the process of drafting a bill for the payment of pensions to "those persons who made sacrifices or who served the national interest in the establishment of a democratic constitutional dispensation".

Finance department officials said that investigations into who would qualify and how much they would be paid were still at an early stage.

No estimate was available yet on what the special fund would cost but the amount would probably appear in next year's Budget.

Defence department officials said the integration of homeland and former guerilla armies into the SA National Defence Force would result in a personnel increase of 30 000, which would eventually have to be reduced to the present 95 000.

Mr Keys announced below-inflation increases for both ordinary military pensions and civil pensions.

Military pensions will from April 1 go up by 5,6%, "in keeping with the average salary increases in the civil service".

BUDG

'Aged to blame' for bad showing

By WILLEM STEENKAMP

SENIOR citizens fared badly in yesterday's Budget, but "to be fair" they also had themselves to blame, organisations for the elderly said.

They warned that the future of social pensions was perilous and a state pension fund was needed.

According to the Budget, civil and military pensioners will receive increases of 5% and 5,6% respectively, but social pensioners will receive 3,5%.

Council for the Aged executive director Mr Syd Eckley said the first two increases were "fair enough" but the social pension increase was "disappointing".

He pointed out that pensioners had no lobby groups and he exhorted them to band together to ensure they were heard.

Mr Vic Broad, the chairman of Elder Voice, agreed, saying "complacent" pensioners were partly to blame for their circumstances.

CT 23/6/94

Retirees to get 5% from April

Political Correspondent

ALL civil pensioners who retired on or before July 1, 1993 will receive an increase of 5% from April 1, 1994.

The pensions of those who retired after July 1, 1993 but before April 1, 1994 will be increased from April 1, 1994 by 0,56% for each month since retirement.

Those pensions which increased since retirement by less than 70% on the increase of the consumer price index will be further increased to that level.

Mr Keys said that an amount of R417,6 million would be made available for social grant increases and for people on existing waiting lists.

Pensioners can 'thumb' out money

CT 23/6/94 (300)

By CHRIS BATEMAN
Political Staff

LOCAL pensioners and people qualifying for welfare grants will soon be able to draw their monthly payments automatically in cash by using a "swipe" card and pressing their thumb on a screen.

Announcing this yesterday, Mr Ebrahim Rasool, local Minister of Health and Social Services, said the system would be in operationwithin three months, helping to eliminate frustrating queues and vastly improving efficiency.

A test-run of the machines, which will be taken into communities on pension days and manned by a security company, was done in Mbekweni, Paarl, for six months last year.

It proved hugely popular and successful.

The machines would be able to communicate in 11 languages, choosing the language of each client through information encoded on each "swipe" card and then talking the clients through the steps.

It will use clients' individual thumbprints instead of pin access numbers.

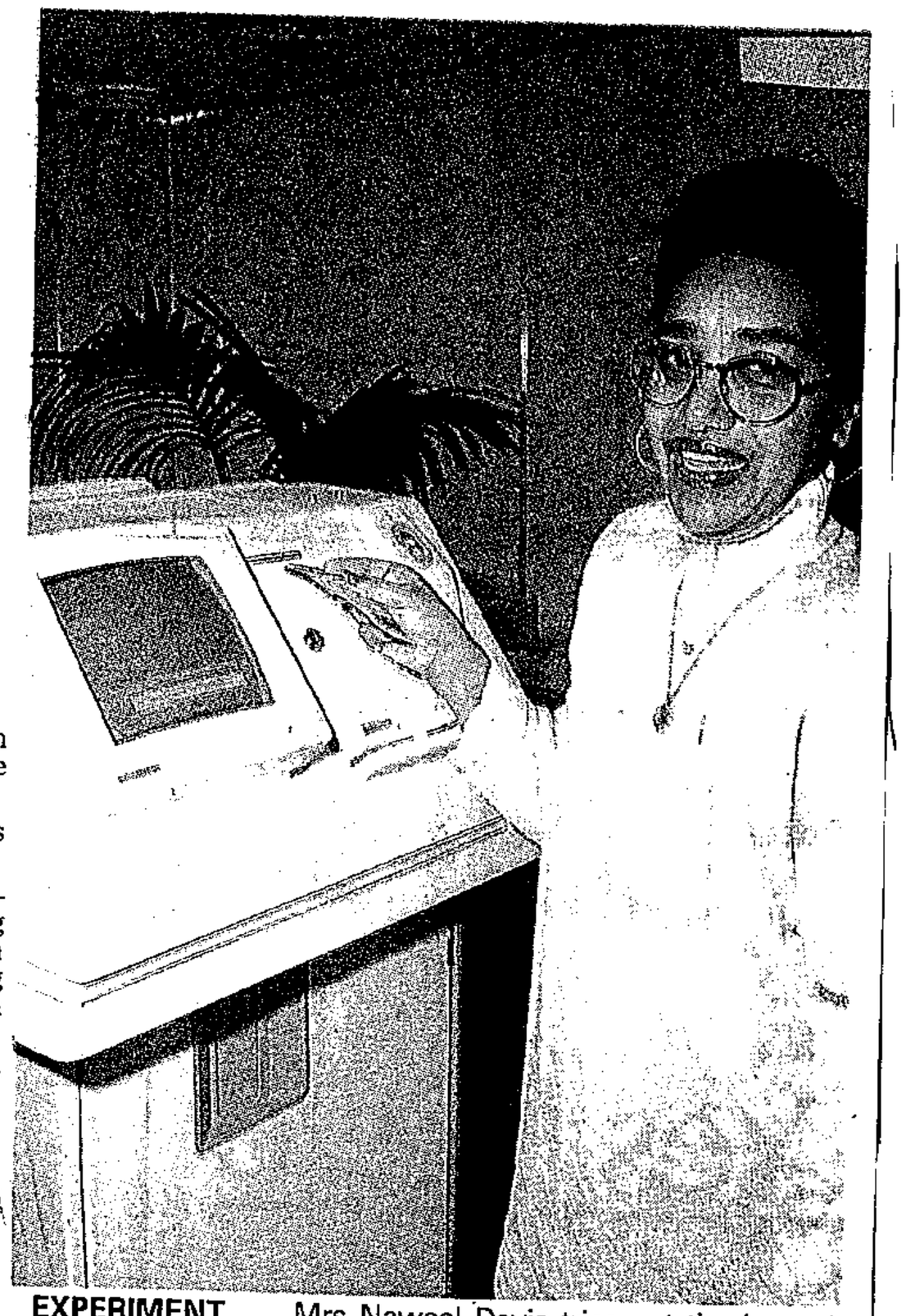
Mr Rasool said advantages included reducing travel expenses for people, providing shelter in cold and rain (they will be set up in community halls) and vastly reducing queues, a familiar township sight on pension day.

Officials would also have more time to help the elderly and infirm.

He emphasised that people could still have the option of having money deposited into their savings or banking accounts.

The operation will be run by a private Port Elizabeth-based agency, National Insurances and Securities Corporation, Nisec, which recently won the tender. The company insures the pension monies against loss and robbery.

The system is expected to be broadened to the northern and eastern Cape.



EXPERIMENT ... Mrs Nawaal Davis tries out the latest in pension vending machines, due in the Western Cape within three months.

PICTURE: CLIVE SMITH

Fears are expressed about pensions

Star 23/6/94

■ BY SHIRLEY WOODGATE

Yesterday's Budget failed to address the major problem posed by an annual increase of 70 000 pensioners, who would soon almost double the present R11 billion allocated to social pensions to R20 billion, said the National Council for the Aged.

Welcoming the 3,5 percent increase from R370 to R383 for social pensioners from July, NCA executive director Syd Eckley said this was less than the expected 5,5 percent increase.

He attributed the lowest increase in 20 years to the need to redress malpractices in the former homelands. "This means the elderly are paying now for the sins of apartheid, with up to 200 000 affected people previously not being paid pensions due to fraud and mismanagement."

Focusing on the need to launch a long-term solution to the soaring pensions bill, he said the time had arrived when a "must" would be the introduction of a three-level national contributory pension system made up of a flat-rate pension, a compulsory earnings-related pension and an employer pension. (300)

South Africa and Namibia were the only two African countries paying social pensions, but this was not a solution from the African perspective.

In the rest of Africa the family was the social security system and the time had arrived when this country would have to follow the Japanese example of legislating that it was compulsory for families to care for their elderly.

"The time has possibly arrived when we must go back to old, traditional values," Eckley said.

Johannesburg Child Welfare Society consultant Jackie Lofell welcomed the emphasis on social provision and the promotion of the Reconstruction and Development Programme.

But she was alarmed that there was still no improvement in salaries for social workers.

Union sets up plan for retirement

OVER 30 000 municipal workers will have first-time access to retirement benefits with the launch yesterday of the SA Municipal Workers Union National Provident Fund.

According to Samwu, many municipal workers had been denied membership of statutory pension funds because of being classified as "temporary" workers — even though many had more than 30 years' service with individual local authorities.

Southern Life will administer the fund and Metropolitan Life has been charged with providing the insurance benefits, Samwu said in a statement yesterday.

Union involvement in identifying and controlling benefits meant that investments would be controlled by workers, "weakening the stranglehold which large finance institutions exercise over the lives of individual workers". — Sapa

(300) CT 24/6/94

Union provident fund launched

CAPE TOWN — More than 30 000 municipal workers will have first-time access to retirement benefits with the launch of the SA Municipal Workers' Union National Provident Fund yesterday.

According to Samwu, many municipal workers had been denied membership of statutory pensions funds because of being classified "temporary", even though many had more than 30 years' service with individual local authorities.

Southern Life will administer the fund and Metropolitan Life has been charged with providing the insurance benefits, Samwu said.

Union involvement in identifying and controlling benefits meant that investments would be controlled by workers, "weakening the stranglehold which large finance institutions exercise over the lives of workers".

The fund had also been set up as an alternative retirement vehicle for other members of the union.

"The provision of benefits by the union will ultimately be co-ordinated within an integrated benefit system.

"This is part of an overall vision of linking the provision of social benefits to the RDP and eventual integration into a new welfare system."

Samwu said workers had been involved in all aspects of setting up the fund. The union would elect eight of the 10 trustees, and employers two.

Workers could remain in the fund if they moved from one workplace to another. — Sapa.

Trade unions reject Seifsa's wage offer

ERICA JANKOWITZ

THE National Union of Metalworkers of SA (Numsa) yesterday rejected Seifsa's 7,5% wage offer, saying wage differentials in the industry were still three times those of competitors in other countries.

All 11 trade unions party to the industrial council rejected the Seifsa final wage offer of 7,5%, Seifsa said. An offer to increase the industry minimum wage structure by 5% was similarly rejected.

However, all unions revised their demands with Numsa and the Metal and Engineering Workers' Union of SA dropping to a 12% demand and the Council for Mining and Building Unions, the Mine Workers' Union and the SA Iron, Steel and Allied Industries Union demanding 10%.

Numsa general secretary Enoch Godongwana said the union had presented a document to Seifsa arguing that productivity improvements in the industry were impossible, given the fact that lower-skilled workers in some cases earned one-tenth of an average line manager's salary.

"Employers underestimate the effect of these disparities. Members see little common ground with managers and artisans who earn up to 10 times their incomes."

He said members felt that apartheid may have been voted out of the political arena, but was still much in evidence in existing wage structures in the steel and engineering sector.

Income disparities "are viewed with considerable cynicism by our members, who see little merit in assisting with the survival of companies which discriminate so heavily in wages or use a low wage policy as a comparative advantage".

The union tabled a 3-year plan at last year's negotiations involving proposals to improve wages and productivity while tackling the thorny issue of wage differentials.

The union described its proposal as a broad-banding process linking incremental wage increases to changing work practices over the 3-year period while gearing up for increased competition with the relaxation of tariff barriers.

Emphasis was placed on skills and training with the union's recognition of the SA industry's comparative disadvantage as a result of low literacy and numeracy levels.

"The ability of the industry to move to world class standards in quality and delivery is obviously severely hampered by this reality."

However, little progress was made on these proposals in the steel and engineering sector with employers only agreeing to reduce job grades from 13 to 8.

Pensioners 'will battle to live' on R13 increase

Apr 25 1994

(300)

TERRY McELLIGOTT
Weekend Argus Correspondent

ALARM bells are ringing over the plight of the country's fast-growing army of old-age social pensioners, who received a "pathetic" increase of R13 (3,5 percent) a month in Wednesday's Budget.

Social workers warned yesterday that many people who depended solely on their R383-a-month social pensions would battle to stay alive unless the government provided them with additional relief.

They also warned that in the long-term the government would be unable to continue shouldering the massive and snowballing burden of paying state social pensions, and urged that the state introduce a national contributory pension system without delay.

Syd Eckley, executive director of the South African Council for the Aged, described the pensions increase as "shocking, the lowest for 20 years".

"We are deeply concerned about people who depend solely on their social pension for survival," he said. "Unless they get additional relief through feeding programmes, they and their dependents will battle to stay alive.

"Our council is extremely disappointed that the government has not yet seen the looming danger resulting from the absence of a long-term pension solution for South Africa."

Multimillion fund to break 'stranglehold'

ARG 25/6/94 (300)

Cover for 30 000 municipal workers

ALIDE DASNOIS
Business Staff

AN innovative multimillion rand provident fund has been opened by the South African Municipal Workers' Union.

The fund, which will accommodate more than 30 000 muncipal workers who are not already members of a retirement fund, is designed to break the "stranglehold" of big financial institutions over the lives of fund members, said union spokesman Roger Ronnie.

He said the fund could collect up to R18 million in its first year.

Many municipal workers had more than 30 years' service with a local authority but had been denied membership of statutory pension funds because of their "temporary" status. The fund would also provide an alternative for other members of the union.

Workers had been involved "every step of the way" in the creation of the fund, which had been drawn up with help from the Cape Town-based Labour Research Service. It would be controlled by workers, with eight trustees elected by the union (including one from each of the regions) and two chosen by the employers.

Employees who moved from one region to another could stay in the fund.

Contributions had been set at a minimum of five percent for members and 10 percent for employers, plus administration costs and costs of insurances. The fund offered retirement benefits, disability benefits and funeral benefits.

But union members had identified a wide range of other benefits which they wanted and in time the fund would create an integrated benefit system which they hoped would provide a variety of benefits through a single deduction from salaries.

Union involvement in the provision and control of benefits would contribute to the economic empowerment of workers and would weaken the power of the big financial institutions over the lives of individual fund members.

Workers had also been involved in the choice of suppliers. A tender system had been used to get "value for money" but supplying companies had been chosen on the basis of social responsibility as well as financial expertise.

Southern Life would administer the fund and Metropolitan Life would provide the insurance benefits. The union would now decide on investment managers, Mr Ronnie said.

July 1 to July 5 1994

DELIVERING PENSIONS TO THE PEOPLE

BY SHANNON NEILL

LONG queues and hours of waiting in the blazing sun and pouring rain for grants and pensions will become a thing of the past when the Department of Health and Social Services introduces new machines to pay out money.

Within the next three months the machines, similar to Autobank machines, will be taken to communities throughout the Western Cape.

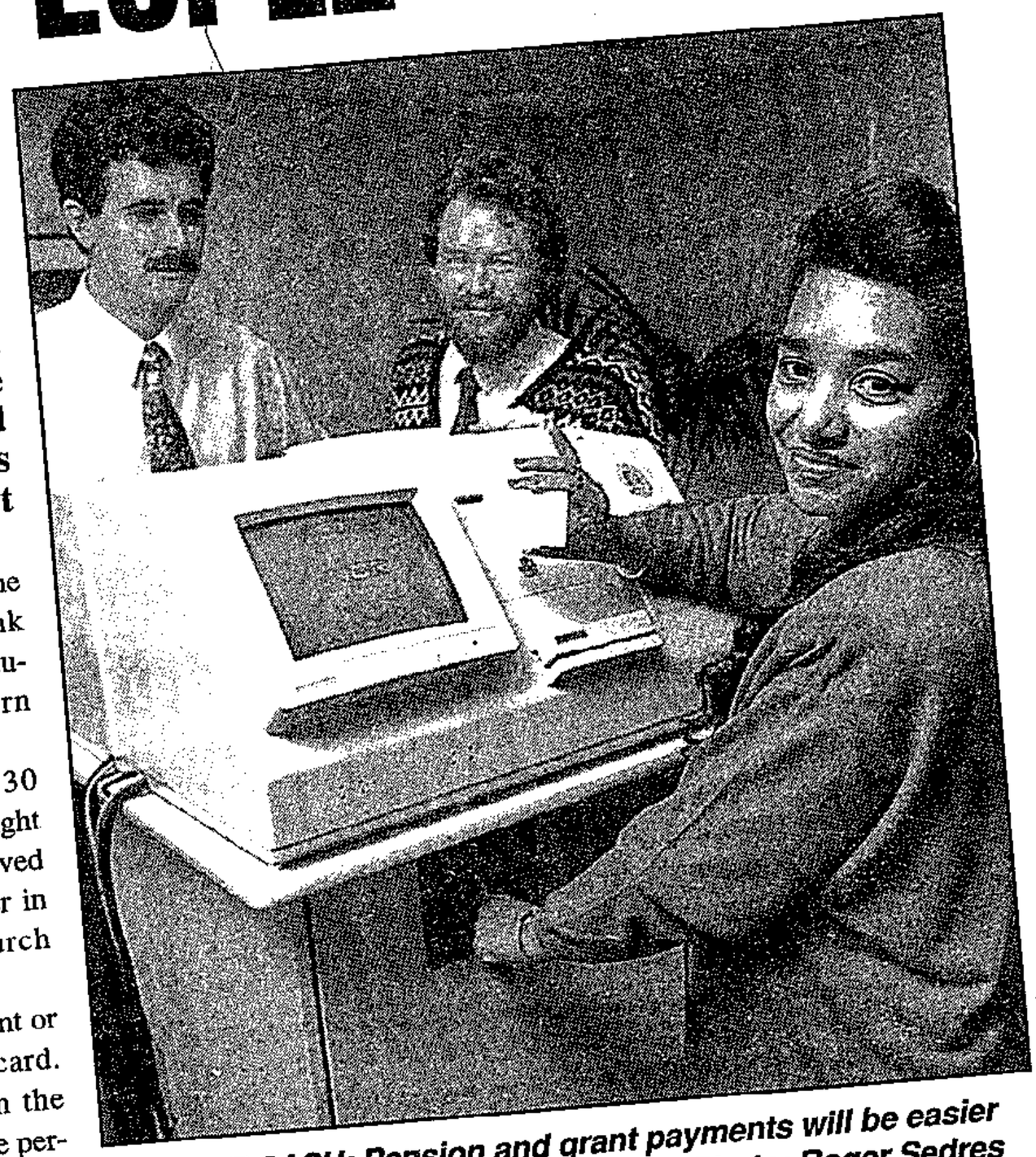
On the Cape Flats, about 30 machines will be mounted in light delivery vans. They can be moved out of the vans and into shelter in community, school and church halls.

Every person who gets a grant or a pension will get a swipe-card. This card is swiped through the machine which also checks the person's fingerprints and the money is paid immediately.

The machines can communicate in the 11 official languages.

Spokesperson for the department, Ms Sonja Blignaut, said there were a number of advantages in using the machines.

"The days of standing in queues in the cold from early morning are over. The new system is very efficient," she said.



INSTANT CASH: Pension and grant payments will be easier with these new machines *Photo: Roger Sedres*

"When pay-outs were made manually, people had to take their ID. It had to be checked in a book and only then was the pension or grant paid. Now one swipe of a card and people get their money.

"We're taking the machines to where people are so they don't have to spend vast sums getting to the pay-out points.

"Because the machine does all the checking, officials can spend their time helping people with any problems they have."

People will still have the option of having their grants and pensions paid into bank accounts if they don't want to use the machines.

Samwu sets up own provident fund

IN a first for workers the 30 000 strong South African Municipal Workers Union (Samwu) has set up own provident fund.

The fund was set up last week to deal with the problem of workers who have not been able to join the statutory pension fund because they were temporary workers despite having 30 years of service.

The fund has also been set up as an alternative retirement vehicle for other members of the union.

Workers were involved in the formation of the fund. It is worker-controlled with eight Samwu members elected as trustees. Employers can elect two trustees. Southeaster (suppl to Sawu

The fund is national, so workers can join in another part of the country if they move. 200

Samwu was assisted in setting up the fund by Labour Research Services. 117 - 517194

STATE PENSIONS

Some day

Government's long-term programme to finance fully State pension funds is still on track and no special allocation to speed up the deficit reduction was provided in last week's Budget. But parliament will soon be asked to approve a new pension fund for its members and other political office bearers in terms of an amendment to the Constitution.

In 1991-1992 and 1992-1993 former Finance Minister Barend du Plessis provided R3bn to reduce the substantial actuarial shortfalls of the five State pension funds. Even with cash injections it was reckoned that it would take up to 25 years for the funds to be fully actuarially funded.

The funds were further stabilised by scrapping provisions which allowed civil servants to buy back service to the age of 16. Finance department officials say the present rate of normal employer and employee contributions is sufficient to generate growth that will eventually result in the funds being actuarially solvent.

Last year government was empowered to issue R6,9bn in stock, part of which was earmarked to help stem the growing deficits in State pension funds caused mainly by retrenchments in the civil service. It was announced then that more stock would be issued to top up the shortfall below the target of 1%-a-year growth in the funding level of the government pension funds.

The new pension fund for political office bearers will provide pensions for all elected officials from deputy presidents down to members of provincial legislatures and any other political office bearers recognised by law. Unlike the pension scheme for political office bearers under the previous constitution, the new fund will be registered in terms of the laws governing pension funds.

Details of contributions by members will be determined in terms of the fund's rules which will be drawn up after it is established. The State's contributions will be decided by the President. Until the fund is set up and registered — probably this year — the President will determine deductions from political office bearers' salaries and the money will be kept in trust.

In terms of the Pensions Act of 1956 all funds must either be actuarially solvent or have a plan in place to become solvent within nine years. Under the previous constitution political office bearers did not have a pension fund. Pension contributions were paid directly into the Treasury and pension payments catered for annually in State expenditure.

To safeguard the pensions of former political office bearers, the previous parliament last year set up a closed fund that was funded with a State contribution of R440m. Further contributions will be made by the State for nine years.

Establishment of the closed fund was agreed by the old TEC. ■

IGI and pension fund 'near settlement'

A NEGOTIATED settlement involving several IGI group companies and a pension fund, the Golden Arrow Retirement Plan, was at an advanced stage and likely to be "considerably below" the R76m claimed, HCI executive chairman Larry Nestadt confirmed yesterday.

The Golden Arrow Retirement Plan is the pension fund for a former Tollgate group company which alleged that two IGI group companies, Traduna and Safegro, made investments in Tollgate Holdings or its group companies to the benefit of Tollgate rather than the fund.

The pension fund initially claimed

CHARLOTTE MATHEWS

R34m but this was later increased to R76m based on losses sustained.

Earlier this month it served a summons on HCI, IGI Insurance, former HCI executive chairman Michael Lewis and IGI Life, a subsidiary of JSE-listed Saflife. B/Day

Sonnenberg, Hoffman & Galombik partner Brian Biebuyck, whose law firm acted for the Golden Arrow Retirement Plan, said as a result of the summons the question of a full settlement was raised which encompassed the claims against both Traduna and Safegro. 11 7 94

Lewis was not included in the settlement negotiations at this stage.

Nestadt said the settlement could be seen only as positive for Saflife.

No material effect would be experienced by the life assurer, which would shortly publish results for the year to March, but the prospect of the settlement had been hanging over the shares. 300

Saflife is an associate company of short-term insurer IGI Insurance, which was placed under curatorship last October. Traduna is 100% owned by Saflife and Safegro is held 44% by IGI Insurance, 5% by HCI and 51% by Saflife.

Probe into integration of TBVC pensions

300
CT 4/7/94

Own Correspondent

JOHANNESBURG. — Moves towards incorporating the public service pension funds of the former TBVC homelands and SA into one large fund with assets of about R75bn are under way and should be finalised later this year.

A Finance Department source said the assets of the pension funds in Transkei, Bophuthatswana, Venda and Ciskei were being examined and valued by external auditors Deloitte & Touche and a firm of actuaries.

"While we are hoping to finalise the incorporation by the end of September, it may take longer than this as all the assets have to be individually identified, actuarially valued and audited," the source said.

"Senior officials from the Finance Department are visiting the former homeland areas in this regard.

"There will be a diverse range of assets to be administered, from equities and gilts to property."

The current administrators of the pension funds in the former homelands will continue to function as such until this is repealed by an act of Parliament.

Single public service pension fund on track

PETER GALLI

MOVES towards incorporating the public service pension funds of the former TBVC homelands and SA into one large fund with assets of about R75bn are under way and should be finalised later this year.

A Finance Department source said the assets of the pension funds in Transkei, Bophuthatswana, Venda and Ciskei were being examined and valued by external auditors Deloitte & Touche and a firm of actuaries.

"The constitution provides for the incorporation of the pension funds from the former homeland areas into one fund. This will have total assets of nearly R75bn — an estimated R5,5bn from the former homelands and R69bn from SA.

"While we are hoping to finalise the incorporation by the end of September, it may take longer than this as all the assets have to be individually identified, actuarially valued and audited.

"Senior officials from the Finance Department are visiting the former homeland areas in this regard," the source said.

The Bophuthatswana pension fund was currently administered by the Sefelana Employee Benefits Organisation (Sebo); those in Ciskei and Venda by Sanlam; and the Transkei fund by the Public Debt Commission, he said.

The Public Investment Commissioner (PIC) currently administers the SA pension fund. It is expected that a board of trustees will be established to supervise the new fund, and will then decide how the various assets are to be administered.

"There will be a diverse range of assets to be administered, from equities and gilts to property.

"It is likely that the board will appoint several organisations — including Sanlam and the PIC — to manage these," he said.

As the former homelands no longer existed as such, the future of Sebo and the Transkei Public Debt Commission was under threat in relation to their pension fund operations.

But the current administrators of the pension funds in these areas would continue to function as such until this was repealed by an Act of Parliament.

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Volume in drive F is VOL1
Volume Serial Number is 8118-FC67
Directory of F:\

POBOX          <DIR>          11-18-93   1:11p
SALDRU         <DIR>          11-23-93  10:00a
               2 file(s)              0 bytes
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Man bound and murdered

JOHANNESBURG.— An elderly man has been found dead, with his hands and legs tied up, at his Malanshof home.

Police said Jacobus Luyten, 62, a Netherlands citizen, lived with Rodney Mogorosi at Malanshof, in Linden, west of Johannesburg.

Mr Mogorosi returned home at about 7.15pm last night to find Mr Luyten dead in his bedroom. His hands and legs were bound.

Police said the Mr Luyten had no visible wounds. It is suspected he was strangled.

The telephone lines to the house had been cut and the safe opened.

Police added that Mr Luyten's 9mm pistol and jewellery estimated at about R7 000 were missing. — Sapa.

Tax levy will hit new pensioners hard

ARGT 6/7/94.

☐ Makes nonsense of principle, says expert

ALIDE DASNOIS
Business Staff

PEOPLE who retire or are retrenched this year are likely to be hard hit by the 5 percent transitional levy.

Old Mutual tax expert Abri Meiring says people who take large lump sums in the course of the current tax year might have to pay 3,3 percent more tax on the taxable part of their payment.

The 5 percent levy is payable on income over R50 000 — or R175 000 in the case of married women.

It is to be paid in two parts — 3,3 percent in the current financial year and 1,67 percent next year.

The first R120 000 of a retrenchment package or pension payout is exempt from tax, with the excess taxed at the taxpayer's average rate of tax in the year of retirement or retrenchment.

Mr Meiring says it is a tax principle that abnormal accruals be taxed at the average rate. This applies to retrenchment payments as well as to lump-sum pension payouts.

The Department of Inland Revenue's intention to impose the levy on lump sums "makes nonsense of this principle," he says.

The life assurance industry is making representations to the minister of finance on the matter.

The system could be particularly damaging to people who retired or were retrenched this year, who have invested their lump sum, and who are left without ready cash to pay this unexpected tax.

More KwaZulu-Natal killings bring toll to 21 in five days

DURBAN. — At least six more people were murdered in KwaZulu/Natal this week, including two people who were shot dead in a taxi ambush on the South Coast yesterday, police reported today.

The latest killings bring to 21 the number of people murdered in the province since last Friday.

At least two others were wounded in the taxi ambush, near Margate, apparently by AK 47 fire. ARGT 6/7/94

A spokesman at the Port Shepstone Peace Committee said one of the men killed in the ambush was an Inkatha Freedom Party-aligned induna, or traditional headman.

He said that since the ambush yesterday there had been more fighting in the area, and "several deaths and injuries".

He said problems in the area had become more acute since the local chief fled late last year after an attempt was made on his life.

Meanwhile, in Durban's Cato Manor area, Bertina Msomi was shot dead in the early hours of Tuesday.

The suspected killer, later arrested, also smashed the windows of her house. — Sapa.

Employee benefits group relaunched

Star 8/7/94

A company specialising in pensions, health care and financial planning has been relaunched.

Trilogy Benefits Group previously traded as Hoskens Employee Benefits.

MD Rob Davey says the group has established a new identity to exploit new opportunities.

"Internationally, employee benefits are recognised as a dynamic growth area and in SA it is no different.

"With laws changing and the recognition of individual rights playing a greater role in the lives of everyone, the need for employee benefits programmes is increasing."

Davey notes that pension funds in SA cater for only 9,7 employees, while medical aid schemes cater for slightly more than 16 million.

"Consider that in the light of the fact that SA has a population of 40 million. I think the need for employee benefits organisations is clearly illustrated."

In addition, Davey believes many opportunities exist in the wider southern African context.



Rob Davey . . . new opportunities.

"Other southern African countries are a microcosm of SA. In fact, we are the only firm involved in this industry that has pursued opportunities in Zambia, Mozambique, Swaziland and Lesotho — countries which don't have recognised medical aid services. 300

"We have successfully concluded the adminstration of a new scheme in Zimbabwe and are continuing to explore business opportunities which require our expertise throughout Africa."

PENSIONS

Settling a surplus

A decision taken on appeal against the Registrar of Pension Funds goes some way to resolving the problem of who owns the surplus in a fund.

In a case where management and members wanted to terminate the Lintas pension scheme, it has been held that a new rule — which allows trustees to reach agreement for the return of most of a R15m surplus to the principal company — does not contravene the Pension Fund Act.

But that is not the same as making a general assumption that employers own surpluses. The Appeal Board upheld the notion that a surplus belongs to the fund. As a fund has to be distanced from the employer, that must mean there is no automatic claim by the employer on the surplus. The Appeal Board, while ordering the Registrar to register the new rule, pointed out that if agreement were reached in the Lintas case, there would still be scope for anyone who felt prejudiced to contest it in the Supreme Court.

That's not likely in the Lintas case because all pensioners and members of the fund have given their agreement to a redistribution, even though the company scores much more than they do.

The Financial Services Board had opposed the return of any part of the surplus, arguing that it was unlawful in terms of the Pensions Act. The board's anxiety not to allow a legal precedent is understandable for there are known to have been cases where surpluses have been targeted in takeovers. The procedure has been to transfer employee benefits into another fund within the predator's group to leave only a handful of senior staff to benefit from the surplus.

Accumulating excessive surpluses is not encouraged. If a fund's assets exceed 105% of actuarial liabilities it is considered by the regulators to be overfunded. Despite the theoretical arms-length relationship between an employer and a pension fund, the employer can arrange, where there's overfunding, to take a contributions holiday.

Several committees, including one headed by Wynand Mouton and one appointed by the Life Offices Association, have investigated the ownership of surpluses.

Such consensus as was reached held that a surplus belongs to the fund. Therefore, it should be used to improve benefits for members, including past members since they had helped to create the excess.

Not all employers agree.

In the Lintas case, two aspects seem to have influenced the decision. First, the small number of employees left in the fund had agreed with management on how the surplus should be divided — 25% to members, the balance to the employer.

Second, it is a defined benefits fund and, to maintain the promise to members, the employer can be forced to fund any deficit. It was argued that, on grounds of equity, if an employer is responsible for a deficit, he is also entitled to a surplus. That argument would fail with a defined contribution (provident) fund where such an onus on the employer does not apply.

There are some unusual aspects to the case. Lintas is an advertising agency, a business with high staff turnover. As so many employees left with limited refunds, the surplus grew. At December 1992, assets amounted to R15,2m, liabilities were R5,4m. At that stage, the employer had already started taking contribution holidays.

Trustees and employees wanted to terminate and introduce instead a provident fund, considered more suitable for high staff turnover. Employer and trustees would have to agree to termination; so both, as the Appeal Board pointed out, had their respective bargaining strengths. Either party could thwart termination if the redistribution were not considered equitable.

The board considered (but made no attempt to rule) whether the proposed split was equitable.

After questioning a pensioner and a current member, the board concluded the members were anxious "to take a bird in the hand" in the form of an immediate 25% increase in existing or future pensions. When asked if they thought the company would agree to a more favourable basis for members, witnesses said they thought the company would refuse to terminate the fund but continue to take contribution holidays.

Though the principle that a surplus belongs to a fund remains intact, the Lintas case drives in a wedge.

The Registrar has been adamant that surpluses cannot be returned to employers, except indirectly through contribution holidays. The Appeal Board's ruling implies instead that members of a fund can, in some circumstances, create precedents in favour of their employer. ■

'Magic' to go out of senior citizens' lives

☐ Communal M-Net access loss

300 ARG 19/7/94

LIBBY PEACOCK
Staff Reporter

SENIOR citizens are upset by the withdrawal of an M-Net communal mini-decoder system which has been available at a special price at certain retirement centres and old-age homes.

The seniors say they are being punished as "the profit motive has reared its ugly head."

M-Net says: "For the past two years we have tried to find a justifiable system or process to enable senior citizens to enjoy our product."

Loopholes, however, were "extravagant and open to abuse."

In a letter to The Argus, signed "Senior Citizen", a reader said M-Net had several years ago "kindly offered to assist senior citizens by making a communal M-Net decoder system available to some retirement centres and old-age homes, at special rates."

The reader quoted from a letter from M-Net dated May 30, 1991, which read: "Due to the residents of your retirement centre being senior citizens, we would like to propose a special installation in order to assist the residents in having 'The Magic' of M-Net at a very minimal cost. The mini-deck may be used for as long as required by the residents."

The reader said: "We have now been notified by M-Net that this system is to be discontinued... We were told that residents could purchase their own decoders at special prices of R449 and R699, which most of our residents could ill-afford, so now they no longer have 'The Magic.'

"The point I wish to make is that suddenly 'the kind offer to assist senior citizens' has little value when the profit motive rears its ugly head."

The Argus has been unable to trace "Senior Citizen", but approached M-Net for comment.

Petro Geerdts, a spokeswoman for the pay station, replied that M-Net had been "unable to contact Mr/Mrs Dixon on the phone to explain the... situation."

MultiChoice, the subscriber management company for M-Net, had "had no choice but to upgrade all existing Mini-deck buildings (buildings where Mini-deck was used)."

This was because "far-reaching and major technological advances" were anticipated and Mini-deck was not in any way able to accommodate more than one channel.

A special offer on decoders had been presented to Mini-deck subscribers as a form of compensation.

For two years M-Net had tried to find "a justifiable system or process to enable senior citizens to enjoy our product."

However, loopholes were "extravagant and open to abuse."

Ms Geerdts attached a letter which was sent to all body corporates and tenants of buildings where Mini-decks were used.

The letter stated that M-Net Cable and Satellite had sold its entire master antenna television division to Teljoy Business Services.

This division had been responsible for all installations and maintenance in hotels, time-share complexes and apartment blocks.

The sale did not include the maintenance of all equipment pertaining to minidecoder-/filter installations in multi-unit dwellings.

"Since the Cable and Satellite Division now no longer has the infrastructure to provide the necessary service required by these complexes... we have, unfortunately, no alternative, but to cease this operation.

"It is, therefore, with regret that we must advise all mini-decoder/non-filtered subscribers that the mini-decoder/filter system will be disconnected and removed."

Pension payments not affected by R5m 'fraud'

CT 23/7/94 (300)

JOHANNESBURG. — Pension payments to public servants would not be affected by an alleged fraud of some R5 million from state pension funds, the Department of Finance said yesterday.

A statement said prompt action was taken after fraudulent payments were discovered in June.

The suspect, Mrs A Small, was suspended from duty and a criminal charge laid against her. Legal action was initiated against two other suspects.

● The Conservative Party said yesterday this incident and the way it was dealt with would "test" the integrity of the new government. — Sapa

'Huge pension scam' probed

(306) CT 22/7/94.

PRETORIA. — An alleged multi-million rand pension fund fraud in the Department of Finance is being investigated by police.

This was disclosed in papers filed in the Supreme Court here yesterday when the department sought an urgent sequestration order against an employee, temporarily suspended from duty, and her husband.

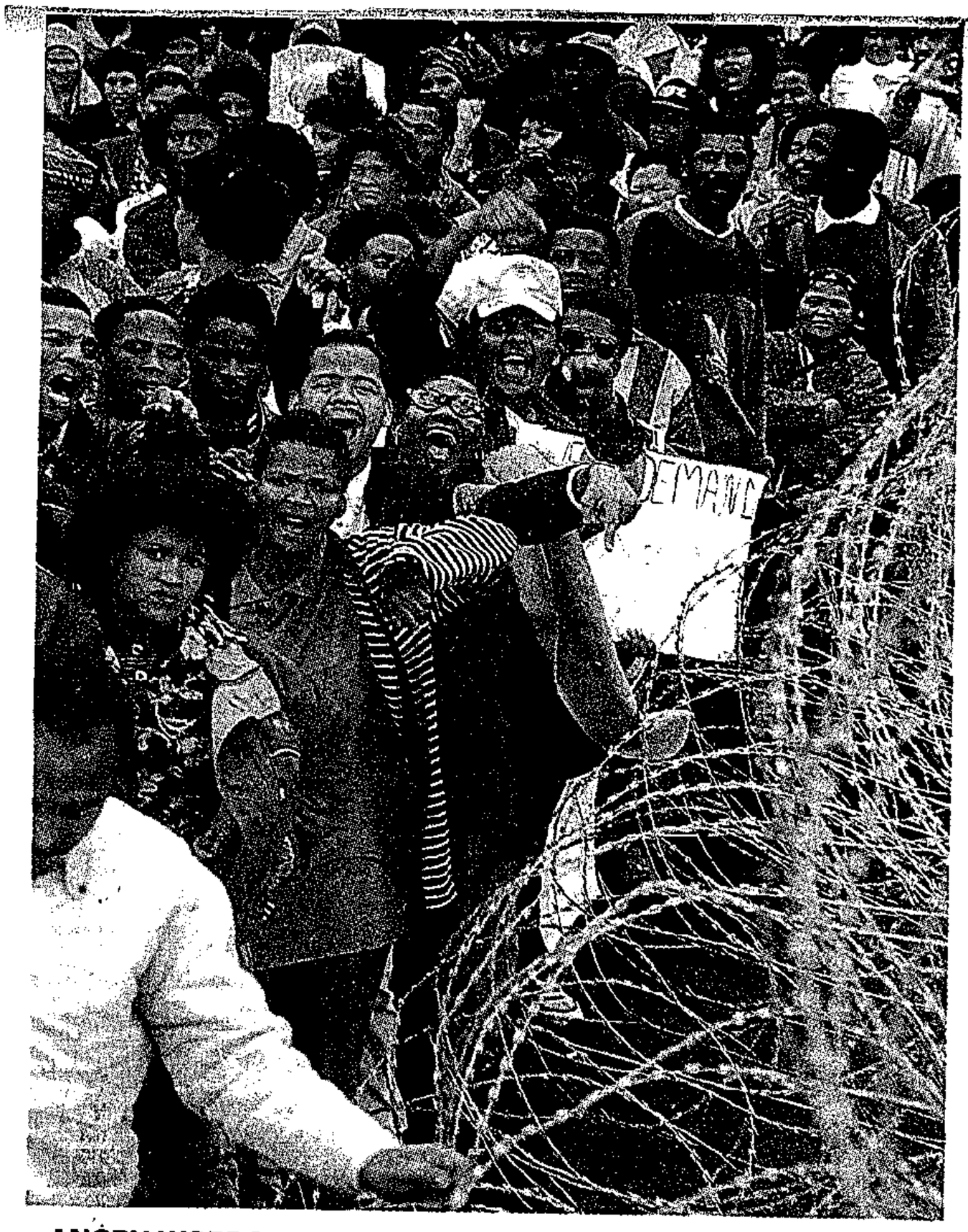
Mr Justice H Daniels granted a provisional sequestration order against Mrs Ansunette Small and her husband Jannie, of Villieria in the city.

Assistant director of finance Mr Daniel Coetzee said in papers Mrs Small and her husband owed the government R342 272 and this amount could increase considerably as the investigation progressed.

He said a departmental investigation had shown money was illegally transferred from the pension fund to the bank accounts of several individuals.

Mr Coetzee said there was a shortage of millions of rands in the pension fund and it was probable that several people, some of them already identified, had been involved.

The Smalls have until August 9 to give reasons why a final sequestration order should not be granted. — Sapa



ANGRY WORDS . . . Barbed wire kept angry workers from entering a city Jewish old-age home yesterday, as protesters shouted anti-Semitic slogans and scuffled with police.

Picture: BENNY GOOL

Protesters held back by barbed barricade

By CELEAN JACOBSON

ANTI-SEMITIC insults were shouted outside a Jewish old-age home and scuffles with police occured in a spate of industrial action in the city yesterday.

A spokesman for Tygerberg Hospital said emergency operations on burn patients were cancelled owing to a lack of porters.

Razor wire kept about 500 protesters,mainly National Education, Health and Allied Workers Union (Nehawu) members, outside Highlands House old-age home in Vredehoek.

A Supreme Court interdict prohibited Nehawu from occupying the premises.

Nehawu officials handed over a memorandum demanding the reinstatement of 219 workers, arrested and dismissed after a protest in April.

The protesters then marched to the Gardens Centre, where traffic was disrupted and scuffles broke out as police barred them from joining Pick 'n Pay strikers.

Nehawu official Mr Wilfred Alcock said this was "the start of rolling mass action".

Police dispersed the workers. CT 22/7/94

CGF nets 45,6% return

300

ST 22/7/94

JOHANNESBURG. — The Community Growth Fund (CGF) said returns for the year to end-June, at 45,6%, outstripped the 36% rise in the Overall Index.

Funds under management at the CGF grew 84% in the first six months of 1994 to R129m.

CGF investment manager Guy Woolford said the number of unitholders increased to 741 by the end of the June quarter from a previous 400. He said 88% of the fund's portfolio was invested in shares at end-June.

Woolford said Unity Incorporation, a union-controlled company, screened investment for the CGF. Since the fund's launch two years ago, Unity has approved 32 companies for investment, and rejected 14.

Seventeen criteria are used to assess companies for social responsibility, the most important of which are job creation, industrial relations record and employment conditions.

"Eskom scored particularly well for its progressive industrial relations and worker participation."

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	IND
OVERALL	55
MINING PROD	42
COAL	52
DIAMONDS	198
ALL GOLD	20
RAND&OTHERS	
EVANDER	14
KLERKSDORP	54
O.F.S.	10
WEST WITS	34
METALS&MIN	32
COPPER	
MANGANESE	65
PLATINUM	72
OTHER METALS	
MINING FIN	7
MIN HOUSES	7
MIN HOLDING	1
FIN&INDUST	73
FINANCIAL	47
BANKS&OTHER	47
INSURANCE	5
INV TRUSTS	3
PROPERTY	
PROP TRUST	
PROP LOAN ST	
INDUSTRIAL	6
IND HOLDING	6
BEV,HOTL,LES	13
BUILD&CONSTR	7
CHEM & OIL	1
CLTH,FOOT,TX	
ELECTRON,ETC	
ENGINEERING	2
FOOD	1
FURN&HSEHOLD	
MOTOR	
PAPER&PACK	
PHARM&MEDICL	
PRINT&PUBLSH	1
STEEL&ALLIED	
STORES	
TRANSPORT	4

Exc

Standard Ban

- T/T buying, Air buyi buying, T/T selling.
- Limit equivalent R20 000 b selling quotations on basi

1 US$/pound:
US $: 3,6630, 3,6531, 3,632
UK £: 5,6164, 5,5978, 5,577

- Limit equivalent R20 000 b selling quotations on bas currency per R1:

Australia: 0,3740, 0,376 0,3659.
Austria: 3,0300, 3,0500 2,9700.
Belgium: 8,8400, 8,8900 8,7200.
Botswana: 0,7550, 0,756 0,7455.
Canada: 0,3799, 0,381 0,3728.
Denmark: 1,6780, 1,688

Social responsibility: A unit trust issues bouquets and brickbats

CGF flexes its muscles

WM(BM) 22-28/7/94 300

Social responsibility unit trust the Community Growth Fund has become a powerful enforcer of corporate responsibility as well as setting new records, writes **Reg Rumney**



Off the list ... Pick 'n Pay was dropped from the CGF's portfolio, though the currrent strike was not behind the unit trust's decision to shed the stock. The strike has had an effect on the company's share price, however
●See also PAGE B3
PHOTO: JACOOB RYKI

BERZACK Brothers has been given the nod as a socially responsible company to invest in by the union-controlled Community Growth Fund unit trust.

At the same time, Absa and the Rand Water Board have been given in effect a rap on the knuckles by the same fund. This is revealed in the CGF's latest annual report, released this week.

Unity Incorporation is the actual union-controlled company which screens investments for the CGF. Unity has now approved a total of 32 companies for investment by the CGF and has rejected 14.

Unity Incorporation chairman Tommy Oliphant stresses that openness is in itself a criterion for companies to be approved.

"One of the legacies of the old South Africa is the weak disclosure permitted by the Companies Act. Companies which refuse to give Unity the information it needs will face automatic rejection. This was the fate of Fraser Alexander, the only company to refuse to co-operate with Unity."

Berzack itself failed to gain approval two years ago. Unity claims to have been the catalyst in bringing union Mewusa and the company together to implement fundamental changes.

The CGF says the company recently implemented a wide-ranging affirmative action and training programme which leapfrogs the progress of many other large companies.

Workers have a direct influence on the programme through regionally based steering committees.

Although the CGF dropped Pick 'n Pay as an investment, this was long before the strike. Unity approved Coke licensee, Amalgamated Beverage Industries, despite a bitter strike, because it pays above-average wages and has basically good industrial relations practices.

Engen and Cadbury were both approved largely because of their good employment conditions.

Unity has also approved investment in African Life and Metropolitan Life, recent ownership changes at which it says have promoted black economic empowerment.

"There is a variety of definitions of black economic empowerment. While approving the changes at both companies, Unity wants to see them widen the shareholder base. And Unity will be watching both companies for progress in the development of products and services directly relevant to the black communities they serve."

By contrast, Unity found the racial profile of South Africa's largest bank Absa wanting. Black employees now represent only 16 percent of Absa's total staff and 3,5 percent of managerial staff, says the report.

Oliphant says: "Although the company has started to tackle this legacy it should be doing a lot more. This, together with the bank's poor political profile has resulted in its rejection by Unity."

Absa spokesman Alec Hogg says he is distressed by the comments, given that Absa supplied information to Unity and that the chairman and chief executive have both gone on record as acknowledging the affirmative action backlog. However, he says, "we are not interested in window dressing".

The company has gone from a figure of black employees making up 12 percent of the company to 18 percent in a year, he says, and a directive ensures a minimum of 70 percent of new employees are black.

Unity is scathing in its rejection of the Rand Water Board. "Backward management practices at South Africa's largest water supplier have resulted in rejection by Unity. Rand Water's chief executive refuses to meet the largest union in the organisation and opposes worker participation in training and safety. There are few blacks or women in management positions and industrial relations are poor. Substantial changes will be needed before Rand Water can sell stock to the CGF."

Many companies already in the CGF portfolio will contribute to the government's Reconstruction and Development Programme, says the report.

"Unity has approved two more, Edward L Bateman, project engineers, and Eskom, the electricity utility. Eskom scored particularly well for its progressive industrial relations and worker participation, developed jointly by management and unions. EL

P. T. O.

'R5-m fraud won't affect state pension payouts'

ARG 23/1/94 (300)

JOHANNESBURG. — Pension payments to public servants would not be affected by an alleged fraud estimated at R5 million from state pension funds, according to the Department of Finance.

The department said that "in spite of this most unfortunate incident", the administration of state pension funds was being "handled with great responsibility".

The department took a serious view of fraudulent payments and, when such cases were discovered, took immediate action against those involved.

Last month, the department became aware of possible fraudulent payments and took immediate action to determine the nature and extent of the fraud — to quantify the loss and to recover the amounts lost.

A suspect, Mrs A Small, was immediately suspended from duty and a criminal charge laid against her, said the department.

"Two further suspects were identified and legal action against them was initiated."

The auditor-general and state attorney had been informed. The state attorney already "has taken action to recover the amounts unlawfully paid out". — Sapa.

Levy exemption call for retirees

300 CT 26/7/94

By AUDREY D'ANGELO
Business Editor

SANLAM has appealed to the government not to take the 5% transitional levy from lump sums paid out from retirement funds, on the grounds that it would be unfair to those who retire in the year the one-off levy is made.

In a letter to the Minister of Finance, Derek Keys, Sanlam group benefits GM Francois Marais points out that "lump sums arising from retirement funds accrue in respect of many years of previous service — they are not earned in the year in which they are paid.

"The transition levy is a one-off levy on all income above a certain level earned during the one tax year (spread over two tax years for practical purposes).

"Lump sums arising from retirement funds clearly do not fall into this category as they are in fact income earned during a previous period but with payment deferred to the current tax year.

"It would be most inequitable to apply the levy only to the lump sums of those persons unfortunate enough to retire in this tax year while those who happen to retire a year earlier or later will not be taxed."

Marais also points out that the levy applies only to taxable income above R50 000 a year — or R175 000 for a married woman. "People earning less than these amounts are obviously felt not to be in a position to contribute to the levy.

"However, applying the levy to the taxable portion of lump sums arising from retirement funds will mean that some people with a normal income of less than R50 000 will also be required to contribute to the levy.

Contrary

"This is clearly contrary to the intention of the proposed legislation as it means that a portion of the lump sum which a low income fund member will need to support himself during his retirement wil be taxed at this higher rate."

Pointing out that lump sums paid to public servants on retirement are not taxable, Marais says applying the levy to lump sums paid to people retiring from the private sector "will only exacerbate the existing gross inequity in our taxation system."

Tradition rules at Langa home

"Women are slanderous and can destroy our unity and relationships."

BY SABATA NGCAI

LANGA Old Age Home stands out as one of the only beautiful place in the township's dusty Zone 16.

It's green, well trimmed lawns, plants and flowers are planted and cared for by the residents.

Aged from 70 to 80, hard work is nothing new for some.

"We are not forced to do anything, but we made it our job to care for the garden because we want to keep ourselves physically fit," said Mr Bhunga Nabe,75.

"Before we arrived here some of us used to work very hard, so when we sit down without doing anything we don't feel relaxed."

Mr Charles Soyizwaphi, 75, enjoys working in the garden.

"I used to do lots of gardening in the rural areas where I come from," he said. "This small garden reminds me of the good old days."

But its not all hard for the residents — there's lots of time to visit friends and relatives as well.

Mr Soyizwaphi confided some of the men often visit the local shebeens.

Liquor is not allowed on the premises.

The women spend their days sewing, knitting and crocheting.

Mrs Janette Hlalele, 63, knits woollen hats and jerseys.

"I have no intention of selling them, I knit to keep the time moving,' she said.

Mrs Linah Solifafa, 70, makes tray cloths and Mrs Ruth Manaba, 81, makes mats for sideboards.

Tradition rules at the home. Men and women do not mix much.

They don't join each other either for conversation or lunch.

"We like it that way," said Mr Nabe. "Women are slanderous and can destroy our unity and relationships."

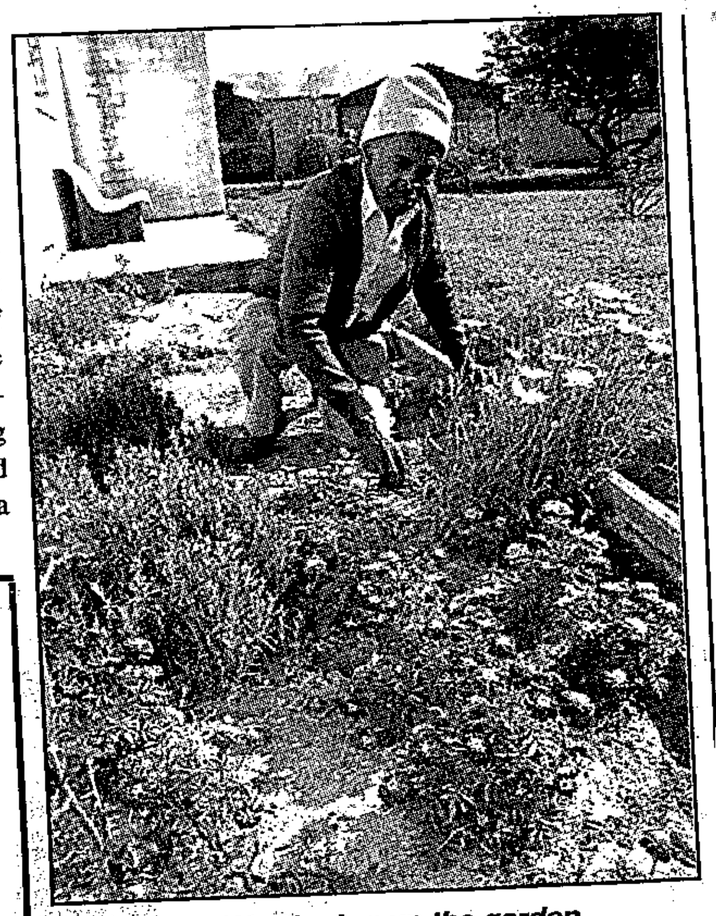
The women said it's African tradition that women stayed apart from men unless they were directed otherwise.

"We are used to it, it is part and parcel of our life and we don't see anything wrong with it," said Mrs Isabella Williams.



HOLDING UP THE TRADITION: Keeping separate from the men

Photos: Roger Sedres



MAN'S WORK: Digging up the garden

Provincial pension plan

(300)

AN investigation into setting up a provincial pension fund for Western Cape residents had started, Premier Hernus Kriel said. ARG 16/8/94

"People will have to contribute during their working years to make provision for their old age," he told the provincial parliament yesterday.

TRANSNET Fin 19/8/94

Funding the fat years

The taxpayer is still paying for apartheid. Among those who should feel aggrieved are Transnet's pensioners and customers. Transnet is open on the issue — if it did not have a R5,9bn deficit in its pension fund, it could reduce tariffs for at least some classes of customers. And its current pensioners would not have been forced to accept reduced benefits. (300)

The reason there's a deficit is that government did not fully fund the retirement benefits when the old SA Railways & Harbours was a department of government. And the money which should have been growing for pensioners was "borrowed" by government through prescribed assets and used to finance, among other things, facilities marked "Whites Only."

The government is likely to have little sympathy for pensioners as, for decades, employment on the railways was a reserved occupation. It has already refused to issue stock to cover the deficit, citing other priorities. Had government acceded to Transnet's request, interest would have yielded about R700m a year to service the pension fund's needs. Now that sum must

Fin 19/8/94

be deducted from operating profits.

Tax considerations are interesting. Transnet is now a taxpaying entity and R700m represents a large chunk of 1994's operating profit of R1,79bn. But Ben van der Berg, Transnet's tax adviser, says that, even with an increased operating profit, the group would not be paying more tax — it has a calculated assessed loss of R10,6bn. But, had government agreed to the issue of stock, Transnet would probably have become liable for tax earlier than now seems probable. So, one way or another, the taxpayer pays. (300)

Van der Berg says the issue of stock by government, on the other hand, could result in Revenue recouping allowances that were claimed for tax and were based on the amount of R5,9bn. But only a portion of the receipt would constitute a recoupment and it would not create an income tax liability for the company in the near future. He adds that it is impossible to state now when Transnet will be paying corporate taxes.

There is no doubt Transnet's members will get their dues as the fund is guaranteed by government until Transnet has made it fully funded. But pensioners have, temporarily at least, had to accept lower benefits as part of the funding drive.

But, at 82,4%, the fund is certainly healthier than the just over 70% it stood at when Transnet was commercialised.

Other implications, says Transnet, are that profitable divisions, such as Portnet, must remain within the group and that, "for many years, dividends will be scant."

The other issue is full funding. Transnet inherited its deficit, while deficits also occurred in almost all government pension schemes. With the funds debarred from normal investment avenues, the deficits were inevitable. There were also overgenerous provisions to allow government employees to buy pension rights for years when they had not been employed.

After Transnet was commercialised, it was obliged to head for full funding — unlike remaining government pension funds which were allowed to stay in deficit.

In most Western nations, there is no attempt or reason to fully fund — government contributions are voted annually. The case in favour of full funding makes sense only if pension trustees are able to make full use of all available investment opportunities, with a good chance of beating inflation. The opponents of full funding argue that a State cannot go out of business; so its employees should have no feeling of insecurity. Or should they? ■

Senior citizens urged to lobby for aged

Health Reporter

THE South African Council for the Aged has appealed to senior citizens to use their political clout to lobby for a better deal for the aged.

"A political party for senior citizens is perhaps not far-fetched," said Syd Eckley, executive director of the Council.

"The council is concerned that because of the emphasis being placed by the government on children and women, older persons are pushed to the sidelines.

"It is also clear that services which were heavily subsidised in the past, will have to go ahead on their own in the years to come.

"Family members will have to accept their responsibilities in caring for the aged as was the custom in years gone by."

● The Department of Health's Geriatric Services have organised several activities to highlight Awareness of the Elderly Week from October 1-8.

This includes an art competition entitled *This is how I see Granny or Grandpa* for children between eight and 13.

The best artworks will be displayed at Bellville Library and prizes will be awarded at a brunch organised by the Department of Health to bring together mothers and their daughters.

The brunch, at R50 a person, will take place at Rhebokskloof Wine Estate in Paarl on October 6.

On October 5 the Department will hold a seminar for professional people involved with the care of senior citizens.

Speakers at the seminar, at R30 a person, at the Bellville Library will include Steven Louw, who will talk about *Geriatric Services in the year 2000*, Martha van Wyk, who will discuss *Involving Families in Old-age Homes* and Ester Sapire, who will talk about *Sexuality in the Aged*.

(300) ARG 15/9/94

Information: contact Elmarie or Myrna at ☎(021) 948 8151.

Age of the youth painful for aged

(suppl. to Sentry)

BY SABATA NGCAI

ELDERLY people in African townships used to be the glue that held families together. They were the teachers, the healers and the people who kept the culture alive.

Today, many die alone in old age homes, abandoned by their children and shunned by society.

Mrs Freda Mgadi, 84, has been living at the Nyanga Old Age Home since 1976.

She lived with a Guguletu family for 20 years while she was employed as a domestic worker. She stopped working in 1969.

While living with the family, her salary was used to see to their needs. But when she stopped working, they stopped feeding her.

"But my friends came to my assistance," said Mrs Mgadi.

"I helped them with everything I could because I felt I was living in my own home," she said. "I bought groceries and helped them with money when they were in need.

She was rescued by a priest from her church. After noticing her ill-treatment, he took her to the Nyanga Old Age Home. Mrs Mgadi has no children.

Mrs Bertha Tsutsu, 75, of Guguletu, said today's youth want to enjoy themselves and don't care for the elderly. (300)

"There are heart-breaking incidents where elderly women, who cannot do anything for themselves are left alone by their children for two or more days," she said.

"On pension days the children are always there to take them to the pay point because they want the money."

Mrs Lena Hlathi, 80, said changing times have widened the gap between the elderly and the youth.

"Elderly people are too conservative while the youth needs quick change," she said.

"This brings about a conflict of opinions which leads the elderly to think they have become worthless.

"They would seek alternative accommodation and stay with people who share the same views as themselves.

"Although old age homes are not part of our culture, we have to accept them because it is where elderly people can rest and escape the troubles at home."



FRIEND IN NEED: Mrs Bertha Tsutsu and Mrs Lena Hlathi *Photo: Roger Sedres*

Mr Gideon Siyobi, 82, said he has heard of many cases about children who are neglecting their parents. "Many children have been on 'trial' because of complaints received from their parents.

"Despite the punishment given by the community, the number of troublemakers increases."

Massive pension fraud

(300)

CT 28/9/94

By GLYNNIS UNDERHILL

MORE than R200 million of pension money distributed annually in the Western Cape may end up in embezzlers' hands, according to the chief director of the Department of Social Welfare in the Western Cape, Dr Ebrahim Jarodien.

Dr Jarodien said he suspected that up to 15% of the total R132 million distributed to pensioners of all population groups in the region each month was being fraudulently obtained.

Dr Jarodien said that his department had "solid circumstantial proof" that certain officials were involved in pension fraud. Police had been called in to investigate, he said.

In some cases, officials recorded fictitious beneficiaries and claimed the money themselves. In others, when pension beneficiaries died these deaths were not reported to the department and pensions continued to be collected.

Dr Jarodien said the department hoped to stem the theft of millions of rand of pension money each month with its new, streamlined administration, which would close existing loopholes.

One of the methods will be a new pension vending ATM system, to be introduced in November.

The system will allow people to draw their monthly payments by using a swipe card and identifying themselves by their thumb prints.

The ATM machines will be placed at many pay points in the communities — thus reducing large queues, according to the department.

With the creation of a single data base, the chances of duplication and fictitious claims were much lower, Dr Jarodien said. Information would be managed more efficiently and deaths would be swiftly recorded.

"Fraud takes place not because people are bad, but because administration procedures lend themselves to exploitation," Dr Jarodien said.

"Money is evil. The responsibility we have is to manage pensions more efficiently and that's what we are paid for."

'No more old age homes' — Momberg

Staff Reporter

IT is unlikely that another old age home will ever be built in South Africa apart from frail care homes, ANC MP Mr Jannie Momberg said yesterday.

He was speaking at a meeting in Muizenberg yesterday called by concerned residents who object to the proposed closure of local old age home Muizenberg Place by the Cape Peninsula Organisation for the Aged (CPOA).

Mr Momberg said in future families would be encouraged to look after their own aged. He suggested that, because of this, funds should be obtained privately to repair Muizenberg Place so that 70 residents could continue living there.

Mr Momberg and a delegation of residents resolved to meet the CPOA.

Mr Ed Coombe, a resident who organised the meeting, said the CPOA had become "something of a monster", too big and too bureaucratic.

"They are trustees of public money. They need a little humility, instead of the patronising, heavy-handed authoritarianism," Mr Coombe said. (300)

The CPOA spokesman was not available for comment yesterday. The organisation said last month that all the Muizenberg Place residents would be offered alternative accommodation. CT 14/10/94

Families must care for the aged

CT 2 17/10/94

Staff Reporter (300)

THE government is to take a new holistic approach to old age care which would move away from the former welfare approach to one which is community-based with the family as the core support system.

This week ANC MP Mr Jannie Momberg said it was unlikely that another old age home would ever be built in South Africa, apart from frail care homes.

He was speaking at a meeting in Muizenberg on the proposed closure of local old age home Muizenberg Place.

Department of Welfare deputy director Mr Chris van den Heever said from Pretoria yesterday this was essential if South Africa were to deal effectively with the growing number of older people.

"The principles of this new approach will form the basis of new legislation, policy, norms and standards," he said.

No pensions for 3rd month in a row

By YVETTE VAN BREDA

THOUSANDS of Western Cape pensioners — many without enough money for food — went home empty-handed for the third month in a row yesterday.

The angry pensioners were told no money had arrived from Pretoria because of a computer error and they should return next month for a triple payment.

The move was slated by the chairwoman of the Association of Retired Persons and Pensioners, Mrs Kay Altman, who asked whether the authorities expected pensioners "to die in the meantime".

Pensioners queued at pension offices and post offices in Mitchells Plain, Wynberg and the city yesterday.

CPA deputy director Mr Errol Hess said there were problems with processing new pension applications and "a few thousand people had been affected in the Western Cape".

Although he thought the amount involved could run into millions, he did not know how many people or how much money was involved.

He blamed the problem on "rationalisation and the pensions department having to move from one office block to another which meant facilities were not properly in place yet".

Mr Hess said the department was "taking drastic steps to remedy the problem" and staff were working overtime.

CT 19/10/94

Neither Western Cape Minister of Health and Social Services Mr Ebrahim Rasool nor his chief director were available for comment yesterday.

National pension scheme considered

(300)

CT 20/10/94

Political Staff

THE government is considering starting an obligatory national pension scheme for all working people, including those in the informal sector, from which withdrawals will only be allowed under special conditions.

Employees would only be able to draw on their savings when they retired or if they needed money for housing or their children's education.

However, exceptions would be made only if a member's contributions were high enough.

Welfare and Population Development Minister Mr Abe Williams said at a news conference yesterday such a savings scheme, to alleviate the state's burden, was "an urgent priority".

The state could not afford to carry the welfare burden any longer, he said. With economic growth having lagged behind population growth for nearly a decade, this situation had become acute.

He acknowledged the state had a poor record of administering public funds, but this could be solved by having private companies run it.

Investigate

Acting director-general Mr Johan Schoeman said 2,6 million people were being paid various social grants costing the state R800m a month.

The minister, speaking in his budget vote in Parliament, said he would be setting up a task group to investigate the feasibility of the plan which he hoped would be implemented by 1996.

The group would consider systems in countries such as Chile, Canada and other European states.

● DP welfare spokesman Mr Brian Goodall said his party had been calling for a compulsory retirement funding system since 1980. Had it been implemented then, social pensions would have been better and the tax burden much smaller, he said.

UNIVERSITY OF CAPE TOWN
DEPARTMENT OF ACCOUNTING
THE STAR / THURSDAY OCTOBER 20 1994

Take some of the burden off State, says Williams

Compulsory retirement funding plan is priority

Star 20/10/94

■ **BY CHRIS WHITFIELD**
POLITICAL CORRESPONDENT

Cape Town — A compulsory retirement funding system for all South Africans is to be investigated as an urgent priority, Welfare and Population Development Minister Abe Williams announced yesterday.

Introducing his budget vote in the National Assembly, he said he had agreed to appoint a working committee to carry out the probe.

His announcement was welcomed by other political parties, with the Democratic Party's pensions spokesman Brian Goodall saying it was difficult to understand why such a system had not been introduced years ago.

Williams said: "The introduction of a savings scheme as a measure of alleviating the burden on the State needs to be investigated as an urgent priority.

"All employees in the formal and informal sectors should be encouraged to be self-reliant and to make adequate provision for retirement as well as for any event which may result in a temporary or permanent loss of income and means."

Many countries had introduced compulsory saving schemes, supported by employees, employers and the government.

"The purpose of such a scheme is to assist members to meet needs such as shelter, food, clothing and health services in their old age or when they are unable to work," said Williams.

Benefits could include withdrawals for retirement, permanent disablement, home ownership and medical care. The amount available would depend on how much the member saved.

The task of the working committee would be to:

- Define the "practical meaning" of a social security savings scheme. (300)
- Investigate the desirability of such a scheme.
- Investigate practical measures.
- Investigate the financial implications for the State.
- Determine time scales for implementation of such a scheme.
- Report on measures to be taken to protect contributions and ensure "transferability of accumulated contributions".

Williams also announced he would appoint a committee to probe the rationalisation of existing social security grants.

The Department of Welfare had been appointed by the Public Service Commission to investigate and carry out the rationalisation of the 14 existing systems.

Williams said the Cabinet had already approved amendments to the Social Security Act and these were being finalised.

He said the country's welfare service delivery system should concentrate on delivering primary social services to neglected rural areas, informal settlements, farmworkers and vulnerable groups.

3.

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Compulsory saving scheme on the cards

TIM COHEN

CAPE TOWN — Welfare Minister Abe Williams announced yesterday that government was considering introducing a compulsory savings scheme to fund citizens' retirement, home ownership and medical care. BDay 20/10/94p

Presenting the Welfare budget to Parliament, he said the funding of social welfare services was totally distorted and dramatic amendments were needed.

Of the Welfare budget of R12bn, about 86% was spent on social allowances. The 4% annual growth in social allowances would soon lead to large increases in spending and exhaust the Treasury. Expenditure on social pensions was about R800m a month for 2,6-million people.

SA and Namibia were the only countries in Africa to provide pensions, Williams told a news conference.

The department had already begun rationalising social pensions to establish a national pensions register and to eliminate duplicate payments, fraud and corruption. Millions of rands would be saved once the provinces implemented and adhered to the minimum criteria. (300)

He was reluctant to spell out the proposed compulsory savings scheme, saying it would be up to a working committee to make recommendations in a White Paper.

But the scheme would have to be jointly supported by employees, employers and government and was necessary to alleviate the burden on the state.

Its basic purpose would be to help members meet their primary needs in their old age, or when they were unable to work. Membership could be compulsory for all employees, as well as self-employed persons, especially in the informal sector.

Members could draw on their savings only when they retired or were permanently disabled. Withdrawals might be allowed for home ownership and medical care.

First as Sentrachem notches R3bn sales

BDay 20/10/94p

MUNGO SOGGOT

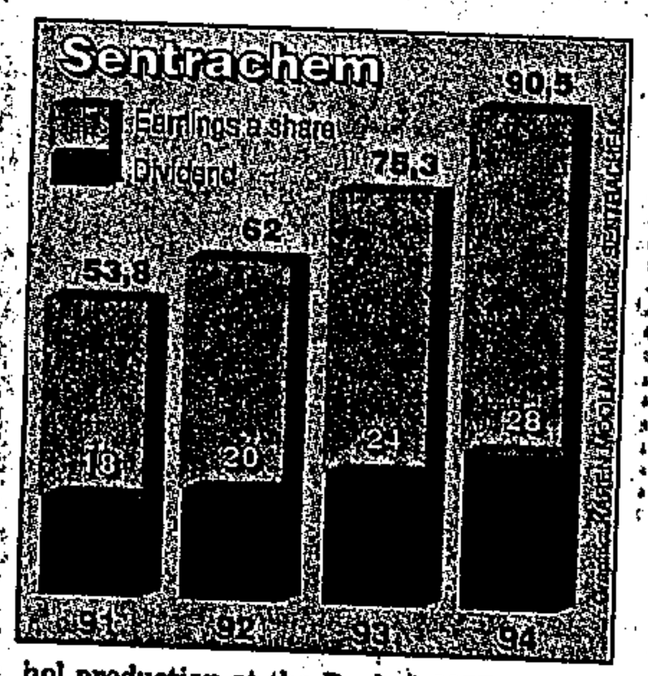
CHEMICALS group Sentrachem fought off difficult domestic trading conditions to lift earnings 38% to R120m for the year to August after improved performances from most of its subsidiaries. (HSS)

Turnover rose 7% to R2,8bn, 15% of which stemmed from exports which rose 34% to R464m. Gross sales topped R3bn for the first time.

Earnings a share rose 20% to 90,5c and a final dividend of 20c was declared, bringing the total dividend to 28c (24c). Net income climbed 43% to R159m. Operating income was up 16% at R248m, while the operating margin rose to 8,7% (8,1%).

MD John Job said subsidiaries Agrihold, Carbochem, NCP and Sanachem had improved performances. But Chemical Syndicate, Mega Plastics and Safripol had come under pressure in depressed and competitive markets.

This year's restructuring of NCP — in terms of which the group shut down its Germiston distillery and consolidated alcohol production at the Durban NCP plant — had restored the division to "acceptable" levels of productivity. All restructuring costs had been accounted for.



Sentrachem's tax bill dropped to R34m (R37m) as a result of the cut in the corporate

To Page 2

MMF asks for petrol price increase

TIM COHEN

CAPE TOWN — The Multilateral Motor Vehicle Fund has asked the Cabinet to increase the petrol price 1c/l to stop the fund's R3,7bn debt rising further.

CEO Willem Swanepoel told the parliamentary select committee on public accounts yesterday that the troubled vehicle accidents fund's income was insufficient. Although it had a positive cash flow of about R300m for the 1993/94 financial year, claims of R950m were outstanding and its liability had risen R650m.

Income came only from the fund's portion of petrol and diesel sales — 9c/l on petrol and 5,8c/l on diesel. This levy should be increased by between 10% and 12% a year so that the fund could begin reducing its overall debt, Swanepoel said.

Other methods should be used to limit the third party claims against the fund, including a redefinition of the claims that could be brought against it. Current MMF benefits allowing unlimited claims were luxurious by Third World standards.

Third party victims of accidents could claim for loss of support, medical expenses and "general damages", including "pain and suffering". The fund could decline liability for "general damages", which accounted for half of the amount usually claimed against the fund.

Claims should be capped and, if the public was unhappy with this, people could take out private insurance.

There were currently 66 claims against the fund in excess of R1m.

Compulsory saving scheme on the cards

TIM COHEN

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But the scheme would have to be jointly supported by employees, employers and government and was necessary to alleviate the burden on the state.

Its basic purpose would be to help members meet their primary needs in their old age, or when they were unable to work. Membership could be compulsory for all employees, as well as self-employed persons, especially in the informal sector.

Members could draw on their savings only when they retired or were permanently disabled. Withdrawals might be allowed for home ownership and medical care.

Payout promise



WHAT'S THE BUZZ? . . . Jazz singer Julia Krone "serenades" a swarm of bees which took up residence on the car of saxophonist Dave Rubane in Observatory last night. Rubane, who is allergic to bees, respectfully kept his distance while the bees were removed.

Picture: NIC BOTHMA

CT 20/10/94 (300)

Rasool 'sorry' about pensions

By CHRIS BATEMAN and BARRY STREEK

HEALTH and Social Services Minister Mr Ebrahim Rasool apologised "unreservedly" yesterday to about 30 000 pensioners who last received a pension cheque three months ago — and took drastic steps to solve the crisis.

He said technical problems in the amalgamation of the four race-based former departments — and not a lack of money — had caused the delays.

"Administrative problems in the department should not affect the lives of our pensioners adversely and I apologise unreservedly," he said yesterday.

Pensioners could expect payouts to begin next week.

Mr Rasool's action follows a report in the Cape Times yesterday which described how thousands of Western Cape pensioners — many without enough money for food — went home empty-handed after queuing for their pensions.

The angry pensioners were told no money had arrived from Pretoria because of a computer error and they should return next month for a triple payment.

Measures taken by Mr Rasool yesterday to address the problem included:

- Calling in administrative staff to work overtime and eliminate the backlog.
- Hiring casual staff.
- Issuing cheques by hand next week when communities will be called to central points, instead of the routine middle of next month.

Mr Rasool said it would take three weeks before the estimated 30 000 pensioners were paid.

Explaining the problem, he said the old House of Representatives did not have a computerised social security payout system.

Consequently, technical problems were experienced in capturing all the data from the four former departments during amalgamation.

Mr Rasool did not respond to denials by the Minister of Welfare, Mr Abe Williams, and his acting director-general of Welfare, Dr Boet Schoeman, that there were delays in the transfer of pension money to the Western Cape.

The central government pair said it was a regional problem and all the money had been transferred.

Sources in Mr Rasool's department said the minister, known for his polite manner and courteous approach, "raised merry hell" to sort out the problem.

All the relevant officials were summoned to a crisis meeting at which the new measures were decided on.

● National pension scheme considered — Page 5

Saxophonist has bees

'Model C' Bill on

CAPE

Compulsory retirement fund plan

☐ 'Urgent priority for all'

(300 ARG 20/10/94

Political Staff

A COMPULSORY retirement funding system for all South Africans is to be investigated as an urgent priority, says Welfare and Population Development Minister Abe Williams.

In his budget vote in the national assembly, Mr Williams said he had agreed to appoint a working committee to carry out the probe.

His announcement was welcomed by other political parties, with the Democratic Party's pensions spokesman Brian Goodall saying it was difficult to understand why such a system had not been introduced years ago.

Mr Williams said: "The introduction of a savings scheme as a measure for alleviating the burden on the state needs to be investigated as an urgent priority.

"All employees in the formal and informal sector should be encouraged to be self-reliant and to make adequate provision for retirement as well as for any event which may result in a temporary or permanent loss of income."

He said that many countries around the world had introduced compulsory saving schemes, jointly supported by employees, employers and the government.

"The basic purpose of such a scheme is to assist members to meet primary needs such as shelter, food, clothing and health services in their old age or when they are unable to work," said Mr Williams.

Benefits could include withdrawals by members for retirement, permanent disablement, home ownership and medical care. The amount available would depend on how much the member saved.

"Membership of such a fund could be compulsory for all employees as well as self-employed persons, especially in the informal sector," said the minister.

Mr Williams said he would appoint a working committee to probe the rationalisation of existing social security grants.

Pensions paid 'from November 1'

HENRI du PLESSIS
Staff Reporter

STATE pensions which have not been paid for three months will reach pensioners only from November 1. (300)

The Western Cape's department of social welfare, which pays out the pensions on behalf of the government, did not know how many pensioners had not been paid, a spokesman said.

By yesterday evening, 360 cheques had been printed, which would be sent to regional offices today.

"The cheques still have to be sent to the regional offices and then the people have to be told either by telephone or telegram to come and fetch their money at their nearest regional office," she said.

"It is therefore not a case of people standing in a queue today to get their money."

Thousands of pensioners — as many as 20 000 around the country — have not been paid their state pensions of R375 a month for the past three months.

Provincial Minister of Welfare Ebrahim Rasool has apologised for the problem and in a statement last week said pensions would be paid today.

More cheques — another 360 or more — would be printed by tonight and also sent out to the regional offices, the spokesman said. ARG 26/10/94

"The fact is, there won't be any effective payment before November 1," she said.

Hi-tech pension payer launched

ET 1/11/94 (300)

Staff Reporter

A NEW hi-tech mobile payout pension machine, linked to a satellite tracking device and intended to save the government more than R200 million a year, was unveiled by local Minister of Health Mr Ebrahim Rasool yesterday.

Last year pension fraud amounted to more than R200m, and with the new system costing R125m over a five-year period, the department considers the amount spent to be worthwhile.

The new units will tour from town to town and will be used in community halls, schools or churches, dispensing cash to pensioners through a thief-proof swipe-card system, which identifies the pensioner by a thumb-print and a photograph.

The mobile unit is linked to a satellite tracking device, and in the event of an attempted hijacking, remote controlled devices will disable the unit by deflating the tyres and locking it.

Smoke bombs can also be activated if the machine is tampered with. A helicopter on standby at the base will be deployed within seconds of an emergency.

It was developed by Armscor subsidiaries Denel and Nissec.

The machine will be used for the first time on December 1. It carries enough money to pay 1 000 pensioners at a time.

Mr Rasool said those relying on social security were exposed to a great number of hazards and a lack of safety due to a lack of infrastructure like post offices and banks in the African townships.

A lack of literacy among the aged and duplicate and triplicate payouts to a single person as well as payouts occurring for some time after the death of a pensioner were some of the other considerations taken into acount when it was decided to buy the machines, he said.

When enrolling at the pay station, pensioners will be asked to produce their identity documents or pension cards and will have their photograph and fingerprints taken.

They will also be asked in which of the 11 official languages they would like to be addressed.

The following month the pensioner will receive a swipe-card with a bar code and a picture of him or her on it.

After swiping the card, the machine will address the person in his or her chosen language. A hand will appear on the screen, and the finger needed for identification will be shaded.



MOBILE MONEY MACHINE . . . Local Minister of Health Mr Ebrahim Rasool demonstrates the new mobile pension machine to Mrs Hester Hannes of Oudtshoorn and Mr July Mguzulwa of George. Picture: ALAN TAYLOR

Two paymasters will be at the pay point to render assistance if neccessary. They will also be able to authorise a payment if the computer rejects both fingerprints, by identifying the person from the picture on the swipe-card.

Yesterday pensioner Mrs Gwendoline Vermeulen, 72, of Sivertown said: "I am excited and can't wait for it to be implemented. It will now be safe to get my pension."

Mobile pensions will be hard to beat

☐ Security system uses cards and vendors

LENORE OLIVER
Staff Reporter

WESTERN Cape pensioners are upwardly mobile, thanks to a new grants and pension payout scheme on wheels.

Fourteen new mobile machines will be used from December 1, eliminating long queues, fraud and corruption. Mostly, it will provide ready access for thousands of pensioners.

The machines have been contracted for five years at a total of R125 million.

The system was launched yesterday by Western Cape Minister of Health and Welfare Services Ebrahim Rasool.

A card with the pensioner's ID number, a picture and bar code is issued, which will be used to collect monthly payments from the mobile payout machines which travel to community centres.

Each machine has two pay points and is capable of processing 1 000 payments a day.

The machine is staffed by two paymasters.

When collecting money the card is placed on the scanner and a computer-activated voice speaks to the beneficiary.

The beneficiary is then asked to place a certain finger on the fingerprint reader which is validated and money is paid out.

Last year almost R1 billion was lost in fraud, either by officials or through duplicate or triplicate pension and grant claims.

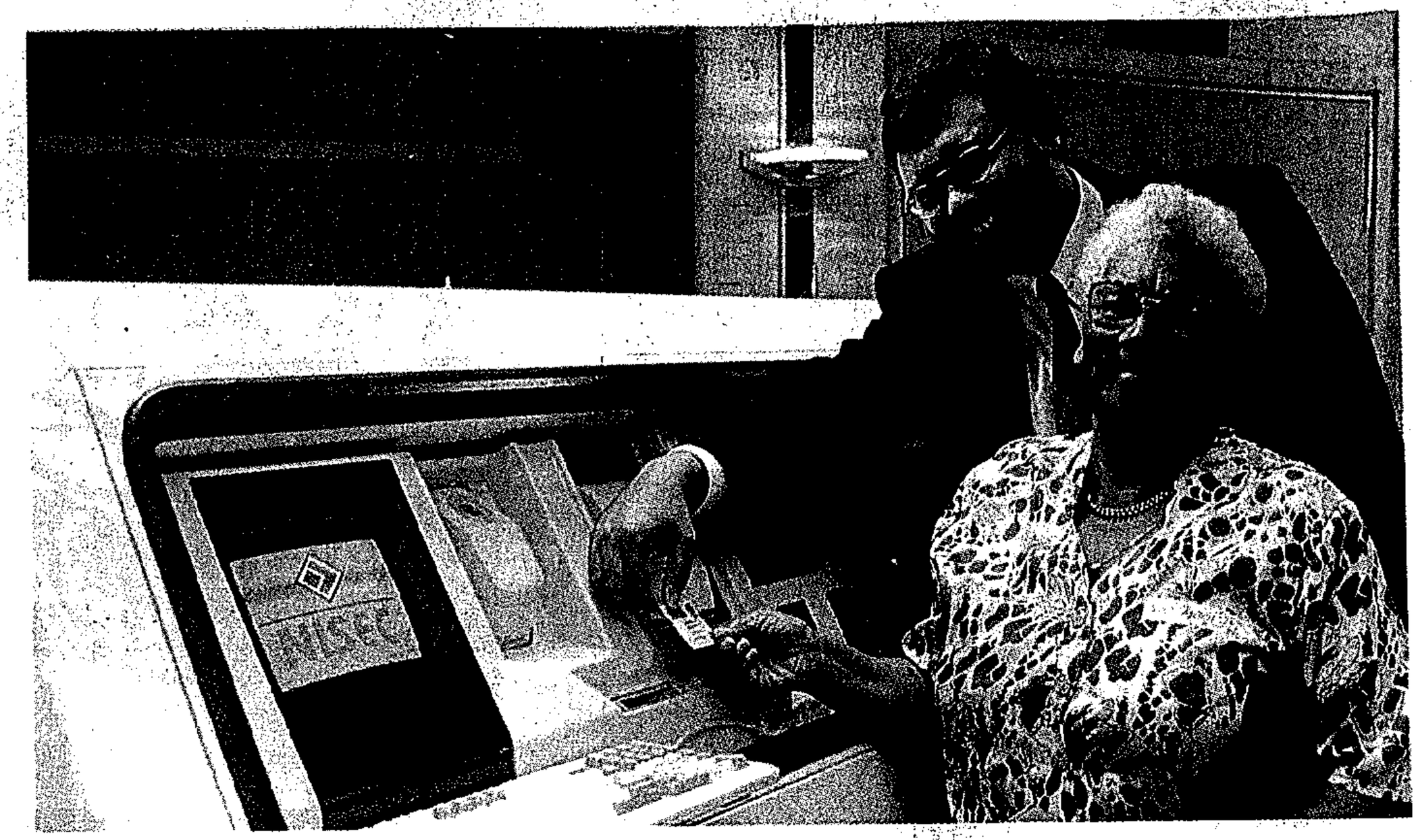
The machine works in tandem with information captured on a national database to eliminate duplicate payouts.

Mr Rasool is confident the new technology will result in a more efficient service.

"We have also been cognisant of the hazards faced by the elderly and this machine overcomes these," he said.

The machines will be used in the Western Cape for a pilot period so that it can be streamlined and problems eliminated. Thereafter it will be introduced nationally.

"Given an estimated loss to fraud in the previous financial year of R200 million in the Western Cape, we believe the cost of the machines is justified," Mr Rasool said.



Picture: BRENTON GEACH, The Argus.

PENSION PAYOUTS: Western Cape minister of Health and Welfare Ebrahim Rasool lends pensioner Mitchell's Plain pensioner May Santon a hand at the new pension payout machine.

roblems, extra pay points are being created

Pensioners' agony

■ BAD DAYS Old people leave empty-handed after long queues:

By Ismail Lagardien
Political Correspondent

SOUTH AFRICA's 1,5 million pensioners run a dangerous gauntlet of robberies and muggings, overcrowding and lengthy queues each month, Parliament was told this week.

Minister of Welfare, Population and Development Mr Abie Williams said many of the pensioners had to go home empty-handed because at times there was no money left at certain payout points.

Williams said many of the problems stemmed from the fact that most of the 1 491 086 pensioners received their pension in cash, R586 million in cash each month.

"To address the problem of long queues and overcrowding, extra pay-points are being created in KwaZulu-Natal. In the PWV the MEC for social welfare has been requested to investigate the matter and to advise on new methods of payment," said the Minister. "Robberies, muggings and exploitation are being addressed by stepping up security at the pay points. And more pay points closer to beneficiaries' homes are being created."

Williams said shortages of money occurred when all beneficiaries arrive at the pay point on the first day of payment or visit other pay points than the ones at which they are registered.

The Government was looking at utilising banks, which do not have the physical capacity for the payouts and require a minimum credit balance, while pensioners invariably need all the money they receive.

CPOA 'miserably failing' the elderly

Municipal Reporter

THE Cape Peninsula Organisation for the Aged was miserably failing to meet citizens' needs, Mr Ian Iversen, chairman of the utilities committee, charged in the Cape Town council meeting yesterday.

The CPOA was "sitting on pots of money", yet it was not providing very many affordable homes for elderly people of limited means, he criticised.

Mr Iversen was speaking in a debate about the transfer of ownership of a 8 500m² property in Lente Street, Kirstenhof, from the CPOA to the City Council.

The council was claiming the land as the CPOA had failed to utilise the land since buying it from the Divisional Council in 1984. It was bought on condition that if an old aged home was not built within two years the council could reclaim it.

Since then, the CPOA had applied for a rezoning to "general business" so that a service station could be built there, as it proposes to lease the land to Shell.

The CPOA had been involved in residential developments, but these were pitched too high in the market. Some of the houses sold for R180 000, or were rented out for between R2 000 and R3 000. (300)

Mr Ivan Hampshire, chief executive officer of the CPOA, could not be reached for comment late yesterday. CT 30/11/94

Aged 'to help shape their destiny'

CT 30/11/94 (300)

By YVETTE VAN BREDA

GREY power is on the march — and a meeting of about 300 senior citizens applauded loudly yesterday when told by local Health and Welfare Minister Mr Ebrahim Rasool they would have a say in shaping their destiny.

The meeting was called by various organisations for the aged to hand in memoranda regarding services for the elderly.

Many said the R390 monthly penion payments should be increased. Services for the aged were inadequate, the meeting heard, and pension discounts on travel and at supermarkets should be addressed.

The system whereby women were entitled to pension payouts at 60 and men at 65 was branded "unfair".

Proposals and solutions received from various community forums for the aged will be used to rewrite government policy for the aged, he said.

"I'm going to produce a white paper on all the proposals and present it to the government," Mr Rasool said.

Fielding questions, he said the new pension payout machines would come into operation by tomorrow and negotiations were going ahead with the post office to have the machines operating by February for people who collected payouts at post offices.

Unpaid pensions whittled to 2 000

ARG 1/12/94 (300)

THE backlog of 17 000 unpaid pensions has been whittled down to 2 000, cheques for which "are being processed", Minister of Health and Social Services Ebrahim Rasool announced.

He said it was true that 17 000 pensioners had not received their money for more than three months, but his department had promised to resolve this and good progress had been made.

The long-term answer was investment in a computerised pay-out system.

CPOA hits back at critics

Municipal Reporter

CAPE Peninsula Organisation for the Aged (CPOA) executive chairman Mr Ivan Hampshire hit back at the council yesterday, after his organisation was criticised for "miserably failing" to meet elderly citizens' housing needs. (300)

Mr Hampshire said the CPOA intended building a complex at its Tokai site aimed at the elderly in lower income groups.

The council has already reclaimed the site, in Lente Street, Kirstenhof, because of the CPOA's non-compliance with a compulsory clause in the ownership transfer requiring it to build within two years.

The CPOA originally acquired the land from the Cape Divisional Council in 1984.

Mr Hampshire said the CPOA had lately engaged in various land transactions with the aim of raising money for this project.

Mr Ian Iversen of the City Council had said the CPOA was sitting on "pots of money". CT 1112-144

"Recent criticism of the organisation is unfair, especially from officials and councillors of the city," Mr Hampshire responded. "The CPOA pays in excess of R600 000 a year in rates and gets very little in return.

Pension payments plan criticised

THE Katz commission's recommendation for an annual R9 000 limit on employees' pension fund contributions out of pre-tax income compared with the current limit of 7,5% of pre-tax income has come under fire from business organisations and the Institute for Life and Pension Advisers.

The commission's report said employees wanting to provide more than the R9 000 "cap" for their retirement would have to do so out of their after-tax income.

This could increase personal income tax revenue by about R200m a year, the report said, and should be accompanied by a limit on employers' contributions to twice the aggregate of its employees.

But the SA Chamber of Business (Sacob) said it was concerned about the proposal to place a limitation on the amount of retirement provision provided for by both employers and employees that would be exempt from tax.

Sacob president Les Weil said that in the absence of an effective social security system, the onus would fall on the individual to provide for his or her retirement. "The proposed capping could serve as a disincentive to do so," he said.

The institute's regional affairs chairman Chris van der Walt said the proposed changes would probably have a negative impact on the retirement industry, which had previously benefited from the "tax incentive". (300) BD 12/12/94

"People who are currently major contributors to the pension fund industry will probably shy away from making large retirement provisions, leaving them dependent on the state," he said.

Deloitte Touche tax consultant Louise Vosloo said the commission's recommendations for a review of the current old-age rebate to either be "more carefully targetted or slowly phased out" would probably raise alarm in some circles.

The rebate, aimed at relieving low-income pensioners from the obligation of rendering returns and paying tax, also gave relief to wealthy taxpayers over 65, the report said.

Pensions backlog 'almost gone'

By CHRIS BATEMAN

THE three-month backlog in welfare subsidies and pension payouts to an estimated 17 700 pensioners had "largely been eliminated", Dr Ebrahim Jarodien, Chief Western Cape Director of Welfare said yesterday.

He revealed that the chaotic backlog — the result of the amalgamation of the former racially-based tricameral system and which was first exposed by the Cape Times — had cost the province nearly R140 000 in overtime payments to staff to eliminate it.

A total of 81 staff will have worked 7 473 hours overtime by Thursday, after beginning in mid-October.

The Minister of Health and Social Services, Mr Ebrahim Rasool, has praised the Cape Times' reporting on the matter.

Dr Jarodien revealed yesterday that a long-standing welfare subsidy application by Belhar Service Centre, which caters for 120 elderly and destitute people, had been unearthed after being lost for some time.

● The Eastern Cape MEC for Health and Welfare, Dr Trudy Thomas, has assured old people and the disabled that the government is working hard to change the present pension system.

Speaking at a Christmas party for the disabled and aged at the Zwelitsha Community Hall on Saturday, Dr Thomas said she hoped that by early next year an improvement would be apparent. CT 13/12/94

Cape Metropole for arbitration?

By CHRIS BATEMAN

CT 13/12/94

THE Cape Metropolitan Negotiating Forum (CMNF) could be among those towns which have to go before an arbitration committee due to be announced tomorrow — unless consensus is reached over inclusivity.

This was said by Local Government and Development Planning Minister Mr Peter Marais last night after his ANC-chaired provincial committee and the CMNF discussed what to do with rural towns whch have yet to sign consensus agreements.

While they had "not even got to" discussing his severe reservations over the CMNF's alleged lack of inclusivity and local representativity, Mr Marais said he was "living in hope" that this could be resolved tomorrow.

It was agreed that those towns yet to send signed forum agreements would go before the new arbitration committee in terms of the amendment to the Local Government Authority Act.

The first candidate for arbitration would be Graafwater on the West Coast, and he had appointed Transitional Local Councils for other tardy towns like Leeugamka and Citrusdal.

The Bree River Regional Services Council would administer Saaron until there was demarcation board clarity or it went to arbitration.

Mr Marais said he put his "cards on the table" with the CMNF.

● kwaZulu/Natal provincial local government minister Mr Peter Miller yesterday appointed a four-man arbitration committee to find a solution to greater Maritzburg's collapsed negotiating forum.



PENSION FUNDS

The right to choose

Fin 16/12/94

A critical decision will be made this month by employees at scores of tertiary education institutions, scientific councils, museums, zoos, public utilities and the like. (300)

They will decide whether to remain members of the government-administered Associated Institutions Pension Fund (AIPF) — for which government guarantees the benefits — or opt out and put personal and employer pension contributions into whatever private-sector scheme their employer may have organised as an alternative.

Government is hoping enough of them will opt out, thereby reducing government's accrued liabilities by around 40%, to restore the AIPF to actuarial soundness. That may not, however, be achieved. Those most likely to leave are members who can provide a private-sector retirement fund with plenty of time in which to make up that lost 40%.

The AIPF is, like the four civil service pension funds, administered by the Department of Finance and covers about 210 institutions. It will not know until next year what decisions have been taken by AIPF members and, therefore, what the assets and obligations of the fund will then be.

Should it continue to be underfunded, government has two options. It can either pump in the required billions of rand, as the Nationalist government did in recent years to the civil service funds, or continue on the same funding level and pay increases from the stabilisation account.

Given the demands of the RDP, some institutions, like universities, fear government will plump for the second option. Well over 90% of their employees are said to have chosen to quit the AIPF completely, despite the 40% knock, though some say the figure is not so high.

Fin 16/12/94



Keys ... *negotiations came to nought*

Others will no doubt settle for a middle course and leave their accumulated funds in the AIPF and place future contributions in a private-sector scheme. One attraction is that their salaries will, regardless of what happens to them in the real world, be notionally increased by 10% annually when computing AIPF pensions. (300)

Only time will tell whether private-sector schemes will be able to equal, let alone better, the State's pension benefits. The latter have been generous, paying out a cash gratuity on retirement equal to 6,72% of the final salary for every year of service (that is, a year's salary for anyone who has been in the fund for 15 years) as well as providing a pension of just under 2% of salary multiplied by the number of years of fund membership (for example, someone with 20 years' service receives 36% of his final salary).

Such benefits might have been feasible, given that government contributed twice as much as the member to the fund until April 1993, and 2,75 times as much since then. But the right that members of all government-administered pension funds had for some years until 1987, to buy back years of fund membership at a cost based on their salary when they joined the fund years earlier, severely undercut the funds' financial adequacy.

It was only about seven years ago, too, that the funds ceased being legally compelled to invest 51% of their assets in low-yielding government securities (the figure today is well under 10%).

In his Budget speech of 1992, then Finance Minister Derek Keys revealed that negotiations with members of government pension funds to ensure greater actuarial and financial discipline in their management had come to nought. One of the issues, says Finance Department chief director of financial relations Chris Mostert, was whether to continue using the final month's pay when computing pensions: government wanted to use the average of the last two to three years, as most private-sector schemes do.

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The civil servants would have none of that, and negotiations broke down. The AIPF member organisations then started negotiating with government for the right to opt out of the AIPF scheme in favour of others offered by the private sector. Legislation to that effect was passed on April 22. (300)

Once members of the four civil service pension funds perceive the greater flexibility private-sector schemes can offer, they too may demand a similar right. ■

Katz needs work, say pension funds

ST Times (Buss)

By TERRY BETTY

18/12/94

THE pension industry is concerned that its recommendations to the Katz commission have been ignored.

The industry says the commission's proposals contain few incentives to save for old age and do not prevent pensioners from squandering the lump sum they receive on retirement.

Maurice Harding, president of the Institute of Retirement Funds, says the proposal to cap pension and retirement annuity fund contributions, without addressing other aspects of retirement provision, is dangerous.

The institute "is concerned that the wealth of information obtained by previous committees, including one chaired by Michael Katz, into tax on retirement funds, has been ignored, although extensive expert opinion was obtained at the time".

Chris van der Walt, executive committee member of the Institute of Life Pension Advisers, says the recommendations conflict with the Mouton Report which called for incentives to preserve retirement capital.

He says the report contains several ambiguities which seem to indicate it was not well thought out.

Chris Newell of Old Mutual says the commission has not viewed retirement fund taxation within its broader context. "It is essential that taxation policy is consistent with a national policy on retirement provision."

The industry wanted to see a tax-free accumulation of pensions, with taxation levied on withdrawal.

It wanted to see a simplification of the legislation to remove disparities between pension funds, provident funds and retirement annuities. It also wanted state pension funds brought in line with private sector ones.

None of this has been done.

Mr van der Walt says: "We understand that the state must get its money at some stage during the process, but it is better for this to happen at retirement rather than up-front.

"New Zealand is a practical example of why this should happen. Incentives to save for retirement have been curtailed and people have stopped saving. (300)

"A greater burden will be felt by the state to provide retirement benefits to a larger portion of the population."

Mr van der Walt says there are at least five sections in the Income Tax Act governing retirement planning vehicles. In addition there are several sections governing employer and employee contributions.

"This is complex and confusing — unless people work with these concepts daily they cannot understand them and fully utilise the benefits."

Retha Roux, Deloitte & Touche tax manager, says the pension industry should be simplified to a universal retirement planning vehicle so the pension funds, provident funds and retirement annuities are treated equally.

Mr Newell says instead of doing this, the commission has made matters worse by introducing further variables.

Various options, such as taking a pension or withdrawing a lump sum, should be offered at retirement, with tax consequences.

Ms Roux says: "People withdrawing a lump sum should pay tax on this at marginal tax rates. This would discourage people from squandering their savings and ensure they are provided for in their old age with a pension."

The industry would like the commission to reconsider its position on the capping of pension contributions, taxing lump sum withdrawals at marginal tax rates and streamlining the deductibility provisions.