SOCIAL SECURITY – PENSIONS & CARE
For the AGED

1995

JANUARY – MAY.

HARD TIMES FOR OLD FOLK

(300)

CP 1/1/95

By SIPHO KHUMALO

HUNDREDS of old-age pensioners on the KwaNatal South Coast suffered a bleak festive season when a bureaucratic bungle left them without a cent with which to celebrate Christmas. Now they fear they will also face the new year without money following ongoing problems associated with the introduction of a new paying system.

Tears

Pensioners at the pay points at Mvutshini and Izingolweni who spent Christmas without money this week broke into tears when they realised that they were likely to go into the new year penniless.

This week there were reports of pensioners collapsing and fainting in a stampede at Izingolweni where clerks were trying to sort out the problem.

The pensioners' problems started when the KwaNatal government phased out the old system of paying pensioners and handed over the task to a private company, Cash Paymaster Services (CPS).

But when this process was initiated at the beginning of December there was chaos at the South Coast paypoints.

At some points at Izingolweni there were heated debates between pensioners and CPS clerks and security.

City Press has been inundated by calls from angry pensioners who said something had to be done to remedy the situation.

CPS regional operations manager Antony Beckly confirmed to City Press that there were problems with the introduction of the new system and a "fairly large" number of pensioners had not received their payments.

Beckly said pensioners were partly responsible for their plight by not re-registering into the new system.

"In other places pensioners were given three months to re-register but at the Izingolweni payout point they were given a longer period to register. This was because there was violence in the area," he said.

He conceded that part of the problem had to do with the logistics because in some cases more than 5 000 pensioners would want to be processed at once.

But pensioners told City Press that they feared that the process of sorting out the new system could run well into the new year.

Some of the pensioners complained that they had been disqualified from receiving pensions by the new system.

However Beckly said those who were "suspended" were people who were receiving disability grants and who had not re-applied for their grant.

The contract between the KwaNatal government and CPS came into effect in December. This system, known as Biometric Identification, is accessed through pensioners pinning in their identity numbers using their fingers.

However the pensioners claim that at times some of those who have re-registered found that their identity numbers did not correspond with their fingerprints.

At the time of goint to print the KwaNatal Welfare Department had not responded to our questions.

PENSIONS

(300) FM 6/1/95

Preserving savings

Inland Revenue has closed a loophole in "pension preservation funds" which, for three years, was open to tax exploitation by senior executives. Though Revenue denies the funds were abused, retirement industry sources allege major employers had been known to restructure their benefit schemes to manipulate preservation funds.

Preservation funds were intended — and welcomed by Revenue — as a vehicle for conserving the retirement savings of workers who resigned, were retrenched or were members of pension funds which were being wound up. They were designed to serve as parking places for funds, which had not at that stage attracted tax, until the employee found new employment. If that employment did not include a retirement fund, the savings could stay in the preservation fund until normal retirement age.

The rules generally would allow the employee once-only access to his savings, a provision to allow for hardship during a period of unemployment.

At about the same time, funds started to shift from conventional defined benefit pensions to defined contribution provident funds. This was originally a trade union-driven transition to allow a member to receive his entire savings, on retirement, in a lump sum, instead of the conventional one-third lump sum plus taxable annuity provided by pension funds.

Revenue agreed to the transfer of savings from pension to provident funds — as long as the members agreed to bear the tax at the time of transfer. But the introduction of preservation funds created a third dimension: savings which had not been taxed but which were accessible. In September 1990, Revenue agreed to this situation.

Life assurers and brokers took the opportunity to market preservation funds with no consistency in their rules and sometimes for purposes which had not been contemplated by Revenue.

Industry sources claim that several large employer groups created "in-house" preservation funds to which the savings of executives still enjoying employment contracts were channelled. An employee benefits actuary says surpluses in many pension funds permitted executives to inflate their retirement benefits. "There are known cases of executives retiring on 110% of their final salary, with suitable arrangements to attract no more than a nominal 18% tax."

A basic problem for Revenue was that, in a pension fund, there is an employer-employee relationship: often, in a preservation fund administered by a life assurer, there is no such relationship. The definition of a "participating employer" also gave trouble, with Revenue refusing to allow a "new" employer to be a "participating employer in a preservation fund."

This, and the establishment of in-house preservation schemes, led to Revenue practice note RF1/93 published in March 1993, which specifically rejected the lenient tax treatment accorded since 1990. The LOA continued to contest the issue, contending the new rules operated against the interests of employees. The only viable options created, without a new employer being allowed participating employer status, would create negatives, among them the loss of credit for years of service, it said. That argument confused the real issue — at what point should funds entering a preservation fund attract tax?

The Commissioner for Inland Revenue has reinforced his practice note. "Transfers from a pension fund to a preservation provident fund will, subject to the provision of the Second Schedule to the Act, always be subject to income tax upon transfer."

There is a separate issue of transferability. This can only happen in certain circumstances according to Sanlam's publication *Ex Lege:* "Only funds originating from a pension or provident fund as a result of the resignation or termination of the member's service contract with the employer, or as a result of the winding up of the fund, will be transferable to a preservation fund.

"Where there is a restructuring of the retirement benefits with the same employer — that is, the member can choose to switch from a pension to a provident fund — no benefits may be transferred to a preservation fund."

The Commissioner adds in an annexure to his practice note: "My office is, and always has been, in favour of the true preservation of retirement benefits but is of the opinion that that ideal should be pursued in the wider context of the reform of the provisions of the Income Tax Act . . . As long as funds provide for the withdrawal of benefits prior to actual retirement for whatever reason, preservation is not achieved." ■

'About 75%' take up offer

R4bn in state pension funds privatised

(300) BD 9/1/95

GRETA STEYN

THE privatisation of state pension funds has kicked off in earnest, with about R4bn being freed up for investment on the JSE and other markets this year.

Finance Department chief director of financial relations Chris Mostert said at the weekend members of the government-managed Associated Institutions' Pension Fund had been given a choice of staying with a government-managed scheme or joining new, privately managed pension funds. "Early indications are that about three-quarters have chosen to go private. That translates into a bit more than R4bn."

The Associated Institutions' Pension Fund comprises the pensions of employees mainly at universities and technikons, scientific councils, zoos and museums, and covers about 210 institutions.

It is one of five state pension funds managed by the Public Investment Commissioners (PIC), which invests virtually all the funds flowing to it in gilts and parastatal stock. The PIC's assets are estimated at R90bn, of which only about R3bn is invested in equities.

The step to free up the fund follows demands from the associated institutions to create their own pension funds which, they argued, would show better returns because of a broader spread of investments. Legislation was passed last year to allow the move.

Private fund managers ranging from small, aggressive outfits to the major players have been competing vigorously for the new business. Mostert could not say which private fund managers had benefited, as it depended on each individual institution which one it chose for its fund.

The freeing of the funds has generated bullish sentiment towards equities. Analysts argued that as long as exchange controls remained, the extra funds available for investment on the JSE would put upward pressure on share prices.

Board of Executors senior portfolio manager Rob Lee said in his latest Investment Outlook that the move by state pension funds into equities was a positive factor for the JSE. It was one of the reasons why shares remained preferable to bonds — despite low dividend yields and high real interest rates.

Lee said large-scale privatisation would help achieve a structural shift in the state pension fund's holding of growth assets. This would underpin the JSE but be a threat to bond prices because the pension fund was almost fully invested in government stock.

Mostert said the amounts to be transferred to the newly created private funds would be determined on the basis of actuarial valuations and the extent of funding. Market sources said the actuarial deficits in the fund would have to be made up by the private investment managers over a period of time, and explained why some members had opted to remain with the guaranteed benefits offered by the state.

Mostert confirmed that the actuarial deficit — the gap between projected liabilities and assets — played a role in decisions on keeping pensions with the state fund.

☐ To Page 2

Pension funds

(300) BD 9/1/95

☐ From Page 1

He said there were no plans yet to give other state employees a similar choice.

Analysts said while the actuarial deficits could be addressed by allowing a wider spread of investments, it could create new headaches for government. Financing the budget deficit without the PIC as a captive market for government stock would be difficult.

Mostert said the state pension funds would be examined when drawing up a Pension Funds Act, which had to be done in terms of the constitution.

The PIC in the late 1980s farmed part of its monthly cash flow out to private fund managers to compare their performance with the state's. But their investments remained restricted largely to the long bond market.

(300) CT 13/1/95

Thousands not paid pensions

DURBAN. — Thousands of pensioners in Mbumbulu in kwaZulu/Natal have not been paid their pension money since November because of a glitch in a newly installed computer system.

The chairman of the local pensioners' committee, Mr Joshua Zuma, said people had spent days and nights waiting at pay points and some had collapsed from heat and fatigue. — Sapa

Home extension will house 13 more patients

CT. 19/1/95

300

AN extension to the Cheshire Home for severely disabled people in Langa, which will house 13 more patients at a cost of R542 000, will be ready in a few months. It has been paid for by the Independent Development Trust.

The first phase of the project to build a home for seven adults cost R200 000 three years ago. A donation of R100 000 for it was given by the former British ambassador to South Africa, Sir Robin Renwick.

According to Anna van Wyk, PRO for Cheshire Homes, the home will also be used as a base for care service for the disabled living in their own homes in the vicinity. "This requires ongoing involvement from the community in managing the project and giving the service."

She said that if anyone would like to help the home with money donations or with skills training — particularly physiotherapy — they would be grateful.

"With money we will be able to train people — whose ages range from 18 to 55 — in carpentry, leatherwork, candle-making, growing vegetables and computer skills."

She said fund-raising remained an ongoing challenge and the next function to raise money for the local homes — there are three in the Western Cape — would take place at the British High Commissioner's Residence next month.

For more information and to make donations call Anna van Wyk or Jeanette Barnett on (021) 685-6066.

Pension funds asked to back RDP

BD 20/1/95

WILSON ZWANE

MAJOR pension funds are being asked to invest in reconstruction and development projects — such as the renewal of urban infrastructure. (300)(389)

RDP Ministry deputy director-general Bernie Fanaroff said yesterday some pension funds had already agreed to invest substantial amounts in projects. Funds which allowed employee participation in investment decisions would be targeted to provide money for development projects.

A Ministry discussion document on urban renewal says government does not have the resources for acceptable township upgrading. "Resources from the RDP fund are not sufficient to jump-start the process of financing basic infrastructure in townships." Projects needing funding from other sources included urban renewal and small-scale farmer development.

Fanaroff said the Ministry had identified vehicles by which pension and provident funds could invest in projects. These would be thrashed out at an investment conference next month which would be attended by fund representatives.

RDP urban renewal strategy head Crispian Olver said recently there was a need to "leverage" capital markets.

In another development, sources said government's national campaign aimed at ending rent and services payment boycotts had been renamed Masakhane — which means let us build one another.

The campaign, formerly known as Operation Self-Reliance, will be launched by President Nelson Mandela on February 24. About R20m will be put into it.

FM 27/1/95 (300)

Katz Commission's wrong caps

It should have been guided by economic needs rather than political correctness

Limiting the tax relief enjoyed by those who are saving towards their pensions is both an economically perverse and ineffectual way of squeezing out more tax revenues. Yet that is what the Katz Commission is planning to do by capping the tax deductibility of contributions to pension, retirement annuity and related funds.

The reason SA is in such critical need of foreign capital is that it does not save enough to finance the exploitation of its resources and thus provide consistently rising prosperity for its people.

That situation will certainly be aggravated by the capping proposals, which amount to a sustained and ill-considered onslaught on those sufficiently prudent to husband their resources and save them. If they are adopted, the consequences for personal savings and thus for investment will be serious.

Ultimately they will hit the savings not only of the rich, but of fund members and even pensioners. Far from being an innocuous sop to radical egalitarianism, they would be a fundamental and destructive interference with a system of retirement benefit structures and incentives that has worked well for a long time.

Those hardest hit would be executives and self-employed professionals whose skills are critically needed in a modern economy and who will leave if they are unable to provide reasonably for their old age and protect themselves from government-induced inflation.

But the detrimental consequences do not end there. The gains in revenue — or for that matter, the sop to radical sentiment — seem hardly worth the candle.

The proposals, however advantageous they seem politically, suggest that the commission was far more concerned with the political implications of taxation rather than with the economic ones.

To the extent that there is a clash — either real or imaginary — between social and economic objectives, this should be resolved by parliament.

Momentum Life's Martin Khourie adds that the proposals will upset the workings of defined benefit ("final salary") pension schemes — which rely on periodical cash injections by the employer to ensure that the fund can meet the promised benefits in the form of a percentage of projected salary at retirement. These are contractual obligations by the fund.

Defined benefit provident funds are a rare arrangement designed mostly to serve high earners.

The real casualties if the recommendations go through would be members of defined-benefit funds across the entire earnings spectrum, including retired members.

The reason is that the incentive to save, from both employee and employers, will be substantially reduced, especially during periods of rising inflationary pressures, and the pool of investment funds whose returns are used to increase pensions annually will be substantially reduced.

As things stand, the Income Tax Act provides an elaborate structure of deductions on contributions to pension funds and related forms of contractual savings. An employer may claim a tax deduction for contributions to approved pension, provident and benefit funds (including medical aid schemes).

The employer's deductible contributions are added together and subject to a minimum deduction of the lesser of 10% of each employee's remuneration and actual contributions. The onus is on the Commissioner to disallow the tax deduction on contributions he deems excessive.

The Commissioner normally allows deductible employer contributions of up to 20% of employees' remuneration. He is often more lenient with medical aid contributions, as these are normally expressed as a rand amount. For lower paid employees with dependants, medical aid contributions are often in excess of 20% of remuneration.

The commission has proposed important restrictions grouped by type of fund. In the case of pension funds, employees' deductible contributions are now 7,5% of pensionable income, without any ceiling. The commission proposes a cap of R9 000 in deductions in each tax year. Higher contributions would still be allowed, but not be deductible.

Employers' deductions for contributions to pension funds would be restricted to twice the aggregate of employees' capped contributions. Higher contributions would still be allowed. The commission proposes a period of grace for non-contributory pension funds to adapt to the new dispensation, presumably because employers' deductions would be determined in relation to employees' contributions.

The commission proposes that all tax deductions for employers' contributions to defined benefit provident funds be disallowed, except that investment income of these funds would remain untaxed, and concessions on disability, withdrawal, death or retirement would continue.

In the case of defined contribution provident funds, no change in concessions is proposed. Investment income would remain tax-free and employers' contributions continue to be deductible. The commission views these funds as "fiscally privileged savings accounts".

However, the commission ignores the current practice of aggregating for tax purposes employers' contributions to approved funds, so its intention in relation to contributions to provident funds and benefit funds is obscure.

Khourie argues this oversight will upset the delicate balance of taxation between pension, provident and RA funds. Still worse, there is no clear indication of how, if at all, benefit fund contributions would be capped within the aggregate rules.

Perversely, if government accepts the recommendations, there will be less tax neutrality between pension and provident funds. For higher paid executives, it would be beneficial to contribute more to a provident fund after the capped limit has been reached for a pension fund.

The switch-over point would be on pensionable salary in excess of R120 000 per year, where the maximum deduction of R9 000 per year is reached at the allowed 7,5% of pensionable income.

Retirement annuity (RA) funds have their own structure for deductions, with some special rules for married women subject to separate tax.

At present, the tax-deductible contribution is the greatest of: 15% of non-pensionable net income; R3 500 per year less pension fund contributions; or R1 750. The commission proposes increasing the 15% to 22,5%, subject to an annual cap of R27 000. Also, gender discrimination should be removed, so the formula would apply to all taxpayers.

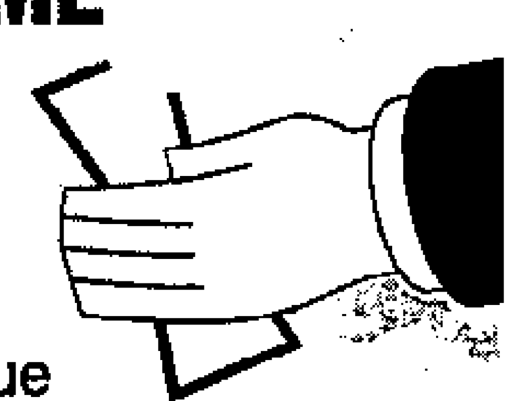
There is no recognition that the percentage basis for RA contributions was designed to allow for wide variation in the annual income of members of the free professions. An architect or consultant engineer should be able to provide tax-free for retirement during the fat years, which may be infrequent. To cite annual incomes based on those years is to overlook other periods, during which a practice may even make a loss.

Khourie draws attention to yet another inconsistency — the recommendation that State institutions should be exempt from the cap on employers' contributions.

EFFECT ON INCOME IN RETIREMENT

for someone earning a salary of R180 000 a year

...if contributions continue at the tax effective limit



Capital available on retirement	Current tax regime	If Katz proposals are introduced
Pension fund lump sum	R426 683	R328 218
Provident fund lump sum	525 148	0
	951 831	328 218
Tax on lump sums	141 411	71 211
After-tax balance	R810 420	R257 007

Income during retirement	Current tax regime	If Katz proposals are introduced
Pension	R68 269	R52 515
At a 10% return on investments	81 042	25 701
Total income before tax	149 311	78 216
Tax on income	52 279	21 725
Net income after tax	R97 032	R56 491

Assumptions: •Age 40 •Salary of R180 000 per annum •Member contributions to pension fund=7,5% •Company's contributions to pension fund=12% and to provident fund=8%

Source: FINCORP

At present, there is no percentage limit to deductible contributions on behalf of State employees, nor is there a limit on the amount of their tax-free lump-sum benefits — in contrast on both issues to private sector funds. Egalitarianism doesn't appear to apply between the sectors.

What happens if the commission's proposals are applied to representative examples of executive remuneration?

The chart takes a 40-year old executive with a total package of R180 000 per year. The effect on his capital accumulated by age 60 is catastrophic — shrinking to less than one third of what it would be without caps. On top of that, his retirement income would almost halve.

What would be the reward to the fisc for this assault on contractual savings?

The commission estimates that the cap on employees' pension fund contributions would increase the tax yield by some R200m. The cap on employers' contributions would show up in a gain in company tax paid, but the commission did not attempt to quantify this.

If the gain here is comparable to the gain through capping employees' contributions, we are discussing a total gain in tax of less than R500m — less than 0,5% of total tax revenues.

And what is the price that will be paid for this modest contribution to the fisc?

First, the proposals detract from taxpayers' current rights under existing schemes. This is tantamount to retroactive tax legislation — which all fiscal systems condemn and recognise to be more undermining of taxpayer confidence than anything else.

Thus, RA members' financial planning is often based on a target of a particular percentage of anticipated income at retirement.

There is also the problem of inflation. Any tax rule expressed in money terms will be eroded by inflation.

The commission is silent about the need to index the level of the proposed caps, to preserve their value in real terms.

The commission has also urged that the tax-free status of pension funds be re-examined. If the income of pension and RA funds is itself to be taxed, this would be a double blow against contractual savings.

The capping that was implemented abroad, notably in Britain in the Eighties, had some justification because it applied mostly to supplementary pension schemes and was done at a time of moderating inflation.

Neither phenomenon is evident here and, indeed, as inflation rises, so will the impact of fiscal drag on pensioners' incomes as a result of the Katz proposals.

Gill Marcus told Reuters this week that the parliamentary select committee on finance will hold public hearings on the Katz proposals next month.

Be warned: a failure to point out their weaknesses could lose the argument by default, with costly consequences to the entire economy. ■

Pensions proposal rejected

(300)

ADRIAN HADLAND

CAPE TOWN — The ANC's reported plans to abolish the special pension benefits of up to 1,4-million public servants were dismissed as unfeasible by employee associations at the weekend.

Weekend reports claimed the ANC intended to save the taxpayer billions of rands by scrapping payouts for accumulated leave, pension and gratuity payments as well as ending tax-free gratuity payments for public servants.

Public Servants' Association GM Casper van Rensburg said he was baffled by the proposed cuts. BD 30/1/95

"The rationale cannot be understood."

On accumulated leave and pension payments, Van Rensburg said any changes contemplated had to take into account both the Labour Relations Act passed last year and constitutional provisions on safeguarding the jobs of public servants.

According to the Act, the Public Service Bargaining Council was established as the structure in which all matters of mutual interest between the state as employer and employees must be negotiated, he said.

"There is a legal duty imposed on the state and I think these issues would fall under matters of mutual interest."

The Act also stated that conditions of employment could not be altered unilaterally without negotiation.

Taxing pension gratuities was not feasible, Van Rensburg said.

"Even the Katz Commission does not refer to this because it realised that the financial viability of taxing pension gratuities is so limited and there are so many ways to avoid it, that it is just not feasible."

Public servants' pension funds were also separate from the fiscus so there would be few savings for the taxpayer if gratuity and pension payouts were scrapped.

Parliamentary finance committee chairman Gill Marcus said aspects of the current pension scheme entrenched "systemic corruption", according to reports.

The reports said Parliament's public service and administration committee chairman Phumzile Mlambo-Ngcuka had confirmed a White Paper on the public service, which would examine the restructuring of salaries and benefits, would be published next month.

Star Pension 30/1/95

cuts out of order – PSA

(300)

BY JUSTICE MALALA and ADAM COOKE

The Public Servants' Association said yesterday proposed cuts in pension benefits for public servants would be unconstitutional.

PSA president Casper van Rensburg said nobody could make unilateral decisions on the matter.

He was commenting on a report in a Sunday newspaper quoting parliamentary finance committee chairman and ANC national executive committee member Gill Marcus as having said aspects of the current pension scheme entrenched "systematic corruption".

According to the paper, Marcus said benefits such as payouts for accumulated leave, pension and gratuity payments calculated on the basis of the last salary and tax-free gratuity payments would be abolished.

Van Rensburg said that if the proposals went ahead "they will end up being set aside in a court of law, they would be unconstitutional".

The PSA, he said, would discuss the matter with Public Service and Administration Minister Dr Zola Skweyiya.

Another round of wage and salary negotiations between the Government and representatives of more than 1,2 million civil servants begins in Durban tomorrow after the talks reached a deadlock in November.

South African Health and Public Service Workers' Union (Sahpswu) publicity secretary Themba Ncalo said the union, which claims a membership of 68 000, would go on strike on February 11 if the Government did not accede to its demands.

The 106 000-member PSA has balloted its members and said an "overwhelming" number supported strike action.

'Govt must change its policy on ageing'

(300) BD 3/11/95

CAPE TOWN — Government had to introduce dramatic and structural changes in its policy towards ageing, Welfare and Population Development Minister Abe Williams said yesterday.

Launching a new gerontology course at Cape Town University, he said the emphasis had to shift from care of the aged to the management of ageing.

"We cannot just amend the current dispensation for the care of the aged in SA. We have to design a new dispensation based on new principles."

A discussion group was established last year to re-evaluate policy on ageing.

The department's new approach was based on preparation and provision for retirement and old age, establishing the family as the core support system and the development of accessible and affordable care and support models.

SA had to confront major challenges, such as the growing number of older people, the cost of institutional care, the high percentage of the welfare budget spent on care of the aged, severe backlogs in developing communities and the large number of poor and destitute aged.

Building new homes for the aged had to be evaluated carefully and these should care only for the very old and frail.

Government could take responsibility only for the poor and those who are in need of care. — Sapa.

Cutting off a nose

(300)
FM 3/2/95

Brian Kantor is professor of economics at the University of Cape Town

The pension arrangements of government officials in the old SA were notoriously self-interested. The generous retirement benefits were never fully funded — they are believed to be only 60% covered by the value of fund assets.

But there were no pressures on funds because contributions from the growing number of government workers were rising faster than payouts. The pay-as-you-go system was cash positive and a help to the Budget because lower interest rates meant less government spending; and the unfunded part of the pension funded liabilities was very much an off-budget item.

Naturally, when government negotiated itself and the officials who supported it out of office, the *de facto* rather than *de jure* pension system became vulnerable.

Though public sector jobs and pensions were guaranteed by the new constitution, the ability to manipulate the system could no longer be taken for granted. Inflation-linked pensions were not a contractual liability of the State and promotions and buy-back schemes would be controlled by less sympathetic political leaders.

But a step was taken to partly protect pensions. The government and some of the public corporations supplied their pension funds with billions of rands worth of newly issued interest-bearing stock.

In this way, a potential non-interest bearing liability became an immediate burden on current budgets and the taxpayer. But, at the point where government officials could be certain of only their current jobs and salaries and the pensions linked to them, a new interest emerged to offer established officials opportunities to escape their dependence on the established pension schemes. This was the interest in making the services more like the voting population. This means not only hiring largely blacks at entry level jobs but encouraging middle-aged whites to leave earlier.

The redundancy provisions written into the public sector pension schemes are, unsurprisingly, very generous. So redundancy is just too expensive an option to be exercised. An alternative mechanism to encourage early retirements is at hand: converting the value of pension rights to a stake in a provident fund. This sum can be withdrawn on resignation.

For anybody more than five years from retirement, the share of a provident fund, even if it represents 60% of the actuarial value of a pension right, is attractive.

Government and its pension funds may have infinite time horizons that provide the basis for strictly hypothetical actuarial valuations. Individuals have a shorter vision, especially when subject to new uncertainties. Also, there is nothing to stop sympathetic employers from supplementing the initial investments in a provident fund.

All this adds to mobility, as intended. About 75% of members serving universities and other semi-State bodies converted out of the Associated Institutions Pension Fund to provident funds. Their example will surely be followed by members of central and other government pension funds.

More rapid transformation of the civil service and other State-funded institutions will result. Will this be good for users of educational, medical and protection services provided by the State?

Surely they would benefit from the contributions of middle-aged but highly experienced, often competent, men who happen to have the wrong colour? Many of the men will have a strong sense of having been redeemed by transition to democracy — a state of mind conducive to excellent work, not least in training new recruits.

But, alas, political imperatives demand a new kind of wasteful and hurtful racism to replace the old. Many of the experienced and better qualified are going to take the money and run — to the detriment of the public sector.

Katz under fire on pension schemes

(300) CT 6/2/95

From CLAIRE GEBHARDT

JOHANNESBURG. — Yet another timebomb has been identified after further consideration of the Katz Commission tax proposals.

As the retirement industry prepares to be shaken to its roots, another ad hoc direct tax on companies and widespread industrial action are just some of the additional doomsday scenarios looming.

Those in line to be hit by a mass movement from defined benefit funds to defined contribution funds, include:

- Pensioners, who rely for their income on contributions from younger members to the fund.
- Those close to retirement whose benefits are likely to be smaller than expected.
- Younger contributors whose end-benefits will be reduced.

The Institute of Retirement Funds (IRF) warned a joint parliamentary committee on finance on Friday that a cap on tax-deductible retirement contributions could cause a R500m sell-off by defined-benefit fund operators.

Legal and pension experts warned that employees might go to court to fight for their pension entitlements if employers tried to bail out of defined-benefit funds.

In this event, those companies locked into meeting their obligations would find themselves faced with another ad hoc direct tax burden for which there was no relief.

These are just some of the effects of the R9 000-a-year cap proposed by the Katz Commission.

IRF representative Graeme Kerrigan said the majority of defined-benefit funds would disappear very quickly.

"It would be impossible to guarantee salary-related pension benefits if contributions by higher-income earners were artificially subjected to a monetary cap with no guarantee of regular adjustment.

"I guess we would see a disinvestment initially by the industry of around half a billion rand, maybe more.

"This, in our view, would be disastrous for the economy."

Momentum Life legal services assistant GM Martin Khourie said a move to defined contribution schemes where employers can limit the amount of their contributions could be labelled an unfair labour practice.

"Employees may insist on staying with the defined-benefit scheme where the whole condition of employment is based on the terms of the fund and the benefit promised on retirement."

The Katz Commission has proposed that tax-deductible retirement contributions should be capped at R9 000 a year for employees and R18 000 a year for employers.

The proposal would affect those earning more than R10 000 a month and would net about R200m a year in taxes.

Committee chairman Gill Marcus said the committee's role would be to ensure that revenue collection was balanced in a way that did not threaten anyone's accumulated assets.

Basically, a defined benefit fund defines your benefit when you retire as a percentage of salary, usually about 70%, as a targeted amount.

Pensioners opt out of scheme

CT 9/2/95 (300)

By PETER DENNEHY

Fear they will lose money

FEARS among many Cape municipal employees about the safety of their pension funds have led them to change the rules of one major fund so that they can take all their money out in lump sums when they retire.

Many of them are taking advantage of this. Since September last year, when the change of rules of the Cape Joint Pension Fund came into effect, about 60% of the 25 or so members who ordinarily retire each month have taken this option.

The new option is only open to those who retire at pensionable age (65 for men, 60 for women) or if they are over 55 with over 35 years of service.

The 24 000-member Cape Joint Pension Fund serves many of the municipalities and Regional Services Councils in the three Cape provinces, but not Cape Town or Port Elizabeth, both of which have their own pension funds.

The actuarially-calculated value of some pensions is over a million rand for a single official — if he or she was sufficiently senior and had long service. A person now earning R100 000 a year would need over 40 years of service before his or her total pension value reached R1m, according to Mr Koos Kellerman, principal officer of the Cape Joint Pension Fund, though some officials earn far more than that.

Mr Kellerman said the change in rules had been authorised by unanimous vote at a pension fund annual general meeting in July last year. The move had started in Gauteng, he said, with a similar rule change there allowing pension fund members to convert their pension rights upon retirement into a provident fund, and convert that again into cash.

"That's a long way round, we don't have to do that," he said.

Many employees are afraid they will lose their money.

He believes those fears are unfounded as pensions are safeguarded in the constitution, and "we have undertakings from the ANC that it won't touch them".

A proviso to July's annual meeting resolution stated that the pension fund must not suffer as a result of the change. An actuarial investigation had been done, which had concluded the fund would not be adversely affected.

However, an independent actuary wondered yesterday whether the existing actuarial deficit in the pension fund had been taken into account in working out individual pension values. He agreed that the fund should be unharmed by the rule-change, as long as there was no existing deficit.

The Cape Joint Pension Fund has an actuarial deficit of R117m, out of total assets in September last year of R3 billion.

State pension reassurance

(300) (280) BD 9/2/95

DAVID GREYBE

CAPE TOWN — Public Service Minister Zola Skweyiya publicly distanced himself yesterday from ANC plans to scrap special pension benefits enjoyed by public servants at a cost of millions of rands a year to the taxpayer.

Skweyiya reassured "concerned" public servants that the ANC could not act unilaterally on the issue. He was reacting to a recent statement by ANC MP and parliamentary finance committee chairman Gill Marcus that the ANC planned to scrap aspects of the pension scheme which entrenched "systemic corruption" and encouraged cheating.

A senior union official conceded yesterday that SA's 1,2-million public servants enjoyed "one of the world's best pension funds, and some of the benefits will have to be curtailed". But he said there were legally entrenched channels to work through.

Skweyiya said any changes to the pension benefits system would be pursued only through the Public Service Bargaining Council, as envisaged by the Public Service Labour Relations Act.

A government source said Marcus's "unilateral outburst" had threatened to scuttle a newfound, but fragile, working arrangement between government and the 18 public service unions. The two sides are

☐ To Page 2

Pension

(300) (280) BD 9/2/95

☐ From Page 1

due to start work on a three-year salary plan next week. However, MPs gave notice yesterday that they would not bow to executive pressures, and planned to pursue the matter in Parliament.

Public accounts committee chairman and DP MP Ken Andrew said his committee would "scrutinise" the auditor-general's reports in coming weeks for any sign of pension fund abuse, and if necessary call for additional reports.

Marcus said the ANC "appreciates the difficulties Skweyiya is grappling with in the public service and the steps he has taken to resolve them. But the ANC expects that any problems identified will be addressed and removed."

Skweyiya's statement followed a row in the bargaining council, which is meeting in Durban, when unions complained about "the ANC's unilateral plans". One unionist said government had assured the unions Marcus's statement did not reflect official thinking. But they wanted Skweyiya to end confusion among public servants. Another union official claimed Marcus's remarks were "part of an ANC strategy to replace existing public servants with ANC types".

The benefits targeted by the ANC include payouts for accumulated leave, pension and gratuity payments calculated on the basis of the last salary cheque, and tax-free gratuity payments over and above pension payments.

Picture: DOUG PITHEY, The Argus.

GOD'S ANGELS: Sara Diamond, 85, of Nyanga, is supported by Mitta Majabe, left, and Albertina Nonjola. Mrs Diamond recently had a stroke and receives assistance from the St John Ambulance Home-Care Programme.

They take mercy to the needy right where they are — in their homes

(300) ARG 9/2/95

Staff Reporter

UNCLE Tom and Auntie Gracie call them "God's Angels". But the St John Ambulance Home Carers are much more modest than that.

"We try to meet the needs of the community," says Sister Virginia Johnson, co-ordinator of the home-care programme.

And there is a great need indeed for home care for the elderly and terminally ill. Working mostly in Nyanga and Elsies River, and branching out into the southern suburbs, the home-care programme saw 220 patients during the last financial year.

Pat Alfino, services manager at St John, says so many people are given early discharge from hospitals but still need extra care at home.

This is where the St John volunteers come into the picture.

If they are not qualified nurses, the volunteers have to complete the St John home-care course and must have a first aid certificate, according to Sister Johnson.

Bathing and changing the patients are just two of the volunteers' tasks. They teach family members to assist the patients and generally go way beyond normal nursing requirements. Birthday and Christmas parties, Valentine's Day cards and the spreading of goodwill are all part of the "job".

"St John Ambulance wants to grow. We need capital to initiate programmes to meet the needs of the community, to train more staff and to employ paid staff," says Mrs Alfino. "We are looking at becoming self-sufficient."

The home-care programme works closely with the communities. Utilising the structures within areas, they have become part of the various forums negotiating around the RDP.

Mrs Alfino feels that the programme is accountable to the communities. This is why they don't want to become an agency, simply doing their job. They want to be part of the community spirit. Caring for the people is their priority.

● For further information contact St John Ambulance at ☎461-8420.

V & A cost us R250-m — fund

ARGT 11/2/95 (300)

WILLEM STEENKAMP
Weekend Argus Reporter

■ The Transnet pension Fund, which had an actuarial shortfall of more than R4 billion last year, bought the V & A company for R250 million from Transnet, the same company that contributes about R2 billion a year to the fund to help it make up its actuarial deficit.

AFTER months of ducking the issue, the Transnet Pension Fund has finally disclosed the amount it paid for the popular Victoria and Alfred Waterfront development from its previous owner, Transnet.

Durma Bosman, spokeswoman for the Pension Fund, said a sum of R250 million was paid to Transnet by the pension fund. She said there was nothing underhand or mysterious about the deal.

Financial experts estimate about R500 million has been spent on the Waterfront to date. This figure includes some developments undertaken and funded by the private sector.

The deal, in effect, means a small group of civil servants who are members of the pension fund now own what was previously a state asset.

"Investments in property developments offering superior returns are part of our investment strategy. The V & A was evaluated on the same terms as any other property proposal received and turned out to be a sound investment.

"We are confident this investment will generate superior returns for our fund over the medium- to long-term."

Ms Bosman said the pension fund paid the R250 million to Transnet in cash.

But, the intricacies of the deal remain murky, particularly in light of the fact that the pension fund still has an actuarial shortfall of R4 billion, as estimated last year.

Transnet consistently has been forced to make substantial contributions to the pension fund to finance the shortfall and, for the next eight years, the state-owned company is expected to have to contribute about R2 billion a year to make up the actuarial shortfall of the pension fund.

The payment of R2 billion to the pension fund last year effectively wiped out Transnet's operating profit of more than R1,7 billion.

The V & A deal means that the Transnet Pension Fund — which is a separate legal entity independent of Transnet — is paying R250 million (in cash) to the company that pays it an estimated R2 billion a year to help it make up its actuarial shortfall.

In effect, the deal means that while the V & A previously was owned by the state-owned company Transnet, the prime development now has been transfered to the private Transnet Pension Fund which already receives R2 billion a year in aid from Transnet.

This is a far cry from initial promises made at the start of the Waterfront development when role players promised that the public and businesses in the Waterfront would get the opportunity to buy shares in the development once it operated at a profit.

The V & A now is owned by a relatively small group of civil servants who are members of the Transnet Pension Fund.

■ Ms Bosman said the pension fund deficit was an actuarial deficit and did not relate to the cash flow of the fund. In order to eliminate this deficit, the fund's objective was to invest in growth assets such as equities and property.

The pension fund intended to continue developing an extension of the Victoria Wharf shopping centre and is negotiating with hoteliers for a new hotel next to the Wharf.

Mutual welcomes committee decision

OLD MUTUAL welcomed the decision by the parliamentary finance committee to refer the Katz Commission's recommendation on the capping of pension funds back to the commission.

Assistant GM in charge of employee benefits Chris Newell said he agreed with the committee that the proposed capping was an ad hoc measure "that does not address the real issues.

"This is important because of the possible impact on long-term savings and the need for people to finance themselves," he said. CT 21/2/95

Taxman set for renewed assault on pension funds

CT 28/2/95

(300)

From JON BEVERLEY

DURBAN. — The taxman's assault on the pension industry is not over, even though the Standing Committee wants the Katz proposals on a deductions cap reviewed.

Chris Newell, Old Mutual assistant general manager, said at a Durban meeting of the Institute of Life and Pension Advisers yesterday that the next line of attack could be to change the definition of the lump sums received on retirement from pension and retirement annuity funds and not to count them as retirement funding income — which would disqualify them as part of retirement tax planning.

At present, retired people can contribute up to 15 percent of their retirement lump sums to a retirement annuity fund and reduce the tax on the whole sum.

The Katz proposals, besides limiting the amount that can be contributed to retirement funding during a working life, would also limit the amount that can be claimed in this way.

Newell said the Katz proposals meant employers would not be able to get tax benefits from contributing to pension fund deficits or increases of pensions.

They would opt for provident funds which had the undesirable feature of paying out all contributions and growth and no pension.

Newell said the issue should be approached by agreeing on certain principles:

One was that people needed to be encouraged to save for retirement and the best way was by giving tax breaks.

Two was to level the playing fields between private and public service pension funds and their tax.

Three was to decide on the tax of an income stream (the pension) and the lump sums on retirement.

Four was tax neutrality in general.

Five was a need to accelerate the flow of tax to the Treasury. At present the government only got tax at the end of the saving period when lump sums were paid and pensions began.

It might be better to collect tax over the entire period, either through taxing the savings component or the contributions in a different way.

Pension funds hit out at cap proposal

(300) (880) Star 28/2/95

BY JON BEVERLEY

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It might be better to collect tax over the entire period, either through taxing the savings component or the contributions in a different way.

R2bn a year lost in pension fraud

CLIVE SAWYER
Political Correspondent

AT least R2 billion is lost to corruption in the state pension system every year.

Cassim Saloojee, chairman of the national assembly committee on welfare and population development, said today the figure was given to him by the Department of Finance, and represented only the former republic.

In-depth investigation into the system, including in the former TBVC states, was needed.

"The loss of funding could be astronomical."

Mr Saloojee, an ANC MP, said the figure had been cited by the Department of Finance in response to pressure for a bigger welfare budget.

The officials had said steps should be taken to recover funds lost to corruption.

"What astonishes us is that this abuse has been going on for some time and we cannot understand why nothing was done."

His committee would ask for a commission to investigate the abuses and recommend steps to prevent them.

Examples of abuses included false medical certificates being used to claim disability grants.

Mr Saloojee said there was a need for a complete transformation of South Africa's welfare system.

ARG 1/3/95 (300)

Jittery municipal employees quit in droves

(300)

INGRID SALGADO

ABOUT 300 local authority employees in the greater Johannesburg area, threatened by ANC plans to abolish special pension benefits for public servants, have resigned and taken pension payouts before the start of the new financial year. BD 2/3/95

At least 120 employees of Germiston municipality, 50 from Roodepoort, 67 from Kempton Park and 60 from Sandton have quit over the past two months. They include town clerks, typists, health officers, electricians and meter readers.

Last month, ANC MP and parliamentary finance committee chairman Gill Marcus said the pension scheme was corrupt. Benefits would be scrapped, including tax-free gratuity payments given over and above pension payments and payouts for accumulated leave.

A source said yesterday employees were scared they would be taxed on their pension benefits. Some were taking a one-time lump sum payment which could run into millions of rands in certain cases.

A Sandton local authority employee said the overriding reason for the mass resignations was "political".

Kempton Park municipal spokesman Herman Bayer said the resignations had meant his area had lost a total of "810 years of experience". He said fear of taxation on fringe benefits was the major reason for the resignations.

Extending services to underprivileged areas would become more difficult. "We are going to have to train new people and won't be able to deliver expected standards of service now."

Another source predicted there would be nationwide resignations.

Saloojee calls for probe of corruption in state pension fund system

300 BD 2/3/95

TIM COHEN

CAPE TOWN — Parliamentary welfare committee chairman Cas Saloojee called yesterday for a commission of inquiry into the annual loss of between R1bn and R2bn from the state pension fund system.

Saloojee, an ANC MP, said an in-depth investigation of the provision of pensions was necessary because of the astronomical losses caused primarily by state officials' corruption.

Welfare Minister Abe Williams agreed that an investigation was necessary. He said Saloojee's speculation that as much as R2bn could be involved was unlikely, but it was known that about 10% of the R11bn state pension payout was lost to robbery, fraud and corruption. He would not speculate on whether recipients or state employees were mainly responsible.

Saloojee said the R2bn figure had been supplied by Welfare Department officials who were giving evidence before the parliamentary committee on welfare and population development.

He said he was astonished that the abuse had been going on for some time and nothing had been done about it. It was also necessary to attempt to recover the missing funds.

It appeared that the fraud was carried out mainly at payout points by state officials who underpaid recipients and pocketed the difference, he said.

It is understood that some state officials have been convicted in connection with corruption at pension payout points. Williams said the department was going to experiment with a new system of payouts in the Western Cape.

Research on the issue had been undertaken by groups such as the Black Sash. These bodies ought to be given an opportunity to present their evidence before a commission, Saloojee said.

Sapa reports Saloojee said examples of abuse of the system included the use of false medical certificates to claim for disability grants. There was a need for a complete transformation of the system.

The department's arguments for a larger budget allocation were undermined by the large scale of fraud and corruption.

Finance Department officials argued that the Welfare Department would not require additional funds if fraud and corruption were wiped out.

The Welfare Department spent 86% of its R12bn budget on pension payouts, leaving only 14% for genuine social services.

Saloojee said he did not want to see the state pension system undermined because in many cases people depended on the payouts for survival.

However, the department also wanted to have a functioning welfare system. A transformation of the welfare system was necessary and a new pensions system was being discussed.

POLITICS

Losses in state pension system could be astronomical

300

R2-bn lost to corruption

Stan 2/3/95

■ POLITICAL STAFF

At least R2 billion is lost to corruption in the state pension system every year.

This was disclosed at a press briefing yesterday by Cassim Saloojee, chairman of the National Assembly committee on welfare and population development.

The figure, given to him by the department of finance, represented only the former republic.

In-depth investigation, including in the former TBVC states, was needed.

"The loss of funding could be astronomical."

Saloojee, an ANC MP, said the figure had been cited by the department of finance in response to pressure for a bigger welfare budget.

The officials had said steps should be taken to recover funds lost to corruption.

"What astonishes us is that this abuse has been going on for some time and we cannot understand why nothing was done."

His committee would ask for a commission to investigate the abuses and recommend steps to prevent them.

Examples of abuses included false medical certificates being used to claim disability grants.

Saloojee told the briefing the new government had inherited a welfare system designed to benefit a minority. A complete review of the system was needed.

Legislation, including that on child care and social assistance, should be transformed.

Saloojee said his committee intended making full use of changes to the parliamentary committee system which would allow it a greater say in initiating legislative reforms.

A meeting of national and provincial ministers of welfare and top officials had at the start of this year accepted that the entire welfare system should be changed.

The national ministry had accepted they would not impose reforms from above.

Saloojee backed a campaign by social workers for higher wages. However, he also said emigration by social workers had cost the country dearly.

Because of poor salaries, social workers lacked motivation and a sense of prestige.

Working conditions and salaries of these workers should be improved dramatically, he said.

NEWS Officials stole massive amounts from aged fur

Pension payout fraud of R2 billion

Sowetan 2/3/95

AGED VICTIMS A more in-depth probe will uncover greater losses:

By Vuyo Bavuma
Political Reporter

THE Government lost more than R2 billion in the past three years because of fraudulent actions in pension payouts, parliamentary chairman of the Welfare, Population and Development Portfolio Committee Mr Cassim Saloojee said yesterday.

Saloojee told a Press briefing in Cape Town that it was important that the corruption be stopped immediately so that the Government could deliver a comprehensive welfare policy for all.

The crimes were committed by unscrupulous officials who defrauded illiterate people at the payout points. Other officials stole the funds at magisterial offices before they were distributed to the aged.

Others defrauded the Government by using forged medical certificates to collect disability grants to which they were not entitled. The R2 billion figure, given to Saloojee by the Department of Finance, represented only the former administration of Mr FW de Klerk.

More in-depth investigation

He said a more in-depth investigation, including the former TBVC states, was needed.

"The loss of funding could be astronomical," Saloojee said.

Saloojee said these criminal actions had brought tremendous hardship on many families of the aged, who were solely dependent on the monthly pensions.

The welfare committee invited submissions from the public to help to combat this and formulate proposals to fight any future misdeeds.

Saloojee said these pension crimes had prevented any possible increase in the pensions of the aged and disabled, which are presently insufficient to support most of them.

With this gross misuse of the taxpayers' monies, it is difficult for the Government to improve the quality of life of the aged and disabled.

"That's why we should take urgent steps to stop this corruption. If we succeed in eradicating this corruption, the Government will have the means to increase the aged's pension allowances," Saloojee said.

Peps deserve a place in SA's portfolios

PEP MAN: Barry Spitz, reporting on Peps for Genbel

Easy to understand, tax friendly and inflation proof, personal equity plans may be just the vehicle for retirement planning in South Africa, writes **TERRY BETTY**.

PERSONAL equity plans, better known as Peps and a resounding success in Britain and France, are being recommended as a means to boost national savings and make share ownership more popular in South Africa.

Investment holding company Genbel has commissioned Paris-based International Law & Tax Institute to investigate specially favoured investments offered elsewhere in the world. The recommendations have been presented to the Katz commission on tax reform.

Barry Spitz of the International Law & Tax Institute says the institute has investigated products available in a number of countries, such as the US, Canada and France, to see how they can be applied in South Africa.

Peps are like unit trusts in that they give the small-time investor a portfolio of shares. But that is where the resemblance ends.

They have lower charges and pay less commission. They also offer a few small tax benefits and are used predominantly for retirement planning.

There are two types of Peps in Britain. General plan Peps place funds in qualifying investments, such as British-quoted shares, European Union shares and unit trusts.

Single company Peps allow the investor to choose which company the funds must be invested in, and can instruct a manager to move the cash.

At least 50% of the funds must be in equities. The manager may hold cash in a sterling deposit account specifically designated for the particular plan.

Interest earned on Peps is tax exempt as long as it is reinvested in qualifying investments, capital gains are not taxed and dividends are tax free, even if they are paid out.

The tax exemption on dividends includes the right to recover from Inland Revenue the advance corporation tax paid by the company declaring the dividend. Investors have a right to receive annual reports of the companies the Pep has invested in. They may also attend and vote at shareholder and unitholder meetings.

To qualify for the tax advantages individuals may place no more than £9 000 (R51 390) into Peps out of after-tax income — £6 000 (R34 260) into general equity Peps and £3 000 (R17 130) into single company Peps.

Peps and similar vehicles in other countries are predominantly seen as retirement vehicles. The tax benefits are only realised if the cash is withdrawn after retirement or spent on approved investments, such as buying a house.

While the tax benefits appear to be peanuts, the Peps have proved to be a huge drawcard for investors.

Says Professor Spitz: "When the system was introduced in Britain in 1987, it drew a round of criticism from everyone.

"Tax experts pooh-poohed it. They said Peps would not be popular because of the limited tax relief granted on amounts invested. But the system just took off — R108-billion is already invested in Peps."

Professor Spitz says the instrument introduced in France drew around R100-billion in the first year alone. Peps-type investments represent the largest pool of private funds in the US and Britain.

According to Professor Spitz, Peps allow people in even the lowest tax brackets to invest in shares. Peps also give equality to women in retirement benefits.

They are simple to understand and are a hedge against inflation. They are also far more flexible when compared with other retirement vehicles — there is no restriction on how long the investment needs to be held or the maturity dates.

A tax-effective early withdrawal can be made as long as it is for approved investment, such as buying property. There is no obligation to use the amount accrued as a pension.

From a government's viewpoint, it reduces the burden on the state to provide retirement benefits, it provides a large pool of savings, is anti-inflationary and reduces the concentration of share ownership.

Tax burden gets heavy with pensioners

(300) (300) ST 5/3/95

By TERRY BETTY

AROUND 7% of people are self-supporting at retirement age, yet the government could reduce this meagre proportion even further by increasing tax on pensioners.

If the proposals by the Katz committee on tax reform are accepted, pensioners face a tax increase because of the abolition of rebates — R2 500 for people over 65, R2 225 for married people and R900 for married women.

"The abolition of the primary and old age rebates discriminates against over-65s," says Tony Worsdale, who has been lobbying Parliament on behalf of fellow pensioners.

The accompanying tables show that someone earning R25 000 a year who used to pay R25 tax, now faces a R2 250 tax bill.

"The impact of this is greatest at the bottom of the tax tables, where the majority of pensioners are," says Mr Worsdale.

Mr Worsdale says retirees spend on average 15 years with their last employer. This means they are receiving about 30% of their last salary as a pension.

It must be noted that the salary on which the pension is based may not be the same as the value of the package — it will in all likelihood exclude car, housing and entertainment allowances, medical aid and other benefits.

Christo Theron, tax adviser at Ernst & Young, says there are few means for a pensioner to reduce the impact of tax.

He says the best way to reduce tax payable after retirement is to structure investments before retirement. For example, pensioners can reduce taxable income in the year of retirement to the minimum average tax rate, thereby limiting the impact of tax on lump sums received, such as from a pension fund.

Although this loophole is to be narrowed, it is still available as a tax-planning option.

Bryan Hirsch of the Pride Group says the only way for a pensioner to reduce tax payable is to lower the tax band he or she is in. "But if you are only receiving income from a pension fund then there is nothing you can do."

Mr Hirsch says there are two types of pension — a compulsory purchase pension and a voluntary pension. He says the voluntary pension may be the wrong investment vehicle from a tax point of view.

"You need to look at other assets that can produce tax-free income. It is possible to buy income plans from insurance companies where the monthly payment has a capital and income portion, and only the income portion, about 25% of the payment, is taxable."

He says people can look at buying second-hand or recycled policies that can produce tax-free payouts on an ongoing basis.

As there is little scope for tax planning at retirement, Mr Hirsch says planning should take place five to 10 years before retirement.

"People can start looking at how their provident funds are structured — for example, the funds may be restructured to purchase an endowment whereby the policy is ceded to the member at retirement.

"People can also look to building assets in mutual funds, and building tax shelters."

TAX FOR THE OVER 65's

Taxable income	Current tax payable	Proposed tax payable	Increase
50 000	7 475	9 900	2425
75 000	17 875	19 650	1775
100 000	28 575	29 400	825
125 000	39 325	39 900	575
150 000	50 075	50 400	325
175 000	60 825	61 650	825
200 000	71 575	72 900	1325
225 000	82 325	84 150	1825
250 000	93 075	95 400	2325
275 000	103 825	106 650	2825
300 000	114 575	117 900	3325
325 000	125 325	129 150	3825

Graphic: FIONA KRISCH

Source: ERNST & YOUNG

Pension fund 'got V&A free'

(300) ~~266~~

WILLEM STEENKAMP
Weekend Argus Reporter ARG 11/3/95

THE Transnet pension fund effectively paid nothing for the hugely popular Victoria and Alfred Waterfront, which it bought from Transnet last year.

It has now been confirmed that debentures issued earlier by Transnet to the pension fund to assist the cash-strapped fund were simply transferred back to Transnet, alleviating the company's interest burden.

Frans Malan, senior spokesman for Transnet, confirmed that the Victoria and Alfred Waterfront development had not been placed on tender to get the best possible price on the open market, but stressed that Transnet's tender rules did not require this.

"We appointed two independent valuators and they said the sale price of R250 million was a fair and market-related price."

Mr Malan confirmed that no cash had been paid and said Transnet had received debentures they had earlier issued and transferred to the pension fund. He said in structuring the deal in such a way the Waterfront still "remained in the family".

But he admitted that the pension fund was a private legal entity owned by the pensioners and run by an independent board of directors.

He denied that the deal was a "cosy, inside transaction" undertaken to ensure that the very same people who are in charge and who work at Transnet would, in the long run, benefit from the deal when they retired and were dependent on the pension fund for their income.

Mr Malan said the deal was structured in such a way as to lessen the liabilities of the pension fund and the strain it was putting on Transnet, which has been paying billions of rands into the fund to try to get it back on a sound financial footing.

When Transnet was formed as a public company on April 1 1990 the pension fund deficit amounted to R17,2 billion, of which R8,8 billion represented the shortfall in respect of the former SA Transport Services.

Since the fund was allowed to invest its surplus funds in growth assets, which insured a constant monthly income as well as capital growth — together with Transnet debentures issued to stabilise the R8,8-billion shortfall in respect of the Sats pensioners — the shortfall was reduced to R4,6 billion by March 1994.

Mr Malan said although the development had not been put on tender on the open market, private sector investors had, in any case, in the past been afforded the opportunity to be involved in the development of various facilities at the Waterfront, including the City Lodge hotel, the Graduate School of Business, the MIB building and the Portswood Square offices and hotel.

He said the development's sale price had been privately determined "by well-known and prominent property experts" who were satisfied that the price was market-related.

More for pensioners, old soldiers put on hold

JOHN VILJOEN
Business Staff

(300) ARG 15/3/95

CIVIL pensions will rise by 6,5 percent from April 1 for pensioners who retired on or before April 1, 1994, the minister announced.

Those who retired later, but before April 1 this year, would have their pensions raised by 0,54 percent for each completed month since retirement, calculated to the end of this month.

The increase in military pensions would be considered at a later stage, once negotiations on the conditions of service of public servants — to which military pension adjustments were linked — had been conducted.

Significant progress had been made in establishing a single new pension fund for all public servants, Mr Liebenberg said.

This would replace the Government Service Pension Fund and those in the former homelands.

The Katz Commission's recommendations for the so-called capping of pension fund contributions had proved controversial.

The government believed the matter needed to be considered further in close co-operation with the Commission.

R400 m for local government polls

Political Staff

ARG 15/3/95

THE National government will spend nearly R400-million on the November local government elections, which it regards as a crucial step along the path of democratic government.

An amount of R49 million has been budgeted for national and provincial governments' expenditure on communication and voter-education programmes.

A further R348 million will be provided via the provincial budget for conditional grants to fund local government elections in rural areas and areas under the jurisdiction of transitional structures.

BUDG

No joy over pension increases

Star 16/3/95

■ BY JOVIAL RANTAO and ESTHER WAUGH

"It's nothing", "It's inadequate" ...

This was the response of social workers and organisations that look after the aged to the 6,5% increase to civil and social pensions announced in the Budget. Pensioners will, from April 1, receive R415 — an increase of R25 a month.

Syd Eckley, executive director of the SA Council for the Aged, also expressed disappointment that the Government had not voted any money to improve conditions at pension payouts for millions of black pensioners.

"I don't know how many people can survive on R415. The Government should have taken into consideration the historic imbalances of our country; the high level of unemployment; and that elderly people have to take care of children, the disabled and unemployed. In our black communities you find that this R415 has to be shared between six and seven mouths," he said.

The new rate applies to pensioners who retired on or before April 1 1994. Pensioners who retired after April 1 last year, but before April 1 this year, would have their pensions increased by 0,54% for each month since retirement, calculated up to March 31 1995.

Increases in military pensions are to be announced later.

■ In a further development, the Government has committed itself to reducing the shortfalls in the national government pension funds in a phased manner.

Pensions up by a 'pittance'

(300)

STAFF REPORTER

CT 16/3/95

ORGANISATIONS for the aged expressed disappointment yesterday that old-age pensions had not kept pace with the cost of living.

Minister of Welfare and Population Development Mr Abe Williams announced 5% increases in social grants after the Budget yesterday. From July 1, old-age pensions, disability grants and parent grants will increase by R20 a month, or 5%, to R410.

Concerned Friends for the Frail and Aged spokeswoman Mrs Naomi Slabber said the R20 a month increase was a "pittance".

Mr Williams pointed out that this was the second time in six months that social grants had been increased. They were adjusted by 5% in October 1994.

Civil pensions will increase by 6,5% from April 1 for pensioners who retired on or before April 1 last year.

The South African Legion expressed "regret" that basic social pensions had not kept pace with inflation.

Pensioners to be poorer (300)

CT 16/3/95

POLITICAL CORRESPONDENT

CIVIL pensioners — who will receive increases well below the inflation rate — are to become poorer.

Military pensioners will not receive any increases until negotiations on the conditions of service of public servants have been concluded.

Finance Minister Mr Chris Liebenberg announced yesterday that civil pensions will rise by 6,5% from April 1 for pensioners who retired on or before April 1, 1994.

Those who retired later, but before April 1, 1995, will have their pensions raised by 0,54% for each completed month since retirement, calculated up to March 31, 1995.

The minister said that even with the lower inflationary environment at present — under 10% — it was desirable to adjust pensions on an annual basis.

Pensions 'a national disgrace'

ARG 17/3/95 (300)

Government 'has let us down'

LIBBY PEACOCK
Health Reporter

PENSIONER groups and organisations for the elderly — dismayed at the low pension increases announced this week — are considering mass action to highlight their plight.

The Ministry for Welfare and Population Development this week announced a five percent social grants increase, which will come into effect in July. Senior citizens, who have been struggling to survive on R390-a-month government pensions, will now get R410.

In his budget speech, Finance Minister Chris Liebenberg announced that pensions for former civil servants would rise 6,5 percent from April 1 for pensioners who retired on or before April 1 last year.

The increase in military pensions would be considered at a later stage, once negotiations on the conditions of service of public servants had been conducted.

One of Cape Town's pensioners who is struggling to survive on his pension is 83-year-old Gideon Sigabi, of Guguletu.

Mr Sigabi, who lives in a council house with his sickly wife and grandchildren, said: "I can't manage to cope".

A retired messenger, he said the only way to survive was by "borrowing".

Telephone and electricity bills alone came to around R150 a month. Then there were still clothes for the family, food and other expenses.

Mr Sigabi said his family lived mainly on chicken, potatoes, bread — and sometimes rice.

"Some people stay in wood-and-iron houses. In winter the rain comes in and it gets very cold.

"We hope the government will take note of our plea. Pensioners are losing faith."

Winnard Zantsi, 76, a former hospital chef and chairman of the Black Pensioners' Organisation in the Western Cape said the organisation had been trying to improve pensioners' conditions since 1987.

"Pensioners must be paid at least R450 a month for a decent existence. A R20 increase is futile and makes us very cross."

Pensioners had been "let down" by the government.

Threatening mass action by pensioners from all sectors of society, Mr Zantsi said: "Pensioners are very upset and humiliated."

Surviving on a R390 government pension was very difficult.

"I have five grandchildren — and all must be looked after by us."

Sea Point pensioner Stella Norton, 80, said she was "lucky", because she still lived by herself, did her own shopping and a "little bit of work".

She "could not possibly survive" on her goverment pension and was lucky, because her flat was paid for and she only had to find the levy.

"I've got a little investment, otherwise I could not cope. I don't know how people manage."

Syd Eckley, executive director of the South African Council for the Aged, said the increase of five percent in government pensions was "a national disgrace" and "a humiliation".

He said the council called on all older people and "concerned citizens" to voice their dissatisfaction.

"The council, in co-operation with pensioner organisations, plans to stage mass meetings in due course."

Mr Eckley said it was obvious the government had "no sympathy with older people and especially those living in impoverished communities".

"We believe this would have been the appropriate time to send a message of hope to the 900 000 black social pensioners."

South African Legion president Tony Chemaly said the legion regretted that the increase in the basic social pension announced in the budget had not kept up with the inflation rate.

The Legion was concerned that there had been no increase in the war veterans' portion of their social pensions. The extra payment for war veterans had been static at only R18 a month for many years.

"Increases in pensions for the war disabled have once again been linked to the level of civil service salary increases which are still to be negotiated."

Kay Altsman of the Association for Retired Persons and Pensioners said she was "inundated" with calls from pensioners asking where they could find accommodation.

"With pensions of R390 I don't know where to send them."

She said some pensioners living in rented rooms had only R20 or R30 left after paying their rent.

"And they've still got to eat."

Picture: NIC BOTHMA.

UPSET PENSIONERS: Winnard Zantsi, 76, and Gideon Sigabi, 83, both from Guguletu, say pensioners cannot cope on pensions of R390 a month. The five percent increase announced this week will bring the amount to R410 — which is still not enough, they say.

Life offices praise holistic retirement fund approach

(300)

BD 17/3/95

SAMANTHA SHARPE

LIFE offices and retirement fund representatives applauded yesterday Finance Minister Chris Liebenberg's call for a holistic review of retirement fund taxation, including the cap on pension funds.

Life Offices' Association chairman Gerhard van Niekerk said the decision not to introduce ad hoc measures and to opt instead for a holistic review was welcome.

The industry had proposed that any decision on retirement fund taxation be deferred for further investigation in an attempt to stop any "rash change" of pension taxation.

Van Niekerk said the industry agreed with proposals about lump sums payments, but it was important to draw attention to the greater difference in the tax treatment enjoyed by members of public sector pension funds and members of private sector funds.

Institute of Retirement Funds president Maurice Harding said the insurance industry could now afford to sit down with government and plan for the future on long outstanding retirement fund issues.

The potential merger of government pension funds and the actuarial underfunding of the government pension fund were now on centre stage, he said.

Debate could focus on the type of structure the government fund should take, with the state seemingly prepared to work through the debate on whether or not its pension funds should be government funded.

Institute of Life and Pension Advisors spokesman Chris van der Walt said he was relieved that the Minister had decided to discard the notion of a cap on pension contributions.

Retire 'before new tax laws'

(300) CT 17/3/95

JOHANNESBURG: Individuals who are thinking of retiring should consider doing so immediately before the new tax laws come into affect, according to Syfrets tax consultant Mr James Wolfson.

Mr Wolfson said although Finance Minister Mr Chris Liebenberg's budget appeared to be reasonably "retirement-friendly", the fine print "may have a marked effect on individuals' retirement decisions".

Amendments to the taxation of retirement lump sums would increase the effective tax for retirees.

"With proper tax planning, individuals were able to bring their average rate of tax on their retirement lump sum down to 17%. The amendment now precludes this," he said.

According to the amendments, retirees could no longer rely on the low rate of tax in the year of retirement.

The retirement lump sum would now be subject to the higher of the current and the previous year's tax rate.

Furthermore, retirees were no longer able to deduct from tax a percentage of their retirement lump sum in their year of retirement. — Sapa

March 27 1995

9

Liebenberg: Probe likely on pensions

(300)

ALIDE DASNOIS
Deputy Finance Editor

FINANCE Minister Chris Liebenberg says the government is considering setting up a new commission of inquiry into retirement funding.

Issues to be examined would include the differences between pension and provident funds, payouts, and tax.

Addressing the annual conference of the Institute of Life and Pension Advisors, Mr Liebenberg said it would be useful if one or two members of the Katz Commission served on the new commission. ARGT

Differences between pension funds in the civil service and in the private sector would have to be investigated. 27/3/95

He also said the government was considering creating a state retirement scheme, possibly along the lines of the one operating in Chile.

Mr Liebenberg said Welfare Minister Abe Williams would lead a delegation to Chile soon.

Turning to the Katz Commission, Mr Liebenberg said the government had not rejected its recommendations on tax.

Mr Liebenberg said some of the recommendations, such as the abolition of the Secondary Tax on Companies (STC), had not been applied yet as they were too complicated.

"We decided to fly for another year with STC," Mr Liebenberg said. "But I want to address it this year.

"We've got to get rid of STC, it's not investor-friendly."

A-G wants thorough policy review

Pension gravy train to stop

300

Star 30/3/95

WE ARE not just worried; we are very, very concerned about the provinces the report warns

BY ESTHER WAUGH
POLITICAL CORRESPONDENT

Cape Town — An investigation by the Auditor-General's office has revealed that the increasing number of early retirements by civil servants could be an abuse of the Public Service Act.

The Auditor-General, Henri Kluever, has called for a thorough review of the retirement policy, saying it was important there should be uniform directives for retirement benefits.

In his report on appropriation accounts for 1993/94, tabled in Parliament yesterday, Kluever said good management practices were being replaced by early retirements which were bad for the Government Service Pension Fund.

Departments and "other role-players are placed in a position where they can take decisions which have an adverse effect on the fund without the fund being compensated", the report observes.

And retirements on medical grounds were not being uniformly evaluated while there were no penalties for public servants taking early retirement at their own request.

The Auditor-General warned that the transformation of the public service had "hardly begun" and the system could collapse within two years without corrective measures.

Functions of the former four provinces were being moved to central Government before they could be devolved to the nine new provinces. Kluever adds that the question to be asked is whether the increased number of provinces can be run properly: "We are not just worried; we are very, very concerned about the provinces," the report warns.

The moving of functions did not constitute the transformation of the public service.

An increase in income tax could be avoided if tax evasion was stopped since, along with the non-collection of taxes, this was costing the country R17-billion. The money recovered from evasion could finance the Reconstruction and Development Programme, the report notes.

Kluever said a possible solution was establishing an independent internal revenue service, similar to that in the US.

His report also detailed shortcomings of the present tax collection system.

Kluever said R214-million in VAT claims was being investigated, and this could result in prosecutions.

He reported "the continuing high level of maladministration in the former homelands. In some areas, officials of his office had been chased away.

Kluever asked the committee to take urgent steps to improve financial discipline and stop fruitless expenditure.

He urged the committee to recommend that all Government departments formulate clear rules on the acceptance of rewards and gifts by public servants.

Kluever told the committee he was satisfied that all secret funds had been properly audited. He said that until 1987, his office had no access to a number of secret State projects. However, he now had "a considerable amount of information" on secret funds.

On police secret funds, his report said an audit of the police asset register exposed various deficiencies in the internal control and in the computerised asset register. The police were taking corrective steps.

Kluever added that alleged fraud and irregularities regarding payments to informers were being investigated.

An audit of the Information of South Africa Special Account and the Foreign Affairs Special Account could not be finalised because "certain foreign structures" were still being closed.

The Auditor-General could not express an unqualified audit opinion on R28-million spent during 1993/94 on covert defence projects as a result of "the special investigation of some of these projects that is still being undertaken".

An audit opinion could also not yet be given on R1,1-billion spent on covert projects because of "the investigation of alleged irregularities and losses by the Office for Serious Economic Offences" not yet being completed.

▶ More reports – Pages 3, 6

Enough to make a policeman sick?

Twenty brigadiers and six generals in Gauteng have announced their retirement from police service due to ill-health since April 27, and payouts on their apparently limitless accumulated leave have already reached R2,2 million — with more to come. Pension gratuities paid to 20 of the 26 officers amounted to about R7,9 million.

In relation to leave, the average payout for the 20 who have already retired was about R114 000. The highest leave payout was R235 315, to Major-General J C S Oberholzer.

Peter Leon, a DP member of the Gauteng legislature, had asked for this information from MEC for Safety and Security Jessie Duarte. Leon said the statistics provided were "not a pretty picture". — Staff Reporter.

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Star 30/3/95

(300)

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The Auditor-General could not express an unqualified audit opinion on R23-million spent during 1993/94 on covert defence projects as a result of "the special investigation of some of these projects that is still being undertaken".

An audit opinion could also not yet be given on R1,1-billion spent on covert projects because of "the investigation of alleged irregularities and losses by the Office for Serious Economic Offences" not yet being completed.

▶ More reports – Pages 3, 6

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SA to investigate Chilean pensions

(300)

BD 30/3/95

SAMANTHA SHARPE

WELFARE Minister Abe Williams is to lead an investigation into privatising social security along Chilean lines — a move which could save government an estimated R8bn in annual social pensions payments.

Chile's social pensions scheme, which replaced a failing government-funded system, helped the country slash government spending and reduce its budget deficit, and could offer similar advantages to SA.

Of SA's R13,4bn welfare budget, about 86% goes to social allowances. Eighty percent of this figure is allocated to the aged. The figures suggest that if all social pensions are moved off government's budget, more than R8bn could be saved.

Chilean ambassador Jorge Heine, who will be facilitating Williams's fact-finding mission, said the privatised system had proved difficult in its initial stage.

Existing retirees still had to receive benefits under the old system, which was no longer boosted by new contributions. But the rewards for Chile's economy in the longer term had been remarkable.

"Chile's economic success is linked to its high savings rate, which is in turn largely attributable to the pension scheme," he said.

In 1986 domestic savings accounted for about 11% of GDP compared with a current 25%. Gross fixed capital formation increased from 17% to more than 26% of GDP during the same period.

Heine said the new system had proved particularly advantageous for Chile's capital markets.

Chilean citizens had also reaped the benefits of improved returns on investments, with payouts higher than under the previous system which was run by the state.

Chile privatised its pay-as-you-go social security retirement system in 1981 when employers entering the job market for the first time were required to contribute 10% of their monthly gross incomes to private pension fund accounts — which they owned. Extra voluntary contributions could be made.

Government used proceeds from the sale of state assets to help pay out benefits under the old system.

DIEP RIVER

(300) ARG 3/04/95

Abbeyfield plans to open eighth home for elderly

Staff Reporter

JULY will see the opening of the eighth Abbeyfield home, in Main Road, Diep River, if the Masonic Abbeyfield Society of Cape Town's dynamic new committee has its way.

Determined to continue providing fit, older people with affordable accommodation within the security and companionship of small households, the Abbeyfield Society of South Africa intends establishing small, secure "community-do-it-yourself" old-age homes all over the country.

To achieve this, a "500 Club" has been established.

By donating R25 a month, a maximum of 500 people will become members of the club.

They will have a one-in-500 chance every four months of winning R20 000.

Payments can be made by debit order on credit cards or bank accounts.

Debit orders will be activated once the "500 Club" is fully subscribed, in April.

The first draw will take place on August 1.

Subsequent draws will be held every four months.

● Abbeyfield's annual street collection was held on Wednesday, March 22.

Pension fraud exposed

(300)
(259)

MICHAEL MORRIS
Political Correspondent

Millions lost — and 'it's been going on for years'

HUNDREDS of millions of rands in Western Cape pension money is being lost to fraudsters — including well-placed officials — because of poor administration in the welfare department.

The fraud losses — which have been going on virtually unchecked for years — run at about 15 percent of the more than R1 billion pensions budget. A loss of about R240 million is expected this year.

And while a new computerised system has been introduced to deal with the problem, it is running only on a limited scale.

This emerged in evidence to the Western Cape legislature's finance committee — which is going through the budget estimates for 1995/96 — by acting head of the welfare department Ebrahim Jarodien.

The disclosures prompted Democratic Party regional leader Hennie Bester to call for the immediate appointment of a commission of inquiry.

Western Cape Social Services Minister Ebrahim Rasool announced yesterday that he had appointed three senior officials to look into allegations of cheque fraud at the Bellville regional office.

This follows allegations by pensioners and disabled people on grants that other people were fraudulently cashing their cheques.

Mr Bester also wants Dr Jarodien suspended pending the outcome of the investigation and "drastic measures" implemented to stop the fraud.

"If satisfactory steps are not taken the DP will not be able to support the budget," he said.

"This is shocking. If proper measures were taken to deal with this, pensioners could effectively be given a 15 percent increase. Instead they suffer because fraud is not being dealt with."

Dr Jarodien, who headed the House of Representatives welfare department from 1989 until last year, acknowledged during questioning that there were no audited statements for the department's activities in this period and no reliable statements for its activities since its inception in 1984, so the full extent of the losses was not known.

Only six people had been prosecuted, and those only for minor fraud.

The House of Representatives welfare department was transferred to the Western Cape administration last April.

Mr Bester said: "To this day the department has failed to instal a system to deal with this. We are troubled that Dr Jarodien is now the head of the Western Cape welfare department and he is still expecting the fraud to continue.

"It would seem from questioning that there are no measures to verify the fraud and bring the guilty parties to book.

"If no satisfactory steps are taken we cannot support the budget, because we cannot be party to this inability to manage.

"You can do an enormous amount with the R240 million that is expected to be lost this year.

"You could build houses, you could give pensioners a 15 percent increase."

Mr Bester said that even with the introduction of the Nisec computerised system, "the administration is still handled by the department — there is still scope for fraud". ARG 4/4/95

● See page 4.

Probe ordered into pension fraud, corruption

(300)

NORMAN JOSEPH, Staff Reporter

PROVINCIAL Health and Social Services Minister Ebrahim Rasool has appointed three senior officials to investigate allegations of fraud at his Bellville office.

This follows allegations that cheques for pensioners and the disabled are being cashed fraudulently. ARG 4/4/95

Mr Rasool said: "I view with great seriousness the allegations of fraud and wrongdoing brought to my notice by the Bonteheuwel Civic Association."

Three officials from head office and regional officials will investigate and report back to Mr Rasool within 30 days.

They will also investigate allegations of corruption and mismanagement involving a local councillor, a senior Post Office official and a businessman.

Mr Rasool said: "I believe that openness, honesty and transparency form the foundation on which we can build a caring service.

"I have also requested Ebrahim Jarodien, the chief director of the Department of Social Services, to start an immediate inquiry.

"I wish to give the assurance that where there is substantial evidence of wrongdoing, the matter will be placed in the hands of the Attorney-General."

The ministry has appointed officials Amy Thornton and Alec Keiller to attend to complaints of fraud, corruption and mismanagement.

Complaints may be sent to PO Box 648, Cape Town 8000.

Crackdown pledge on pension cheats

(300) Star 4/4/98

BY JO-ANNE COLLINGE

Task teams consisting of officials and representatives of the non-governmental sector are to conduct "random tests" for fraud in the social pension system, says Minister of Welfare and Population Development Abe Williams.

Officials apparently involved in such fraud, which is conservatively estimated to cost the Government R1-billion a year, would be prosecuted, Williams assured delegates attending a conference on social security near Johannesburg yesterday.

"It is my absolute intention to eradicate this evil once and for all," the minister said.

All provinces would soon be able to tap into a single databank on pension and this would prevent anybody being able to claim benefits in more than one jurisdiction.

Dr Pieter le Roux of the University of the Western Cape said that although R1-billion of pension and grant money "disappeared" annually, the social old age pension was generally reaching the poorest of the poor — and making a vital difference.

He pointed out that, according to World Bank research, per capita income for the poorest 20% of South Africans was a mere R25 a month, if the impact of the old age pension was not taken into account.

One in three of these extremely poor families had a member who was eligible for the old age pension, however, and this brought the average income for each member of such a household up to R89 a month.

Welfare battle plan

BY CHRIS BATEMAN
POLITICAL STAFF

CT 5/4/95

WESTERN CAPE Health and Welfare Minister Mr Ebrahim Rasool yesterday admitted over R200 million (10%) of his social security budget was being lost to fraudsters.

He said the national fraud tally stood at R1 billion and that Pretoria had told the provinces to "first find the missing money" before it would release further funds.

He said the province inherited a system embedded with fraud, requiring an overhaul of the entire process from application to registration of clients.

Over the past 10 months a fingerprint-operated computerised payout system had been introduced by his department in some areas, and a task team had been appointed to ensure the integrity of the registration process.

Mr Rasool met with senior minister Mr Abe Williams yesterday to make battle plans shortly before Mr Williams announced the formation of a national task team to combat the problem.

(300)

(300)

Pension thieves had better beware

ARG 5/4/95

Political Correspondent

A "FORENSIC auditor" trained to track down big-time fraudsters may be hired by the Western Cape government as part of a major crackdown on multi-million rand pensions theft, says Health Minister Ebrahim Rasool.

Other new staff are to be appointed soon to help in the anti-corruption drive and new computer systems are being introduced to curb losses.

But Mr Rasool warned the problems would not be overcome "overnight".

His comments follow indications that pension fraud is expected to be about R240 million this year.

In a three-page statement issued in response to a report on the fraud in The Argus yesterday, Mr Rasool confirmed details of the huge losses, acknowledged that "serious management inefficiency" was part of the problem, and gave further details of scams, which included:

- A pernicious form of syndicate fraud with elaborate and sophisticated networks between welfare and sub-agent officials using fictitious clients or clients who do not qualify for social security, through fraudulent documentation.
- Duplicate payments.
- Over-the-counter fraud.
- Theft by officials.
- Exploitation of the vulnerability of the aged by clerks.

"Much of the fraud is not of the hand-in-the-till variety, but is embedded in the system."

Mr Rasool said that one of the main initiatives launched so far to deal with fraud was a computerised fingerprint-based system for pension payouts.

Mr Rasool said the Western Cape government had inherited a system fraught with dangers, where audited statements, at least in the House of Representatives, were non-existent.

The province also carried the baggage of a system where pensions and grants were not regarded as a social service, but were used for political patronage, and "this goes beyond the officials, and has political dimensions".

Inquiry into fraud

(300) ~~259~~

POLITICAL STAFF

A TOP task team will investigate claims of fraud in pension payments, the provincial Minister of Finance, Mr Kobus Meiring, said yesterday. CT 11/4/95

The team will be headed by Professor Pieter le Roux of the University of the Western Cape.

Mr Meiring said the team's job would be to help remove any form of fraud and to ensure that every cent was spent correctly.

Prof Le Roux would be assisted by an auditor with forensic expertise and someone with administrative experience, as well as officials from the provincial treasury, management advice services and welfare department.

Mr Meiring said he did not personally believe the Western Cape would have as high levels of pension payment fraud as the rest of the country.

"But we must be realistic about the problem. It is apparently a nation-wide problem about which there is unfortunately little evidence that it has taken place."

Test probes in the province have found evidence of fraud running at 10% of pension payments, Mr Meiring said.

PROBE: Western Cape Finance Minister Mr Kobus Meiring.

No 'assurance' for aged

(300) CT 19/4/95

POLITICAL STAFF

WESTERN CAPE Premier Mr Hernus Kriel said yesterday he was unable to give a "blanket assurance" that no-one would be evicted from old-age homes in the province because of reduced welfare subsidies.

Responding to a question from DP provincial leader Mr Hennie Bester, Mr Kriel said possible removals would depend on individual cases.

But "everything possible" would be done to prevent people being evicted for financial reasons.

State welfare grants 'fast becoming unsustainable'

CT 20/4/95 (300)

PRETORIA: Payment of state pensions and welfare grants was "fast becoming unsustainable", Deputy Minister of Welfare Ms Geraldine Fraser Moleketi told a conference of local and Dutch welfare delegates here yesterday.

She said pensions and grants accounted for 86,7% of the national welfare budget.

"The Reconstruction and Development Programme promotes a compulsory contributory pension scheme, as well as social assistance in the form of cash or "in-kind" benefits to those most at risk," she said.

"In line with our constitution, our social welfare system is required to undergo a fundamental transformation to ensure that social justice and equity is achieved and rights of individuals are protected."

Social policy would no longer be left up to professional social workers employed by the state and private bodies. "Policy decisions... should involve the beneficiaries," said Ms Moleketi. — Sapa

Welfare Minister studies Chile's pension scheme

(300) CT 20/4/95

JOHANNESBURG: Minister of Welfare and Population Development Mr Abe Williams returned from Chile yesterday after investigating pension reforms.

Employees in Chile pay 10% of their income to pension funds which are regulated by the government.

Payouts draining welfare coffers

PRETORIA — Payment of state pensions and welfare grants is "fast becoming unsustainable", Deputy Welfare Minister Geraldine Fraser Moleketi told a conference of local and Dutch welfare delegates in Pretoria yesterday. (300) (299)

She said pensions and grants accounted for 86,7% of the national welfare budget. BD 20/4/95

"The (government's) reconstruction and development programme promotes a compulsory contributory pension scheme, as well as social assistance in the form of cash or 'in-kind' benefits to those most at risk."

A White Paper on the social welfare system was being drafted.

"In line with our constitution, our social welfare system is required to undergo a fundamental transformation to ensure that social justice and equity is achieved and rights of individuals are protected."

"Family life, a social security net and the promotion of social developmental welfare" would be central.

Social policy would no longer be left up to social workers employed by the state and private bodies: "Policy decisions . . . should involve the beneficiaries," Moleketi said. — Sapa.

Union thumbs-down for funds switch

(3600)

BY BRENDAN TEMPLETON

A government proposal to divert R840-million from its pension funds to public sector workers' pockets has been rejected, just days after it was put on the negotiating table.

The National Education, Health and Allied Workers' Union said yesterday the package was unacceptable because it did not address the wage gap between black and white workers.

Star 24/4/95

It called on the Government to immediately put a freeze on the salaries of civil servants receiving more than R60 000 a year. Directors-general received 20% increases last year, compared with 4,77% increases given to lower-graded workers, Nehawu said.

The government proposal was put forward with the proviso that workers agree to a "scaling down" of the public service. Nehawu rejected this too, saying the proviso really required workers to agree to mass retrenchments.

"It is a well-known fact that the RDP White Paper proposes that the public service must shed 200 000 jobs by the year 2000," the union said.

Negotiations have dragged on since December, when rebellious civil servants threatened to embark on a mass strike if their demands were not met. The crisis resulted in a task force being established by deputy presidents F W de Klerk and Thabo Mbeki.

Their proposals were put forward in three-day negotiations that ended on Friday with Nehawu rejecting the offers.

The union also reiterated its demand that workers be guaranteed a R1 200-a-month minimum wage from April 1.

R2 million hunt for pension fund fraudsters

ARGT 25/4/95 (300)

Political Correspondent

TENDERS have been called for forensic auditors to join a team tracking down multi-million rand pension fraudsters in a R2 million probe launched by the Western Cape government.

Provincial Health Minister Ebrahim Rasool announced this yesterday at the start of debate of province's social services budget.

The R2 million price tag of the investigation, he said, was a small price to pay when measured against the huge losses suffered through pension fraud.

If thieves and big-time syndicate fraudsters were not checked, projections indicated that they would get away with as much as R240 million this year ... a staggering R20 million a month.

The projected loss for the national welfare department is R1 billion.

Mr Rasool said: "I am committed to taking very decisive steps in eliminating the recurrence of this large-scale abuse of taxpayers' money, and the robbing from the most vulnerable groups in society, the aged and the disabled, of money they are entitled to."

The "continued public outcry for government accountability needs to be encouraged ... we have a responsibility to maximise every cent given to the government and need to ensure that no stone is left unturned if civil servants make themselves liable to this type of fraud".

With this in mind, he had set up an independent commission to "pinpoint the sources of the alleged fraud" and to develop a computerised system "to address the current situation which is fraught with inadequacies, both managerial and technical".

In addition, forensic auditors would be employed to conduct a full-scale investigation, backed by a team comprising an economist, a banker, a lawyer, observers from the attorney-general's office and a social security expert.

Another technical team is being asked to find computer hardware and software to manage cash payouts within the department, and to network nationally and locally with the present payout system administered by the company Nisec.

Progress reports on these investigations will be handed monthly to Minister of Finance Kobus Meiring, the director-general of the provincial administration, the attorney-general and the provincial standing committee on finance.

Speaking later in the debate, Nationalist legislator Themba Nyati said the province could no longer afford pension fraud.

But he warned that it would be "a waste to buy technology if it does not bring about the savings that are anticipated".

Institutions vie to win portfolios

(300) ~~232~~ ~~250~~

Private sector to handle govt pension funds

BD 26/7/95

GRETA STEYN

IN A major step towards privatising public servants' pension funds, government is planning to appoint four private fund managers to manage their R5bn equities portfolio.

A spokesman for the Public Investment Commissioners (PIC), which presently manages the public service's R84bn pension fund, confirmed private fund managers had been asked to apply to take over the equities portfolio.

The move follows the R4bn privatisation earlier this year of the Associated Institutions Pension Fund (including universities, technikons and scientific councils).

"We have decided that the PIC does not have the expertise to manage an equities portfolio and that it will cost too much to acquire it. We are sifting through private fund managers' proposals and expect to come up with a short list of about eight," the spokesman said. It was essential for the public sector pension funds to invest in equities to improve their rate of return.

At present, public servants' pension funds are mainly invested in government and other parastatal stock, which offers a small return on investment relative to the equities market. The lack of investments on the JSE is one of the major reasons for the massive shortfalls in the pension funds.

"We have too few growth assets," the spokesman said. The PIC had acquired a R5bn equities portfolio by buying the Industrial Development Corporation's holdings. The PIC was heavily invested in Sasol and Sappi. He said farming out the equities portfolio would probably be followed by diverting some of the PIC's R12bn annual cash flow to private portfolio managers.

Institutions ranging from major players such as Sanlam and Old Mutual to smaller operators are going all out to get a slice of the public sector pension funds. One fund manager said he hoped the selection process would be transparent, as huge amounts of public money were at stake.

The PIC spokesman said once a shortlist had been compiled, the institutions on it would be asked to make presentations.

It was reported earlier this week that R1,1bn which would have been paid into the state pension funds might be used for public servants' salaries. It is understood officials are arguing that the additional payment is unnecessary because of the privatisation move, which will improve the return on the pension funds' investments. The finance was apparently provided for in the 1994/95 Budget to reduce the massive shortfalls.

Officials are reluctant to put a figure on the pension funds' actuarial shortfalls, but past estimates have put them at well over R20bn. Analysts said the privatisation of

☐ To Page 2

Pension funds

BD 26/7/95 (300) ~~232~~ ~~250~~

☐ From Page 1

government's pension funds was a bullish signal for the equities market, but bad news for the gilts market. The freeing up of billions of rands for investment on the JSE should be timed to coincide with the freeing of exchange controls to prevent the equities market overheating.

TIM COHEN reports from Cape Town that the DP slated government's reported intention to divert money earmarked for decreasing the actuarial shortfall in pension funds to meet public servants' wage demands. DP finance spokesman Ken Andrew said the proposal would result in government dissaving a further R1bn from its already dangerously high level.

"SA will not prosper if government uses borrowed money to pay public service wages." Instead the public service needed to be cut "drastically and rapidly".

(300)

RETIREMENT

Saving grace

FM 28/4/95

Welfare and Population Development Minister Abe Williams is to investigate a social security savings scheme to alleviate the burden on State coffers in respect of pensions and social grants.

The announcement follows his visit to Chile to appraise that country's model which compels all employees to save 10% of earnings for pensions, a further 3% for disability and life cover and an additional 7% to finance medical insurance. It's a model that also mirrors the Singapore system that mandates compulsory savings of up to 40% on all salaries.

Says Williams: "The Chilean system has contributed in a significant way to economic development. It has contained the financial burden on the State for caring for the aged and given workers the dignity of taking charge of their own lives."

Introduced in 1980, the Chilean model replaced an ailing government-funded pension with a privately administered system, funded through mandatory retirement savings. While privately funded and administered, the system is subject to stringent public regulation.

Workers are compelled to participate (membership for the self-employed is optional) and all funds accumulated are for the sole use of the worker and his dependants. A worker may opt to contribute an additional maximum 10% of earnings towards his personal savings account.

The worker can choose from 18 private

Williams ... *SA has much to learn from Chilean model*

pension fund administrators to invest savings. These companies may not engage in any activities other than managing workers' savings. They are also subject to government regulations intended to guarantee diversified, low-risk investments and prevent fraud. A separate supervisory agency has wide powers to enforce compliance with these rules.

Williams points to specific economic advantages:

- The working population doesn't subsidise the retired population;
- The unfunded pension obligation becomes a non-issue and the public benefits from an increasing savings pool;
- The availability of long-term investment capital has helped develop active, efficient financial markets and increased the Chilean stock market capitalisation which now equals GDP.

Says Williams: "SA has much to learn from the Chilean model and experience, though there are many differences between the two countries which need to be investigated fully." ■

(300)

PENSIONS FM 28/4/95

Who's discriminating?

Private sector pension funds have left government behind in efforts to eliminate unfair discrimination.

Old Mutual's Henk Beets emphasises

36 • FINANCIAL MAIL • APRIL • 28 • 1995

that the Constitutional Bill of Rights does not prohibit discrimination, but only unfair discrimination. Pension trustees must focus on addressing clearly inequitable benefits. For instance, government still recognises 60 as the normal pensionable age for women to retire, five years earlier than men. The second schedule of the Income Tax Act indicates 50 and 55 years, for women and men respectively, when setting the rules for early retirement. This gives women an unfair advantage over their male colleagues.

Ben Lipshitz of Liberty Life Group Benefits says private sector funds have been eliminating references to age, race and sex. "Certainly, all newly registered funds contain no reference to race. The older funds have mostly reviewed their rules."

With older defined benefit funds, eliminating unfair discrimination is not simple. There's a cost implication for the employer, if a new standard age for retirement is set. Generally, he says, employers have been consulting with staff, through unions where appropriate, to establish their views, then they seek a financial solution. Though many have eliminated direct references in their rules to race, some still differentiate in benefits for white collar staff and blue collar workers.

"There are more questions than answers and greater clarity on the full impact of the constitution on employee benefits will only begin to evolve as relevant case law and precedents build up over time. But a proactive approach is called for, to begin aligning employee benefits practices with constitutional principles." ■

Chile 'sets an example for SA pensions'

ST(BT) 30/4/95 (300)

By JEREMY WOODS

ABE Williams, Minister for Welfare and Population Development, is to urge the Cabinet to use Chile as a model for reforming the state's pension schemes.

"We have to start a new system and make people provide for their own pensions," said Mr Williams, who has just returned from an official visit to Chile to study pension reforms there.

"We cannot continue to let state pensions burden the tax system as they have been doing. The working population cannot continue to subsidise the retired population.

"The Chilean pension system has much to recommend it. It has contributed significantly to economic development in Chile, but its most important feature is that it has contained the financial burden on the state," Mr Williams said.

A characteristic of the Chilean system is that it is a private but publicly regulated system and workers are obliged to belong to it.

"During a working life, 10% of a worker's wage is automatically deposited monthly in an individual investment account. The funds accumulated in this account will be used to pay the worker's pension.

"The worker chooses one of a number of pension fund administrators to invest the savings. These companies, which are required to register with the authorities, can only manage the savings of workers and are subject to strict government regulations to guarantee diversifed, low-risk investments and to prevent fraud and mismanagement," he said.

A special supervisory agency with wide powers would be created to monitor the pension fund administrators.

"While workers are obliged to contribute 10% of their salary, they may also pay up to an additional 10% of salary as a voluntary saving. Workers are further required to pay 3% of salary for disability and life cover. A further 7% of salary is withheld to finance medical insurance."

The fund administrators will operate as mutual funds investing in equities, bonds, government stock and other instruments.

Legally, the administrators and the funds remain separate, safeguarding the funds in the event of a failure by the administrators.

"Workers are free to transfer their funds from one administrator to another, creating strong competition to provide high investment returns and a better service."

Two payout options are available at retirement. With one a pensioner may use accumulated capital to buy annuities from a private life assurer. With the second the savings account can be left with the administrator and periodical withdrawals made subject to life expectancy.

"I am going to report to Cabinet on my findings and start canvassing for support. There are many similarities between Chile a few years ago and South Africa now," Mr Williams said.

"We can learn from them and I think trade should be encouraged between the two countries.

"Companies in Chile want to enter Africa and we can help them. Our construction companies have been shut out of Chile for years but from what I saw on my visit, they would do well to look at Chile now," Mr Williams says.

Govt's pensions plan challenged

CT(BR) 2/5/95 (300)

BY CLAIRE GEBHARDT

ECONOMICS EDITOR

The proposed redirection of state pension contributions to fund improvements in public servants' salary and service structures should be challenged as either illegal or imprudent, Edward Osborn, independent economist, said on Friday.

Osborn said the statement by the ministry for public service that an additional R840 million could be found by reducing the state's contributions to pension funds, illustrated the impossibly tight provisions for public service salaries in the recent Budget.

In an interview with Reuters, he said the R2,5 billion provision was a net increase of only 3,25 percent for the improvement of salaries, "even normal notch increases are supposed to account for about 3,1 percent". This had probably been done to achieve a deficit before borrowing of 5,8 percent of GDP, and to gain international applause for financial prudence.

Further, it was probably intended to indicate to public service staff associations the absolute limits of what the state could afford.

Osborn said government was in a cleft stick as far as the pension funds were concerned because of appallingly profligate decision-making in the past about improving pension benefits.

What needed to be cleared up was whether such monies had been provided for as part of the programme to enhance the actuarial funding of the pension funds, or whether they were simply part of the state's current contributions to the funds as employer.

Osborn said the diversion of the employer contributions would worsen the actuarial deficit and could be contrary to the State Pensions Act or the contractual terms of employment.

The actuarial deficit of the funds was about R39 billion and government had committed itself to a programme of improving on this over an extended period.

"But there is no indication in this year's Budget year that the programme of making special transfers has commenced — apart from the issue of R6,9 billion government paper to the funds by Derek Keys in March 1994."

Chris Liebenberg, the finance minister, had stated in his Budget speech that government aimed to enhance the level of actuarial funding by 2,5 percentage points every three years.

"To the extent that the annual employer and employee contributions do not meet this requirement, government will be required to top up any arrears when progress is assessed every three years."

Liebenberg was clearly not giving way for the moment as his credibility was at stake, Osborn said.

"But sooner or later an increased provision for the improvement of conditions of service will have to be allowed for and the deficit widened to the 6 percent plus level.

"On the other hand, if there is an explicit provision for the reduction of the actuarial deficit this year then a diversion of this for augmentation of the salary provision is feasible."

Osborn said that with a Budget deficit of the order of R28 billion there was no question of diversion of funds, it was simply a diversion of a bit of deficit.

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By Claire Gebhardt
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Tariff cuts 'key to US-SA trade'

CT(BR) 2/5/95

By Ross Herbert
STAFF WRITER

Reducing tariff and non-tariff trade barriers is the top United States trade priority with South Africa and the greatest limitation on expanding trade, US Commerce Secretary Ron Brown said in a satellite interview.

"We are not pleased with restrictive tariffs. They do not do anything in the interests of an open relationship," he said.

Brown said South Africa had to realise there was "tremendous competition for foreign investment".

"The countries which take that seriously are the ones which get the investment. South Africa has a golden opportunity now." Brown said South Africa was one of the top 10 developing markets and central to US policy towards Africa.

Brown said he would visit South Africa in September with US Vice-President Al Gore and other officials to build US-SA trade.

Brown and Trade and Industry Minister Trevor Manuel head a joint business development committee that is drafting recommendations on trade and investment between the two countries.

TRADE TERMS *US Commerce Secretary Ron Brown*

Brown said legal issues also played an important role in trade. As a result, the US government and the South African departments of justice, and trade and industry, would sponsor conferences on legal aspects of US-SA trade in Cape Town, Durban and Johannesburg from May 22 to 27.

Brown said the US investment community was pleased with the political and economic performance of the government, but "would be shaken" by a withdrawal by Inkatha. "We certainly are disappointed by the harsh (Inkatha) rhetoric. If they pull out, that would be a very disappointing turn of events," he said.

"We need to put into perspective what has happened. The world hasn't been pleased by reports of violence, but it has been much less significant than opponents of change had predicted," he said.

Brown said US investment in South Africa had "increased dramatically", but there was intense political pressure to limit US expenditure on foreign aid and fierce competition for US aid dollars.

He said the US commerce department had only one special councillor for world trade — and that diplomat, Millard Arnold, had been posted to South Africa.

Arnold said he thought anxieties over South African competitiveness were temporary: "This is a competitive nation. It likes to win. And those are the qualities that make an economy grow," he said. "I guarantee that over time, South Africa will become a major player."

Germans head for SA shores

By Audrey D'Angelo
CAPE BUSINESS EDITOR

CT(BR) 2/5/95

Tourism from Germany to South Africa was expected to rise by about 15 percent in the coming year, an official from the Association of Southern African Travel Agents said at the weekend.

Michael von Kotze, the vice-chairman of the association's tour operators' section, warned that Germans were concerned about their personal safety in South Africa.

Other limiting factors included rising costs, insufficient hotel rooms and trained guides.

"There is a serious lack of trained manpower with language skills," said Von Kotze. "This is due to the reluctance of the government to issue work permits. We must also offer training for students and temporary staff to provide an effective support structure."

Von Kotze also called for more incentives to invest in infrastructure for tourism.

"Although tourism is a recognised invisible export, incentives to invest in it have been removed."

Gordon warns of pensions 'disaster'

CT (BR) 5/5/95 (300)

By Bruce Cameron

Assistant Editor

Liberty Life chairman Donald Gordon has appealed for government intervention to halt the flood of conversions of defined benefit retirement funds to defined contribution funds, warning of disastrous implications for the country.

Gordon's warning is the toughest so far from the life assurance industry, which has become increasingly concerned in recent months about whether both employees and employers were carefully considering the consequences of the trend.

Commenting on the issue in the Liberty Life Group annual report for 1994, Gordon said employees were being placed at risk.

"I personally find it regrettable that South African pension funds are now tending to revert to the inadequate standards that prevailed in the post-war years before the modern defined benefit approach to pension funding became the norm," he said.

"For reasons which appear to revolve around transparency or ease of understanding, there seems to be an accelerating pressure on the part of employees to change fundamentally from defined benefit funds to defined contribution funds where the risk of inadequately funded retirement provisions are borne by the employees rather than the employers."

Ill-advisedly, many employers were accepting the trend with alacrity, based on the premise that a defined contribution scheme limited pension fund costs to the employer.

Gordon said only a very small percentage of pensioners might be better off in a provident fund: "I urge employers and trustees of funds to consider very carefully the implications of radical changes to their retirement arrangements."

NE

50% MONTHLY INTEREST CHARGED

Loan sharks prey on on city pensioners

CT. 12/5/95

(300)

PENSIONERS already strapped for cash are paying up to 50% interest on money lent from loan sharks operating at the Civic Centre. **CLAIRE BISSEKER** reports.

PENSIONERS in Bishop Lavis are trapped in a cycle of debt and dependence where some have signed over their pensions to money-lenders who claim up to 50% interest a month.

But far from despising the money-lenders, the old and disabled who buy food on credit to stretch their measly pensions of R390 a month, sing the praises of Mrs Rieva Green, 59, who they say is "the cheapest and most popular" money-lender in Bishop Lavis.

Mrs Green has been operating in the area for 15 years. She charges 40% monthly interest but declares she is "cheaper than the banks".

Customers who queued outside her combi in the Civic Centre parking lot yesterday said they valued Mrs Green. "She always helps us, we can go to her at any time. She's fair and doesn't cheat."

However, Mr John Adams, ANC branch vice-chairman, said he had received dozens of complaints about Mrs Green.

According to Mr Adams, she keeps customers' pension books, collects their pensions as their appointed nominee and takes her cut before handing over the rest.

"Her secretary has a pile of green forms on which people who are too sick or unable to collect their pensions in person can nominate a candidate to collect the money on their behalf.

"People get trapped in the cycle of debt. They get trapped in the gutter. It's terrible. You can't survive on R390 a month, especially if you are borrowing money."

Mrs Green refused to explain what she did with customers ID and pension books. She said her business was risky and she made "a lot of losses".

Dozens of money-lenders and hawkers who offer credit ply their trade at the Civic Centre.

According to hawker and money-lender Mrs Rosaline Lamoor, pensioners buy their food on credit from different hawkers and end up owing everybody.

"This leads to a lot of jealousy among the loan sharks. People come to me and Mrs Green because we know how to treat them. We don't swear at them or hit them, like some of the others."

Mrs Lamoor charges 50% interest which she says is the going rate.

"We are honest ... we're not like the people who sell them buttons or drugs or drink," she said.

MEDICAL AID FOR PENSIONERS

Waiting for the bang

(300) FM 12/5/95

Sanlam calls the accounting of post-retirement benefits — mainly medical aid for pensioners — a time bomb. The SA Institute of Chartered Accountants (Saica) is close to issuing guidelines. The effect could be to encourage employers to acknowledge the liability with, in some cases, a serious impact on their bottom lines.

By custom, most employers pay, or subsidise, pensioners' medical aid benefits. Also by custom, the liability was funded on a pay-as-you-go basis. That was tolerable when medical costs were a minor budget item. Now that they approach the dimensions of the budget for pensions, the liability can no longer be ignored.

In the US, the accounting standard SFAS 106 on Employers' Accounting for Post-Retirement Benefits Other than Pensions had enormous impact. General Motors had to provide US$30bn. In 1992, the UK accounting profession fell in line, concluding that post-retirement benefits are liabilities to be recognised in financial statements.

Some — but so far, only a few — SA companies have made provisions. Gencor started with R100m in the 1993 accounts. A few others have done the same. Times Media is among companies which will anticipate what is likely to become an accounting principle and, says financial director Lawrence Clark, will make a provision this year.

Joubert Ferreira, group benefits senior actuary at Sanlam, says there are four essentials:

- The subsidy of medical aid contributions should preferably not depend on the future prosperity of the employer;
- Costs shouldn't fluctuate unnecessarily;
- The funding vehicle should be flexible enough to cope with all changes introduced by government; and
- The method of funding should be tax-efficient.

A Saica task force has produced a draft opinion, broadly in line with the decisions of accountants in the US and the UK. Saica emphasises that the document is not final. Some issues and suggestions confronting the task force have been:

- Post-retirement benefits may be considered as a form of deferred compensation. Pension and provident fund benefits are fully funded. Other post-retirement benefits generally are unfunded; and
- Following actuarial review, some companies have made provision for the estimated present value of post-retirement medical benefits. Most do not disclose any such provision.

Some accountants argue that the current service cost should be recognised as an expense and matched to the benefit received during the working life of the employee. The cost of benefits, both while the employee is in service and after retirement, should be recognised actuarially.

The problem is that immediate recognition of the liability could strain balance sheets. That leaves two options, immediate full funding or funding over a period.

Either way, there could be tax complications. Charges relating to post-retirement benefits will generally only be deductible for tax purposes when payments are made. But the balance sheet effect will be felt many years before the tax relief can be sought. Presumably, it will be necessary to persuade Revenue to bring tax treatment in line with pension and provident fund financing. ■

INTEREST RATES

On the brink

The market was waiting early this week for Reserve Bank Governor Chris Stals to push up official interest rates.

Money supply data for March show the broad aggregate M3 surged R7,5bn in March, an increase of 3,1%. Over 12 months, M3 rose 12,5%. Measured on a seasonally adjusted basis from mid-November last year, it rose 11,7% annualised, which is outside the Bank's guideline range for the year of 6%-10%. Also of concern is the R5bn jump in private-sector credit in February to an annual 18,3% growth rate.

And April's gross gold and foreign exchange reserves plummeted for the second month in a row — by US$543m (or R1,9bn) to $2,8bn (R10,2bn). This is the lowest level since the November issue of the $750m (R2,6bn) global bond.

Stals may be holding his hand because some of the data reflects the situation before the February rise in Bank rate. Or he may be taking an optimistic view on the balance of payments.

Strong outflows in short-term capital were turned around in the first week-and-a-half of this month.

This is confirmed by swings in the amount banks borrow daily from the Bank to meet their daily cash shortages. This fell from levels above R8bn in late April to below R3bn this week. Stals may also be holding out until details of the proposed Y50bn ($600m or R2,2bn) Samurai bond are finalised — he is in Japan with Finance Minister Chris Liebenberg this week.

But he will probably need to raise rates soon. Transnet group economist Ulrich Joubert says important, foreign interest-rate differentials are not conducive to borrowing abroad, which would boost domestic reserves: "With interest rates in Europe and the US still in an upward phase, and with the cost of forward cover high, it still makes more sense for corporations to borrow locally."

Japanese rates look more attractive for SA borrowers than many other markets and a Samurai bond would ease things on the capital account. But the possibility of a stronger yen, and increased currency risk for SA, cannot be ruled out. ■

INSURANCE

Interesting times

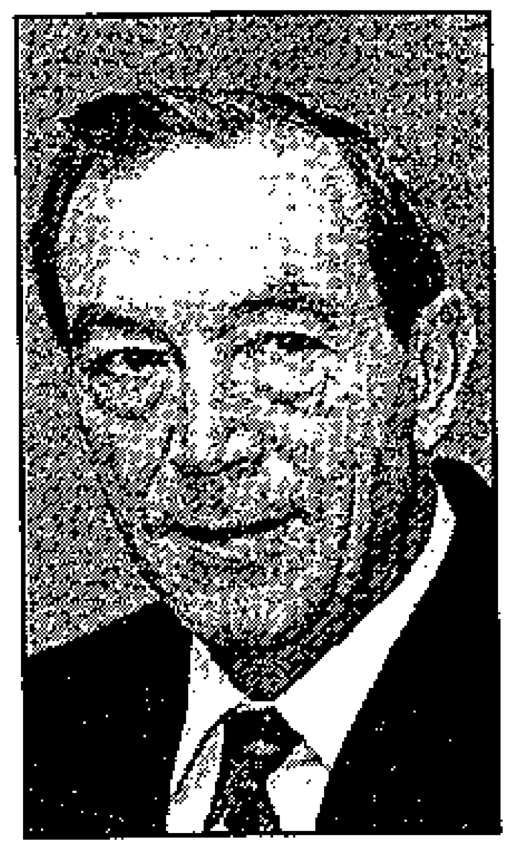
Two insurance managing directors quit their jobs — one peacably, the other with unconcealed rancour.

Nico Fourie, short-term insurance manager at the Financial Services Board, resigned to take up the vacant CE slot at Standard General.

There was plenty to excite delegates at the Insurance Institute conference this week in Somerset West.

Many were wondering whether Brian Seach, past chairman of the Insurance Association and MD of Aegis Insurance, would turn up. And, if he did, would he throw light on his argument with Aegis' co-owners, Momentum Life and RMB Holdings?

Cavalieri



Fourie

He did appear but was low-key about the events which caused the upheaval.

Meanwhile, Paolo Cavalieri, after nearly two years at AIG Insurance, decided to join Hollard as group marketing director. Cavalieri (36), once a GM at StanGen, produced an underwriting profit at AIG in a year when major insurers were not able to break even. AIG's 12,25 ratio of profit to gross premium income was bettered by only two other insurers.

AIG New York offered Cavalieri a Far East promotion, which he declined for personal reasons. He is succeeded by Charles Bouloux, who has run AIG's operation in Brussels for 17 years.

Fourie was effective (though not titular) registrar of short-term insurance. His decision to return to the private sector came as a surprise.

StanGen, a Generali of Trieste subsidiary, has a patchy profit record and has seen a succession of CEs in recent years. For two years, retired Fedgen head Ron Carter was caretaker. He retired again, earlier than expected. Recently, the company has been managed by senior GM Jan Greyling.

Fourie and Greyling were due to make a formal announcement this week. Ahead of that, Fourie would say only that StanGen could be expected to "take a somewhat higher profile than in the past."

It may mean a further injection of Generali capital.

StanGen has been perceived in the industry as little more than a branch operation, with its capital tightly controlled by Trieste. There have been times when — except for the parentage — the company would have been a close contender for Fourie's worry list in his registrar capacity.

The reasons for Seach's departure from Aegis are obscure. Only a month ago, he was mounting a countrywide road show to explain the company's re-engineering, which would involve retrenching 40% of employees, retraining others and taking Aegis to third place in the insurance league table. The frankness with which he described the programme, though typically Seach, surprised staff and brokers.

He said at the time that the re-engineering was his own initiative, after seeing how RMBH's long-term assurance arm, Momentum, had been modernised. But he was clearly emotional when he made a presentation of the Aegis plan to brokers.

Seach won't reveal boardroom confidences. It is significant that, even after he had announced such surgery, one of his aides said: "Where he goes, we go." And, according to colleagues, "he has been inundated with offers."

NEDLAC FM 12/5/95

Off to a wobbly start

Realism is needed about what the National Economic Development & Labour Council can accomplish.

It was launched in February, to forge consensus between major stakeholders in the economy. But its credibility has been undermined by reports that Labour Minister Tito Mboweni has threatened to act unilaterally on labour legislation if no agreement is reached soon between business and labour. Its viability is threatened by acrimony within constituencies and between them. And its role is not entirely clear.

The organisation has no power to implement proposals. It is an advisory body and, says its communications officer Lomin Saayman, "an agreement making body." He argues that, as government will be party to any agreement reached, it is unlikely to ignore proposals flowing from it. "Government's commitment to Nedlac is demonstrated by the number of its top officials, mostly Cabinet Ministers, who lead its delegation on the executive council."

If the organisation proves influential, the question of transparency becomes critical. This is particularly important where a handful of negotiators are acting on behalf of a large and diverse constituency. As yet no decision has been made as to whether the meetings of Nedlac's four chambers will be open to press and public. "We are still considering this issue," says executive director Jayendra Naidoo. In its press release Nedlac says its goal will be "to inform its constituents and their membership, the public and the media."

However, it goes on to warn that "transparency does not necessarily lead to effective communication, and information generated by the negotiating process has to be packaged in such a targeted manner that it will meet the information requirements of all stakeholders."

Roughly translated that means issues will be obscured by ambiguous policy statements issued when negotiations are over.

Another problem, still to be resolved, relates to the dissension in the business community over representation. There is a dispute between the two umbrella bodies, Nafcoc and Business SA (BSA), over how many seats Nafcoc is entitled to on the Nedlac's executive council and the four chambers (*Leaders* May 5).

This has also left the SA Chamber of Business, the biggest and most influential representative body in the country, unrepresented on the key trade and industry chamber.

The dispute has been referred to mediation. BSA and Nafcoc have appointed a task force to interact with mediators John Hall, chairman of the National Peace Committee, and advocate Dikgang Moseneke. The impasse must be resolved before the July meeting of the executive council.

This is only one aspect of the dissension in the business community on the issue of representation. There are those who question the need for a structure as formal as BSA, which duplicates the functions and roles of certain member organisations. They suggest it could operate more flexibly.

Meanwhile, Nedlac has published a work programme for three of its four chambers

WORK PROGRAMME FOR NEDLAC

Nedlac (see above) has published a list of work priorities.

The public finance and monetary policy chamber is examining exchange control and exchange rate policy, and its effect on trade, investment, employment and inflation.

A macro-policy framework for reprioritising expenditure is being developed by the Central Economic Advisory Service. It will be fed into the budgeting process and the results will be considered by Cabinet in June.

It is also "aiming to achieve consensus on procurement policy." And a government investigation into the reorganisation of State assets will be tabled shortly.

The trade & industry chamber is looking at international trade relations and trade policy, foreign and domestic investment policy, industrial policy and industrial restructuring, export marketing and technical assistance for medium, small and micro businesses, supply side measures, competition policy and mining minerals & energy policies.

The agenda for the labour market chamber is the draft Labour Relations Bill (see page 42), International Labour Organisation conventions, amendments to the Unemployment Insurance Act, harmonisation of labour laws and the Labour Market Commission whose report will be tabled in mid-August.

The fourth chamber, of the development constituency, is still embryonic. Its first meeting was on May 4.

Govt spending shifts pension focus

BEATRIX PAYNE (300)

THE change in government and shift in its spending priorities had put the provision of funding for retirement under the spotlight, Institute of Retirement Funds (IRF) vice-president Chris Newell said yesterday.

He said the industry was in transition and faced a number of key issues. This month's IRF annual conference in Johannesburg would address these.

Conference speakers include Finance Minister Chris Liebenberg and Financial Services Board deputy executive officer Andre Swanepoel. Washington-based World Bank official Dimitri Vittas will speak on international retirement models.

Newell said it was vital that all SA's people, including the unemployed, have retirement provision.

Private-sector participation in this was essential. Government should provide tax incentives for individuals to set aside money for retirement.

IRF president Maurice Harding said recent government proposals were on an ad hoc basis without considering the broader implications.

Details of a financing mechanism to channel pension funds into the National Housing Finance Coporation would be released soon.

The IRF held a 25% stake in the Investment Development Unit, established with the Life Officers Association to channel funds into reconstruction and development programme projects. BD 12/5/95

ST 14/5/95

State proposes end to homes for the elderly

By CHIARA CARTER

STATE-FUNDED old age homes will be phased out within five years if a Department of Welfare proposal becomes policy.

A draft discussion document released by the department this month proposes that state-funded old age homes be converted to frail-care centres, housing no more than two percent of the aged — about half the number of people currently accommodated.

300

Many pensioners on waiting lists for old age homes have already received letters informing them that it is likely that homes will cater only for the frail in future.

The paper said the state should concentrate on the "needs of the disadvantaged, destitute and frail". Financial help for homes not classified as frail-care centres would be phased out or converted into housing units for the elderly.

The paper says that although 60 percent of the welfare budget is spent on the aged, it is not cost effective and does not meet the needs of poor and rural people.

Sunday Times

POLITICS

PAYMENT IRREGULARITIES 'DISTURBING'

'Serious' fraud in govt pensions still goes on

~~250~~ 300 ~~251~~

FRAUD in the payment of social pensions is still disturbing says the auditor-general. **BARRY STREEK** reports.

CT 17/5/95

THE serious irregularities and fraud in the payment of government pensions had not improved significantly, auditor-general Mr Henri Kluever said yesterday.

He tabled in Parliament "a consolidated picture of the state of serious affairs regarding controls over the payment of social pensions by various government institutions in South Africa".

The former provincial administrations, own affairs administration, the TBVC countries and self-governing territories were responsible for the control over and payment of social pension benefits within their own jurisdiction.

"Over the past number of years various irregularities, weaknesses in the systems of internal control and disturbing practices and developments regarding control over the payments of social pensions were found during audits.

"Although it was attempted with these reports to highlight deficient and unsatisfactory arrangements in the handling of social pensions, it is regrettable to report that notwithstanding these extensive reports on the unsatisfactory and disturbing state of affairs, the situation had, at the time of writing this report, not improved significantly."

Mr Kluever said that among the irregularities was the payment of pensioners more than once for the same period, payments to people who did not exist, payments made to people who did not qualify for pensions, and payments after the death of a bona fide pensioner.

In the financial year which ended on March 31, 1994, overpayments totalled R21,5 million, with deterioration of 19%.

Shock report on pensions system

ARGT 17/5/95 (300)

Political Correspondent

AUDITOR-GENERAL Henri Kluever says urgent attention is needed to overcome "fundamental shortcomings" in the social pensions system.

A report tabled in parliament yesterday found widespread irregularities and inefficiency in former homelands, provincial and tricameral administrations.

Until December 1994, the former Cape Provincial Administration had used a system which allowed double or irregular payments.

Mr Kluever said a national effort was needed to revise social pensions systems to establish legitimacy, determine over-payments and investigate irregularities.

There had been initiatives over the years to solve problems in social pensions. None had succeeded.

Mr Kluever said no audit findings could be reported about the former TBVC states because information had not been submitted in time.

The exception was Bophuthatswana, "where audit findings by that audit office revealed serious shortcomings in control measures".

Problems in the former administrations included:

- A pensioner being paid more than once for the same period. This happened where a pensioner was registered more than once at different centres, or at the same centre under different names.
- Payments made to people who did not exist.
- Payments made to people who were not entitled to them.
- Payments continuing after the death of a person entitled to them.

Mr Kluever said a workshop involving all nine provinces had been held last year to discuss the creation of a national pensions register.

nesday, May 17 1995

Pensions 'should be overhauled'

(300)

BD 17/5/95

Adrian Hadland

CAPE TOWN — The overpayment of social pensions cost the state at least R30m a year, it was disclosed in Parliament yesterday.

In a report, Auditor-General Henri Kluever called on government to focus its attention on the "fundamental shortcomings" in the systems and internal control measures of the payment of social pensions.

An effective revision of the system should be carried out to establish legitimacy, determine overpayments and investigate irregularities, he said.

The report showed that about R9,5bn was paid out in pensions to 2,2-million people in the year to March 31 1994.

More than half the pension files held by KwaNdebele were shown to contain inaccurate information.

Kluever said the current system was marked by four problems, which were rife throughout the country: intentional fraud by members of the public, the deliberate manipulation of the system for personal gain by officials, gross negligence or maladministration allowing fraud to go undetected, and insufficient management controls.

"Cases where pensions were withdrawn and where pensions were reduced may amount to a potential saving of more than R30m per annum," he said.

Attempts to combat abuse had not been aided by the use of incompatible technological platforms by the former provinces and TBVC states, Kluever said.

"Rationalisation and harmonisation of the different systems appear absolutely essential in order to be able to exercise proper control and to manage social pensions cost-effectively," he said.

A project team had been established in 1993 to examine the social pension system. In the same year, the Cabinet had agreed that the Welfare Department should be responsible for the rationalisation of the system.

A workshop comprising officials from the department and the provinces had discussed the necessary actions, including the establishment of a national pensions register in October last year.

A further workshop had been scheduled for early this year, Kluever said.

Government pensions crisis deepens

CT(BR) 23/5/95 (300)

By Claire Gebhardt
Economics Editor

The government could soon face a crisis in the provision of welfare and pensions, the finance minister, Chris Liebenberg, said yesterday.

Speaking at the Institute of Retirement Funds (IRF) conference in Johannesburg, he warned that the government had a responsibility to care for the aged and the poor, but lacked the resources to deal with growing demands.

Liebenberg said the social services and welfare budget was increasing at an annual rate of 22,6 percent and had amounted to over R13 billion — or just under three percent of GDP in 1994/95.

The "tremendous growth" in payments was pushing up the massive 91 percent of the government's total income being spent on welfare, pensions, interest and salaries.

This created a tremendous conflict given the need for fiscal and monetary discipline to dampen consumption spending in order to generate savings and curb inflation.

"Liebenberg also warned that a minor shift in demographics could have a major impact.

According to 1991 figures, only four percent of South Africa's population of 43 million was over 65 years of age.

A slight shift in life expectancy would have a dramatic effect on the government's responsibility towards the aged, he said.

One of the major objectives of South Africa's growth strategy was to empower the disadvantaged and bring them into the pensions net.

"Thirty percent of the employed still have no pensions provision and one assumes they are either at the income level where it is not affordable or institutional systems are not available to them."

He said that a commission had been appointed to look into a restructuring of retirement benefits.

The commission and the IRF should work together to transform the retirement provision industry in order to alleviate a possible lack of pension funds in the future.

Liebenberg said the government was considering several questions relating to the pensions industry but as yet had no answers.

The issues were:

☐ What the industry could do to increase the savings pool, given the need for a substantially higher rate of savings and investment and the fact that the contractual savings industry held assets corresponding to 80 percent of GDP and also mobilised about 80 percent of the annual savings of the household sector;

☐ The industry had been criticised for being too risk averse, not having a social conscience and being too profit and growth orientated — but evidence showed that the decline of contractual savings would not necessarily increase discretionary savings. Contractual savers also invested heavily in public debt and therefore played an important social transformation role. Whether they should be expected to take on risky investments should also be addressed;

☐ What would lower inflation, the lifting of exchange controls and lotteries do to South Africa's savings habits and what would its impact be on the contractual savings industry?

"The effectiveness of using the tax system to encourage pensions has to be looked at and also how changes in the tax regime affect tax flows."

☐ See next page

identify and resolve problem areas; and importers.

Pension trustees in new legal position

(300)

BRUCE CAMERON

ASSISTANT EDITOR

CT (BR) 23/5/96

Pension fund trustees, whose fiduciary duties have increased substantially in recent years opening them up to both civil and criminal charges, have another issue to contend with — the problems caused by the move from defined benefit to defined contribution retirement funds.

Speaking at the Institute of Retirement Funds conference in Johannesburg, Martin Kourie, Momentum Life assistant general manager, said the rules were changing rapidly. This altered the previously held position that the fiduciary duty of trustees entailed managing and administering a fund in accordance with the rules of the fund and prevailing law.

South Africa pension laws until now had been employer-driven, often without all the safeguards necessary to protect members.

Changes in recent years to accommodate members had been quite spectacular and served to complicate the role of the trustee.

The rights of members were being written into law and could not be disregarded.

He warned that that there had been, and would continue to be, more pressure on trustees and employers from labour.

A major issue was on the disbursement of surpluses on funds, which labour believed belonged to employees. With the move to defined contribution funds, the employee, who now carried a major part of the risk, should have greater representation on the fund management.

Kourie said this added emphasis to the trustees duty to "become more alive to the need to protect the member's interests, particularly as to the adequacy of investment returns and the costs of life cover".

Kourie said economic and other forces will seek to tilt the scales more towards an environment of employee rather than employer-driven funds and efforts to maintain a desired equilibrium will keep fund trustees on their toes.

Call to block pension 'leakage'

(300) CT (BR) 24/5/95

By Bruce Cameron

Assistant Editor

The Financial Services Board wants to see greater efforts made by the private sector to stop the leakage of millions of rands out of pension funds every year as people take cash when they resign or are retrenched.

But preservation should not yet be made compulsory, said André Swanepoel, deputy chief executive of the Financial Services Board, at the Institute of Retirement Funds conference in Johannesburg yesterday

Swanepoel, who referred to the the failure of previous government attempts to make the preservation of retirement benefits compulsory, spelt out a programme which could result in laws to achieve this goal.

He said the perceived danger of the leakage of funds was that people unnecessarily became a burden on the state as a result of retiring with inadequate private provision for their financial needs.

Swanepoel suggested the retirement industry could take various steps to encourage the preservation of funds.

These measures could include retirement fund rules being changed to give early leavers an option to take a cash benefit or to preserve a greater benefit; or for the early leaver to take a limited cash benefit leaving the balance of the actuarial reserve to be preserved.

Swanepoel said steps which should be taken immediately to preserve funds should include:

☐ Encouragement of voluntary preservation by all available means, enlisting the assistance of various organisations including the Institute of Retirement Funds, the Life Offices Association and actuarial societies;

☐ Retain the present tax exempt level of R1 800 on the cash received by an early leaver;

☐ Highlight the adverse effect on the early leaver; and

☐ Consider the effect of the new constitution and the suggested new national savings scheme on the early leaver.

In the medium term, measures should include:

☐ A review of existing registration and tax approval requirements, such as making it compulsory for early leavers to be granted the option of a preservation benefit instead of being compelled to take the cash benefit;

☐ An investigation including the tax authorities into alternative vehicles for retirement. Examples were banks and the post office; and

☐ The convening of a national forum to discuss the issue.

In the long term, steps should include:

☐ A review of the success of voluntary action to improve the situation;

☐ A review of developments in health care, the Unemployment Insurance Fund, the constitution and the suggested national savings scheme; and

☐ Reconsideration of the possibility of compulsory preservation.

Parliament steps in on pensions tax row

CT(BR) 24/5/95 (300)

BY BRUCE CAMERON
POLITICAL EDITOR

Parliament's influential finance committee has stepped in to find a way out of tax changes that will force the early retirement of thousands of skilled artisans and managers, including senior executives of top companies, before September 1.

Committee chairperson Gill Marcus said in an interview that the Commissioner of Inland Revenue, Trevor van Heerden, would appear before the committee next Tuesday to discuss the issue.

Alarm bells have been ringing in companies since the finance minister, Chris Liebenberg, announced in the Budget that changes were to be made to tax laws which would substantially push up the tax individuals would have to pay on their lumpsum retirement benefits from September 1.

Liebenberg's announcement sent people due to retire over the next two to three years hurrying for advice on whether to take early retirement.

Tax advisors have warned that everyone is affected in different ways and no one should retire early without first receiving expert advice.

Alec Erwin, the deputy minister of finance, and tax officials recently told Business Report the measure was not being reconsidered.

The changes will mean the average tax rate, which is used to tax retirement lump sums, will be calculated differently with the result that it will be considerably higher.

Particularly at risk are people with provident funds, whose entire retirement proceeds would be subject to the higher average rate, and wealthier taxpayers due to receive substantial lumpsums.

In many cases, taxpayers retiring after the September 1 cut off date would spend their time working entirely for the Receiver, with a higher average rate of tax on their lumpsums costing thousands.

For example the tax difference on a lumpsum payment of R500 000 for a person earning R200 000 a year could be as much as R115 000, depending on whether the person retired before or after September 1.

The object of the measure was to curb the flood of retirements in February every year as people sought to reduce their average tax rates by having no real income in the first year of retirement apart from their lumpsum.

Legislation spelling out the details of the proposal is due to be tabled in parliament within days. The legislation will be referred to the finance committee.

Marcus said it was not right that the prevention of an abuse should result in thousands of people who were vital to the economy taking early retirement. "This is a matter of real public concern. It is having a serious impact. The country needs skilled people. The result will be that they will go two or three years early," Marcus said

The issue was raised by all parties at a parliamentary finance committee meeting yesterday after which it was decided to call Van Heerden to answer the concerns of the committee

Freedom Front chief finance spokesman Willie Botha said the original intention of the tax measure had been defeated by a flood of early retirements.

☐ See Inside

Parliament joins retirement tax row

CT 24/5/95

PARLIAMENT'S Finance Committee has entered the pensions tax row in a bid to find a way of tackling tax changes that may force thousands into early retirement. (300)([redacted])

Finance Minister Mr Chris Liebenberg's announced in the Budget that changes would be made to tax laws that would substantially push up the tax on lumpsum retirement benefits from September 1.

Many nearing retirement have sought advice on whether to retire early to avoid paying the lumpsum tax.

● See Page 17

Cosatu wants joint control of R300bn worker fund

Renee Grawitzky (300) (1

BD 24/5/95

WORKER funds of more than R300bn had been accumulated in various pension and provident funds which had many shares on the JSE, but provided little benefit to communities of workers, Cosatu publicity officer Neil Coleman said yesterday.

At the Institute of Retirement Funds conference he said workers were losing confidence as "concerns mount about poor servicing, lack of information and the cost of administration".

He said if this asset base was harnessed responsibly, it could unleash SA's economic potential and assist the reconstruction and development programme (RDP). The federation and its affiliates had formulated broad principles to guide funds in investment decisions.

Asset investment should benefit workers and their communities and ensure the social security of members, with worker involvement in all aspects of decision-making to guarantee fund democratisation. Investment should be used to advance a "growth path which meets the needs of the majority, and challenges existing patterns of ownership".

Coleman said the industry's failure to commit itself to directing funds into the RDP would compel the union movement to campaign for the "reintroduction of prescribed assets, which would force the industry to invest a certain portion of funds in the RDP".

He said the federation would ensure greater accountability. This would entail the negotiation of industry-based funds, worker representation on fund boards — he called for 50% representation — and worker trustees empowered and trained to ensure effective and informed decisions, and regular disclosure of information.

Call to change tax on retirement payments

(320) (300) BD 24/5/95

Tim Cohen

CAPE TOWN — The parliamentary finance committee intends pressing for changes to proposed legislation introduced to outlaw tax reduction schemes on retirement lump sum payments.

The committee agreed that an unintended result of the new legislation was that it was causing large numbers of retirements, particularly from local government.

According to the Budget Review, the schemes involved taxpayers arranging their affairs so that they would have little or no income in the year they received their lump sum payments. This was usually done by arranging for the retirement date to fall shortly after the end of the financial year, resulting in the lump sum being taxed at the minimum rate of 17%.

Government proposed in the review that the lump sum be taxable at the higher of the two rates calculated for the year of retirement or the previous year. But because the provision was due to come into effect only in September this year, many people were retiring this year.

The problem was particularly acute in local government where employees had been given the option of taking early retirement for political reasons. The scheme does not effect public servants, who do not pay tax on their lump sum payments.

The committee resolved that it would lobby the Finance Department for changes to the Act to prevent the mass retirements. The committee did not suggest what measures might be introduced, although NP MP Watty Watson said the NP would favour scrapping the proposed amendments entirely. DP MP Ken Andrew warned that this would result in "throwing out the baby with the bathwater", saying that the issue needed further investigation.

The committee agreed to schedule a special discussion on the issue with Finance Department officials at its next meeting next week.

sion of the Treaty on the Non-Proliferation Treaty of Nuclear Weapons (NPT) because it is South Africa's fundamental belief that the continued existence of the Treaty will ensure that the commitment by the five nuclear weapon states remains. Because of the inequalities inherent in the Treaty as well as the criticism of provisions regarding disarmament, peaceful uses and other aspects of the Treaty, the Minister proposed to the Conference that the decision to extend the Treaty indefinitely should be taken together with a decision on a set of "Principles for Nuclear Non-Proliferation and Disarmament" as well as a strengthened review process.

The final Plenary meeting of the Conference decided to unanimously adopt the indefinite extension of the NPT, to adopt a "Declaration of Principles and Objectives" and to strengthen the Review process. Although the vast majority of States Parties clearly indicated their support for the indefinite extension of the Treaty, the Conference decided to avoid the divisiveness of a vote which would have harmed the future credibility and effectiveness of the Treaty. A mere vote on the extension of the Treaty would have isolated a small minority of States (14) who favoured limited extension of the Treaty.

The three "Decisions" documents which were offered to States parties as a package are titled:

(1) THE "DECISION ON THE EXTENSION OF THE TREATY":

In this the Conference decided on the indefinite extension of the Treaty.

(2) THE "DECISION ON STRENGTHENING THE REVIEW PROCESS FOR THE TREATY":

In order to maintain pressure on the Nuclear Weapons States to disarm it was decided that the Review Conferences should be strengthened. For this purpose, it was decided that the Conferences should continue to be held every five years and that three Preparatory Meetings would be held before each one to consider principles, objectives and ways to implement the Treaty and to make appropriate recommendations to the Review Conference. This decision was developed from a proposal submitted by South Africa.

(3) THE "DECISION ON PRINCIPLES AND OBJECTIVES FOR NUCLEAR NON-PROLIFERATION AND DISARMAMENT":

As regards this decision, the Conference dxecided that it required a set of principles which would realise nuclear non-proliferation, nuclear disarmament and international cooperation in the peaceful use of nuclear energy. The goal of elimination of nuclear weapons and a treaty on complete disarmament was reiterated. These principles were based on proposals by South Africa. The following principles were adopted:

* Universal adherence to the Treaty and non-parties called upon to accede thereto at the earliest date;
* Preventing the proliferation of nuclear weapons without hampering the peaceful uses of nuclear energy;
* Reaffirmation of the commitment by nuclear weapon States to nuclear disarmament;
* The conviction that the establishment of nuclear weapon free zones enhances global and regional peace and security;
* Consideration of further steps to assure non-nuclear weapon States against the use or threat of use of nuclear weapons;
* Strengthening the role of the International Atomic Energy Agency in respect of safeguards;
* Ensuring the right of all parties to develop nuclear energy for peaceful purposes.

The decisions reached by the Conference not only underwrite the principles of our foreign policy, but realise the objectives which the South African delegation set out to achieve at the Conference.

(2) Question 2 relates to a media report that implied that South Africa had been rewarded with a World Bank loan of one billion dollars a few days after the Minister of Foreign Affairs told the Conference that South Africa would, in principle, support an indefinite extension of the Treaty. It was implied that this loan was granted because the Bank was dominated by the United States, and that the USA had thus effectively bought South Africa's position.

In so far as relevant details are concerned, there are in fact none—because the allegation has no substance.

Normally a question in regard to the World Bank should be addressed to my colleague, the Minister of Finance.

However, given the nature of the question my Department has consulted with his Department, and can I assure the hon member that the World Bank does not function in this manner.

I understand that the Department of Finance and other line function Departments have for the past three months been working on a structure to formalise South Africa's future relationship with the World Bank. I would not like to intrude in the domain of the Minister of Finance, and would suggest that should the hon member seek further details about this, he approach the Minister of Finance. I would point out that although the headquarters of the World Bank is located in the United States, there are 24 Executive Members from various countries and 177 member states. I cannot see how such a linkage as has been alleged, could be arranged by the United States or any other single country and certainly not at such short notice.

(3) In answer to question 3 I merely wish to add that the Department has read the articles initially referred to and that in the light of what I have just said, they do not require further investigation.

I might however add that, in multilateral conferences such as the Review and Extension Conference of the NPT, it is normal practice for countries to try to influence others to support their particular positions on an issue. South Africa received many representations in support of one or more positions. We, for our part, also endeavoured to influence others. This is the nature of the negotiations between the 178 parties who participated in this Conference. South Africa's philosophy and approach to the Conference was to seek to obtain consensus between the nuclear weapon States and the non-nuclear weapon States in a manner which would strengthen the Non-Proliferation Treaty. In this respect, I think we were highly successful.

(4) I regard my comments here today as sufficient.

Hours lost in strike action in 1994

*7. Mr A J LEON asked the Minister of Labour:

How many working hours were lost as a result of strike action in 1994?

Hansard 24/5/95 N543E

The MINISTER OF LABOUR:

17 292 529 hours*

*Note: This figure encompasses only workers covered by the Labour Relations Act, Act 28 of 1956.

The budget on 15/3/95: provision of pensions to State employees (300)

*8. Mr K M ANDREW asked the Minister of Finance: Hansard 24/5/95

(1) Whether any money was made available for the provision of pensions to State employees in the budget presented to Parliament on 15 March 1995; if not, why not, if so, what amount was provided for State contributions relating to (a) current salaries and wages being paid and (b) the improvement of the actuarial solvency of State pension funds in respect of existing and anticipated future claims on these funds;

(2) whether any changes in respect of these State contributions are being considered; if not, why not; if so, (a) what changes and (b) why?

N544E

The MINISTER OF FINANCE:

(1) Yes. State contributions are budgeted for annually based on members' contributions in the ratio of 1:2,74834. Each Department budgets separately for their own contributions.

(a) R6 450 million.

(b) R1 000 million.

(2) No, according to the latest actuarial valuation report the member and employer contribution rate to pension funds which, in the case of the Government Service Pension Fund is 29% of salary, is sufficient to fund the current benefits vest and to contribute to improving the funding level.

Legal/illegal minibus-taxis in the Republic at 31/01/95

*9. Mr D H M GIBSON asked the Minister of Transport:

How many (a) legal and (b) illegal minibus-taxis were estimated to be operating in the Republic as at 31 January 1995 or the latest specified date for which information is available?

N545E

The MINISTER OF TRANSPORT:

(a) According to the national computerised Permit Administration System (PAS), the total number of legal minibus-taxis in the Republic, as at 31 January 1995, is 70 000. This figure however excludes the number of legal minibus-taxis of the former TBVC states and self-governing territories. A legal minibus-taxi in this case is defined as a minibus-taxi with an operating permit and a valid certificate of fitness.

(b) The Department of Transport can at present not give an accurate indication of the numnber of illegal minibus-taxis in the Republic. The Department does, however estimate the number of illegal minibus-taxis to be between 40 000 and 50 000. This figure does not include the illegal minibus-taxis of the former TBVC sdtates and self governing territories.

Restoration of peace in Burundi by OAU/SA

*10. Mr J A RABIE asked the Minister of Foreign Affairs:†

Whether, with reference to his reply to Question No 1 on 29 June 1994, (a) the Organisation for African Unity and/or (b) South Africa was or is in any way involved in efforts to restore peace in Burundi; if not, why not; if so, in what way?

N550E

The MINISTER OF FOREIGN AFFAIRS:

In its capacity as a member of the Organisation of African Unity's Mechanism for the Prevention of Conflict, Management and Resolution, South Africa is a member of a Special Committee of four countries currently engaged in negotiations with the Government of National Unity of Burundi. Negotiations were held with the Burundi National Security Council on 12 April 1995. It is anticipated that negotiations with the President of Burundi, the Prime Minister and the leaders of all political parties will be held during a follow-up visit to Bujumbura at the end of May 1995.

The aim of the negotiations, coordinated by the Secretary-General of the OAU, is the prevention of a resumption of conflict and to seek ways by which the OAU and the international community can assist Burundi in its own planning to effectively bring reconciliation and a lasting peace.

The other members of the Special Committee are Tunisia, Egypt and Mauritius.

Restoration of democracy in Nigeria

*11. Mr J A RABIE asked the Minister of Foreign Affairs:†

Whether South Africa has taken any steps with a view to promoting the restoration of a democratic government in Nigeria; if not, why not; if so, what steps?

N551E

The MINISTER OF FOREIGN AFFAIRS:

Yes. Following the arrest in June 1994 of Chief Moshood Abiola, President Mandela visited Abuja during November 1994 to make representations to the Nigerian Head of State, General Sani Abacha, for the release of Chief Abiola.

Shortly after the arrest and detention on 12 March 1995 of General Olusegun Obasanjo, Nigerian Head of State from 1976-79 and the only military leader so far to have handed over power to a civilian government in that country, the Department of Foreign Affairs issued a press statement in which it expressed the Government of National Unity's concern over reports of arrest of prominent personalities and expressed the hope that those arrested or detained would be properly charged or released as soon as possible and if charged, be afforded the opportunity of a free and fair trial.

Early in April 1995, President Mandela sent Archbishop Desmond Tutu to Abuja as his emissary to once again make representations to General Abacha for the release of Chief Abiola and General Obasanjo in particular.

Corporal punishment at schools

*12. Mr B P BUNTING asked the Minister of Education: Hansard 24/5/95

Whether, with reference to the reply to Question No 18 of 5 April 1995, he will consider prohibiting the imposition of corporal punishment at schools; if not, why not; if so, when?

N552E

The MINISTER OF EDUCATION:

In reply to the Question to which reference has been made, the Minister of Justice stated that legislation had been prepared for the abolition of corporal punishment as a sentencing option, in order to bring South Africa into line with other civilised countries. The Minister of Justice stated further:

> "In addition to the element of cruel, inhumane or degrading treatment of punishment referred to in section 11(2) of the Constitution (Act 200 of 1993), I believe that corporal punishment also has a *brutalising* effect on both the person who metes out the punishment and the one who receives it."

I concur with this view, which has clear implications for the continuance of corporal punishment as a legal means of discipline in schools. There is a strong *prima facie* case that corporal punishment of students in schools contravenes both section 11(2) of the Constitution and articles 19(1), 28(2) and 37(a) of the United Nations Convention on the Rights of the Child.

It is noteworthy that article 28(2) of the Convention requires States Parties to

> "take all appropriate measures to ensure that school discipline is administered in a manner consistent with the child's human dignity and in conformity with the present Convention".

Article 379(a) requires State Parties to ensure that

> "No child shall be subject to torture or other cruel, inhuman or degrading treatment or punishment."

The new Education Policy Bill, which is currently being drafted, will therefore include suitable provisions to abolish corporal punishment of students in schools and other educational institutions. I trust Parliament will give unqualified support to these provisions once they come before this body.

The Department of Education will work with the provincial Departments of Education and appropriate stakeholder organisations in order to prepare for the outlawing of corporal punishment in schools and other educational institutions, and ensure that students, teachers, principals and parents are able to consider jointly the codes of conduct and disciplinary sanctions which are appropriate in a free and democratic society based on fundamental rights and the rule of law.

New Iscor plant

*13. Dr W A ODENDAAL asked the Minister of Trade and Industry:†

(1) Whether he gave approval for the establishment of a new Iscor plant in the vicinity of the Langebaan Lagoon; if not, what is the position in this regard; if so, what factors did he take into account before taking this decision;

(2) whether he or his Department considered Sishen as a possible location for the establishment of this plant; if not, why not; if so, what are the relevant details?

Hansard 24/5/95 N553E

The MINISTER OF TRADE AND INDUSTRY:

(1) There is no legal requirement that projects of this nature have to be approved by the Minister of Trade and Industry or the Department of Trade and Industry. My Ministry and the Department of Trade and Industry actively promote new investment and job creation and encourage South African industry to improve their international competitiveness. The siting of an industry is the

Civil servants cash it in

1 200 officials take early retirement, 500 more expected

(300) (~~250~~) Star 24/5/95

CONCERNS over state of Government pension fund and loss of vital skills in public sector

BY BRENDAN TEMPLETON

The Government's embattled pension fund has paid out an estimated R225-million since last year's election to more than 1 200 top civil servants taking early retirement, The Star has learnt.

The figure is expected to grow to more than R300-million when about 500 more early retirements are processed by the departments concerned.

The payments have been made largely as a result of the Government's drive to encourage affirmative action, but they have raised concerns that the fund cannot afford the payouts.

Allegations of "systemic corruption" have rocked the fund this year with revelations that officials had guzzled millions of rands in tax-free gratuity payments dished out over and above pension payments and last-minute pay hikes to boost pension payouts.

Those taking advantage of the Government's early retirement scheme range in seniority from assistant directors to directors-general. Concerns have been expressed that they are taking with them vital skills and experience which will be difficult to replace.

Finance Minister Chris Liebenberg pointed out that anyone wanting to leave could do so with the approval of the relevant minister only. Ministers were unlikely to leave their departments depleted.

Acting chief director of pension administration Peet Maritz has said the early retirements would have a negative impact on the fund's actuarial funding level.

"Government is however, as sponsoring employer, responsible in terms of the constitution to honour its obligations towards retirees," he said.

Liebenberg told The Star yesterday that the exact figures on the amount being paid out were not yet available, making any calculations very difficult.

"While the figures may appear large, they are not that dramatic when you look at them in the context of the total liabilities of the pension fund."

These currently stood at R89,5-billion, so an increase of R200-million would only increase it to R89,7-billion, he added.

He also said that the R200-million would not be taken out of the Budget in one swoop, and the money could be found by issueing paper, using cash and by the sale of assets, though it was likely to be a combination of all three.

Figures released to The Star showed that 440 senior civil servants took early retirement this year and 852 last year.

Those retiring early in 1995 had done so under the offer made to them in terms of the Government's affirmative action scheme, while last year's retirees consisted mainly of officials "who saw the writing

▶ To Page 3

(~~250~~) (300)

◀ From Page 1

Star 24/5/95

on the wall", a spokesman from the fund said.

Public Administration Minister Zola Skweyiya said the total of 1 292 did not contradict earlier information released by his office on early retirements under the affirmative action package. He said 1 106 senior civil servants had applied for the package and that 573 had been accepted.

His adviser, Dr Paseka Ncholo, said the difference between the figures was due to the fact that the smaller one did not include the police and education sectors.

The pension fund spokesman said departments were still processing applications for early retirements so the fund could not say how big the figure would eventually be.

Brantam Financial Services adviser Derek Sampson calculated that the 1 292 retirees would cost the fund about R225-million in cash payouts alone.

He calculated the figure using as an example a female deputy director with 30 years' experience who was earning R10 000 per month. Her one-third cash payout would be R180 000, and her monthly pension would be between R4 000 to R5 000 per month.

The 1 292 officials taking early retirement would effectively drain the fund's coffers of R225 515 000, if worked out on the same scale, Sampson calculated.

~~250~~ 300

PENSION PAYOUTS: The Government's embattled pension fund has paid out an estimated R225-million since last year's election and the figure is expected to grow to more than R300-million. The payments have been necessary largely as a result of the Government's drive to encourage affirmative action, but they have raised concerns that the fund will not be in a position to afford its obligations.

Star 24/5/95

Retiring civil servants dent pension fund

Sowetan 24/5/95

300

Sowetan Correspondent

THE Government's embattled pension fund has paid out an estimated R225 million since last year's elections to more than 1 200 top civil servants taking early retirement.

The figure is expected to grow to more than R300 million when about 500 more early retirements are processed by the departments concerned.

The payments have been made largely as a result of the Government's drive to encourage affirmative action, but they have raised concerns that the fund cannot afford the payouts. Allegations of "systemic corruption" have rocked the fund this year with revelations that officials had guzzled millions of rands in tax-free gratuity payments dished out over and above pension payments and last-minute pay hikes to boost pension payouts.

Those taking advantage of the Government's early retirement scheme range in seniority from assistant directors to directors-general. Concerns have been expressed that they are taking with them vital skills and experience which will be difficult to replace.

Negative Impact

However, Finance Minister Chris Liebenberg pointed out that anyone wanting to leave could only do so with the approval of the relevant Minister, and they were unlikely to leave their own departments depleted.

Peet Maritz, acting chief director of pension administration, has said the early retirements would have a negative impact on the fund's actuarial funding level.

"Government is, however, as sponsoring employer, responsible in terms of the Constitution to honour its obligations towards retirees," he said.

Figures have shown that 440 senior civil servants took early retirement this year and 852 last year.

State may free R80bn in pensions

(300)

BRUCE CAMERON
POLITICAL EDITOR

CT(BR) 25/5/95

Financial markets could face a major shake-up as the government moves to reposition about R80 billion in assets managed by state pension funds.

Currently, about 90 percent of such assets are tied up in government stock.

A top government official yesterday told the parliamentary standing committee on public accounts that a change of investment policy was being considered as part of an attempt to overcome the massive actuarial shortfall of more than R60 billion in public service pension funds.

The government currently spends 2,74 percent of its total wage bill on the retirement funds. It believes a new investment strategy will enable it to reduce its contribution to 2,5 percent.

Fanie Visser, deputy director-general of the Public Service Commission, told the committee a task group was investigating a complete restructuring of state pension funds, including a change of investment strategy. The idea was that they would be allowed to invest a greater proportion of their funds in other assets, including shares on the JSE, and in fixed investments such as property.

In a later interview with Business Report, Visser said government pension funds underperformed private sector funds by about 1 percent every year, because they were limited in their choice of investment.

By making up the 1 percent, the government's obligation to reduce the actuarial shortfall could be reduced.

Visser said any changes would be gradual, to avoid major disruptions to both the share market and the capital markets.

But investment strategists warned yesterday that no matter how slowly the change in investment strategy was introduced, it would affect the markets. Old Mutual's assistant general manager in charge of investments, Isak Mostert, said the first effect would be to push up prices on the JSE.

At the same time, interest rates would probably increase as the government would no longer have cheap money readily available from the pension funds to cover its deficit.

Mostert said this held a real threat to the government's commitment to reduce the deficit before borrowing, as the interest bill, which is the single biggest item on the state budget, would swell.

Visser told the parliamentary committee that the pension funds would also be allowed to choose their own administrators, as well as private sector resources.

The parliamentary committee heard evidence of how the viability of the pension funds was being further undermined by the large numbers of early retirements over the past three years, as well as what was termed by parliamentary committee members as abuse of the system.

State pension funds had paid out more than R6,2 billion since 1991, as almost 40 000 civil servants retired early.

State pension fund to be restructured

(288) (300)

Star 25/5/95

BY BRUCE CAMERON

Financial markets could face a major shakeup as the Government moves to reposition about R80-billion in assets managed by state pension funds.

Currently 90% of the money is tied up in Government stock invested through the Public Investment Commissioners.

The parliamentary public accounts committee was told yesterday that a change of investment policy was being discussed as part of the attempt to overcome the massive actuarial shortfall of more than R60-billion in the public service pension funds.

At the moment the Government pays 2,74% of the total wage bill towards funding of the retirement funds. It believes that by allowing a new investment strategy it can reduce its contribution to 2,5% of the wage bill.

Fanie Visser, deputy director general of the public service commission, said a task group was looking at the entire restructuring of the pension funds, including a change of investment strategy, with the funds being allowed to invest more in other assets, including the Johannesburg Stock Exchange, and in fixed investments such as property.

In an interview, Visser said Government pension funds underperformed private sector funds by about 1% every year because they were limited in investment choice.

By making up the 1% the Government's obligation to reduce the actuarial shortfall could be reduced.

Visser said any changes would be gradual to avoid major disruptions to both the share market and the capital markets.

But investment strategists warned that no matter what the speed of the change in investment strategy, there would be an effect on the markets.

'Family silver'

Old Mutual assistant general manager in charge of investments, Isak Mostert, said the effect would be to push JSE prices.

At the same time interest rates would be likely to increase as the Government would not have the ready, cheaper money available from the pension funds to cover its deficit.

Mostert said this held a real threat to the Government commitment to reduce the deficit before borrowing as the interest bill, which was the single biggest item on the state Budget, would swell.

Visser told the parliamentary committee that the funds would also be given the choice of administrators and would be allowed to use the private sector.

The parliamentary committee heard evidence of how viability of the pension funds was being further undermined by massive early retirements over the past three years, and what was termed by committee members as "abuse of the system".

Auditor-General Henri Kluever also spoke out strongly against the recent Government announcement that R1-billion, which had been budgeted to reduce the shortfall in pension funds, was to be hijacked to meet the demands from civil servants for additional pay hikes. Kluever said to use money allocated to an underfunded pension fund was financially unacceptable. It was "like selling the family silver to buy bread. We will keep on objecting".

Kluever said more than R6,2-billion had been paid out by the state pension funds since 1991 as almost 40 000 civil servants took early retirement. Almost half went as a result of reorganisation of the civil service while another retired early on medical grounds. This group automatically gained an additional five years of service to retirement benefits.

PENSIONS FM 26/5/95

SA 1 : Chile 1

(300)

Pension fund experts this week debated the merits of replacing existing retirement structures with the Chilean model (see P43). In 1981, Chile replaced its pay-as-you-go social pension system with a privately administered but State enforced system of personal pension plans.

The verdict of delegates to the conference of the Institute of Retirement Funds: it may not be necessary in SA where there is already a sophisticated, fully funded private-sector industry.

There is, moreover, a negative byproduct. By increasing the costs of employment, it would increase unemployment which is already dangerously high.

Chile's pension structure was highlighted at the conference because Social Welfare Minister Abe Williams has been studying it and is known to be impressed. The institute brought out World Bank authority Dimitri Vittas to analyse the structure. He suggested a Chilean system could be phased in when economic growth is apparent and unemployment falling. But a "Big Bang" now would merely create more unemployment.

Panel chairman Chris Newell of Old Mutual agreed. "Do not superimpose it on the system. Build on the existing private sector."

The success of the Chilean structure, in a period of high economic growth, was not questioned. But there are flaws. For instance, there are opportunities for manipulation by self-employed workers who flit in and out of the system just long enough to qualify for the minimum State-

guaranteed payment.

Earlier, Finance Minister Chris Liebenberg also referred to Chile when pointing out SA's welfare and social spending had risen 22,4% a year between 1990 and 1994 — an increase which was not sustainable.

If any form of social welfare for the unemployed and aged is to be maintained, though, the bill will have to be met, directly or indirectly, by those who are employed and pay taxes but still provide for their own retirement. If the Chilean model has nothing new to offer, SA has to find a design of its own. ■

Chile's virtuous circle of pension funding

(300)

FM 26/5/95

Jorge Heine is Chile's ambassador to SA

Welfare Minister Abe Williams's recent visit to Chile, to examine my country's innovative pension scheme, has attracted considerable attention. I would like to clarify a number of issues.

Chile had an elaborate and comprehensive social security system before the establishment of individual retirement accounts in 1980. Starting in the Twenties, it set up a variety of schemes based on payroll deductions, employer contributions and government funding.

In a high-inflation economy, however, the plight of the pensioners was always a sorry one. Chile became the first country to scrap the "pay-as-you-go" system, after about 60 years, for the same reasons many countries, including the US, are taking a close look at a system increasingly considered unfeasible and unfair.

Given demographic trends, it became increasingly evident that a shrinking number of workers could not go on paying for a growing number of pensioners. Some other way would have to be found to finance pensions.

The newly established scheme of self-funded accounts was made mandatory for new work force entrants. And incentives were provided for those in the old system to move to the new. The number of affiliates in the new scheme thus increased rapidly, from 1,4m in 1980 to 4,2m in 1992.

Funded by a mandatory payroll deduction of 10% — paid by employers into individual accounts at companies selected by the employees — the pension funds grew from US$217m in 1980 to $12bn in 1992. They have almost doubled over the past three years, reaching $21bn now.

In contrast to occupational retirement schemes, which make the labour market more rigid, this system offers great flexibility. People can switch accounts any time they want, thus creating considerable competition among the two dozen or so pension companies which vie for their contributions. Default risks are minimised as the companies, whose sole purpose is pension fund management, are strictly regulated and supervised by the State.

Return on investment has averaged 14% over the past few years — good by any measure. Men qualify for various combinations of lump sum payments and monthly ones after age 65; women do so at 60. It eliminates unwarranted distinctions between public- and private-sector pensions, promoting movement between government and business.

The fact that people can measure their accrued earnings monthly and draw the appropriate conclusions as to their likely benefits creates a sense of individual responsibility. This is far more in tune with today's realities than the (mostly misplaced) expectation that government will provide somehow.

As it is fully paid by the employee, it places no burden on the employer. This boosts job creation.

Perhaps even more important than the direct effects on pensioners — they are receiving 40% higher pensions under the new system than they would have under the old — has been the effect on capital markets and the economy. The availability of pension funds for the acquisition of common stock has given an enormous boost to Santiago's stock market, one of the world's best performers over the past decade. Chile's savings rate, traditionally low, has reached 25,8% — high by any standards. Of this, 4,7% comes from the public sector, 1% from abroad and 20% from internal, private sources — largely fuelled by the new pension system.

Chile has thus been able to avoid much of the "tequila effect" hitting emerging markets that depend heavily on foreign funds.

Not that it is easy to establish such a system.

The State pays the benefits accrued under the old system without the contributions of new entrants. These payments peaked at 4% of GDP in 1989 and have been declining. But they are still significant.

People have to be willing to forgo 10% of their salaries. Not all employers make the payments to the accounts. The pension fund companies have to be carefully monitored. Pension reform requires a heavy dose of social discipline. Yet it has become increasingly obvious that social sector reforms cannot be seen as isolated endeavours but rather as closely linked with macroeconomic ones.

Chile was the first to replace the pay-as-you-go system with a self-financing one. Its scheme has also been the most radical. After only 15 years, the jury is still out, though most indicators point towards increased pensioner benefits. They also imply the creation of a virtuous circle linking increased savings with more dynamic capital markets and fast economic growth — an average of 6% a year for the past 10 years.

In developing countries, pension reform takes a back seat to other social needs such as housing, health and education. Yet there are powerful reasons for confronting it sooner rather than later; the longer one waits, the more onerous it becomes.

In OECD countries, pension reform has been rising to the top of the political agenda. Australia and Switzerland already have mandatory private schemes. Projections show that once the baby boom generation reaches retirement age, pay-as-you-go systems will be unable to sustain current pension liabilities, which reach 400% of GDP in countries like Canada, Germany and Japan.

In this context, publications such as the *Financial Times* and *Time* as well as the World Bank have pointed to Chile's self-financing system as a way out, not just for countries like Peru, Argentina, Colombia and Mexico, which have established it in various forms, but also for northern nations.

Self-sustaining pensions may be closely linked to self-sustaining economic growth.

FORUM

Welcome to Fairyland

CT (BR) 30/5/95 (300)

CANDIDLY CAMERON

The government must act urgently to end the pensions' fiasco

BY BRUCE CAMERON

Some 17 years ago a former chairman of Sanlam, Andreas Wassenaar, devoted a book to the parlous state of public service pension funds, warning of serious implications for the economy.

The book was entitled En route to Fairyland — The Fantasy of the Government Pension Fund.

We now seem to have arrived in fairyland.

The government would do well to take a deep breath, stop taking ad hoc decisions and take a proper look at what it intends to do about pensions — both public and private.

At the moment it is a fiasco that threatens to undermine the basis of the government's economic policy — namely the commitment to curtail government overspending.

Instead of a reasoned and transparent approach we are seeing creative bookkeeping, muddled thinking and crisis management.

The issues are:

☐ The government intention to withhold its contribution this year to funding the R66 billion actuarial shortfall of the already thoroughly abused public servant pension funds. This move was described as totally unacceptable by none less than the auditor general, Henri Kluever, last week;

☐ The government's plans to increase its tax take of lump sum payments to the private sector. This is forcing thousands, including a number of senior and key people in business, to take early retirement.

On top of this, lurking in the wings, the government has its beady eye on some of the R360 billion in the private sector pension pot. It is still considering changing the principle, at least in part, of deferring tax on pension contributions until retirement;

☐ Lack of government action in getting rid of the extraordinary benefits of the public service pension funds and the abuses of the funds; and

☐ Deciding what to do about the burgeoning social pensions paid to the rapidly increasing section of the public who go into old age with minimal resources.

All the issues are interlinked, placing stress on the exchequer to a greater or lesser degree.

Liebenberg's apparent insistence on pushing ahead with the increased taxation of private sector lump sums is strange, particularly as the consequences appear to far outweigh the benefits.

It is also strange that he should tackle the private sector when the far greater abuse of the pension system is taking place in the public sector.

Our public servants receive their lump sum gratuities tax free and have early retirement benefits at which people in the private sector can only marvel. Kluever, at a hearing of the parliamentary finance committee last week, suggested civil servants' early retirement benefits were being abused at enormous cost to taxpayers.

Validity

Public servants who have been retrenched or retire early for health reasons are given an additional five years service for pensionable purposes. The additional five-year package should be re-examined.

Kluever limited his questions to the validity of the number of people who were retiring for health reasons, because of a significant jump in numbers over the past three years.

And members of parliament wanted to know why so many people were promoted in their last year before retirement, giving them additional pension benefits.

Lukas Stoop, head of the Public Service Commission, who increasingly appears to be playing a very narrow role, would not accept unaudited figures and suggested civil servants were under considerable stress with the new government forcing the early retirements for health reasons.

Instead of looking to the private sector for extra cash, Liebenberg should be concentrating on the real problem — getting the public service pension fund back to internationally accepted standards of benefits and funding.

It is well known that the private sector is providing the savings base that will allow for the economic expansion of the country. It is equally well known the state is undermining these savings by, year after year, borrowing from this pool to make up for its own overspending.

In his Budget, Liebenberg made great play of promising to reduce government overspending to 5,8 percent of GDP.

State debt

But how so, Mr Liebenberg, when you take R1 billion earmarked for the pension funds to meet the demands for wage increases from the civil service? You were going to use that money to gradually make good the actuarial shortfall!

This is not spare cash, as the government has a solemn commitment to make up the shortfall by set amounts every three years. This means next year, or the year after, R1 billion will have to be found.

The question must be asked whether the government is using the pension funds to hide a good slice of the state debt.

In other words, the state is considerably more in debt than the approximate R250 billion recorded. It is now well over the R300 billion mark if the actuarial shortfall is included. One can only wonder by how much that actuarial shortfall is increasing given all the early retirements.

Instead of, or at least simultaneously with, increasing the tax on lump sum gratuities to the private sector, Liebenberg should have started taking action on the issue of making civil servants pay tax on their gratuities.

At a minimum, he should have introduced a grandfather clause or given notice of a phased-in progressive scale of taxation.

By pushing ahead with increasing the taxation of lump sums in the private sector Liebenberg's job of introducing taxation on public sector lump sums will become even more difficult.

The best bet for Liebenberg is to withdraw his proposal to tax the lump sums.

He should investigate the whole issue of pensions, including social pensions, properly and urgently, before he finds that the only fairies are wicked.

SOCIAL SECURITY – ~~A~~ PENSIONS

1995

JUNE – DEC.

Pension fraud control 'urgent'

CT(BE) 1/6/95

By Bruce Cameron

300

Political Editor

The Welfare Department is putting in place a range of controls to bring a halt to the widespread fraud in the distribution of social pensions.

The auditor general estimated that up to R1 billion a year was lost as a result of fraud committed, both by the public and government officials, in the distribution of R9,5 billion to 2,2 million recipients.

N Chinkanda, chief director of welfare planning and population development, told the parliamentary public accounts committee that control of the fraud was the main priority of the department.

Measures to improve the situation included the introduction of an electronic finger print identification system for payment, the introduction of a national computer system, improved registration methods for new applicants to prevent duplication, better control of reasons and qualifications for a social pension, standardised application forms with colour coding for different pensions, the compilation of a national social grants register and improved staff training methods.

Tighter controls to stop pension fraud

(300) Star 1/6/95

Cape Town — Curbing state pension fraud running to millions of rand was a top priority for the Department of Welfare and Population Development, its deputy director, Esther Chinkande, said.

Addressing the parliamentary public accounts committee, Chinkande said the whole system of approving and paying out pensions had been overhauled over the last year, and a national committee had been established to stamp out all fraud.

"The ministry is very concerned about the fraud and it has become a number one priority to address this," she said.

The public accounts committee was considering a special report by Auditor-General Henri Kluever, which found extensive pension fraud, mainly in the former homelands.

The report said that the overpayment of pensions through fraud and poor controls had risen to R21,5-million in the 1993/94 fiscal year from R6-million in 1987/88.

To prevent fraud, the provinces had been asked to tighten controls. — Reuter.

PENSIONS (300)

Pickling benefits

FM 2/6/95

Deputy executive officer of the Financial Services Board Andre Swanepoel has outlined a programme for the voluntary preservation of pension benefits, calling for comment from organisations representing the formal sector. His scenario — described as a personal view — carefully avoids any repetition of attempts to make pension preservation compulsory.

Fourteen years ago, a Pensions Preservation Bill was introduced, and withdrawn, when it sparked widespread labour unrest. But since then, says Swanepoel, it's been the private sector — not government — which has set the pace and preservation of pensions has become more attractive as a result. His "possible scenario" intimates that government should remain outside the issue for the time being.

The 1981 attempt to make pension preservation mandatory was followed by a report (the Meiring Committee) on pension rights; then by the Mouton Committee, which investigated the whole retirement provision system. Mouton dealt at length with the problems of "leakage" from the pensions industry, caused by early leavers.

The early leavers were punished by the system as it then existed, though in many instances they were involuntary leavers — victims of retrenchment or workers who had no access to a lump sum of money, other than their retirement savings, to handle a personal financial crisis.

Mouton recommended making it possible for workers to access finance without destroying the actuarial long-term retirement provision. The committee also thought that preservation options should be introduced for early leavers.

Few of Mouton's ideas have been legislated but the retirement scene changed anyway. Provident funds, in which both the employer's and the employee's contributions belong to the employee, began to replace traditional pension funds.

Swanepoel notes the private sector has been active, even where traditional pension (defined benefits) funds are the vehicle: "There are clear trends towards improving the rate of interest added to members' contributions refunded to early leavers; towards including all or part of the employer contributions in the cash benefit; and towards granting the option of a greater alternative benefit, provided it is preserved. Special preservation funds have been established by life offices and employee benefit organisations."

It could be made compulsory for retirement fund rules to provide that, even if an early leaver takes a cash benefit, the balance of the actuarial reserve must be preserved, instead of falling into the fund's surplus (not likely to be popular with employers who, with defined benefit pension funds, have a legal liability to keep them fully funded).

Providing hardship benefits from the funds has several ramifications. What, asks Swanepoel, is "extreme hardship" and who defines it? But there is a case for providing hardship relief in a form which does not make it necessary for an employee to quit his job.

The scenario suggested by Swanepoel, and open to comment, is:

- For now, accept that preservation of early leaver benefits should be encouraged, not made compulsory;
- In the short term, encourage voluntary preservation. Retain the present tax exempt portion of the early leaver benefit at an historically low R1 800, to discourage cash benefits. Highlight the adverse effects for early leavers, including the unsatisfactory state of the Unemployment Insurance Fund. Start discussion of the effect the new constitution and the proposed national savings scheme, will have on the early leaver issue;
- In the medium term, possibly, make it compulsory for funds to offer early leavers the option of a preservation benefit instead of being compelled to take the cash benefit. Investigate with Inland Revenue, and others, alternative vehicles for making retirement provisions. "Obvious examples are banks and the Post Office but one should not exclude the informal sector and other entrepreneurial activities." Put the entire issue to a national forum; and
- The longer-term focus would be on measuring the effect of voluntary efforts to solve early leaver problems, to review developments in related areas such as health care, the UIF and the suggested national savings scheme. Only then, Swanepoel suggests, should the issue of compulsory preservation be reconsidered. ■

Welfare organisation for aged faces collapse as cash flow dwindles

Star 10/6/95

(300)

By TROYE LUND

The only organisation in Greater Johannesburg providing a comprehensive service to the elderly is on the brink of collapse.

The Johannesburg Association for the Aged (Jafta) is facing government cuts in welfare subsidies and a 60% drop in private donations. It predicts a national crisis will exist by the year 2025.

The predictions are based on the National Department of Welfare's 1995 findings which peg 2025's elderly population — those over 65 — at 7-million. The current figure is 1-million.

The statistics show that the current lack of accommodation for 155 000 aged will escalate to a shortage of 600 000 in 30 years, translating into a need for 16 800 homes each year.

"It is imperative that existing services to the elderly are not just maintained, but have scope to expand. Instead, our cash-strapped situation and total focus on the RDP will force Jafta's 40 years of experience and growth down the drain," says Jafta's community services executive Robyn Mills.

Fund managers pitch for R5bn in govt pensions

Greta Steyn (300)

BD 12/6/95

PRIVATE fund managers last week pitched for part of a R5bn slice in government pension funds which is up for grabs in the first step towards privatising the management of public servants' pension funds.

Sources said an initial eight fund managers were invited to make presentations to a committee, including Sanlam, Old Mutual, Liberty Life, Southern Life, Standard Bank Asset Management, Investec Asset Management and Rand Merchant Bank Asset Management. UAL had been invited, but did not make a presentation. Four portfolio managers will share management of the R5bn equities portfolio.

A source said more fund managers were expected to be asked to make presentations, probably to accommodate black-controlled fund management companies.

Badie Badenhorts, head of the Public Investment Commissioners, government's long term investment arm which manages the investments, declined to comment. Sources said the committee which heard the presentations included Badenhorst, finance officials Robbie Burton and Christo Roets, Reserve Bank deputy governor Chris de Swardt and Bank money and capital markets GM Andre Kock.

The move to begin privatising the R84bn in public servants' pension funds managed by the PIC follows the R4bn privatisation earlier this year of the Associated Institutions Pension Fund (including universities, technikons and scientific councils) which had also been handled by the PIC.

Privatising government's pension funds is seen as a key element to reduce the huge actuarial shortfalls. Because the funds are heavily invested in government stock, returns have been poor compared to those received on equities investments. Freeing these funds to invest in instruments other than gilts is seen as one reason why government was able to divert finance intended to reduce actuarial deficits to giving public servants higher increases.

Badenhorst has said farming out the PIC's equities portfolio, heavily invested in Sasol and Sappi, would probably be followed by diverting some of the R12bn annual cash flow to private fund managers.

Probe launched into pension payments

BD 15/6/95

(300)

Samantha Sharpe

CONTROVERSIAL tax-free, lump-sum pension payments for public servants would be investigated by a special committee on pensions, Finance Minister Chris Liebenberg announced yesterday.

The probe would form part of a wider investigation of retirement provision. The committee on strategy and policy review of retirement provision would report to the finance ministry by November, he said.

Announcing the terms of reference for the committee, which was created earlier this year, Liebenberg said it would look at introducing tax neutrality in the treatment of private and public sector funds.

"Having regard for the profound changes brought about by the democratisation of SA and the present transformation affecting virtually all aspects of society, the committee is to inquire into the efficiency of the present retirement arrangements," he said.

On civil pensions, the committee would investigate funding arrangements, investment management, use of pension funds as an instrument of personnel policy, risk sharing, and the trustees' ability to bind the state financially.

It would look at the possibility that contractual savings could be used as a tool to sustain economic growth. This would entail a study of the effect of savings made through the retirement industry on national savings and investment.

It would be on the committee's shoulders to find a way to reduce the state's financial burden in terms of social pensions, while increasing pension fund coverage for those working in the informal sector.

Guy Smith, who recently retired as a senior partner in KPMG, would chair the committee, which would maintain close links with the Katz commission, Liebenberg said. The committee included tax commission members Jan de Villiers-Graaff and Garth Griffin, as well as representatives from the pension and provident fund industry, the banking industry, the life assurance industry, labour, the public service commission and the public service negotiating committee.

State spending on social services and welfare jumped 22,4% annually between 1990 and 1994. About R13bn was set aside in the 1995/96 Budget for social services and welfare — 10% of total state expenditure.

Pensions committee starts work

By Bruce Cameron
POLITICAL EDITOR

(300) CT (BR) 15/6/95

Government yesterday appointed the committee to investigate the entire pensions system — with a deadline at the end of November.

The 11-member committee is to be chaired by Guy Smith, who recently retired as a senior partner of accountants KMPG.

The committee, which will use the Mouton commission report as its base, has to investigate all major aspects of pensions from the R340 billion private sector industry to the underfunded state employee pension funds and the escalating demand for social pensions by the poor.

A major aspect of the investigation will be taxation including the non-payment of tax by civil servants on lump sum retirement benefits.

In its terms of reference, the committee has been instructed to maintain close liaison with the Katz commission of inquiry into tax, which is also due to report on the taxation aspects of pensions by the end of November.

Katz commissioner Jannie de Villiers-Graaff has been appointed to the new committee as the link person.

The terms of reference for the committee include assessing the appropriateness of the Mouton commission report in a changed and changing environment and the effect of savings through the retirement industry on national savings, investment and economic growth; and if contractual savings may be used to increase sustained economic growth.

be in SA, but the new publication would be ...

Reform could save R1bn in illegal pension payouts

BD 19/6/95 (300)

Kathryn Strachan

MONITORING of the abuse of pension money, especially in poor rural services, points to government employees as the guilty parties, Natal University monitors say.

Francie Lund, a researcher at the university's centre for social and development studies, said closing up the loopholes would save R1bn from the overall social grants budget of R11,5bn.

The creation of racially separate welfare departments and the separate homelands and independent states administrations laid the foundation for the abuse, she said. Added to that was limited accountability, poor management and poor information technology.

"That was all that was needed for some people working within the systems to take advantage of loopholes and create new ones," she said.

In the past, whenever pension abuse was mentioned, fingers were pointed at the pensioners themselves. While there were cases of people managing to receive pensions before the stipulated age, or receiving double pensions, the reality for most had been difficulty in getting their legitimate pension paid regularly.

One cause of the problem had been that a number of different departments were involved in various phases of the process from application to final payment.

Death registers, for example, were kept by one department, usually justice. It was possible in principle for people in that department to register a death, but not forward the information to welfare. The payment continued to come back to justice "to deliver" — to themselves.

Officials from one department had used one fingerprint — any one would do — to apply for multiple pensions. These were processed by another department by people unskilled in fingerprinting.

Another source of abuse was the payment of government old age pensions to civil servants already receiving a civil pension.

"The good news is that the system can be cleaned up relatively easily," she said. "The main ingredients are available: the national plan for a central register of all SA citizens, the relatively low-cost technology to do the cleaning up; and — most important — the commitment of Welfare Minister Abe Williams, Deputy Minister Geraldine Fraser-Moleketi and senior officials in the welfare department to more efficient and honest governance."

Williams recently committed himself to cleaning up government's system of pensions and grants and acknowledged the possible involvement of officials in fraud.

Fears of diabetes epidemic in SA

(87) BD 19/6/95

Kathryn Strachan

A STUDY has found that 8% of black people living in Cape Town are diabetic, sparking fears that a diabetes epidemic is emerging in SA.

Natal University diabetes unit specialist Ayesha Motala said people living in developing countries and impoverished communities were at greatest risk of developing non-insulin dependent diabetes. With the trend towards rapid urbanisation, more and more black people in SA were falling into these categories.

She said although non-insulin dependent diabetes was often regarded as less serious than insulin dependent diabetes, research had proved this was not the case.

"Ninety percent of diabetics have non-insulin dependent diabetes, and they are up to four times more prone to developing heart and kidney problems than healthy people."

Another indicator of the threatening diabetes epidemic was the high incidence of a condition known as impaired glucose intolerance.

People with this condition did not metabolise carbohydrates properly, and nutritionists believed these people would develop diabetes at a later stage.

Acquittals sh

Deborah Fine

The acquittal of eight AWB members on all counts of complicity in last year's pre-election bombings in Gauteng proved police had been "over eager to please their new ANC bosses" and had been prepared to lay charges "with absolutely no substance" against the AWB, the right-wing organisation's spokesman Fred Rundle said last week.

Rundle's comment followed a decision on Thursday by Transvaal deputy Judge President HCJ Flemming to withdraw 92 charges against AWB

Williams tells of move to transform welfare system

(300) (299)

TYRONE SEALE
Political Staff ARG 21/6/95

WELFARE services over-emphasise institutional care — particularly homes for the elderly — and top priority is being given to the development of new, cost-effective, community-based support and care programmes.

This was disclosed in the national assembly yesterday by Abe Williams, Minister for Welfare and Population Development, and his deputy, Geraldine Fraser-Moleketi.

Speaking in the debate on the welfare budget vote, they said the ministry had embarked on a process to build consensus that could fundamentally transform the welfare system in this country.

Children and the aged were the focus of the department's major initiatives, which were aimed at cultivating community-based rather than institutionalised care.

It was generally accepted that homes for the aged should in future accommodate only those who were in need of 24-hour care.

Existing facilities, which were not economically viable as frail care centres, should be converted into accommodation or units where the elderly would be helped.

The government was committed to achieving equity, efficiency and effectiveness in the delivery of welfare programmes.

But grassroots expectations could not be fully realised in the short term as welfare expenditure would be able to increase only gradually as higher economic growth rates were achieved, Mr Williams said.

Ms Fraser-Moleketi said welfare programmes had to be rearranged to make services responsive to needs and to demographic trends.

direction, so I am not sure which of you stood up first. As I saw Mr Maree first, I ask him to proceed.

Mr J W MAREE: Madam Speaker, I listened carefully to what the Minister said. He said that the mandate of the Currin Committee was to look at pending matters.

The SPEAKER: Order! Please ask a question.

Mr J W MAREE: I want to ask the Minister how matters which have been disposed of can be pending in terms of the ordinary meaning of the word.

The MINISTER OF JUSTICE: Madam Speaker, when that member's apartheid government was in office . . . [Interjections] . . . and set up its own structures to deal with indemnity matters, a large number of those matters were handled by an indemnity council. Many applications were refused. I was never satisfied that all those cases had been properly handled. Where the Currin Committee considered it necessary to refer to any one of those matters, I considered it entirely justified.

Adv J H DE LANGE: Madam Speaker, arising from what has happened here today, I want to ask the Minister whether he can tell us if the Executive Deputy President of the largest minority party or any other NP member in the Cabinet, seeing that they set up the Currin Committee, at any stage raised any problems in the Cabinet in connection with this process. If the Minister can answer this question, we will see whether the hon member is on a fishing expedition or not.

†Dr W A ODENDAAL: Madam Speaker, on a point of order: I would just like to know to whom the hon member ~~Mr De Lange~~ directed his question.

Adv J H DE LANGE: Madam Speaker, the question was put to the Minister. I asked if the Executive Deputy President in that member's party or any other NP member at any stage raised any problems in the Cabinet about the process we are talking about, which that member's party has problems with. That is a very simple question, Dr Odendaal.

The MINISTER: Madam Speaker, the committee under the chairpersonship of Mr Brian Currin was set up by me as Minister of Justice. I took the matter to the Cabinet and the Cabinet approved it.

Mr J W MAREE: Madam Speaker, the Cabinet's decision was that the Currin Committee could only look at pending matters. On what authority did the Minister instruct the Currin Committee to go outside that mandate? Did he take the matter back to the Cabinet? Did the Cabinet reconsider this? Was the Cabinet informed that that Minister gave instructions to the Currin Committee that were completely out of bounds? Did the Minister inform the Cabinet that he was signing documents which were outside the mandate given to him by the Cabinet? We want a clear reply to all these questions. [Interjections.]

The MINISTER: Madam Speaker, I am very happy about the work I did and about the work the Currin Committee did. I am very proud of the committee's work. Had it not been for its work, the people who were in prison as a result of that hon member's government would still have been sitting in prison. As far as I am concerned, the Currin Committee acted within its mandate, and I am prepared to defend the work that it did. [Interjections.]

Mr J W MAREE: Madam Speaker . . .

The SPEAKER: Order! We have had five supplementary questions. That is the end of this question.

Three persons: investigation by Office for Serious Economic Offences

*10. Mr A S BEYERS asked the Minister of Justice:†

(1) Whether the Office for Serious Economic Offences has instituted any investigation into the activities of three persons, whose names have been furnished to his Department for the purpose of his reply; if so, what are the relevant details in each case;

(2) whether he will make a statement on the matter?

N674E

The MINISTER OF JUSTICE:

(1) and (2) I am informed by the Office for Serious Economic Offences that no investigation has been instituted by it into the activities of the three persons referred to by the hon member. An investigation has been launched into the affairs of a certain institution with which one of the persons has ties. On completion of the investigation a report will be submitted to the Director of the Office for Serious Economic Offences.

Primary school feeding scheme: percentage of budget paid out

*19. Mr M J ELLIS asked the Minister for Health:

(1) What percentage of the budget for the primary school feeding scheme had been paid out as at the latest specified date for which information is available;

(2) whether any problems have been experienced with delays and inefficiencies in the rendering of the service; if so, (a) what problems and (b) what steps have been taken to solve these problems?

Hansard 21/6/95 N683E

The MINISTER FOR HEALTH:

(1) Actual expenditure as on 31 March 1995 amounts to R134 823 786 of the total budget of R472 840 000 for the 1994-95 financial year. The expected total expenditure for the 1994-95 financial year is R329 672 852.

(2) Yes.

(a) Some of the problems which are being experienced with the supply of foodstuffs include:

* Delivery problems such as late or irregular deliveries;
* Poor quality of products;
* A unique problem occurred in one of the provinces, where food suppliers to whom contracts were not awarded, in an attempt to obtain contracts, decided to take mass action, take staff hostage, occupy offices, or destroy property;
* Some project committees lack the capacity to meet the requirements of the procurement system and the accompanying financial procedures with the result that the flow of funds to food suppliers is delayed;
* The existing temporary staff component lacks the capacity to deal with the additional workload caused by the Primary School Nutrition Programme with resultant delays.

(b) Standard procedures and requirements are followed in dealing with suppliers when contracts are not adhered to. A basic training programme is offered to local project committees to enable them to comply with the procedures. This is, however, a slow process, because of the lack of staff. The implementation of a permanent staff establishment for the Nutrition Programme should solve the problems around the shortage of staff.

Actuarial deficits in government pension funds

*22. Mr K M ANDREW asked the Minister of Finance:

300

(1) Whether there are actuarial deficits in any government pension funds; if so, what are these deficits;

(2) whether the Government is taking any steps towards reducing these deficits; if not, why not; if so, (a) by how much will the deficits be reduced in the 1995-96 financial year and (b) how will this reduction be affected by recent public sector pay negotiations?

Hansard 21/6/95 N687E

The MINISTER OF FINANCE:

(1) Yes.

Actuarial valuations are done every three years. The valuation for 31 March 1994 is still in progress, and therefore the figures for 31 March 1991 are still the most recent available. It is anticipated by the actuaries that the figures for 31 March 1994 will show an improvement over the following:

	% Funded:	
	With increases	*Without increases*
Government Service Pension Fund	51,5	82
Temporary Employees Pension Fund	58	93
Authorities' Service Pension Fund	46	74
Authorities' Service Superannuation Fund	84,8	137
Associated Institutions Pension Fund	57	118

(2) Yes.

(a) According to the consulting actuary, the present contribution rate is higher than required to fund the liabilities arising from normal benefits which for 1995-96 is estimated at R1 billion.

There is no obligation on Government to make an annual cash contribution, but there is an undertaking by Government to improve the funding level every three years as and when the actuarial valuations become available.

This will continue to be done but obviously can be done in a number of ways:

(i) Cash contribution from the Budget as is presently done;

(ii) Government stock can be issued to the funds in respect of Government's obligations as and when valuations become available; or

(iii) Assets can be injected into the pension funds as and when these become available from the privatisation process and other financial structures.

The basis of agreeing to use a portion of this year's R1 billion "additional" contribution was on the understanding that the pension fund structure needs to be re-negotiated. Therefore this contribution should be seen purely as a "bridging" facility.

It must be remembered that it is not only salary increases and benefit levels that impact on the deficit. Items such as early retirements, number of members, etc need also to be considered.

(b) Not all trade unions have settled on the pay negotiations, and therefore it is not possible to say with accuracy by how much the deficit will improve. It seems, however, that if Government's proposals are accepted by all, the improvement could be R100 million to R150 million for 1995-96.

New questions:

Questions originally put on Question Paper for Reply on 14 June 1995—no sitting of the National Assembly:

*1. Mr M F CASSIM—Trade and Industry. [Question standing over.]

Drought/rainfall figures in Republic: investigation

*2. Mr M F CASSIM asked the Minister of Agriculture:

Whether his Department has undertaken any investigation to determine the (a) extent of the drought and (b) rainfall figures in the various regions in the Republic in 1994; if not, why not; if so, what are the relevant details in each case?
N719E

The MINISTER OF AGRICULTURE:

(a) Yes.

(b) Yes.

The relevant details are as follows:

The extent of the drought is regularly assessed by means of information provided continuously by the various Provincial Departments of Agriculture.

This information is included in an Agricultural Conditions Report which is sent to the Provinces every month.

Apart from the abovementioned information, the Drought Coordinating Centre daily receives rainfall figures from the Weather Bureau and monthly a Climatological Report and Seasonal Rainfall Prospects from the University of Pretoria.

When necessary, data is also requested from the Institute for Soil and Water, from the Department of Water Affairs, from organised agriculture and other organisations.

All the above information is included in a monthly report, *Agricultural and Drought Conditions in the RSA*, in which a total image is given of drought conditions in the RSA. This report is sent to the MECs of Agriculture of the Provinces, the Senate Committee on Agriculture, the Portfolio Committee on Agriculture and Departmental Heads of Agriculture of the Provinces.

The Departments of Agriculture and of Water Affairs and Forestry are members of the Drought Coordinating Centre.

The economic impact, in other words the income and production losses suffered by farmers during the 1994/95 production season as a result of the drought, is currently being evaluated in conjunction with the Provincial Departments of Agriculture and organised agriculture.

(*See also* Report on Agricultural and Drought conditions in the RSA, October 1994 to March 1995 Annexure 459.)

†Dr P J STEENKAMP: Madam Speaker, arising out of the Minister's reply, I want to ask him whether he has yet discussed the general drought and rain conditions in the country with Queen Modjadji, and if not, when he contemplates doing so.

†The MINISTER OF AGRICULTURE: Madam Speaker, no, I have not yet discussed them with her, and I do not serve on the rainmaking committee.

The SPEAKER: Order! As far as I know, Parliament has not yet appointed a portfolio committee on weather or the making of rain.

Business interrupted in accordance with Rule 199(3) of the Standing Rules for the National Assembly.

*3. Mr I VADI—Public Works. [Withdrawn.]

Extent of Ebola disease

*4. Mr P I BIKITSHA asked the Minister for Health:†

(1) Whether she is in a position to furnish details about the current extent of the Ebola disease which broke out in Zaïre recently; if not, why not; if so, what are the relevant details;

(2) whether there is any effective treatment against this disease; if so, what are the relevant details?
N722E

The MINISTER FOR HEALTH:

(1) The outbreak of Ebola virus was limited to the Bandundu province in Zaïre. To date 211 confirmed or suspected cases and 164 deaths have been reported, which gives a fatality rate of about 75%. The majority of cases (190) was in the town Kikwit, with the rest of the cases being in the following towns: Mosango (14), Bulungu (3), Imbongo (2), Mukula (1) and Dua (1). There have been no cases reported from the capital Kinshasa, about 400 km west of Kikwit. According to the World Health Organisation, the disease has now stabilised. New cases are expected from people still in the incubation period of the disease, ~~but trans~~mission of the virus has stopped completely.

(2) There is no effective treatment of the disease and only the symptoms can be treated.

Ebola disease: measures to prevent spread to Republic

*5. Mr P I BIKITSHA asked the Minister of Home Affairs:†

(1) Whether his Department has consulted with the Department of Health on the Ebola disease; if not, why not; if so, what are the relevant details;

(2) whether his Department is considering any measures to prevent immigrants or other visitors from Zaïre from spreading the disease to South Africa; if not, why not; if so, what measures?
N723E

The MINISTER OF HOME AFFAIRS:

(1) and (2) Yes. My Department has communicated with the Department of Health. The relevant details are contained in a letter dated 15 May 1995, received from the Department of Health and a press release from the World Health Organisation Press Office dated 17 May 1995, copies of which will be furnished to the hon member for his information.

*6. Mrs A VAN WYK—Public Service and Administration.† [Question standing over.]

Illegal removal of NA member's firearm

*7. Col N G RAMAREMISA asked the Minister for Safety and Security:†

State assets might fund pensions

CT(BR) 21/6/95 (300)

By Bruce Cameron
Political Editor

Ownership of state assets could be transferred to civil service pension funds to make up the massive deficits, according to Chris Liebenberg, minister of finance.

At best, state funds, with assets of R84 billion, are 70 percent funded, at worst, 55 percent.

The proposal follows the recent announcement that R850 000 destined to help make up the shortfall was to be used for increasing civil service salaries.

In an interview with financial journalists in Cape Town, Liebenberg said three methods were being considered to make up the actuarial shortfall of billions of rands in the civil service funds. They were:

- Cash from government coffers;
- Issuing government stock to the funds; and
- Transferring state assets.

He said existing state assets or assets that could be bought, such as buildings leased by the government, could be transferred to ownership of the funds.

This could form part of the process of the re-organisation of state assets.

Liebenberg said the impression that the government was raiding the public service pension funds to pay salaries was incorrect.

The R850 000 that had been used had come from money that was being used to top up the actuarial shortfall in the funds — it had not been removed from the funds.

He said there had been an agreement to make up the shortfall by a certain amount in three-year cycles. However this money did not have to be paid on a daily basis.

Liebenberg said the valuators of the fund were busy completing a new valuation and it appeared likely that the value would be higher.

He said on a valuation done in 1992, the shortfall was about 75 percent if pensions were not increased at a rate equal to about 70 percent of the inflation rate and about 55 percent if pensions were increased.

Liebenberg said this did not mean the government was now planning to withhold pension increases. The actuarial shortfall would also be reduced when state pension funds were allowed to start investing in equities, giving better growth performance.

☐ See next page

ANC critical of pension committee

(300) BD 22/6/95

Adrian Hadland

CAPE TOWN — The ANC yesterday criticised the composition and terms of reference of a special pensions committee appointed this year by Finance Minister Chris Liebenberg.

Its terms of reference, announced last week by Liebenberg, include the investigation of funding arrangements, investment management and risk sharing.

Also to be scrutinised are controversial tax-free, lump sum payments for public servants.

The reduction of the state's social pension burden, which amounts to R13bn for the current financial year, was also one of its tasks.

ANC MP Mary Turok told Liebenberg during parliamentary question time that concerns existed over the composition and terms of reference of the committee. She called on him to submit both matters to the National Assembly's welfare committee for reconsideration.

Representatives of those who received pensions should be included.

Liebenberg reiterated his position that the level of spending on welfare in SA needed to be re-examined.

Increases in welfare expenditure were becoming unsustainable.

He was critical of calls for a national pension fund system, saying the fiscal and other implications of this had not been evaluated.

Southern Life head slams retroactive retirement legislation

(300) CT(BR) 22/6/95

By Charlotte Mathews
Investment Editor

Retrospective legislation to reduce provisions made for retirement is "alarming" since proper retirement planning is done well before retirement and depends on certainty, Neal Chapman, Southern Life chairman, said in the life assurer's latest annual report.

"Sudden change is retroactive and has serious implications when it comes at a stage of the life cycle that does not afford time to replan," he said.

"It must be remembered that millions of people and hundreds of companies have been making provision for their or their employees' old age within the existing framework.

"Activities which run counter to the sound principles of the legislation need to be addressed, as does the preservation of savings, but they need to be dealt with in a way which does not undermine the credibility and purposes of the legislation or invalidate planning.

"Savings for old age need to be motivated and appropriately rewarded."

Chapman said taxation that was harsh by international standards would discourage investment in the country and drive entrepreneurs offshore.

Although it was politically acceptable to focus on the "haves", this would have dire consequences in the short and long term. Too many people with skills needed in South Africa were still leaving the country.

To compete in international markets, South Africa needed a massive leap in productivity.

The recommendations of the King committee on corporate governance and the Cheadle commission on labour could lead to healthy workplace relations, sensible agreements between labour, employers and the government and motivated teams. "Much will depend on how leaders of labour, business and government work together, both in Nedlac and in their individual spheres of influence, but the importance of achieving the end result cannot be stressed too strongly," he said.

With regard to Southern Life, Chapman said shareholders could confidently expect continued growth in earnings and dividends in the year ahead.

The company was well-positioned and financially strong.

Pension funds may face sex discrimination suits

Samantha Sharpe (300) BD 23/6/95

EMPLOYEES and pension fund trustees could face legal action for gender discrimination in pension and provident funds, SA's largest life offices warned.

They said SA's Bill of Rights endorsed the equality principle, a factor which could prove troublesome to employers using discriminatory practices in their pension or provident funds.

While there was debate about the Bill of Rights application to relationships between individuals and entities, disputes involving pension funds could also be brought before the Industrial Court.

Southern Life legal advisor Rifke Gellman said in the latest Southern Life Viewpoint a number of pension and provident funds contained provisions which differentiated between male and female members.

She said gender provided for different retirement ages, with benefits, membership qualifications and contribution rates also related to sex.

Old Mutual assistant GM Henk Beets said such gender discrimination would qualify as unconstitutional not because it was "discrimination per se" but because it was "unfair discrimination".

Although some practices could be justified in terms of accepted norms and practices and actuarial principles — gender discrimination was based on females living longer than males — they would need to be addressed in the light of constitutional developments.

Some of these practices could also come under attack from the Industrial Court when it applied the spirit of the constitution and precedent-setting international law in making a decision, Beets warned.

Old Mutual assistant GM Chris Newell said discrimination also existed in many pension funds, which provided enhanced benefits for executives.

Huge pension fraud probed

(300) (~~299~~)

ST (CM) 25/6/95

By JESSICA BEZUIDENHOUT

THE Western Cape Health and Social Services Department is to launch a probe into widescale corruption, which they say has resulted in the department losing hundreds of millions of rand.

The department this week called for tenders for "forensic auditors" to assist in the investigation, for which they have budgeted R2 million.

The auditors will be part of a group of independent experts, including an economist and a lawyer, who will help track down pension fund fraudsters.

The team has been briefed to identify the sources of the alleged fraud and also to develop a computerised system to address the situation, which has been been described as "chaotic".

Provincial Health Minister Ebrahim Rasool said: "We have decided to appoint independent members to the team as we do not want a situation where we investigate ourselves.

"Although it will be expensive, we know that the investigation will reveal undetected levels of fraud," he said.

Previous investigations into the provincial pension fund found that "hundreds of millions of rands have fraudulently ended up in the wrong hands."

Mr Rasool said the department had suffered major losses over the year. He warned that people identified as being involved in fraudulent activities could face criminal charges.

Research conducted by the Southern African Development Education Research Programme, Sadep, has revealed a "significant absence of audit trails of expenditure," according to the ANC head of Social Welfare in the Western Cape, Ms Viviene Taylor.

She said there were no reliable statements for the departments' activities and there was an overall lack of adequate control procedures, which exacerbated the problem.

The Western Cape's Welfare expenditure patterns also indicated "definite political abuse" of the system.

Ms Taylor added that there were different levels of fraud and a major problem was the exploitation of the system by the public, particularly people drawing money on behalf of deceased relatives or fictitious beneficiaries.

Huge pension fraud probed

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(300)

Moves to limit pension fraud welcomed (300)

ARG 29/6/95

Health Reporter

THE Department of Social Services has won praise for moves to control fraud by tightening up payments of social pensions and grants.

Procedures to get a pension or grant for someone who is temporarily unable to do so will be changed from July 6.

John Visser of the Association of Retired People and Pensioners said although it would inconvenience people, there would be less fraud and pensions would go where they were meant to go.

Until now, casual illness forms could be filled in by a person nominated by the ill person, taken to the post office, and the person would be paid out.

People who can't collect their pensions or grants on payout day can now collect them later in the month, or follow a new procedure.

The pensioner must now nominate a representative who will go to the nearest services office of the department, or the nearest magistrate's office, and collect a letter of authority to allow him or her to collect the pension. Both the identity document of the pensioner and the nominated person must be taken along to the office.

Retirement planning — for the future

Sowetan 29/6/95

(300)

GENERALLY, a pension can be described as a series of monthly payments made to a worker for the rest of his life after they retire from their place of employment. If a worker dies after retirement, the monthly pension payments would continue to be made to his wife and children.

Provident funds provide a cash lump sum at retirement but no monthly amounts after payment of the full cash lump sum. Pension funds are similar in that the law allows workers to take as cash up to one-third of the total value of their pension, withthe other two-thirds being used to buy a monthly pension for the rest of a worker's life. The one-third cash amount is tax free up to a maximum amount of R120 000 or R4 500 multiplied by the worker's number of years service, whichever is the greater amount.

Apart from pensions being payable to workers for life, there are some important advantages of pension funds over provident funds. Receiving a monthly pension provides a regular income to retired people, which enables them to budget the costs of their everyday lives. Also, every year competitive pension funds increase the retired workers monthly pension by adding bonuses, which helps to fight inflation.

There are also considerable tax advantages to being a member of a pension fund while you are working.

From an employee's point of view contributions made up to a value of R1 750 or 7.5% of the worker's income, whichever the grater, is not taxable. From an employer's viewpoint, in practice the taxman allows a tax deduction of contributions made on behalf of workers, of up to 20% of a worker's wage. These tax concessions make membership of pension schemes attractive, and are an ideal way of motivating workers by offering them financial security after retirement.

In addition to regular pension payments after workers retire, the following benefits are usually found under pension funds:

Group Life Assurance

This benefit provides a cash lump sum to the family of workers who die while in the service of their employer. This is usually based upon a multiple of annual salary.

Disability benefits

This benefit is especially important to workers who are employed in positions involving manual labour, for example: bricklayers, mechanics and plumbers. It is a benefit paid to the worker when he cannot continue work due to ill-health or injury, and can be paid either as a cash lump sum or as a monthly income.

Funeral benefits

This benefit which is important to people whose culture requires that workers, their wives and children who die are treated with the greatest respect on the occasion of their funerals. The benefit is a cash lump sum, usually ranging between R2 000 and R10 000, which can be used to pay for funeral and related expenses.

If workers leave their employer, it is wiser to leave the accumulated contributions in the scheme, so that when bonuses are added over the years, eventually the worker will be able to enjoy a comfortable old age. Another option is for workers to transfer their contributions from their old employer to the new employer's pension scheme. Many workers take and spend their pension monies when they leave their employer, with the result that they have an unhappy and difficult retirement. With some careful planning for the future this would not happen.

For advice on retirement planning call Fortunate Seboko at Fedlife on 332-6768.

FR 469

A SURVEY IN THE STAR, ARGUS, DAILY NEWS AND PRETORIA NEWS

RETIRING EARLY TO AVOID TAX

From September 1, the Receiver will close the loophole that allows individuals to manipulate their financial affairs and retirement date to minimise taxation on lump sum retirement benefits. **BRUCE CAMERON** of BUSINESS REPORT examines the issue.

ADVERTISING: PATSY ROBINSON

Claim of thousands retiring incorrect

Star 30/6/95 (300)

No one really knows how many people will be forced into early retirement as a result of changes in tax legislation on lump sum retirement benefits.

The SA Chamber of Business has predicted "thousands" of people could be affected and would retire early, with serious consequences for the economy.

Neither the Life Offices Association nor Trevor van Heerden, the Commissioner for Inland Revenue, believe it.

In an interview, Van Heerden said he did not believe a very large number would be affected. There were two reasons: "The current tax structure had already resulted in people planning their retirement around the end of February, at the end of the tax year.

"By retiring at the end of the tax year private sector employees would reduce their income for the following year when they received the lump sum payment – this being the reason for the changes in the taxing structure in the first place."

Van Heerden argued that most people planning to retire early in the current tax year would have done so in February and would not have suddenly been taken by surprise by the changes in the legislation. "The altered structure affected mainly people in the higher income bracket."

He said a lot of people seemed to think that the R120 000 initial rebate on lump sums had dropped away. This was not the case.

Van Heerden believes the few high-profile early retirements, like that of Western Province Rugby Union president Ronnie Masson, as the Sanlam general manger in charge of investments, had given the incorrect image of a large number of retirements.

The Life Offices Association, which supports the legislation, agrees with Van Heerden.

LOA chairman Gerhard van Niekerk wrote a letter to the parliamentary finance committee about the issue after concern was expressed at a committee hearing on the effect of the tax changes.

In his letter, he said the concern appeared to be that many people in skilled and leadership positions would be lost to the business community at a time when the economy needed to maintain the growth which had emerged over the last year, and when individuals with these traits would be sorely needed.

"While we are in agreement that the country can ill afford to lose such people, we do not believe the impact through retirements will be as great as envisaged," he said.

"Firstly, while many are undoubtedly considering their options at present, clearly not all those people will in fact retire.

"From among those who will retire, we believe a considerable number of them will remain involved in business through taking up other positions in an after-retirement capacity or through fulfilling consulting roles to provide support for businesses needing their skills.

"Many such businesses (needing consultants) are likely to be small businesses, so indirectly this could support the initiatives of the RDP in regard to small business development."

Van Niekerk also argued against delaying the change until after a holistic investigation (announced this month by Finance Minister Chris Liebenberg) had taken place, which would include the retirement lump sum taxing differences between the private sector and the public sector.

"A holistic review should not lead to a situation where tax, which should have been levied in respect of benefits arising from past tax exempt contributions, is not recovered."

Van Niekerk said in any case if the issue was deferred for another six months the same problem of people retiring early would occur. This would also lead to another unnecessary and counter-productive round of financial planning sessions by senior executives.

A case for taxing lump sum benefits in the public sector

The row over the tax law changes aimed at stopping people engineering their date of retirement to take advantage of lower tax rates goes back to 1961.

It was in 1961 when the Commissioner for Inland Revenue first introduced the principle of taxing retirement lump sums.

"There were goods reasons for the move, says current Commissioner Trevor van Heerden. "Increasingly people were taking a greater and greater portion of their pension payouts as lump sums. It was a form of tax avoidance."

And it was all happening in the private sector.

Van Heerden said because the shift from monthly pension to lump sums was taking place only in the private sector, the tax was not applied to the public sector retirement funds.

He accepted that there is a moral argument now for the taxation of public sector funds, but this was hardly likely to add anything to the public coffers.

"State employees will fight like hell to ensure that anything they lose in taxes is made up in higher payments."

30/6/95

800

Change aimed at curbing two tax dodging schemes

Every year in February, before the start of the new tax year on March 1, the number of people taking retirement would hit high levels. The reason was not to take advantage of the late summer days, but to reduce taxation on lump sums payments.

The tax authorities did not like being diddled out of what it felt was its fair share of money as no tax had been paid on the money in the first place because money contributed to a retirement fund is deducted from taxable income. The tax on this portion is only paid after retirement.

The Commissioner of Inland Revenue has tabled an explanatory memorandum in Parliament to explain why and how this, and another method, of reducing tax liability on lump sum retirement benefits will be outlawed from September 1.

In the memorandum it is stated that various provisions of existing tax legislation acknowledge that a person's taxable income for a year may consist of "regular" recurrent income, such as a salary and business income, and "irregular" non-recurrent income, such as lump sum payments on termination of service, excessive farming profits derived in certain circumstances and special pay derived by mine proto-teams.

These irregular payments are given special taxation treatment in that they do not increase the taxpayer's "marginal" tax rate but are instead taxed at the "average" rate of tax, which is applicable to regular income.

To explain what is meant in the memorandum: Two different rates apply in paying income tax. The marginal tax rate is higher than the average rate because of the progressive form of income tax. This means that the more a person earns, the more they pay, but each step up the grades is blocked off.

Calculation

In simple terms the method of calculation of the marginal rate is: If someone earned R1 000 a month and the first step or grade of tax was 10%, they would pay R100 in tax on the amount. If the salary went up to R2 000 and the rate on second R1 000 earned increased to 20%, the person would pay R300 a month in tax – that is R100 on the first R1 000 and R200 on the second R1 000.

This progressive rate means no one can earn less by advancing into a new grade (The claim is often made that salary increases can be more than absorbed by tax but this is totally untrue.)

To calculate the average tax rate in this hypothetical example, take the total salary and the total tax paid and establish the average (R300 divided by R2 000 multiplied by 100 equals 15%). So if the person retired and received a R100 000 lump sum payment they would only pay 15% or R150 000 and not the higher 20% marginal rate. (These figures do not reflect the actual tax scales or rebates that apply but are used to simplify what can be a series of very complex calculations.

Until the change takes effect in September, it will be possible to reduce the rate of taxation on lump sum payments to the actual minimum average rate of 17% in the tax year of retirement.

The explanatory memorandum continues to say the changes to the taxation on lump sums is aimed at curbing various schemes by which taxpayers "artificially for tax purposes, reduced their regular income in a year in which irregular amounts were received".

Schemes

The first scheme involves making a single-premium contribution to a retirement fund equal to 15% of the taxable amount of a lump sum payment (the total less the first R120 000 which is tax free) received on termination of service. The deduction could easily reduce the taxable portion of regular income to zero, with the result that "wealthy taxpayers were able to contrive a minimum tax rate of 17% on pension or provident fund retirement benefits in excess of R1 million".

The tax changes will affect the calculation of a taxpayer's average rate of tax applicable on regular income by including only the percentage of the retirement annuity fund contributions that would have been permitted if an irregular payment had not been received.

The amendment to the tax legislation does not place any restriction on the amount of the retirement annuity fund contributions which may actually be allowed as a deduction in determining taxable income. It restricts only the use of such contributions to reduce the rate of tax payable.

The second method used to reduce the tax rate on lump sum payments was to arrange to have little or no regular income in the year of retirement by arranging to postpone a pension until the next tax year to reduce the average rate of tax to the minimum.

The amendment in the legislation provides that the average tax rate levied will be the higher of the rates for the current year and the preceding year.

Commissions will probe range of pension taxation issues

The changes in the taxation of private sector lump sum retirement benefits are only one of a number of pension taxation issues. A number of others are under investigation by the Katz commission of inquiry into the tax system and the Smith committee of inquiry into retirement provision.

One of the more controversial interim recommendations of the Katz commission was to cap claims for rebates on retirement contributions at R9 000 a year for employees and R18 000 a year for employers.

The proposal would affect people earning more than R10 000 a month and would net an estimated R200 million a year in additional taxes for government.

The recommendation sent the pension industry into a tizz, with warnings that millions of rand would be withdrawn or no longer invested in the retirement industry, undermining the country's already fragile savings base.

In the wake of the dire warnings of the industry, Finance Minister Chris Liebenberg held back on the issue in his Budget in April. But he warned that though several of the commission's recommendations were not included in the Budget, it did not mean they had been discarded.

However, apart from the taxation changes on private sector lump sum benefits, no other changes would be implemented until further work had been done, he said.

Other issues to be considered by the two commissions include:

- The deductibility of employer and employee contributions.
- The taxation of funds.
- The taxation of payments from funds.
- Tax neutrality between private sector and civil service pension contributions, with the civil service being excluded from taxation on lump sum benefits.
- Neutrality in taxing of defined benefit and defined contribution funds which have different tax regulations.
- The principle of tax penalties to prevent people, on resigning or retrenchment, from withdrawing their accumulated pension benefits to use for non-pension benefits.

'Equal pensions for equal work'

ARG 1/7/95 (300)

Gender discrimination in pension and provident funds is an increasingly important issue which employers and fund trustees have to be aware of. A number of South African pension and provident funds differentiate between men and women, writes Southern Life pensions adviser RIFKE GELLMAN.

THE matter of equal treatment of men and women in pension matters has, in the last few years, received much attention in the United Kingdom.

European law has played a major role in the debate — in particular article 119 of the Treaty of Rome, which provides that men and women should receive equal pay for equal work.

The judgment of the European Court of Justice (ECJ) in the case of *Barber v Guardian Royal Exchange* (Case C 262/88 (1990) — ECR 1-1889) brought the question of equal treatment of men and women to the fore in the British pensions industry.

In this case, the court held that article 119 requiring equal pay also applied to pension rights.

In the Barber case, the pension fund in question had different retirement ages for male and female members (65 for men and 60 for women). It appears that early retirement could take place within 10 years of normal retirement age.

Mr Barber was made redundant at the age of 52 and was not yet entitled to a pension, whereas a female employee made redundant at the same age could receive an early retirement pension.

This was held to be contrary to article 119, in other words, the provision was discriminatory on the basis that it amounted to unequal pay.

There have been a number of further cases in the ECJ concerning the question of gender discrimination. The following are a few of the issues which have been decided:

- The right to join a pension scheme falls within the equal pay provisions of article 119 and men and women cannot be treated differently in this regard.
- The exclusion of part-time workers where this affects many more members of one sex than another can fall foul of article 119.
- Trustees, not only employers, are bound by equal treatment requirements and must do everything in their power to ensure equal treatment.
- Gender based actuarial factors used to calculate capital benefits or substitute benefits, for example, commutation factors, are acceptable.

A number of South African pension and provident funds contain provisions which differentiate between male and female members. For example:

- The rules provide for different normal retirement ages for men and women, ie 65 years for men and 60 years for women.
- Benefits differ between male and female members — for example a widow's pension may be provided, but not a widower's pension.
- There are different membership qualifications for male and female employees.
- Different contribution rates may apply to male and female members.

Following the judgments of the ECJ, this sort of differentiation results in inequality and can be attacked on this basis.

The principle of equality is fundamental to the Bill of Rights contained in Chapter 3 of our Constitution. Section 8 of the Constitution states:

"(1) Every person shall have the right to equality before the law and to equal protection of the law.

(2) No person shall be unfairly discriminated against, directly or indirectly, and, without detracting from the generality of this provision, on one or more of the following grounds in particular: race, gender, sex, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture or language."

There is some debate as to the application of the Bill of Rights. The question is whether it applies vertically only (between the state and its citizens) or whether it also applies horizontally (between individuals and entities). Conflicting views have been expressed in the Supreme Court and the matter is yet to be settled.

Even if the Bill of Rights is interpreted as applying only to relationships between the state and its citizens, it cannot be ignored in relation to pension fund matters. Disputes involving pension funds may be brought before the Industrial Court and the court is likely to be influenced by the Bill of Rights in exercising its unfair labour practice jurisdiction.

The draft Labour Relations Bill, published in the Government Gazette in February this year in the form of a negotiating document, makes provision for a "residual unfair labour practice definition". "Unfair labour practice" is defined in the Bill as any unfair act or omission arising between employer and employee and includes:

- Any direct or indirect unfair discrimination on the grounds of sex.
- Unfair conduct of an employer concerning the provision of benefits to an employee.

According to the explanatory memorandum to the Bill, this definition is to apply "pending the introduction of more comprehensive legislation regulating equal opportunity in employment in the near future".

The Bill is still under discussion but it does indicate the direction which future legislation regarding discrimination is likely to take.

Employers and trustees should examine existing benefit structures in order to ensure that funds do not contain provisions which result in unfair discrimination.

Not all forms of differentiation constitute unfair discrimination. Unfair discrimination is that which has no reasonable grounds or justification.

If a rule provision which discriminates between male and female members can be justified on actuarial grounds, it may be argued that it does not constitute unfair discrimination.

Employers and trustees will need to consider the cost implications of changes in benefit structure as well as members' existing rights.

For example, if a fund has a normal retirement age of 65 years for men and 60 years for women, how should this be changed?

If the normal retirement age is changed to 65 years for all, what about those women who have almost reached 60 years and are expecting to retire at that age or those who are continuing in service after normal retirement age and have not reached 65 years?

Alternatively, if the male normal retirement age is reduced to 60 years, this could have major cost implications for employers who have defined benefit funds.

There is a trend for retirement funds to move away from provisions which differentiate between male and female fund members. However, a number of funds still operate on the basis of discriminatory provisions and steps should be taken to remedy this.

Warning on retirement law changes

(300) CT 25/7/95

PEOPLE who own homes in retirement villages should ensure their rights are not eroded by amendments to the Retired Persons Act, a group of city property owners urged yesterday.

The Property Transactions with Consumers Bill will amend this act, reducing rights incorporated in earlier amendments to protect pensioners against exploitation by unscrupulous developers, a group spokesman said.

Exploitation led to legislation being amended in 1989, 1990 and 1991, closing loopholes used by retirement village developers to deliver fewer services than expected.

Anyone who has experienced difficulties after buying into a retirement village should write to The Chairman, Ad Hoc Technical Committee on Consumer Legislation, Property Transactions with Consumers Bill, Private Bag X84, Pretoria 0001.

The deadline for comment is July 31. — Sapa

Govt warning on pensions cut-off date

(300)

Samantha Sharpe

BD 27/7/95

PEOPLE rushing to retire before September to avoid paying tax on lump sum benefits could still find themselves subject to the new tax dispensation, inland revenue warned yesterday.

Inland revenue senior tax officer Vlok Symington said many people were under the impression that if they retired on August 31 they would escape paying the higher average rate of tax applicable from September 1.

However, in terms of most pension fund rules, pension fund benefits accrued the day after retirement. "If an individual retires on August 31 his benefits will normally accrue on September 1, which places him well inside the new tax dispensation."

Symington said inland revenue had issued a note to life offices reminding them that the day after the date of retirement, in terms of pension and provident fund and retirement annuity rules, was the first day in retirement. He warned people planning to retire on August 31 to escape higher average tax rates to check their pension fund rules to establish exactly when lump sum benefits accrued.

Old Mutual legal analyst David Marcusse said the 1995/96 budget review indicated that amendments to the average rate concession would apply to taxpayers terminating service on or after September 1. "Many understood this to mean that the determining factor was the date on which services are terminated. The 1995 Income Tax Act makes it clear that the new tax regime will apply in respect of all benefits which accrue on or after September 1."

Old Mutual employee benefits legal services manager Kobus Hanekom said there were ways of circumventing the lump sum technicality. "Members can retire one month earlier — at the end of July — and receive all their benefits on August 1. The

Continued on Page 2

Pensions

(300)

Continued from Page 1

BD 27/7/95

disruptive effect of this option at this late stage could be reduced by an agreement to remain on until the end of August as a consultant." Another option would be for fund trustees or boards to amend rules so that benefits would accrue on the last day of the month. Inland revenue would support both measures.

However, Southern Life senior legal adviser Rosemary Lightbody said inland revenue's note would have caught many people intending to retire unawares. A Southern Life representative would approach the Life Offices Association today to canvass its help in persuading inland revenue to change its stance.

Squabbles keep old age home closed

(300) ST(CM)30/7/95

By JESSICA BEZUIDENHOUT

A MULTI-MILLION rand frail care home in Guguletu, completed several months ago, is standing empty — because of "differences" between its management officials.

This week, except for a solitary security guard outside the Phumlani Centre in NY1, the home was deserted.

The opening of the home is being delayed by "bureaucratic hassles", according to social workers, who asked not to be named.

A spokeswoman for the Western Cape's Department of Social Services said the Phumlani project has been "coming on for a very long time".

Although outstanding issues with the builders still needed to be sorted out, one of the main causes for the delay in opening it was "differences within the management structure of the home," she said.

The department has arranged a meeting with management next week to sort out these differences. Once this had been resolved the home, which can accommodate 134 people, would be staffed and residents could begin moving in, she said.

One elderly Guguletu resident said the only other place where the frail could go was a day-care centre. But this was not adequate as many of the people needed permanent accommodation which also offered 24-hour frail care services.

DESERTED . . . The Phumlani Frail Care Centre still vacant several months after completion **Picture: JUSTIN SHOLK**

Pensions to be increased

(300)

AN increase in social grants and pensions has been implemented nation-wide — although recipients in the Cape will get their increases only in August.

The social grants and pensions will be placed under one main-frame system in October.

CT 3/8/95

Suspension cloaked in mystery

(300) CT (PR) 3/8/95

BY ROY COKAYNE

PRETORIA BUSINESS EDITOR

A veil of secrecy has been thrown over the suspension of Paul Stone, the chairman of the Sefalana Employees Benefit Organisation, which has assets of R4,2 billion and administers the four funds of the former Bophuthatswana government.

Stone was suspended in April — apparently by the department of finance — and an "internal hearing" will begin tomorrow.

Wim du Toit, the secretary of the benefit organisation's transitional management committee, said the hearing was expected to last about a week.

Efforts to obtain further information about Stone's suspension and the hearing have been unsuccessful.

Most officials approached for comment said the matter was "sensitive", without saying why.

They would not say who would preside over the hearing; in terms of what rules, regulations or laws the hearing was being conducted; or what the charges or allegations against Stone were.

□ The organisation recently gave formal notice of its intention to dispose of the commercial interests of the Bophuthatswana National Provident Fund. These companies are: Bala Business Systems, a franchised office automation company; Bodisatswana Investments; Business Systems, a franchised motor dealership and nine independently operated service stations; Craft Press Holdings and its subsidiaries, comprising a commercial and book printer; and a travel agency, North-West Travel.

Pension relief promised

ET 14/8/95 (300)

PIETERSBURG: President Nelson Mandela promised at the weekend relief to pensioners receiving meagre monthly payouts.

Addressing a Women's Day rally here, he said the government was restricted by a rigid fiscal policy.

However, the disparity in pensions — from R300 to R3 000 per month — could not be tolerated.

"We will try to improve the lot of our hard-pressed senior citizens," he promised.

He said the issue of the government paying traditional leaders would not be settled soon as certain steps regarding the draft bill had not been adhered to. The bill would be referred back to parliament.

Regarding the provision of electricity to rural communities, he said this was progressing at a satisfactory rate of 1 000 houses a day. — Sapa

Questions standing over from Wednesday, 28 June 1995:

Tax rebates

*2. Mr M F CASSIM asked the Minister of Housing:

(1) Whether mortgage payments by first-time house or apartment owners qualify for tax rebates; if not, why not; if so, what is the nature of the rebates;

(2) whether any steps have been taken or are to be taken to encourage ownership of dwellings through tax incentive schemes; if not, why not; if so, what are the relevant details?

N852E

The MINISTER OF FINANCE (for the Minister of Housing):

(1) No. Government provides financial assistance to persons who acquire ownership of homes for the first time by means of its subsidy scheme to households with an income of R3 500 and less per month.

Within the framework of the subsidy scheme, households with an income of R800 and less per month qualify for a subsidy of R15 000, households in the income group R801 to R1 500 for a subsidy of R12 500, households in the income group R1 501 to R2 500 for a subsidy of R9 500 and households in the income group R2 501 to R3 500 for a subsidy of R5 000.

The point of departure of the scheme is to enable beneficiaries to obtain home-ownership for the first time. This occurs by means of a once-off capital grant by the State.

Subsidies may also be credit-linked in so far as the purchaser complies with the requirements of financial institutions. Given the fact that the subsidy, as indicated, is a State grant, there are in these instances, however, no tax rebates on bond repayments.

(2) No, as is evident from the above, the subsidy is aimed at enabling beneficiaries to obtain ownership of residential property for the first time.

The possible influence of tax on the subsidies which are allocated is, however, thoroughly accounted for during the development of policy. In this regard it is confirmed that the Katz Tax Commission in its first Interim Report proposed that all existing and proposed tax incentives be subjected to certain tests in order to determine whether any justification exists for the incentives. Considering this fact as well as various other aspects which are presently being investigated by the Commission, the Commission has indicated to the Department of Housing that no additional tax incentives for housing purposes can be recommended at this stage.

The DEPUTY SPEAKER: Order! May I request hon members to speak softly. The conversation is much too loud. We should all be giving our attention to the answers provided to questions.

European Union: financial contribution to SA

*3. Mr M van S HAMMAN asked the Minister of Finance:

(1) Whether the European Union has committed itself to an annual financial contribution to South Africa; if so, (a) What is the amount involved, (b) for how many years will the contribution be made and (c) for what purposes is the contribution to be used;

(2) whether any conditions were attached to this contribution; if so, what conditions?

N853E

The MINISTER OF FINANCE:

(1) (a) 125 million ECUs.

(b) one year.

(c) (i) NGOs:

- The Human Rights Programme.
- Support for the Urban Sector Network.
- Support for the Rural Development Services Network.
- Support for the Land and Agriculture Policy Centre.

(ii) Government

Hansard 16/8/95

- Urban Development.
- Economic co-operation, trade and investment promotion and support for Small, Medium and Micro Enterprises (SMMEs).
- Good Governance and Democratisation.
- Micro Projects Programme.
- Water and Sanitation Programme.
- Other: The EC is proposing the submission of a consultancy programme.

(2) No tied aid conditions attached. (Grant Aid).

The DEPUTY SPEAKER: Order! Did the hon Minister of Finance indicate the number of years? I think question (b) was for the number of years that this amount will be made available.

The MINISTER OF FINANCE: It is only for one year.

The DEPUTY SPEAKER: Thank you.

State Tender Board: affirmative action criteria

*15. Mr J A JORDAAN asked the Minister of Finance:

Hansard 16/8/95

Whether the State Tender Board uses any affirmative action criteria in the awarding of tenders for state contracts; if so, (a) what criteria and (b) when were these criteria introduced?

N868E

The MINISTER OF FINANCE: Mr Speaker, I am talking more today than for the entire sitting yesterday afternoon. [Laughter.]

Yes. (a) Some contracts are split and tenders are invited and adjudicated on a regional or even subregional basis. As a result of the fact that these quantities are considerably smaller than a tender invited on a national level, small and upcoming businesses are afforded the opportunity to be considered for state contracts. Furthermore, tender conditions in respect of building tenders in particular stipulate that tenders from tenderers which use labour intensive methods are preferred. Tender conditions also make provision that contractors should utilise local labour or that subcontractors who utilise local labour may be appointed.

(b) Approximately July 1994.

I may just add that a taskk team appointed by the Ministries of Finance and of Public Works to investigate the revision of the tendering system, *inter alia*, with regard to affirmative action, regarding the position of small, medium and micro enterprises has been initiated. Inputs will be invited from all stakeholders, namely the Government, labour, business and civil society.

Public sector's pension and provident funds: investment

(300)

*18. Mr K M ANDREW asked the Minister of Finance:

Hansard 16/8/95

(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 his Department intends increasing this percentage; if not, why not; if so, (a) how and (b) when?

N871E

The MINISTER OF FINANCE:

(1) At present, a relatively small portion of the public sector's pension and provident funds are being handled by the private sector. In certain instances over the last four years, the Public Investment Commissioners have purchased low risk fixed-term capital-guaranteed investment contracts from some of the major insurance companies which, other than the direct equity investments mentioned hereafter, represents public sector funds being handled by the private sector. These contracts represent an investment of R3,4 billion, or more or less 4%, of the public sector pension fund money available.

The Public Investment Commissioners are, however, presently considering proposals for the external management of their existing equities portfolio which, at present market values, amounts to approximately R5 billion, or more or less 6% of the public sector pension fund money available for investment.

(2) The Public Investment Commissioners—the investment division of the Department of Finance—are continually looking for higher-return, but sufficiently low-risk, opportunities which should ensure further participation by the private sector to the management of the PIC's investment funds. Some new contracts may arise from the PIC's initiatives whilst others may appear by appropriate products being made available by the participants in the investment industry. It is not possible to put a time to the availability of these opportunities.

NGOs applying for tenders for RDP projects

*19. Mr K M ANDREW asked the Minister without Portfolio:

(1) Whether non-governmental organisations applying for tenders for RDP projects are required to disclose any information concerning the source of their funding; if not, why not; if so, (a) what particular information are they obliged to disclose and (b) to whom is this information made available;

(2) whether NGOs applying for tenders are required to disclose any other financial information; if so, what information?

Hansard 16/8/95 N872E

The MINISTER WITHOUT PORTFOLIO:

Tenders for RDP projects are issued in terms of the rules of the relevant Tender Board. The RDP Office has set general conditions for RDP projects, regarding such things as affirmative action, community consultation and training. No special conditions were set regarding tendering by NGOs. They would therefore apply for tenders on the same basis as any other legal persona.

Petition against anti-dumping duties

*24. Mr M van S HAMMAN asked the Minister of Trade and Industry:

(1) Whether a petition has been lodged with the (a) United States' Department of Commerce and/or (b) International Trade Commission against the imposition of anti-dumping duties in respect of South African circular non-alloy steel standard pipes; if so, (i) when and (ii) what is the extent of these duties;

(2) whether his Department intends taking any steps towards assisting South African firms which will be affected by these duties; if not, why not; if so, what steps?

N877E

The MINISTER OF TRADE AND INDUSTRY:

On 26 April 1995 certain US producers of circular welded non-alloy steel pipe submitted an anti-dumping petition to the United States Department of Commerce (USDC) and the United States International Trade Commission (USITC). The petition was filed in terms of section 731 of the US Tariff Act, 1930.

In accordance with GATT/WTO regulations and prior to the USDC commencing an investigation, the USITC had to make a determination whether there was a reasonable indication that a US industry was being materially injured or threatened with material injury by imports of the above-mentioned products from South Africa at allegedly less than fair value.

On 12 June 1995 the USITC made an affirmative determination and, as a result, the USDC has commenced an anti-dumping investigation which has to be completed according to a statutory timetable. As such the investigation has not been completed and a final determination will only be made in due course.

It should be noted that an anti-dumping procedure is a legal case directed at a private company or companies being the exporters of the goods. The Department can only intervene on behalf of such a company or companies if there has been an obvious contravention of the GATT/WTO rules by the investigating authority. The Department of Trade and Industry and its representative in Washington, D.C. have, in terms of normal procedure, assisted the South African companies and their legal representatives with advice as far as possible.

In the light of the foregoing it is thus apparent that the Department cannot become involved in the legal processes of the case and the determination of the competent US authorities must be awaited.

Meeting on or about 26 May 1995 at Groblersdal

*30. Mr A WATSON asked the Minister for Provincial Affairs and Constitutional Development:†

(1) Whether, during a meeting on or about 26 May 1995 at Gorblersdal at which his Deputy Minister had to test the feeling of the community in respect of inclusion into the Province of Northern Transvaal, any residents of that province were transported by bus to attest in favour of such inclusion; if not, what is the position in this regard; if so, (a) from where were such residents transported and (b) who bore the expenses of the hiring of the buses;

(2) whether his Department sanctioned the hiring of these buses; if not, what is the position in this regard; if so, what are the relevant details;

(3) whether he or his Department intends investigating the matter; if not, why not; if so, what are the relevant details;

(4) whether he will make a statement on the matter?

N885E

The DEPUTY MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT:

(1) and (2) The Deputy Minister for Provincial Affairs and Constitutional Development convened a public meeting at Groblersdal following a request by the Premiers of Eastern Transvaal and Northern Transvaal to make recommendations regarding the future of the Groblersdal district. The meeting was held in the hall of the Agricultural Union at Gorblersdal on 26 May 1995. Several members of the public arrived at the meeting by bus. Neither the Minister for Provincial Affairs and Constitutional Development, nor the Department of Constitutional Development was responsible for the travel arrangements of those who attended the meeting. The requested information is therefore not readily available in the Department. Documentation received at the Office of the Deputy Minister does contain allegations that buses were hired by the Northern Transvaal Services Council to transport people from Northern Transvaal to Groblersdal.

(3) No. Neither I nor the Department is aware of any reason why the matter should be investigated.

(4) There is nothing to be added to what I have already said.

Mr A WATSON: Mr Speaker, arising from the Deputy Minister's reply, minutes before I came into the Chamber I received—and I have to hand—copies of two official orders of the Northern Transvaal Services Council, issued by the chairman of the Northern Transvaal Services Council, who openly sides with the ANC and fights for the removal of Groblersdal and Marble Hall to the Northern Province. With this I think we have to . . . [Interjections.]

The DEPUTY SPEAKER: Order! Could you kindly put your question?

Mr A WATSON: Mr Speaker, I am leading to my question; I must support my question. My question is, with substantive information and proof like this, will the Minister now be prepared to investigate the matter, and issue a statement?

The DEPUTY MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT: Mr Speaker, it is quite obvious that I have no idea what documentation the hon member is speaking about, as it is in his hands. If we have a look at it, it is only then that we can consider his question. [Interjections.]

Former chairman of Manpower Commission

*33. Dr F J VAN HEERDEN asked the Minister of Labour:†

(1) Whether the Government has already taken a decision on the position of the former chairman of the Manpower Commission, whose name has been furnished to his Department for the purpose of his reply; if not, when is it expected that such a decision will be taken; if so, (a) what was this decision and (b) when;

(2) whether the person involved has already been informed about this decision; if not, why not; if so, when?

N888E

The MINISTER OF LABOUR:

(1) Yes. The position of the Chairperson of the National Manpower Commission (NMC) became redundant when the NMC was replaced by the National Economic, Development and Labour Council on 18 February 1995. Although the former Chairperson requested premature retirement, this

were killed along the Durban coastline for the purposes of shark research.

Parks Board of Bophuthatswana

*9. Mr A S BEYERS asked the Minister of Environmental Affairs and Tourism:†

(1) Whether his Department has received any complaints with regard to alleged corruption in the former Parks Board of Bophuthatswana; if so, what are the relevant details;

(2) whether these complaints have been investigated; if not, why not; if so, what are the relevant details?

N907E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM:

(1) No complaints with regard to possible corruption in the former Bophuthatswana Parks Board have been received.

(2) The matter was not investigated because there were no complaints reported.

Special remission of sentences

*10. Mr C G NIEHAUS asked the Minister of Correctional Services:

(1) Whether he will furnish the reasons why the special remission of sentence, granted in accordance with section 82(1)(k) of the Constitution, was granted to a certain person, whose name has been furnished to his Department for the purpose of his reply; if not, why not; if so, what are the reasons;

(2) whether it is the intention that this special remission of sentence will continue to benefit prisoners; if not, what is the position in this regard; if so, (a) for how long and (b) what categories of prisoners will benefit therefrom;

(3) whether he intends taking any steps in this regard; if not, why not; if so, what steps?

N908E

The MINISTER OF CORRECTIONAL SERVICES:

(1) Yes. On 9 November 1994, in terms of section 82(1)(k) of the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993), special remission of the remainder of their sentences was granted to all persons of 60 years and older, sentenced on or before 10 May 1994 and who were or would have been incarcerated on 10 May 1994. This included persons who were sentenced on or before 10 May 1994, and who were released on bail pending appeal, and who reported to serve their sentences at a later stage. The person concerned met all the requirements.

(2) Yes.

(a) For as long as there are still persons who qualify for this special remission of sentence.

(b) All sentenced persons who qualified in terms of this special remission of sentence granted by the President.

(3) No. All persons who were imprisoned and qualified for this special remission of sentence, have already been released.

*11. Ms E D PETERS—Education. [Question standing over.]

Gauteng: members of self-defence units arrested

*12. Mr V B NDLOVU asked the Minister for Safety and Security:

Whether any members of self-defence units have been arrested after (a) killing other members of such units and (b) injuring innocent people on the East Rand in the Province of Gauteng in April 1995; if not, why not; if so, (i) how many and (ii) what are the further relevant details?

N926E

The MINISTER FOR SAFETY AND SECURITY:

(a) No.

(b) No.

Due to the lack of sufficient evidence, but investigations are continuing.

(i) Not applicable.

(ii) Not applicable.

Note:

During April 1995, two (2) cases were reported in this regard. On 1 April 1995 a funeral procession was attacked allegedly by members of a SDU. Subsequently two (2) persons were killed with 9 mm pistols and three (3) injured.

On 30 April 1995 another funeral procession was attacked, also allegedly by SDU members. In this case one (1) person was killed and six (6) injured.

Umlazi: members of self-defence units arrested

*13. Mr V B NDLOVU asked the Minister for Safety and Security:

(1) Whether any members of self-defence units have been arrested following the murder of six persons allegedly by such members who were wearing police uniforms near the Glebelands Hostel and Zamani informal settlement at Umlazi in April 1995; if not, why not; if so, how many;

(2) whether any investigation has been conducted into the matter; if not, why not; if so, what progress has been made in this investigation?

N927E

The MINISTER FOR SAFETY AND SECURITY:

(1) Due to insufficient evidence, no arrests have been made to date. At present, only hearsay evidence is available to the effect that the alleged attackers are residents of the Glebelands Hostel, but they cannot be connected to self-defence units in the said area.

(2) The said incident is at present under investigation by the Unrest and Violent Crimes Investigation Unit, Durban. Umlazi CR 278/4/95—murder refers. The matter is still subject to further investigation.

Shortage of drinking wager

*14. Kgoshi M L MOKOENA asked the Minister of Water Affairs and Forestry:

(1) Whether he or his Department intends establishing any short-term programme and/or project to alleviate the shortage of drinking water in rural areas in the (a) Northern Province and (b) Province of Eastern Transvaal; if not, why not; if so, what are the relevant details;

(2) whether his attention has been drawn to the fact that residents in certain of these areas are buying drinking water from nearby White towns; if so,

(3) whether he intends taking any steps in this regard; if not, why not; if so, what steps;

(4) whether he will make a statement on the matter?

N945E

The MINISTER OF WATER AFFAIRS AND FORESTRY:

(1) In addition to the four Presidential Lead Projects in the Northern Province and Eastern Transvaal Province initiated last year, and the drought relief programme which has generated nearly 500 new water services in these provinces, a further RDP funded programme worth R205 million has been initiated. 42 Projects have been identified in the Northern Province and 11 in the Eastern Transvaal Province. Further details are available from the provincial offices of the Department.

(2) and (3) It is entirely appropriate for rural communities to purchase water from neighbouring towns where services are available although we should note that there are no longer such things as white towns. The Department of Water Affairs and Forestry would be concerned if there were any evidence that the conditions under which water was purchased were exploitative and would intervene, within the limits of its power, in such cases.

(4) The Department is actively involved in supplying water to communities who do not have access to a safe and dependable supply of water. To this extent nearly two million people have over the last fifteen months been supplied or are in the process of being supplied with water on a more permanent basis.

The emphasis is shifting from emergency supply of water to permanent infrastructure to ensure that the water needs of all the people of our country are met on s sustainable basis.

Social and old-age pensions (300)

*15. Kgoshi M L MOKOENA asked the Minister for Welfare and Population Development:

Hansard 16/8/95

(1) Whether the granting of social and old-age pensions is a privilege or a right;

(2) what criteria are used in granting social and old-age pensions;

(3) whether he or his Department intends, taking any steps in this regard; if not, why not; if so, what steps?

N946E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

(1) To apply for social and old-age pensions is a right and provided that the applicant complies with the set criteria, he or she has the right to the granting of such pension;

(2) the following criteria for the granting of social or old-age pensions are applicable

— citizenship;

— permanent residency in South Africa;

— a set age of 60 years for females and 65 years for males; and

— compliance with the requirements of a means test;

(3) yes, with the implementation of the Social Assistance Act, 1992 (Act 59 of 1992) the discretion of the Director-General will fall away in order to establish the rights of persons.

The means test in the new Social Assistance Act, 1992 has been made more lenient by allowing that the house in which the applicants lives, not be taken into consideration when the means test is applied and that additional earnings be scaled down by 50% and not by 100% as is presently the case.

Augrabies Waterfall

*16. Ms E D PETERS asked the Minister of Water Affairs and Forestry:

Whether he or his Department has taken or intends taking any steps aimed at the retention of water passing through the Augrabies Waterfall towards Alexander Bay and ultimately into the sea; if not, why not; if so, (a) what steps, (b) how many persons and/or communities is it envisaged will benefit from such retention and (c) what benefits will it hold for the (i) Province of the Northern Cape and (ii) communities of Noudonsies and Augrabies?

N947E

The MINISTER OF WATER AFFAIRS AND FORESTRY:

(a) and (b) Yes. The Department of Water Affairs and Forestry is currently evaluating the replanning of the Orange River and the study will be completed by the end of 1996. The study has been undertaken in close contact with affected parties, Provinces and countries. It should be noted that it will be uneconomic to prevent all water reaching the sea due to the extreme nature of large floods. In addition considerable quantities of water are required for environmental purposes for the maintenance of the ecology of the Orange River mouth. Water flows to the lower end of the Orange River will also be required to meet international commitments with Namibia which are currently being determined by negotiation.

(c) (i) and (ii) The benefits to be derived by the Province and other communities will only be quantified once the replanning study has been completed and its findings accepted.

Embassies in former independent homelands

*17. Mr C W EGLIN asked the Minister of Foreign Affairs:

(1) Whether any South African embassies still exist in any of the former independent homelands; if so, (a) in which homelands and (b) in respect of each such embassy, (i) how many staff members are employed, (ii) what is the total monthly running cost and (iii) what functions does it perform;

(2) whether his Department intends closing down any of these embassies; if not, why not; if so, when in each case?

N948E

The MINISTER OF FOREIGN AFFAIRS:

(1) All the South African embassies in the former independent homelands are closed.

(a) Falls away.

(b) Falls away.

(i) Falls away.

(ii) Falls away.

(iii) Falls away.

(2) Falls away.

Amendment to Liquor Act

*18. Mr A J LEON asked the Minister of Trade and Industry:

Whether he intends introducing legislation aimed at amending the Liquor Act to allow for a greater degree of deregulation in the sale of liquor; if not, why not; if so, (a) what degree of deregulation will be proposed and (b) when?

N949E

The MINISTER OF TRADE AND INDUSTRY:

(a) The Draft Liquor Amendment Bill, 1995 which has been lodged for consideration by Parliament during the current session is only aimed at the assignment of the administration of the Liquor Act, 1989 (Act No 27 of 1989) to the provinces and to repeal the Liquor Laws of the former TBVC-States and self governing territories. It is hoped that this Bill will be passed during this session.

(b) If and when the Bill is passed by Parliament, the drafting of a new Liquor Act will start immediately. The new Liquor Act will be drafted in consultation with all stakeholders, for instance the provincial Liquor Boards, the liquor trade, churches, anti-alcohol and other welfare organisations and the public at large. It is therefore impossible to speculate at this stage on any degree of deregulation. It is envisaged that the new Liquor Act will be submitted to Parliament for consideration during the 1996 session.

MK members appointed to SANDF

*19. Mr W N BREYTENBACH asked the Minister of Defence:

Whether any MK members appointed to senior staff posts in the South African National Defence Force have been or are involved in private staff meetings in Shell House; if not, what is the position in this regard; if so, (a) who are the MK members involved and (b) what are the reasons advanced for the privacy of such meetings?

N951E

The MINISTER OF DEFENCE:

No. I have been informed that no *private* staff meetings have been held in Shell House by former MK members now holding senior staff officer appointments in the South African National Defence Force. Meetings held were official with the permission of higher authority.

Lt Gen Nyanda is presently the acting Chief of Staff of the South African National Defence Force. He has been delegated by the Chief of the South African National Defence Force to continue as Chief of Staff of MK until the integration of all non-statutory forces into the South African National Defence Force has been completed. Lt Gen Nyanda also chairs the Integration Committee. In order to carry out his functions, he and a few officers of the SA Medical Services maintain offices in Shell House to oversee, co-ordinate and provide assistance to MK members still to be integrated. All meetings at Shell House are therefore authorised. I have no knowledge of any other unauthorised meetings having taken place.

Child protection unit of SAPS

*20. Col N G RAMAREMISA asked the Minister for Safety and Security:†

(1) Whether it is the intention to dismantle the child protection unit of the South African Police Service; if not, what is the position in this regard; if so, what are the relevant details;

(2) whether he or his Department has received any representations in this regard; if so, (a) from whom, (b) what was the nature of the representations and (c) what was his decision or the SAPS thereon?

N955E

The MINISTER FOR SAFETY AND SECURITY:

(1) No, the present *status quo* will be maintained.

(2) No; (a) not applicable, (b) not applicable, (c) not applicable.

Pensions register aims to cut down on fraud

Staff Reporter

A PROJECT to re-register the personal details of all pensioners has been initiated by the Department of Social Services, in a bid to eradicate double pension payments or the payment of pensions to deceased people.

All state pensioners will have to visit registration points personally to ensure they get state pensions in future.

Ruyterwacht, Cloetesville and Idas Valley near Stellenbosch, and Zwelethemba near Worcester have been selected for pilot projects to test the new system.

After eliminating any gremlins, officials will start the mammoth task of re-registering all pensioners in the Western Province.

Social services department assistant director Rudi Joubert said the exercise was aimed at establishing a single data base for all pensioners who were previously registered with several state departments.

Ruyterwacht residents who get disability and maintenance grants are being re-registered at the Zerilda Steyn Hall from today. (3007)

Cloetesville pensioners will be enrolled on August 28 and 29 in the Cloetesville Dutch Reformed Church, and Idas Valley pensioners will be registered on August 30 and 31 in the Eikestad Community Hall.

Pensioners will be notified about registration dates through the media, churches and other community organisations.

ARGT 16/8/95

Pension problems revealed

(300)

Cape Town — The Government did not know exactly how many MPs who served in Parliament and TBVC legislatures before April 1994 were receiving pensions, Deputy Finance Minister Alec Erwin said yesterday.

"We are having some difficulty ascertaining from certain of the former TBVC territories who got a pension," the deputy minister added. — Sapa.

Star 17/8/95

QUESTIONS

†Indicates translated version.

For written reply:

RDP application forms received from various districts

281. Mr G Q M DOIDGE asked the Minister without Portfolio:

Whether any RDP related application forms have been received by the (a) Departments of (i) Public Works, (ii) Local Government and Housing, (iii) Health and (iv) Education and (b) RDP unit in the former Eastern Cape from the districts of (i) Mt Fletcher, (ii) Maluti, (iii) Matulule, (iv) Cedarville, (v) Kokstad, (vi) Mt Ayliff, (vii) Mt Frere, (viii) Umzimkulu and (ix) Tabankulu during the period 1 May 1994 up to 26 April 1995; if so, (aa) what are the relevant details in each case and (bb) how are such application forms being dealt with?

Hansard 17/8/95

N563E

The MINISTER WITHOUT PORTFOLIO:

In the normal course of events, information on project level applications is not conveyed to the Office of the Minister without Portfolio. We would only be notified of progress with such projects (as approved at Provincial level), or receive them as part of comprehensive provincial business plans, which would come through the Provinces, or a central Government Department or both.

Under the circumstances, the member should direct his question to Provincial authorities, or Ministers of Education, Public Works, Housing or Health.

Public Service Pension Fund: Government's contribution

300

352. Mr J A JORDAAN asked the Minister for the Public Service and Administration:

(1) Whether the Government intends reducing its contribution to the pension fund of each member of the Public Service Pension Fund in order to make additional funds available for the improvement of the working conditions of public servants; if so, (a) by what average amount and (b) what total amount will be so made available;

Hansard 17/8/95

(2) whether the reductio of contributions will differ in respect of the different salary scales; if so, to what extent;

(3) whether the Government is bound by any agreements with employee organisations to increase the funding level of the said Fund; if so, how is this agreement to be reconciled with the decision to reduce Government contributions to improve working conditions?

N714E

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION:

(1) Yes,

(a) the additional costs for improvement in conditions of service, ie over and above the amount that has already been voted for this purpose, will be funded by reducing the State's contribution ratio to the Government pension funds with a factor that will be determined by an actuary;

(b) R1,06 billion;

(2) the State's contribution to pension funds is based on the contribution a member makes to his or her pension fund. The member's contribution again, is based on a fixed percentage of his or her pensionable income. The reduction in the State's contribution will therefore differ to the extent that members' contributions differ from each other; and

(3) an agreement with employee organisations was reached to the effect that if the natural recovery of the funding level of the relevant pension funds does not occur at three percentage points over a period of three years, the State will make a contribution to the said funds to bring the funding level to a level three percentage points higher than where it was at the previous determination. This agreement remains in force and the effect which the reduction of State contributions will have on the funding levels of funds will be subject to the said agreement.

Retired prison warders

373. Mr G C OOSTHUIZEN asked the Minister of Correctional Services:†

(1) How many prison warders retired from the service of his Department (a) as a result of reaching the retirement age, (b) with a retirement package and (c) as a result of dismissal during the period 1 June 1994 up to the latest specified date for which information is available;

(2) whether he is applying a policy of affirmative action in his Department; if so, (a) what are the principles that he is applying in this regard and (b) what are the implications thereof in respect of the promotion of existing personnel?

N773E

The MINISTER OF CORRECTIONAL SERVICES:

(1) (a) 10 Members in terms of section 12(2) of the Correctional Services Act, 1959 (Act No 8 of 1959);

(b) none; and

(c) 246 members in terms of the following stipulations of the aforementioned Act, namely:

section 12(3) *quat*: 17 members
section 12(4)(a): 197 members
section 13(1) read together with section 12(4)(e): 32 members
for the period 1 June 1994 to 31 May 1995.

(2) (a) The Department of Correctional Services is committed to the establishment of a personnel corps which is representative of the broad South African population.

Every member of the Department is assisted to become responsible for his/her own development by means of goal-directed career planning and career development programmes. However, the Department is geared to create development opportunities especially for the under-represented personnel.

The Department commenced with inclusive career development programmes for all its personnel as early as 1985, which include the following:

— st... ard development programme;

— accelerated development programme; and

— mentorship programme.

Members who show that they have potential, are developed by means of one of these programmes in order to establish a representative personnel corps.

The Department of Correctional Services implemented a Management Development Programme on 1 July 1992 with the aim of establishing a competent and well-equipped representative personnel corps, and to ensure that selected personnel are developed goal-directedly and effectively in order to eliminate backlogs in respect of representativity in the management corps.

Currently there are 491 members involved in the Management Development Programme. This total includes members who have been promoted additionally to the fixed establishment, despite the fact that they did not comply with all the set promotional requirements.

Further initiatives to accelerate the establishment of a representative personnel corps

On 20 January 1995, the Commissioner of Correctional Services announced that the Department is committed to ensure that its management corps becomes more representative of the population at large. To achieve this objective an Advisory Forum on a Representative Corps was established.

This Forum advises the Commissioner on the following matters:

— promotion policy;

— the establishment of a more career orientated representative personnel corps in general; and

— participation in decision making.

POLITICAL BRIEFS

Pensions for 'fighters'

(300)
CT 17/8/95

PENSIONS for "freedom fighters" who fought against apartheid were expected to be paid later this year and would be backdated to April 27 last year, Deputy Finance Minister Mr Alec Erwin said yesterday.

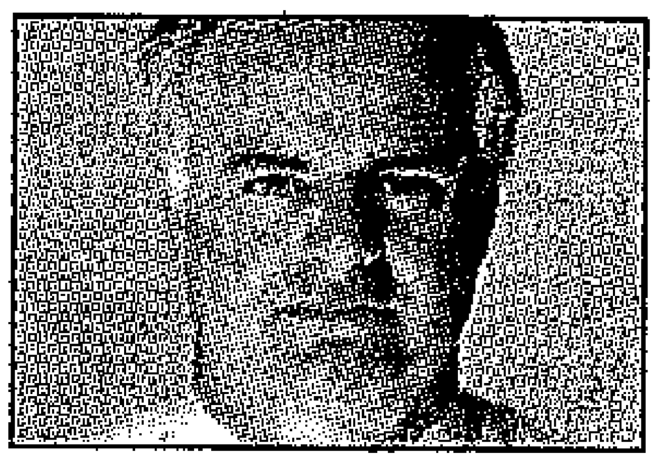
Draft legislation for the pensions would be submitted to Parliament during the current session, he said during an interpellation debate in the National Assembly. This would enable payments to begin before December.

RUM

Call to overhaul pension industry

(300) CT(BR) 18/8/95

LIFE WITH CAMERON



The life assurers' submission to the Katz commission deals with key retirement issues

BY BRUCE CAMERON

The Life Offices' Association (LOA), representing the major life assurance companies, wants a total overhaul of the pension industry that would scrap the differences between pension and provident funds, give greater certainty on the preservation of retirement funds, and get rid of existing tax differences and loopholes.

The LOA's recommendations on the restructuring of the retirement industry have been made in a submission to the Katz commission of inquiry into taxation. The extensive submission follows the row over earlier Katz commission recommendations on placing further limits on the tax deductibility of retirement contributions.

After the first Katz report, the more than R400 billion pension industry had to fight against proposals to cap tax benefits for retirement contributions.

The LOA submission deals with fundamental issues facing the industry.

It suggests that the government may be putting the cart before the horse by looking at the taxation issue before defining the future structure of retirement funding.

The life offices would like not only the recently appointed Smith investigation into retirement funding to complete its investigations first before Katz makes his recommendations, but also the government to spell out a policy after extensive consultations with all stakeholders.

On future retirement funding, the LOA suggests "it would be preferable to start with a blank sheet of paper, to establish fundamental goals and principles, and only then to address transitional problems, rather than being shackled by existing arrangements from the outset".

In other words, a holistic approach should be taken, with the tax structure moulded to support whatever is decided upon.

The argument is valid as the principles of taxation applied can mean the success or failure of the system, particularly in areas such as the preservation of pension contributions when people resign or change jobs before retirement.

In warning the government to take care, the LOA says the ability of the retirement fund movement to channel substantial sums of money to both the public and private sectors should not be eroded as this would impair the sustainability of the essential growth in investment needed to rebuild the country.

The LOA has based its submission to the Katz commission on four principles. These are:

☐ Tax should be paid when taxable income is received, in other words, on the basis known as exemption, exemption, tax (EET). This means contributions would be allowed as a tax deduction, with investment built up also being non-taxable but the benefits taxed when received;

☐ To avoid burdening the state, incentives should be provided for people to save for retirement, provided the cost of the incentives to the state are not excessive in terms of tax foregone;

☐ Retirement funds should provide a minimum level of pension income benefit in retirement; and

☐ There should be no discrimination in terms of sex, race or employment status, such as public or private sector, employed or self-employed.

Lurking behind these principles are some of the concerns of the wider industry.

These include the different taxation principles applied to the private and public sectors; the recent strong move away from defined benefit pension schemes to defined contribution provident schemes; and the ongoing issue of people not preserving retirement contributions when they change jobs or resign before retirement age.

The LOA says the government's retirement policy should essentially follow the Mouton commission of inquiry into the retirement industry conducted some years ago. It is advice the government appears to have anticipated, with its instruction to the Smith investigation to base its work on existing information, including the Mouton report.

Other key recommendations include:

☐ Applying the EET system across the board, which would help stop the leakages of intended pension benefits, including the preservation problems with defined benefit funds and job changes. Contribution deductions from tax would also encourage people, particularly the young, to save for retirement;

☐ Creating a unitary retirement fund structure, which should replace the current distinctions between provident and pension funds, and retirement annuity funds. This would include ensuring a minimum pension income benefit before any lump sum payments. The LOA suggests the minimum should be 50 percent of earnings in the year preceding retirement, with a minimum of about double a state social pension (now at R410 a month);

☐ Applying the same structure to both public and private sector funds;

☐ Using tax disincentives to encourage the preservation of retirement funds on termination of employment before retirement but subject to benefits to be paid in life-crisis situations, such as where a person has no other income;

☐ Taxing lump-sum payments on death, disability or retirement at the marginal rate that would have applied had the amounts been received as a pension. Lump-sum payments on withdrawal (before retirement) should be taxed at the marginal rate that would apply to the member, based on actual earnings annualised for a full tax year. This would benefit the state as it would be tax neutral, and would also encourage beneficiaries to commute a lower proportion of the benefits to a lump sum;

☐ Implementing changes for the taxation basis for withdrawal immediately and phasing in those for lump sums payable on death, disability and retirement over a period of not less than 10 years; and

☐ Increasing the current cap on retirement and medical aid scheme contributions as a percentage of salary that may be deducted from income tax by a further 7,5 percent.

The aim of the LOA is to meet the four-tier retirement model proposed by the Mouton commission.

The first tier would continue to be financed by tax and provided by the government for the very poor; the second tier would cover employed people through private pension schemes; the third tier would cover the self-employed as well as provide top-up arrangements for employed people through structures in the private sector; and the fourth tier would make provision through other forms of savings and could include working after normal retirement age.

R1bn pension plan for 'struggle members'

(300)

CT 31/8/95

POLITICAL STAFF

THE cabinet yesterday agreed to a special pension scheme that will provide up to R1 billion to members of formerly banned organisations.

An estimated 20 000 ANC and PAC members with at least five years' membership could qualify, Deputy Finance Minister Mr Alec Erwin said.

The Closed Pension Fund that provided pensions to MPs of the previous government while they continued to draw salaries in the new dispensation, would make a contribution to the new scheme. Details of this "gesture" were not provided but he called the agreement "an interesting compromise and settlement".

Serving members of national and provincial governments who qualified would only be able to draw the pensions on retirement.

Mr Erwin said legislation to provide the special pensions would be tabled in Parliament next week and that he wanted it passed during the current session, which ends on September 15.

Announcing the scheme, Mr Erwin said the idea was that a pension provision would be made "for those persons who contributed to the current democratic dispensation".

Jail

It was meant to compensate for a loss of pension as opposed to a loss of income during the period of struggle. The scheme had to be affordable, simple and manageable.

"To qualify you would be a full-time serving member of a banned organisation or would have been banned, in jail or in other ways prevented by political action from providing for a pension. In all those cases there is a qualifying period of five years."

The size of the pension would be determined by the member's function, position and service period. There was a maximum period of 15 years. A board would be set up to take applications.

"Persons above 40 could register. At the age of 50 a person could elect to take a pension at a reduced rate and persons aged 60 and above would be immediately entitled," he said.

Mr Erwin used the example of former ANC deputy president Mr Walter Sisulu, who occupied a position in the ANC equivalent to that of a cabinet minister. His pension would be about R8 000 a month. The average pension would be between about R1 000 and R2 000 a month.

The dependants of people killed and executed by the previous government would also qualify. The scheme would be backdated to April 1.

Govt to spend R1bn on MK pensions

Tim Cohen

(300) BD 31/8/95

CAPE TOWN — Government would pay pensions to former liberation movement members, with R500m set aside this year which would rise to R1bn within two years, Deputy Finance Minister Alec Erwin announced yesterday.

At a news conference he said the Cabinet had approved the legislation that would provide pensions to full-time members of formerly banned organisations.

The approval is the fulfilment of an agreement at the World Trade Centre negotiations that pensions of politicians and public servants would not be cut in exchange for a constitutional commitment to pensions for ANC and PAC activists.

Erwin said about 20 000 people could benefit from two schemes. The first would cater for members of the control structures of the former liberation movements with at least 15 years' service. They would get about R8 000 a month on reaching retirement age. The second scheme would cater for grassroots members with at least five years' membership, who would get between R1 000 and R2 000 a month.

Those who qualified included full-time serving members or those jailed or prevented through legal or political action from providing for their pensions. MPs were excluded. A special board would be appointed to process applications.

R1-bn for 'liberation pensions'

(200) Star 31/8/95

BY PATRICK BULGER
POLITICAL CORRESPONDENT

Cape Town — The Cabinet yesterday agreed to a special R1-billion pension scheme for members of formerly banned liberation movements.

Deputy Finance Minister Alec Erwin said legislation would be tabled in Parliament next week.

The size of the pension would be determined by the person's function, position and service period.

Persons over 40 could register and at the age of 50 could elect to take a reduced pension, while those already aged 60 and older would be immediately entitled.

Erwin used the example of former ANC deputy president Walter Sisulu, who occupied a position in the ANC equivalent to that of a Cabinet minister. His pension would be about R8000 a month.

The average pension would be between about R1 000 and R2 000 a month.

An estimated 20 000 ANC and PAC members with at least five years' membership could qualify, the Deputy Minister said.

PENSION RIGHTS (300) FM 1/9/95

Grounds for appeal

Deloitte & Touche Trust have confirmed they will appeal the Supreme Court judgment which more than doubled the pension fund benefits of Theunis Bester, ex-MD of liquidated Bester Investments.

First Bowring, as administrators of the fund, made two irregular payments to Bester totalling R1,3m. The Transvaal Supreme Court then decided Bester was still entitled to a pension settlement of nearly R2m, suggesting it was for the trust, as liquidators, to recover the "irregular payments" (*Economy* August 18).

The trust's application for leave to appeal, on the grounds that the judge erred in his ruling, was anticipated. But the trust is being joined in the application by the Financial Services Board, as Registrar of Pension Funds. That, for the Registrar, is an unusual expression of indignation and determination.

For the present, says the trust, it will pursue the appeal procedures. Only if those fail will consideration be given to any culpability for the "irregular" payouts. ■

Fury over 'struggle pensions'

ARG 2/9/95

Hundreds likely to toyi-toyi for a slice

(300)

MXOLISI MGXASHE
Staff Reporter

Ex-political prisoners are to be paid "struggle pensions" — but many who fail to qualify are likely to toyi-toyi for a share of the cake.

ANGER is growing among former freedom fighters and their families who will not qualify for a share of the R1-billion "struggle pension" for members of former banned organisations and ex-political prisoners.

The pensions will vary depending on the function and service period of the persons and the term served in prison is a minimum of five years.

The beneficiaries should have been in prison not more than 15 years ago and the age qualification is 40. People who are 50 and older could choose to take the pension at a reduced rate, while those who are 60 and older could start getting pensions immediately, with payments dated to April this year.

A typical case of the category excluded is the family of Elliott Mzoli Lwana, who died in Langa of cardiac respiratory arrest last month.

Mr Lwana spent 18 months on Robben Island in the 1960s. After release he had to scrape for a livelihood, without a job except selling clothes, to be able to buy odd things for the family.

His plight deteriorated to a point where he became an alcoholic and a hobo. At that stage problems in the family were accumulating and the couple separated.

He was almost given a pauper's funeral but for his wife Nomasoja who took over the costs of his burial.

Mrs Lwana, daughter of veteran ANC militant Annie Silinga, who died a few years ago, has three children to support — Mncedisi, 32, who had to leave school at an early age because of lack of money, Ray, who is sitting for his Standard 10 exams, and Mxolisi, who is handicapped and has other ailments, including epilepsy.

"How do I take care of all these children? They have now become my burden and mine alone. How can this Bill exclude people in my situation? Is this not another form of apartheid? I thought it was a new South Africa," said Mrs Lwana.

There are apparently hundreds in similar situations who will probably toyi-toyi at parliament.

Among more than 40 Bills parliament is due to debate this year is one intended to address the plight of hundreds of disabled, sick, destitute and aged ex-political prisoners.

A billion rands is being set aside for the "struggle pension", Deputy Minister of Finance Alec Erwin announced after the Bill went through the cabinet.

The Special Pensions Bill is an attempt by the government to respond to a resolution adopted by the ex-political prisoners' conference at the Peninsula Technikon this year.

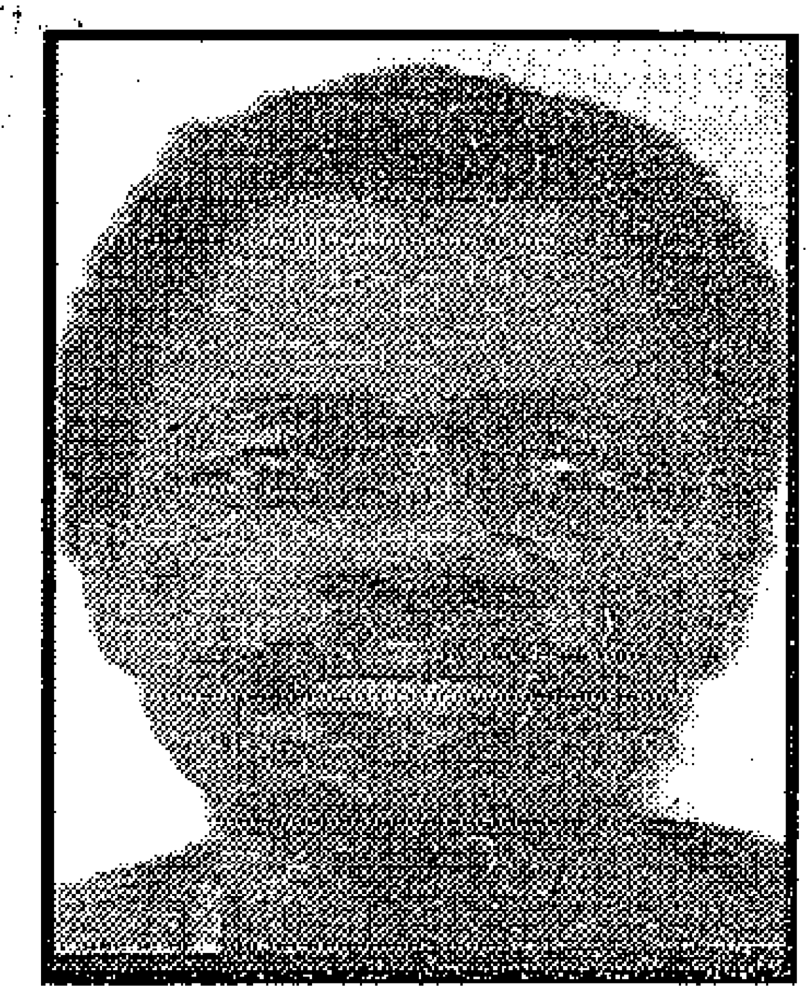
The resolution followed an outcry by those ex-inmates who had since their release from prison in the 1960s and in later years not been able to find employment or a significant means of livelihood.

Dozens attended the conference not just to meet old comrades but to mention their financial plight.

The outcome of the brief deliberations was the establishment of a committee representative of all political parties to look into the matter. President Nelson Mandela's special adviser, Ahmed Kathrada — himself an ex-Robben Island political prisoner — is the coordinator of the committee, which also includes Gauteng and Free State premiers Tokyo Sexwale and Patrick Lekota.

The other members of the committe are Telkom chairman Dikgang Moseneke, PAC stalwart Kwedi Mkalipi, ANC Women's League vice-president Tandie Modise, who is also an MP, and former ANC activist Barbara Hogan of the SABC.

The Bill, due for discussion by parliament's standing committee on Finance next week, aims at providing pensions for people who, by virtue of their political involvement in the struggle against apartheid, were not able to make provision for a pension.



Three basic principles will serve as the Bill's terms of reference:

- It should compensate for loss of pension, not income as a result of people's involvement in the struggle.
- It should also be as simple and affordable as possible and must have equity of treatment.
- Any full-time serving members of former banned organisations, or people who were banned themselves, or jailed, or prevented through political or legal actions from making their own provisions, will qualify.

'Misunderstanding' over Budget

No money for 'struggle pensions'

BD 4/9/95 (300)

Greta Steyn

NO CASH had been set aside in this year's Budget for the payment of pensions to former liberation movement members, state expenditure director-general Hannes Smit said at the weekend.

A misunderstanding had resulted in Deputy Finance Minister Alec Erwin saying R500m had been set aside for pensions for ANC and PAC activists. "We pencilled in R500m in early drafts of the Budget but it was taken out in the final figures."

Erwin last week said government spending on these special pensions would be R500m in the present fiscal year, and would rise to R1bn within two years. About 20 000 people would benefit from two schemes applicable for a minimum of five years' service. He said all those who had served at least five years in liberation structures, and were over 60, would immediately qualify for pension, with effect from April 1 this year.

A spokesman for Erwin said at the weekend he had been under the impression that the R500m had been retained. She said the amounts needed would depend on the findings of a special board which would be appointed to process applications. The treasury committee might have to be approached for more money.

Government's decision to pay these pensions follows an agreement at the World Trade Centre negotiations that the pensions of "the old SA's" politicians and public servants would not be cut in exchange for a constitutional commitment to pensions for ANC and PAC activists.

DP spokesman Ken Andrew said he supported the plan to create the new pension fund as soon as possible.

Andrew said it was unfortunate that the money had not been set aside in this fiscal year, but the issue need not turn into "a financial disaster". The money should be found by cutting spending elsewhere. It was likely that less than R500m would be needed, especially as the legislation would probably be passed only early next year.

Economists said the confusion was another sign of inept budgeting. It followed government's embarrassment over inadequate amounts set aside for increases in public servants' salaries.

Government was forced to take money from the state pension funds to pay public servants' salaries when it realised that 3,25% was too small an increase for Conditions of Service. An economist said she hoped government would not have to resort to the move again, as the pension funds had huge actuarial deficits.

The additional spending on salaries came from money that would have been saved. The economist pointed out that the extra spending on public servants and special pensions would add to government's consumption spending bill.

Government was also not succeeding in raising capital spending. The last Exchequer figures showed sluggish RDP spending was keeping a lid on overall spending. The figures showed government had spent 32% of its total budget of R153,2bn in the period April to July 1995. Economists warned against jumping to positive conclusions, as only about one fifth of the RDP fund had been drawn, and the overall pace of spending picked up at year-end.

Proposal for guerilla pensions

SPECIAL CORRESPONDENT

ST 6/9/95 (300)

JOHANNESBURG: The Parliamentary Standing Committee on Finance will today scrutinise the proposed bill through which pensions would be paid to members of former liberation movements, reliable sources said yesterday.

The committee, headed by senior ANC member Ms Gill Marcus, would look at ways to finance the pension scheme. It would also address the concern of ANC members who want the entry age lowered and those who were disabled fighting apartheid to qualify.

The cabinet last week approved the scheme and said persons over 40 could register and at the age of 50 could elect to take a reduced pension, while those already aged 60 and older would be immediately entitled.

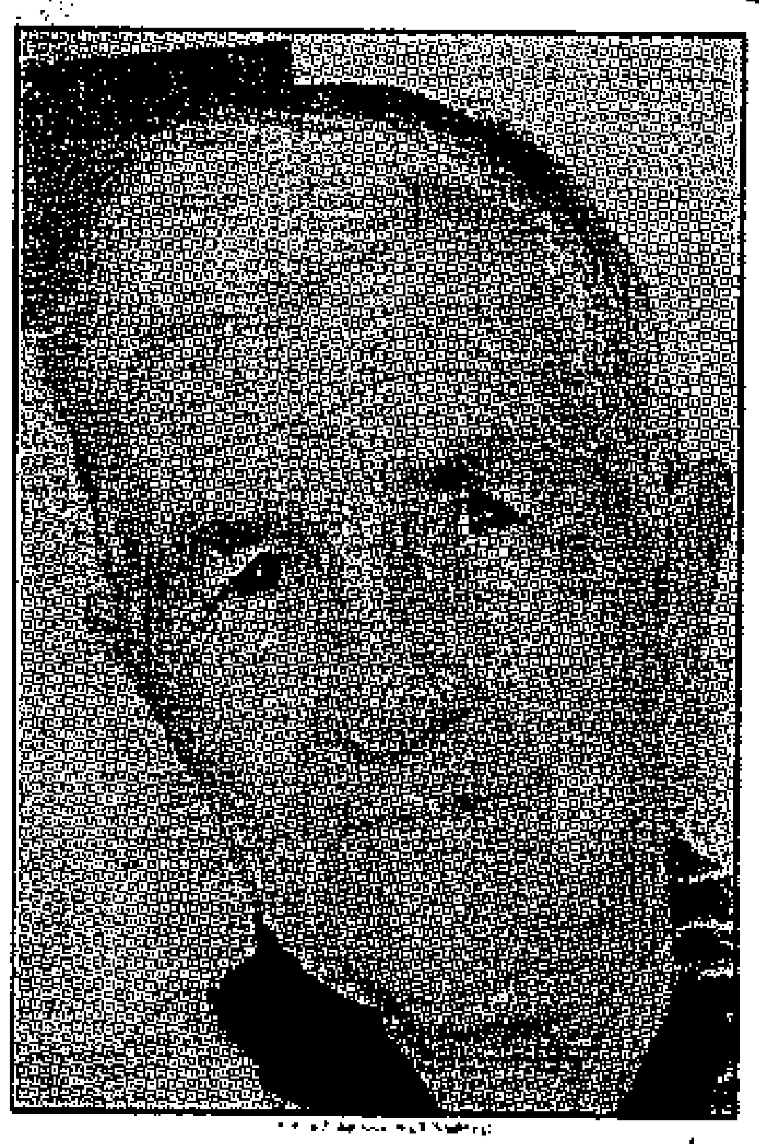
A Ministry of Finance spokesman said yesterday no immediate cash was available to finance the special scheme.

The spokesman said although the government had known for a long time that money would be needed for the pensions, the required amount, estimated at R1 billion, could not be included in this year's budget as there is no legislation to that effect.

'IF WE HAD TO DEPEND ON OURSELVES WE WOULD NOT SURVIVE'

Trying to live on R410 a month

(300) CT 8/9/95



MRS MARIA JÜRGENS: "When I look into my shopping basket I can hardly see what I've bought."

CITY pensioners are facing increasing difficulties in making ends meet, especially since subsidy cuts have forced a welfare organisation to increase rents in its housing units.

MRS Marie Jurgens of Ruyterwacht, 73, pays R101 a month for the rent of her room in a sub-economic housing block and is left with just R309 from her government pension to pay for electricity, food, toiletries and medical bills.

She is one of thousands of pensioners whose plight was highlighted this week when Cape Town welfare organisation Communicare was forced to raise its rents in the wake of subsidy cuts.

The new scheme requires tenants to pay 25% of their income in rent — which for most people on a state pension of R410 is R101.

"I go to the shops and spend R100 on food and when I look into my basket I can hardly see what I've bought because it is so little. But it's best not to complain. It's better for us old people to stand together and help each other. If we each had to depend on ourselves we would just not survive (ons sal bars)," Mrs Jurgens said yesterday.

Mrs Marie Terblanche said one of the elderly women was unable to walk easily because of pain in her legs.

"We go and see to her and help her. We must because she can't help herself," she said.

She said her children sometimes took her out, but said one could not "put pressure on" the younger people.

Communicare general manager Mr Mike Louw said since the subsidy cuts, the organisation has had to turn to its tenants for revenue.

It was a non-profit organisation but could not afford to operate at a loss. Rent money was used almost entirely for the general upkeep of the organisation's buildings.

The women in Communicare's old age housing in Ruyterwacht live in sub-economic units which accommodate nine people per unit. They each have a bedroom and have turned a corner into a kitchenette. They share a bathroom and shower between five people. — Staff Reporters

MRS MARIE TERBLANCHE: "I can't put pressure on the younger people."

'DEAD' PENSIONER TELLS THE LIVING TRUTH

ST 10/9/95 (300)

By VICTOR KHUPISO

A PENSIONER went to collect her government pension — only to be told she was dead.

Betty Sebothoma, 69, of Tembisa, was told by officials that she was not entitled to her pension because she had died in January.

She has battled in vain since April to persuade social welfare workers that she is alive.

What puzzles her is that the name of her late husband, who died in 1994, still appears on the paypoint computers, although he was officially reported dead.

The disgruntled pensioner said she was now destitute.

"How can they say I'm dead while I'm still alive? I'm not a zombie. Or do I look like one?"

She wondered why her husband's name was still in the computer. "It means somebody is illegally drawing the money in my husband's name. I have been forced to lead a destitute life because some people are enriching themselves at my expense.

"I depend on this money. Something has to be done, otherwise I will starve to death.

"This case is only the tip of the iceberg. I suspect that there are lots of others who have similar problems. They are taking advantage of us because we are pensioners. What is really happening?"

A Social Welfare Department pension administration clerk, Liesl Labuschagne, said there must have been an administrative mistake.

She said a common problem was that pensioners' deaths were not reported and the department kept paying out money on their behalf.

"If we can get her particulars and those of her late husband, the matter will be investigated."

Cost of struggle pensions revised

CT 13/9/95 (300)

THE cost of the cabinet-approved plan to pay special struggle pensions to members of formerly banned organisations could be far less than the R1 billion a year originally quoted, Deputy Finance Minister Mr Alec Erwin said yesterday.

However, details still had to be worked out, he told Parliament's joint finance committee.

"If you do it on a pay-as-you-go basis, then it will be more affordable than initially thought."

The ministry had decided against rushing the bill through during the present session, Mr Erwin said. It favoured redrafting the bill and presenting it again to the committee before holding public hearings. — Sapa

Four men arrested after scam

Sowetan 18/9/95

(300)

Health and welfare spokesman says millions could have been stolen

FOUR MEN have been arrested in North West in connection with 1 200 pension cheques, worth about half a million rand, that were stolen from the provincial health and welfare department.

Civil service investigation unit commander Colonel Trevor Sloan on Saturday said half the stolen cheques, with a value of R246 000, had already been traced or found in possession of the suspects.

He denied the claim by department spokesman Tshepo Moshima that an unknown amount, which may "add up to a few millions of rand", could have been stolen over months.

Moshima also said it would be impossible to determine the exact amounts because of the inefficient system inherited from the previous administration.

Until last October pensioners received cash payments but this was stopped because of mismanagement.

Theft was discovered when banks started to dishonour cheques, returning them to businessmen who had cashed them on pensioners' behalf.

Businessmen stood to lose between R20 000 and R30 000 because they had cashed the cheques.

Moshima said a full statement would be released after the police had finished their investigation.

Meanwhile the Northern Province's standing committee on public accounts will on Tuesday hold an emergency meeting with the provincial tender board over alleged "gross irregularities" in the granting of contracts.

Tender board secretary Mr Timothy Phiri denied the allegations, saying the lower tenders being referred to had been received after tenders had closed.

National Party standing committee member Burger "Tjol" Lategan said there had been complaints from producers over the awarding of contracts to supply milk to schools and hospitals.

A number of producers had reportedly complained that contracts had been accepted at prices far above others tendered on milk and other items. – *Sapa.*

Pension funds face massive increases in premiums

(300)

ET (BR) 19/9/95

By Jon Beverley
Special Writer

Rising levels of violence, the spread of Aids and a growth in the number of false disablement claims, suggest that pension funds providing death and disability benefits face massive premium increases — 500 percent in the next 15 years and 300 percent by the end of the decade.

André Meyer, the senior director for negotiated benefits consulting at Alexander Forbes, explains that benefits are normally provided by paying premiums to assurance companies, and the recent claims history has led the underwriters of these benefits to increase premiums.

Meyer says retirement funds have seen a drastic increase in the number of claims. This has come about because violence has risen, retrenchments have used "disability" provisions in pension funds, employees "disable" themselves, the Aids pandemic has grown and because of over-generous disability income and lump-sum benefits.

The net result for defined benefit pension funds is that employers, who carry the responsibility for making up any shortfalls, have an increased burden which shows no signs of slackening in the future.

Meyer indicates that this is one reason for the shift from defined benefit to defined contribution funds — where the fund bears the costs of the premiums and there is no obligation on the employer to make up any shortfall.

He warns that member trustees will start putting pressure on employers to increase their contributions if it becomes evident that the eventual pensions are going to fall short because the risk in the area of death and disability has not been handled properly or adequately planned for.

Employers could be expected to give assistance to members with inadequate retirement benefits.

Meyer says that, in the case of defined benefit funds, trustees will have to be educated in the consequences of holding death and disability benefits at current levels when faced with rising costs for their provision.

Trustees, especially those representing members, will have to play a more active role and have professional advice available to make informed decisions.

Meyer says member trustees will be under heavy pressure to ensure that death and disability benefits as well as retirement benefits are maintained and improved, and with the "expected increase in the cost of death and disability benefits, this is unlikely to be a realistic objective".

DOCUMENTS SEIZED IN RAIDS ON THREE OFFICES

CPA pensions tender under investigation

CT 20/9/95 (300)

THE OFFICE of Serious Economic Offences is investigating the process by which the tender for pension payouts was awarded to Nisec.

CAPE TIMES REPORTERS:
CHRIS BATEMAN, CAROL CAMPBELL and DALE GRANGER

OFFICIALS from the Office of Serious Economic Offences have raided the Cape Town offices of a private company that administers the Western Cape's pension payout.

They removed boxes of documents. Two other premises, in Pretoria and Port Elizabeth, were also searched yesterday.

Mr Tommy Prins, head of the Cape Town unit, confirmed that the offices of Nisec had been raided and that other "premises" in Pretoria and Port Elizabeth had been searched.

Nisec took over the handling of the CPA's pension payouts last December.

In the city raid, the police removed computer records, lists of the company's assets, accounting books and other documents.

Mr Prins said the raids had been carried out to seize documentation relating to the process by which the Cape Provincial Administration had awarded the company the tender to administer pension payouts.

About R1,5 billion is paid out in pensions and social welfare to people in the Western Cape each year.

In terms of its contract with the CPA, Nisec is being paid R135 million over five years.

Mr Prins said it was impossible to say what exactly the police were looking for.

The details would become clear once his staff had begun to wade through the boxes of documentation that had been seized.

"At this stage no charges have been laid and nobody has been arrested," he said.

"We are looking at lots of money being involved and it looks like a big investigation as far as we are concerned.

'Surprise'

"The scope of the investigation could still be extended.

"We do not want to disclose the names of the places we have raided because some people could be quite innocent and could simply be in possession of documentation that we need."

The managing director of Nisec, Mr Alec Cillier, said the raid had caught him by surprise.

"It was terrible. I tried to ask what we had done, but (the investigators) wouldn't say anything. If I had known what they were looking for maybe I could have helped them find it."

Mr Cillier said there were no grounds for the raid.

"The police have a job to do and I will try to co-operate with them."

Ms Virginia Petersen, chief director of social services for the Western Cape, said the probe was a direct result of her department's appointment of forensic auditors earlier this year.

The probe would include syndicates and officials and would have "total" access to any of her staff or their offices, she said.

Her boss, Minister of Health and Welfare Mr Ebrahim Rasool, had ordered a clean-up, she said. Mr Rasool is overseas at the moment.

Ms Petersen said she had been aware that the police might be called in to investigate but she had left this up to the forensic auditors.

"They will look at anyone involved in dispensing pensions or putting new clients on to the system — it could be a syndicate or officials or both. It's a huge process."

The leader of the Democratic Party in the Western Cape, Mr Hennie Bester, said he would ask Mr Rasool in the provincial government for an explanation of how Nisec had won the tender.

He said he would also ask how Mr Anton Scholtz and Mr Andre Louw, two former employees of the CPA, had joined the employ of Nisec shortly after the company had been awarded the tender.

Companies that bid for the tender had to have fingerprint technology necessary for payouts to township pensioners and had to enroll CPA pensioners on a database to administer and pay out from the fund.

Mr Bester said he would ask why Nisec was also being paid to administer payouts to white and coloured pensioners of the former House of Representatives and House of Assembly when the post office had been subcontracted for the former and ATM and banks administered payments to the latter.

Rival

He said Nisec had been awarded the tender for paying out to black members only.

● In the Supreme Court yesterday, 3D ID, a rival company that competed for the pension and social welfare tender last year, was placed in liquidation after losing its case against Nisec. The court ordered 3D ID to pay legal costs of R170 000.

In the initial case last September, 3D ID had applied for a court interdict setting aside the tender award.

Its application for an interdict to halt the contract, pending a review of the tender procedures, was refused.

WHO man predicts aged population 'explosion'

ARG 20/9/95 (300)

Health Reporter

AGEING as a development issue has been neglected and needs immediate and urgent attention as the ageing population, especially in developing countries, is growing at an unprecendented rate.

Alex Kalache, head of the World Health Organisation's (WHO) Ageing and Health Programme, says that in the next 20 to 30 years the number of people older than 65 in developing countries will increase by 200 to 400 percent.

Dr Kalache, in Cape Town for a Medical Research Council workshop on ageing and health in South Africa, says policies must be developed for dealing with the rapid growth of the ageing population. The WHO's programme aims to help the elderly realise their full potential and offer them a satisfactory quality of life.

Swoop on pension payout company

Crime Reporter (300)

A COUNTRY-WIDE swoop on the offices of a company administering pension payouts for the Provincial Administration for the Western Cape was launched by police investigating financial irregularities involving "millions" of rands.

The head of the Serious Economic Offences Unit in Cape Town, Tommy Prins, said the raid on September 5 was the start of an investigation which could take months.

Mr Prins said Nisec offices and other premises where documents were kept, were raided.

ARG 20/9/95

Nisec took over the administration of pension payouts last December after being awarded the tender.

A rival company opposed the tender award in court but was liquidated when it lost the case.

Mr Prins said Serious Economic Offences officials in Pretoria became aware of alleged irregularities and notified colleagues in Cape Town and Port Elizabeth.

Govt orders probe into pensions tender 'fraud'

CT 21/9/95 (300)

CHRIS BATEMAN AND DALE GRANGER

AN URGENT government probe is to be launched into allegations that Nisec — the controversial pension dispensing company recently raided by the Office for Serious Economic Offences — improperly sub-contracted R1 million in business a month since last December.

The probe was agreed to in the Western Cape legislature yesterday by Acting Minister of Health and Welfare Mr Leonard Ramatlakane, in response to a claim by DP provincial leader Mr Hennie Bester that Nisec failed to disclose lower commissions paid to sub-contractors.

Mr Bester charged that the agreed R12,25 per pensioner paid to Nisec by the provincial government was dropped to below R4,00 per pensioner when the work was sub-contracted to Nisec agents.

His party believed that these "underpayments" amounted to over R1m.

Mr Ramatlakane initially said the information should be given to the forensic auditors appointed by provincial Health Minister Mr Ebrahim Rasool after fraud allegations early this year, but later agreed that the matter fell outside their brief.

He said R1,17 billion was paid to Nisec for pensions and grants every month.

Mr Tommy Prins, head of the city Serious Economic Offences branch, has confirmed that Nisec offices were raided in Cape Town and that "other premises" were raided in Pretoria and Port Elizabeth.

He said yesterday he was aware of what policemen were looking for when they raided the offices, but was not in a position to divulge exactly what the investigation was about.

Mr Michau Huishamen, former managing director of Nisec until the company was taken over by Denel in September last year, said the investigation of the company "surprises me".

Denel Group executive manager Mr Paul Holtzhausen said that in September last year, six weeks after the awarding of the contract, Denel obtained a 51% share holding of Nisec and in March this year full ownership.

Corruption

● Evidence emerging throughout South Africa had made it clear there had been significant and widespread fraud in the social services and the question was how much money was involved, claimed Professor Pieter le Roux, director of the Institute of Social Development at UWC yesterday. He has been appointed head of the task group investigating fraud, corruption and irregularities in the social services in the Western Cape.

The forensic audit was ordered by Mr Rasool when fraud allegations, exposed in the Cape Times, arose out of the amalgamation of the former tri-cameral parliament pensions system which caused late or non-payment to thousands of pensioners and several welfare agencies.

Commenting on estimates made in April by Mr Rasool that R200m — 10% of the local social services' budget — was being lost to official and private fraudsters, Prof le Roux said this figure could not yet be substantiated.

Pension funds to be more transparent

FROM SAPA

The recently released Pension Funds Amendment Bill heralds greater transparency and representation in the administration of retirement funds and will have a far-reaching effect on present industry practice.

Kobus Hanekom, the senior manager (legal consultancy) at Old Mutual Employee Benefits, said the four amendments introduced in the bill included the recommendations of the Mouton Committee and new measures requested by the industry.

"The introduction of a compulsory dispute-resolution procedure and the establishment of a retirement funds adjudicator means that disputes between members and retirement funds will be subject to a prescribed dispute-resolution procedure in terms of which the fund will be required to reply to all members' written queries and complaints within 30 days.

"If a member is not satisfied with the reply, the matter may be referred to the proposed new adjudicator who will have the powers of a special court.

"The proposed new measures will not only give parties an opportunity to deal with their differences, it will also provide quick, affordable and convenient access to the law."

Hanekom said by December 1998 it would be compulsory for registered retirement funds to have a management board to which members could elect at least one of the board members. "The industry should accept that the bill's member representation requirements are the minimum required to facilitate greater member representation."

(300) CT (BR) 21/9/95

Pensions firm probe ordered

(300) ARG 21/9/95

Political Correspondent

HOT on the heels of a forensic probe into the Western Cape's multimillion rand monthly pension payout scheme, a new investigation is to be launched urgently into the fees paid to the company awarded the pensions contract.

This follows confirmation by the Office for Serious Economic Offences that it is investigating the process by which the tender for the pension payouts was awarded to the company Nisec, two of whose senior employees are former provincial officials.

More than R117 million is paid to Nisec every month for pensions and grants.

The latest investigation — prompted by questions from Democratic Party leader Hennie Bester — focuses on the amount Nisec earns for sub-contracted pay-outs done by the Post Office.

Health and Welfare Minister Ebrahim Rasool disclosed yesterday that of the 282 478 monthly pensioners and welfare recipients, 44 500 were paid directly by Nisec, 220 154 were paid by the Post Office as a sub-agent of Nisec, while the remainder were paid by banks and magistrate's courts.

He also disclosed that Nisec was paid R12,50 for every one of the more than 44 000 pensioners it paid monthly, but was not sure how much of this was paid to the Post Office in the case of the more than 220 000 pensioners.

Mr Bester said: "We have information that no more than R4 per pensioner is paid by Nisec to the Post Office for that service, which means that more than R8 per pensioner per month is being paid for a service which is not being rendered."

'Tender wasn't unusual'

(300)

STAFF REPORTER

CT 22/9/95

A YOUNG Port Elizabeth tycoon has rallied to the defence of his former company which was raided this week by the Office for Serious Economic Offences.

He says allegations of fraud in winning the tender to administer CPA pension payouts were dismissed in court last year.

Mr Michau Huisamer, 30, former managing director of Nisec, said the allegations had been dismissed in the Supreme Court last year when rival company, 3D ID, sought an interdict to stop the CPA from continuing a contract for Nisec to administer the payout of their social and welfare pensions pending a review of the tender procedures.

He was surprised they had surfaced again when the Eastern Cape tender for their pensions was being evaluated.

Nisec was formed one week before the tender for the pension payouts was gazetted and, Mr Huisamer said, there was nothing unusual in the company winning the tender.

Danger signals when housing loans are linked to pensions

BD 26/9/93 (300)

A RETIREMENT fund timebomb could be ticking for companies that offer housing loans without advising their employees of the full implications.

A key aspect of many of these schemes is that the loan is recoverable from an employee's retirement fund should the employee change jobs or go on pension with the housing bond still not paid off.

Pride Group independent financial consultants MD Bryan Hirsch says that if this provision is not properly communicated, resentment and anger could result — and housing schemes meant to improve the climate of labour relations could have the opposite effect.

Hirsch points out that the handing over of council homes to sitting tenants is about to begin. This could create a perception that homes are an "entitlement".

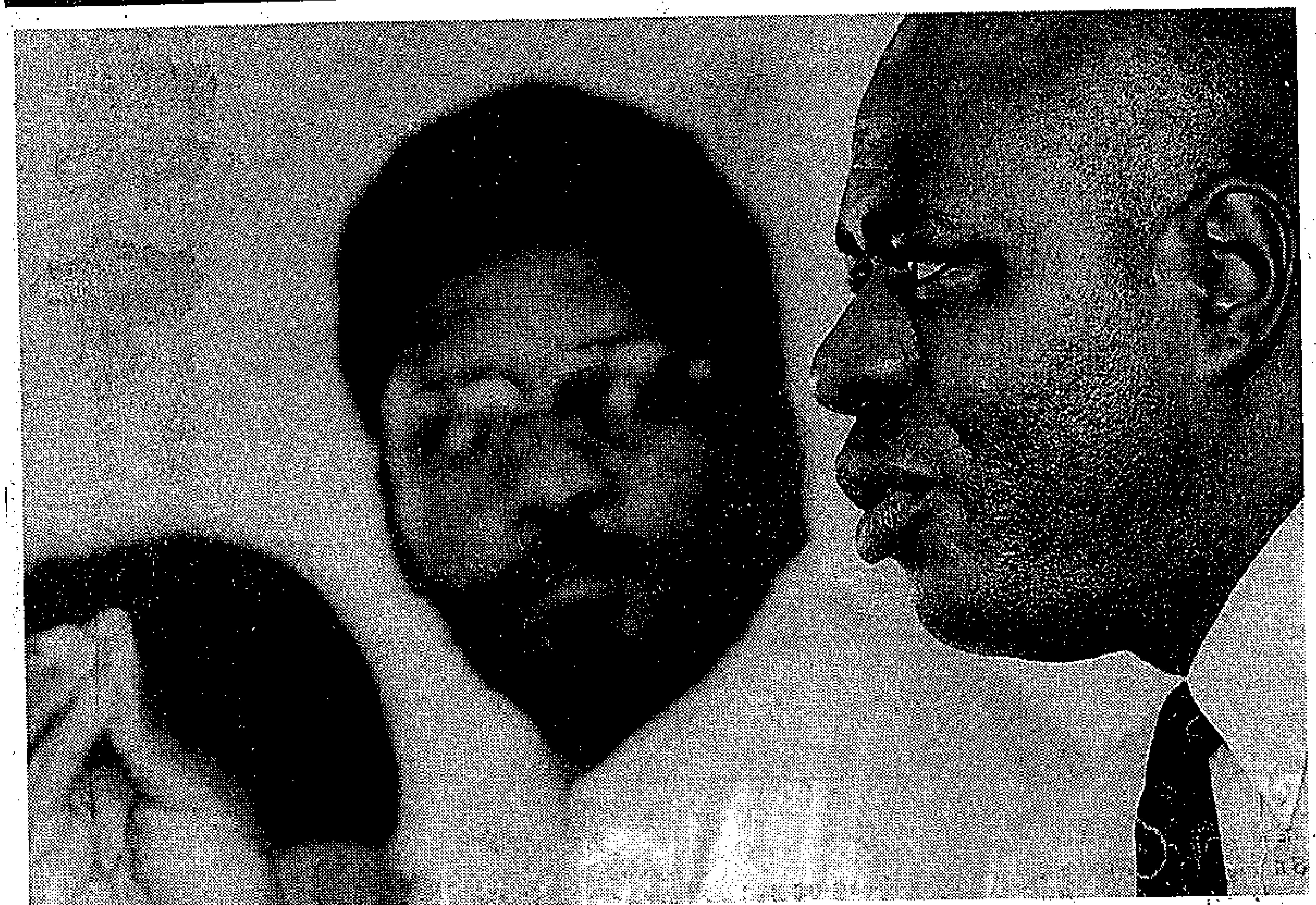
BRYAN HIRSCH

"It is absolutely vital that proper communication takes place. Certain distinctions have to be understood — for instance, between old governmental housing stock and new homes secured by a company housing loan," says Hirsch.

"Employees must be put fully in the picture that it is legal to recover a housing loan from a retirement benefit. This is about the only type of company loan recoverable in this way."

According to Hirsch, a company can legally withhold a retirement benefit for two reasons. These are to cover a housing loan or to recompense itself for losses caused by fraud, theft or misconduct by the employee.

In the second instance, the benefit can be withheld only when the company secures a signed admission or a court judgment in its favour stipulating the cash loss to be recovered.



Cosatu general secretary Sam Shilowa at a media conference unveiling decisions taken at this week's central executive committee meeting. Assistant general secretary Zwelinzima Vavi is in the background. Picture: NEIL SPENCE

Cosatu seeks control of pension, provident funds

BD 29/9/95 (300)

Renee Grawitzky

THE future of insurance companies administering pension and provident funds of workers could be in jeopardy following a Cosatu decision to set in motion the establishment of a company to take over this responsibility.

Cosatu general secretary Sam Shilowa told a media briefing yesterday after the federation's biannual executive committee meeting this week the federation had been grappling with the "redirection of investments away from speculative areas and wastage to areas that are critical for the implementation of the RDP and improving the lives of our people."

Shilowa said the federation needed to consider where investments should be going — "investments are capable of benefitting our members who are being cheated of millions in administration fees".

The committee had also discussed other issues including its continued participation in the National Economic Development and Labour Council, the continued growth of the federation and trade union unity, the merger of unions in public and transport sectors, violence in KwaZulu-Natal and attempts by political parties to "stall transformation".

Federation membership had increased to "just below 1,6-million" with the recent affiliation of the Police and Prisons Civil Rights Union and the Institute for Public Servants.

NEWS

Life certificates to be issued as State loses millions each month

Pensioners must prove that they are alive

(300) Star 3/10/95

BY SUSAN MILLER

State pensioners will soon have to prove they are alive before collecting their pensions. The Government said yesterday it had started issuing life certificates in order to prevent fraud.

According to Department of Finance spokesman Peet Maritz, the department has been losing about R22-million annually since 1993, paying out state pensions to next of kin and procurators who did not inform the Chief Directorate of Pensions Administration that the pensioner concerned was dead.

Maritz said payments were made by computer to civil pensioners' bank or building society accounts which were credited monthly, or else payments were made at Post Office pay points.

He added that families were being paid out up to four months after the relevant pensioner had died.

Losses

"We pay out approximately R700-million a month to about 250 000 pensioners, but cannot continue to lose R22-million every year."

He said the payouts were difficult to recover and meant losses to the state pension scheme.

Martiz said about 20 000 state pensioners a month would be informed about the new system, which started on October 1, because the department had decided to "stagger the exercise".

"They will be issued with a life certificate which will have to be validated by a commissioner of oaths annually."

Maritz said the certificate would probably have to be validated during each pensioner's birthday month. Some pensioners should be receiving notification this month.

Certified

Each life certificate will include a section where a commissioner of oaths will have to certify that the pensioner is alive as well as identifiable.

After being certified, the life certificate will have to be returned to the Chief Directorate of Pensions Administration by December 15 this year.

Maritz said civil pensioners whose pensions were paid out at Post Office pay points would also receive their life certificates at these points.

He explained that if pensioners failed to return their certified life certificates by December 15, their monthly pension payments would be halted from February 1 next year.

Martiz said that civil pensioners who were affected by this arrangement could direct their inquiries regarding life certificates to the toll-free number 080 0117669.

Elderly caught between old ways and the new

BY ABBEY MAKOE
SOWETO BUREAU

The Soweto Old Age Home, situated in Central Western Jabavu, was built along one of the township's main roads leading into central Johannesburg.

Established in 1988, the home evokes several emotions.

One of these is self-pity among some residents. In African culture, you don't do away with those who brought you up, cared for you and guided you through school.

And it has sparked a debate, with those in the community who change with the times asking: "What's wrong with putting the elderly in a home if they can get better care there?"

During The Star's visit to the home recently, there were about 100 residents, most of them women. The majority struggled to recall their age.

Others remembered that they were born during the difficult times of the Boers. One was forthright: "Only 72," she said.

A social worker at the home lamented that these days "black people have a tendency to look down on the aged", adding: "It is a common practice that the aged are given relatively humane treatment only on payday.

"From then on they are subjected to the usual abuse – mostly verbal, but sometimes physical."

Some of the old people said they were often lonely at the home, although there were times when entertainment was organised for them.

Where to now ... this pensioner, living at the Soweto Old Age Home, will be one of hundreds of thousands of people affected by the new policy regarding pension payouts.

PICTURE: JODI BIEBER

Only live pensioners need apply

SPECIAL CORRESPONDENT

JOHANNESBURG: State pensioners will soon have to prove they are alive before collecting their pensions — the government yesterday said it had started issuing life certificates to prevent fraud.

Millions of rands had been lost monthly as next of kin and procurators continued to collect the pensions even though the pensioner concerned was dead.

Spokesman for the Department of Finance Mr Peet Maritz said payments were made by computer into civil pensioners' bank or building society accounts which were credited monthly, or else payments were made at Post Office pay points.

"We pay out approximately R700m a month to about 250 000 pensioners, but cannot continue to lose millions," he said.

The certificate would probably have to be validated during each pensioner's birthday month. Some pensioners should be receiving notification this month.

Inquiries about life certificates can be made toll-free on 080 011-7669.

(300) CT 3/10/95

Laws to protect aged

THE government was prepared to pass special laws to protect old people from exploitation, Welfare Minister Mr Abe Williams said yesterday.

Opening a conference on the aged, he said the government would not abdicate its responsibility to indigent, frail and destitute older people without support systems.

"The exploitation and abuse of older persons will not be tolerated," he said.

(300)

Total privatisation of care facilities erected with government funds could not be considered, he added. It would be an abuse of public funds and, indirectly, an intolerable form of discrimination. — Sapa

CT 5/10/95

'PENSION PAYOUT FRAUD WILL BE EXPOSED'

Probe 'will cut to bone'

WESTERN CAPE Health and Welfare Minister Mr Ebrahim Rasool says his department is determined to expose any irregularities in pension payouts. **CHRIS BATEMAN** reports.

(300)

CT 5/10/95

THE seizure of documentation from three Nisec offices across the country showed that his department would "cut to the bone" to expose any fraud or corruption linked to pension payouts in the Western Cape, Health and Welfare Minister Mr Ebrahim Rasool said yesterday.

Speaking on his return from a European tour of health facilities, Mr Rasool said his ministry had put its "collective fate" in the hands of Nisec by awarding the company a R125-million five-year contract to dispense all pensions in the region.

Last months raids in Port Elizabeth, Pretoria and Cape Town by members from the Office for Serious Economic Offences (Oseo) followed concern expressed by forensic auditors appointed by Mr Rasool and the provincial finance committee.

The original forensic probe was ordered after the Cape Times published allegations of fraud and late or non-payment of millions in pensions and welfare.

Mr Rasool said the forensic auditors would give him a detailed progress report on Monday.

Oseo would also by then have a clearer picture of how the tender process had worked and what the modus operandi of any alleged scams had been.

Irregular

Among the allegations are that pension payout officials were creating phantom pensioners and paying some people twice and that the tender procedures that gave Nisec the contract valued at R25 million a year were irregular.

Nisec is also alleged to have charged the Western Cape legislature several million rands above the "agreed upon" annual figure.

"The worst one can do is cover up a bad decision — I had to rely on the technical committee, which recommended the tender go to Nisec, and then make a political decision," Mr Rasool said yesterday.

Nisec's trump card in securing the contract was a sophisticated fingerprint-reading automatic pension dispensing machine, which was touted as being able to eliminate most clerk and customer payout fraud.

WELFARE CHECK: Welfare Minister Mr Abe Williams visited the Eden Park retirement home in Kuils River yesterday and took the opportunity to speak to Eden Park resident Mrs Rose Ferreira, 87. The visit formed part of the national Honour Our Seniors Week activities.

PICTURE: CLIVE SMITH

Govt probes compulsory pension plan

(300)

STAFF REPORTERS

CT 6/10/95

THE government is investigating the possibility of a compulsory pension scheme, aimed at ending the exploitation of old people.

This was said at a visit to the Eden Park retirement home in Kuils River by Welfare Minister Mr Abe Williams.

A compulsory pension scheme would go a long way towards providing financial security for old people, he said.

But yesterday the manager of Kendrick House in Thornton, Mrs Marlene Damster, voiced concern over the possible phasing out of government subsidies to people living in old aged homes.

She said people were paying R1 600 per month per unit to stay at her retirement home.

"If government subsidies, which amounted to about R500 to R700 per person, were to be phased out, pensioners would never be able to pay the costs on a monthly pension of R410," she said.

But Mr Williams denied the government was planning to phase out subsidies.

The roles of old aged homes must change, he said. They should only house old, frail people, incapable of looking after themselves.

Pension centres in storm

(300)

By JEFFERSON LENGANE

CP 8/10/95

PROVINCIAL pension pay-out systems are being privatised without consulting stakeholders, sources providing pay-out centres to the provinces have complained to City Press.

The sources said they were providing the centres free of charge.

"We are independent centres – and we are not going to allow any private company to use our premises without having negotiated rental arrangements," a source said.

"We have not been consulted on the privatisation issue. We doubt that pensioners have been consulted and told of the implications."

Gauteng Administration (Pensions) chief director Louis du Toit confirmed that the province was looking into privatisation.

"When the issue has been finalised we will put up tenders to financial institutions," he said.

"Privatisation will solve the hardships of cash payments, minimise robberies and bring to an end long, tiring morning queues.

"The pay points may be auto-teller machines available throughout the month. Pensioners may be able to withdraw only the amounts they need."

However, the provincial administration will still process applications and provide the money.

The deputy minister of welfare and population, Geraldine Fraser-Moleketi, said most provinces were privatising pension payments, with the Western Cape having completed the process.

They told me I was dead ... yet again

By VICTOR KHUPISO

ST 8/10/95 (300)

AN EAST Rand pensioner died, came back to life and died again — if the actions of welfare workers are anything to go by.

Betty Sebothama, 69, thought her problems with collecting her pension payout were over when welfare officials visited her this month and told her she would receive R3 200 the following day.

Since July, she had struggled to convince social workers she was still alive after being told she was not entitled to her pension money because records showed she had died in January.

But when she went to collect her money this week she was told she had been reported dead that day.

"I couldn't understand. I told the pension clerk the mistake had been rectified. He said there was nothing he could do because, according to the computer, I was dead.

To add insult to injury, the name of her husband, who died in 1994, still appears on the paypoint computers.

Mrs Sebothama, who lives in Tembisa, was one of the pensioners who went to the Union Building last Monday to voice their grievances to the president.

And she has made a plea to Abe Williams, the welfare minister, to intervene on her behalf.

Mrs Sebothama spends her pension on her grandchildren.

Manie Venter, a pension clerk at the social welfare department, said they were having problems with their computers and many pensioners had not been paid. He said Mrs Sebothama should be able to collect her pension next week.

"But if she has the same problem, then the matter will be investigated."

Mrs Sebothama's daughter, Mimi, said the family was worried. "My mother can't even sleep. She is always thinking about the whole thing.

"It's not right. She is very sick now," Miss Sebothama said. "She has suffered enough."

Govt, unions' new pension fund plan

(300) BD 9/10/95

Renee Grawitzky

GOVERNMENT and public service unions have agreed on the details of the amalgamation of 10 state pension funds into a single fund covering more than 900 000 public servants.

The two sides reached agreement at the public service bargaining council last week on a draft Pension Bill and the rules of the fund, which would have an asset base of about R71bn.

The agreement ensures that the new pension fund will no longer be administered by the state alone but by an elected board of trustees comprising six employers' representatives and six from organised labour. At present the majority of the public service pension funds are administered by the state and are a function of the state including the largest fund — the Government Service Pension Fund. The new fund will, according to the ministry, be a "juristic person" or will act as a separate entity to the state.

The ministry said the rules of the

Continued on Page 2

New fund

Continued from Page 1

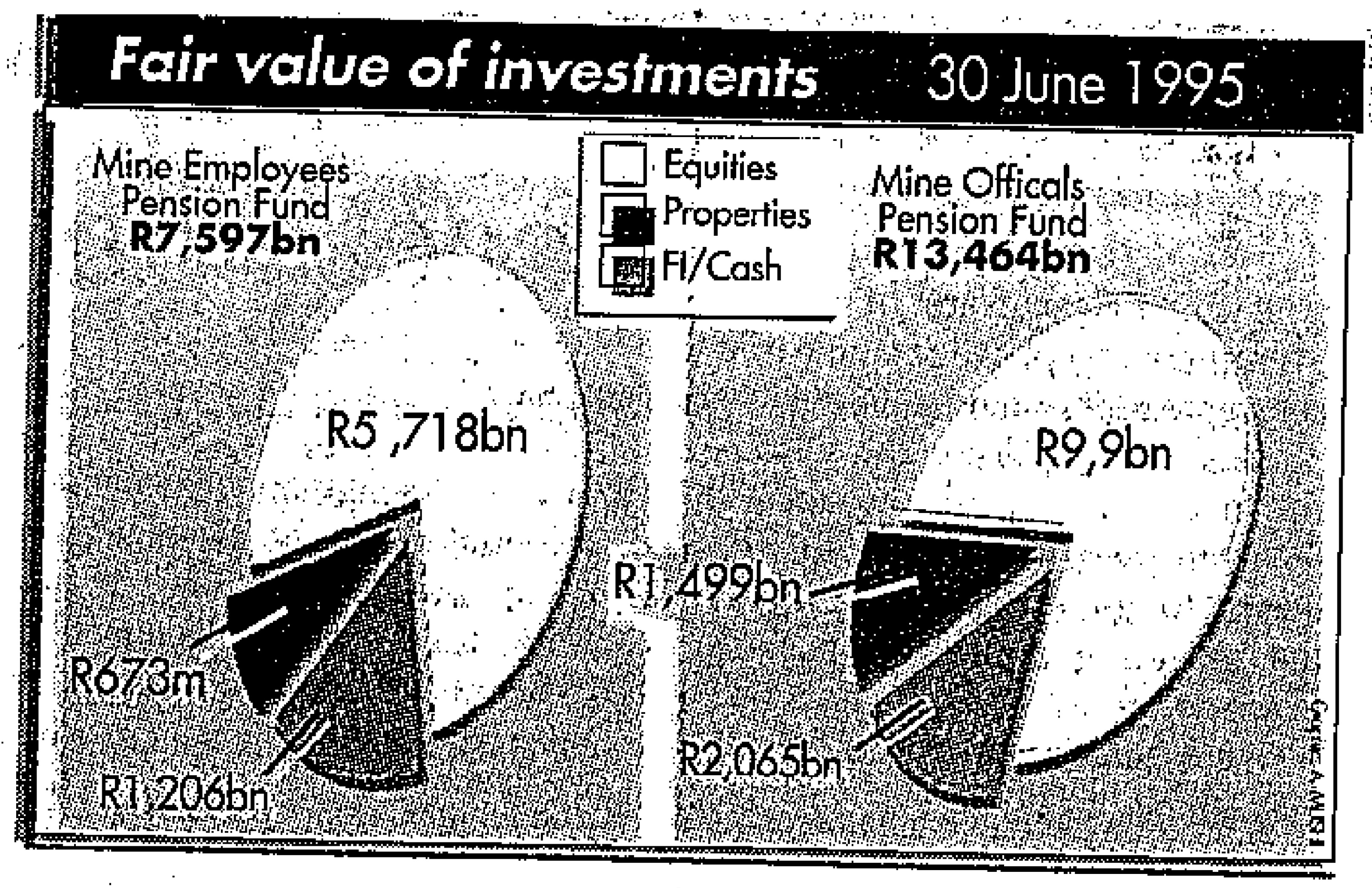
fund provide for extensive financial controls. The investment policy would be determined by the board in consultation with the finance minister.

Ben van Rensburg of the Public Service Association said that public servants would for the first time have a say in the management of funds. A number of guarantees on the part of the state have been built in. If, for example, the employer took a decision such as retrenchment which was to the financial detriment of the fund, then the employer would have to compensate the fund.

Van Rensburg said approximately 90% of the funds' assets were invested in state bonds which were used to finance a number of state projects.

The interim constitution provides for the rationalisation into one fund of the 10 public service pension funds and benefits operating in SA and the former homelands.

The new integrated pension fund, to be called the Government Employees' Pension Fund (GEPF) could potentially cover more than 1-million public service employees if teachers and policemen decided to join.



Mine pension funds earn good returns

CT (BR) 16/10/95 (300)

STAFF WRITER

Two of South Africa's largest privately administered pension funds, with combined assets of R21,2 billion, have achieved above-average investment returns.

The annual reports of the Mine Employees Pension Fund (MEPF) and the Mine Officials Pension Fund (MOPF) show a five-year return to June this year on total assets, excluding direct property, of 18,7 percent and 18,2 percent respectively.

Barry Botes, the chief executive of MPF Management Services, which administers both funds, said that although investment returns were lower than last year both funds performed well.

This is especially so when their results are compared with the performance of other pension funds and with financial indices for the same period.

The Alexander Forbes retirement fund investment managers' survey at June 30 this year shows that the two funds' combined individual year return of 9,2 percent compares favourably with an average return of 7,8 percent for fund managers with assets under management of more than R2 billion.

MPF Management Services was rated third out of 15 participating fund managers.

At the end of June this year, 74,2 percent of both funds' investments were in the share market and a further 15,5 percent in interest-bearing investments.

The combined property portfolios of the two funds stood at R2,2 billion, which comprised 10,3 percent of total assets.

Both funds have been in existence for more than 46 years. They jointly serve 70 000 active members and almost 40 000 pensioners.

Botes says present trends for continued growth should be good for the local stock market during the next six to 12 months.

However, he warned that grievances between business and labour should be earnestly addressed to create social and economic stability in South Africa.

Senior official suspended after graft probe

CAPE TOWN — A senior official in the Western Cape social services department had been suspended after an investigation into alleged pension fraud involving millions of rands, health and social services MEC Ebrahim Rasool said yesterday.

The findings of a task team, headed by university lecturers Prof Pieter le Roux and Henry de Grass, would be passed on to the Office for Serious Economic Offences, he said.

Pensioners were being told their applications had been unsuccessful, while staff were pocketing their money. — Sapa.

(300)

BD 31/10/95

Changes may help millions of pensioners

Wyndham Hartley

CAPE TOWN — New regulations, which could benefit millions of SA social pensioners, would come into effect on March 1 next year, Parliament's welfare committee heard yesterday.

Kola Venter of the welfare department said the new regulations could have vast financial implications. The means test had been revised and houses occupied by pensioners would no longer influence the amount they were paid.

Venter told the committee that maintenance for children, regardless of whether they were illegitimate or not, would be paid for up to two children. Payment for all children, if the single parent qualified, would be phased out.

The new regulations would apply to all pensioners and not just new applicants, Venter said. All existing pensions would be reviewed in the light of the new regulations, but she warned that this would be a time-consuming process which could take longer than a year. (300)

She said a national committee had been formed by Welfare Minister Abe Williams to investigate further the issue of maintenance.

BD 7/11/95

Welfare department slated

BD 7/11/95 (300)

Wyndham Hartley

CAPE TOWN — Delays by the welfare and population development department in establishing a national committee for the investigation of pensions fraud and the drafting of new legislation for the protection of children were sharply criticised in a parliamentary committee yesterday.

Welfare and Population Development Minister Abe Williams also came under fire for failing to attend the meeting of the portfolio committee on welfare held in Parliament.

Deputy minister Geraldine Fraser-Moleketi told the committee there had unfortunately been a delay in setting up the national committee to investigate pensions fraud, but reported that committees in KwaZulu-Natal and the Western Cape were up and running. Prosecutions would result soon.

Fraser-Moleketi, from the ANC, reacted sharply to questions relating to her working relationship with Williams (NP). She said the crisis in welfare would be even greater if there was not a sound "government of national unity" relationship between her and Williams.

Reports from the provinces on pensions fraud, tabled at the meeting, showed that prosecutions were pending in Northern Province, Mpumalanga, Free State, KwaZulu-Natal and Western Cape.

Northern Province reported that a loss of R492 000 was narrowly averted when payment on stolen cheques was stopped before they could be cashed.

The department came under fire by ANC MP Mary Turok for the delay in producing new legislation for the protection of children. She asked what had been happening in the department for the last 18 months.

The committee was told that comprehensive new legislation would be ready in 1997. Turok said it should have been ready last year. It was then explained that amendments to the Child Care Act would be ready for Parliament in May next year.

WARNING OF CUTS IN FUNDS FOR WHITES

Govt threatens old-age homes

CT 8/11/95 (300)

WITH 80% of government funding for old-age homes going to white homes, "the entire situation needed re-appraisal", Western Cape Health Minister Mr Ebrahim Rasool said yesterday.

OLD-AGE homes practising racial exclusivity were yesterday given five months to "clean up their act" — or bear the brunt of impending local health cuts.

Western Cape Health and Social Services Minister Mr Ebrahim Rasool said he could find "no justification to use the money of a new non-racial government to fund racial institutions or maintain the status quo".

Last night Mr Sid Eckley, director of the SA Council for the Aged, said Mr Rasool's comments were irresponsible, sparking "unnecessary anxiety" over a sensitive issue involving old people who were "vulnerable and scared to death".

Mr Rasool, contacted in Pretoria at a meeting with fellow health ministers, said the financial year in which R80 million was shared between 114 white, 24 coloured and three black old-age homes in the Western Cape came to an end in March next year.

With 80% of this going to white old-age homes, 18% to coloured homes and two percent to blacks, the entire situation needed re-appraisal. White old-age homes which "refuse to integrate two years down the line" would bear the brunt of cuts.

The new emphasis would fall on facilities for the frail aged, with service centres catering for the remainder of elderly people.

"When I was in the rural areas a fundamental and repeated complaint from coloured people was of old-age homes remaining essentially white," Mr Rasool said. He tld white elderly folk: "This does not mean we'll be absolutely heartless, we'll encourage administrators." Mr Eckley said Mr Rasool's comments had been made at a time when two policy framework proposals to restructure welfare for the aged, initiated with the co-operation of all provinces and the input of crucial role players, had been presented to Minister of Welfare Mr Abe Williams.

These had proposed the phasing in of racial quotas, beginning on April 1 with a 10% increase, followed by a doubling each year, and in the meantime the government had been asked to withhold statements on the issue. "There is no place for racism or exclusivity but specific recommendations have been made to deal with the complexity of the whole problem," Mr Eckley said.

There was a total imbalance of old-age facilities, but many facilities had to be built in black areas as black people did not want to move to white areas away from their families. — Staff Reporters

Extra state funding nearly depleted

Almost R6,9bn paid out for early pensions

(300) BD 9/1/1 (OFS)

Tim Cohen

CAPE TOWN — An extra allocation of R6,9bn to government service pension funds before the election last year to make provision for retiring public servants had been almost all used up, the finance department's chief director in charge of the funds, Peet Maritz, said yesterday.

He was replying to questions from public accounts committee members about the effect of the recent spate of early retirements on the state's pension funds.

The department was assessing the effect of these retirements and was not yet in a position to provide a comprehensive picture.

However, he indicated that the wave of early retirements — which had taken place in terms of a scheme implemented by the public service department — would not be able to take advantage of the pre-election boost to the funds because this allocation was "almost all used up".

The allocation was approved in March last year. About R4,6bn was allocated to the government service pension fund, R781m to the pension fund for temporary employees and R1,5bn to the stabilisation account.

The six government pension funds for public servants had total assets of R80bn. They are to be amalgamated into a single entity early next year.

The funds have frequently been criticised for maintaining a substantial actuarial shortfall, currently about 55%. To be fully funded they would require assets of about R102bn.

Commenting on the auditor-general's finding that there were discrepancies between the membership records and the state pension funds database, Maritz said a thorough reconciliation process had been undertaken.

The discrepancies were identified, sent to employers to correct, and the state pension funds database had been updated. In total 150 000 discrepancies had been discovered, he said.

Maritz could not say how many of these discrepancies accounted for people who were contributing but were not listed as potential beneficiaries, or how many were beneficiaries but were not contributing.

However, the effect of these discrepancies was likely to be small, as provision for such discrepancies had been made in calculating the fund's actuarial liabilities.

Incorporation of the pension funds of former self-governing states was at an advanced stage. The funds of most of the TBVC states would also be incorporated, he said.

The funds were expected to be restructured by the end of the 1995/96 financial year.

‘Fraud in pensions, feeding schemes’

~~298~~ 300

The Argus Correspondents

JOHANNESBURG. — Corruption involving millions of rands in the country's social pension system and in the President's school feeding scheme has been uncovered.

Safety and Security Minister Sydney Mufamadi has announced that 42 cases of fraud totalling R12 million are being investigated in connection with school feeding schemes throughout the country.

President Mandela has expressed disgust at the wide-scale fraud of feeding schemes across the country. A spokesman said Mr Mandela was “depressed” about the situation.

The largest amount involves R3,5 million of feeding scheme money in the Eastern Cape.

In KwaZulu-Natal, seven arrests have been made in connection with R3,3 million which has disappeared.

Mr Mufamadi said investigations into fraud around feeding schemes were also under way in Northern Province, Mpumalanga, Gauteng and Northern Cape.

Allegations centred on fraud and theft by distributors, suppliers and administrators of feeding schemes.

In many cases, fictitious claims had been submitted, cheques stolen, signatures forged or financial records lost.

And officials in the Ministry of Welfare and the police are involved in massive and extensive investigations in six South African provinces into at least 200 cases of fraud, theft and corruption involving millions of rands in State pensions.

In a statement, Welfare and Population Development Minister Abe Williams said investigations were being carried out in Gauteng, Mpumalanga, Northern Province, KwaZulu-Natal, Free State and the Northern Cape.

He said citizens of Mozambique and Swaziland were also involved.

At least seven people have appeared in court and have been released on bail.

ARG 10/11/95

More arrests in pension scam

300

Sowetan 10/11/95

By McKeed Kotlolo

A FOURTH employee of the department of health and welfare in Mpumalanga has appeared in court in connection with missing pension money in KwaNdebele.

The arrest followed complaints by a number of senior citizens who applied for pensions last year and had not yet received the money. Investigations revealed that more than R70 000 had been paid out but had not reached the applicants.

Mrs Mathilda Siphiwe Maselela (33) of KwaMhlanga was arrested on Tuesday. She is out on R5 000 bail. The other suspects are Mr Alfred Mathenche (31), Mr Aaron Mabuza (35) and Mrs Tracia Nomthandazo Moruni (25).

Investigations revealed that the money was signed for by the four. The investigating officer, Detective-sergeant Joseph Mahlangu, said told *Sowetan* that they were still investigating the alleged involvement of at least three other senior officials.

NP minister under fire over delay of pension fraud probe

BY JOVIAL RANTAO
Political Reporter

A major confrontation seems to be in the offing between Welfare and Population Development Minister Abe Williams, and the Parliamentary committee on welfare.

The committee has attacked Williams for delaying the establishment of a national committee for the investigation of pension fraud, and the drafting of new legislation for the protection of children.

The National Party minister was also criticised for failing to attend Monday's meeting of the parliamentary committee.

Replying in a statement yesterday, Williams said he had established a national committee, chaired by himself, to investigate fraud within the social grants system.

He said good progress had been made in most provinces, with vast savings being made by provinces.

On his absence at Monday's meeting, Williams said he had been unable to attend because he had had to attend another, unspecified, urgent meeting. The deputy minister, however, attended in his place.

(300) Star 10/11/95

U TOIT

Pension and school feeding scams exposed

Star 10/11/95 (300)

42 cases of fraud surrounding feeding schemes leave Mandela 'depressed' while welfare officials have been suspended over massive state pension corruption

By Jovial Rantao
Tamsen de Beer
and Taryn Lamberti

Massive corruption involving millions of rands in the country's social pension system and in the president's school feeding scheme has been uncovered.

Safety and Security Minister Sydney Mufamadi has announced that 42 cases of fraud totalling R12-million are being investigated in connection with school feeding schemes throughout the country.

Presidential spokesman Parks Mankahlana said Nelson Mandela was "depressed" about the situation.

"The president expressed disgust that students should starve because of criminal behaviour of greedy officials and businessmen," he said.

And Ministry of Welfare officials and police are involved in extensive probes in six provinces into at least 200 cases of fraud, theft and corruption involving millions of rands in state pensions.

Welfare and Population Development Minister Abe Williams said investigations were being carried out in Gauteng, Mpumalanga, Northern Province, KwaZulu Natal, Free State and Northern Cape.

He said citizens of Mozambique and Swaziland were also involved.

At least seven people had appeared in court and been released on bail.

Williams added that 45 cases of fraud, due to double payments, as well as 39 cases of pensions being paid to people who had died, had been reported in Mpumalanga.

He said there were suspicions that a syndicate was involved in the crimes and in cases where pensions were paid to citizens of Swaziland and Mozambique.

"Officials of pensions services have been suspended and the registration and payment of pensions to non-pensioners is under investigation," he said.

In Northern Province the Department of Welfare and Population Development had embarked on an extensive probe into the widescale theft of pensioners' cheques.

In KwaZulu Natal a 25-member task team, consisting of SAPS members and welfare officials, had begun investigating at least 45 cases of reported fraud, the minister said.

Fraud had been discovered in Gauteng when applications for pensions were made. Fraud by state officials, where clerks were being used as paymasters in a cash payment system, had been detected. Reported shortfalls varied between a few hundred rands and R30 000.

By the end of last month, a total of 2 753 investigations had been carried out by eight departmental inspectors in the Free State.

The largest amount of feeding scheme fraud involves R3,5-million in the Eastern Cape. In KwaZulu Natal, seven arrests have been made in connection with R3,3-million which has disappeared.

The latest revelations follow an earlier scandal when it was found in the Eastern Cape early in August that fraud and incompetence had consumed R76-million of the province's R113-million budget for the

► ... To Page 2

P.T.O.

Pension and schools feeding scams exposed

(300)

► From Page 1

Star 10/11/95

year in only four months.

On the latest fraud discovery, Mankahlana said Mandela wanted a speedy investigation and to see the perpetrators brought to justice.

Mufamadi said investigations into fraud surrounding feeding schemes were also under way in Northern Province, Mpumalanga, Gauteng and Northern Cape.

Allegations centred on fraud and theft by distributors, suppliers and administrators of the schemes. In many cases, fictitious claims had been submitted, cheques stolen, signatures forged or records lost.

It was alleged that in the Potchefstroom area, food parcels were not distributed free, but sold for R2 each.

"I view these cases in a very serious light," said Mufamadi.

"Fraud and theft of the presidential feeding scheme undermines the attempt by the Government of National Unity to come to the assistance of needy schoolchildren."

Mulalo Mulaudzi, spokesman for Mufamadi's office, said the public could assist police by providing information about feeding schemes.

Cosatu in bid to take over pension funds

(300) (~~[illegible]~~)

Tim Cohen

BD 14/11/95

CAPE TOWN — Cosatu intervened yesterday in the drafting of legislation on SA's R200bn pension funds, demanding that employees form the majority on pension fund boards.

Cosatu spokesman Neil Coleman made the submission during a hearing on the Pension Funds Amendment Bill, which was being discussed by the parliamentary finance committee.

Financial services board CE Piet Badenhorst said he was "totally surprised" by the demand because the finance department had consulted Cosatu extensively in the process of drawing up the legislation.

The Bill was enabling legislation and did not prohibit unions negotiating 50-50 or even total membership of the boards of pension funds.

The legislation was intended to ensure the funds had boards and merely provided for employees to have at least one member if they wanted a representative. Although the board was not in principle opposed to 50-50 membership, the process should be progressive and the legislation was a massive step in the right direction. "Why force the issue," he said after the meeting.

Cosatu spokesman Neil Coleman told the committee he was not aware of the position Cosatu representatives had taken while the Bill was being drawn up.

In any event Cosatu did not favour the legislation in its current form and wanted an amendment which would require employees to be in the majority on pension fund boards.

Badenhorst said that in most cases, employers would not necessarily object to employees holding half the seats or even most seats, but they might do so

Continued on Page 2

Cosatu

(300) (~~[illegible]~~)

BD 14/11/95

Continued from Page 1

in the case of defined benefit funds, in which they had in effect promised a definite payout. If the funds were badly managed it was possible companies would still be required to make payouts even though they had no control over their funds' investment decisions.

If this was the case companies would be less inclined to establish funds which would affect the economy. Existing funds might also be closed, he said. Coleman responded saying it was patronising to suggest employees would necessarily manage funds more poorly than employers. In fact, many funds were affected by exorbitant administration charges.

Employees wanted good returns, but they also wanted to be sure their contributions were being invested in companies with responsible employment policies.

Finance committee chairman Gill Marcus said employer representatives would be consulted again.

A decision would be made by the committee this week.

Order against old-age home staff extended

CT 15/11/95 (300) (153)

STAFF REPORTER

THERE had been a "climate of fear and anxiety" among administrative staff when strikers took over offices at Rusthof, a Paarl old-age home, the Cape Supreme Court heard yesterday.

This emerged when Mr Acting Justice G Josman extended an interim interdict against the National Education Health and Allied Workers Union (Nehawu) and 14 of its members.

In terms of the temporary order the workers may not enter Rusthof for any purpose other than to attend disciplinary hearings between November 16 and 18. They also may not to interfere with operations or harass staff.

Mr Hilmer Davids, treasurer of the Paarl Welfare Organisation for the Aged, said in papers that the 14 strikers were general assistants, nurses or nursing assistants.

A new recognition agreement with the union was reached in April. But no agreement was reached on strike procedures.

On October 12, the union asked to meet Paarl Welfare Organisation for the Aged about working conditions. When the organisation wrote back seeking clarity, there was no response.

Seven days later it received a letter from Nehawu demanding that a meeting be held immediately, failing which industrial action would follow.

The next morning, Mr Davids was told that seven workers were on strike. They occupied the building and left the next day.

On November 6, strikers prevented Rusthof's manager, Mrs Leonora Abrahams, the social worker and the switchboard operator from entering the home.

The strikers had insisted on being in the administrative offices at all times, searched vehicles for documents, blocked telephones, and accompanied the social worker during her lunch break to ensure she did not contact committee members, Mr Davids said.

Pension scandal: Police close in

□ R20-m a month lost and system in state of collapse

ARG/17/11/95 (300)

MICHAEL MORRIS
Political Correspondent

CRIMINAL prosecutions are imminent in the Western Cape's multi-million rand pension payout scam and the crackdown on fraudsters is being intensified.

Over and above cases handed to the fraud police, the province also has enough evidence to institute civil claims to recover money stolen or lost through irregularities.

And "three matters" — including the tender award for pension payouts to the company, Nisec — are being urgently pursued by the Office for Serious Economic Offences (Oseo).

More than 1 000 people — officials and "clients" — are believed to be involved in the ripoff.

Preliminary investigations have found the pension payout system to be in a state of collapse with about R20 million being lost to alleged fraud, corruption and irregularities every month.

The investigation also focuses on potential savings — probably running into millions of rands — in Nisec's administration of the system.

These were highlighted earlier this year in questions in the provincial legislature by Democratic Party leader Hennie Bester.

The legislature's all-party finance committee may yet decide to formally request a judicial commission of inquiry whose powers of investigation would be far wider than the intensified forensic auditing probe now under way.

Committee chairman Arnold de Jager in a statement last night on behalf of the committee spelled out further steps being taken.

These include:

- Putting out a new tender for further forensic auditing (recommended by the head of the present investigation, Professor Pieter le Roux);
- A new tender for "an independent, outside consultant" to advise the Department of Social Services on new systems to limit fraud and corruption in future; and
- Extending the ambit of this tender to auditing the present payout systems in regional and branch offices, and to providing a management consultancy for the department.

The committee spent almost all of yesterday discussing two preliminary reports by Professor Le Roux's investigating team, some members of which are joining Oseo's investigation. The final report is due later next month.

Mr De Jager said: "The reports contain extensive evidence, including individual and case studies, of fraud, corruption and irregularities in the Department of Social Services.

"These include cases of individual and syndicate corruption and irregularities in the award of various tenders."

"Quite a few" cases had been handed to the police.

"The committee also heard evidence of a comprehensive breakdown of systems in the department."

Mr De Jager said the committee had reserved its right to call for a judicial commission of inquiry after the tabling of the final report next month.

In the interim, the committee wants regular progress reports.

It is also to look into blacklisting companies whose staff are found guilty of bribes or paybacks.

● See page 23

Pension fraudsters using every trick in the book

ARG 17/11/95 (300)

BACKGROUND TO THE NEWS

MICHAEL MORRIS, Political Correspondent

MONTHLY pension payments are the livelihood of thousands of elderly and disabled citizens. But many — possibly as many as a few thousand — able-bodied cheats are milking the multi-billion rand welfare system fraudulently ... month after month. Now, their cover is being chipped away.

FRAUDSTERS have used every trick in the book.

Scam investigators found that in one case, a man was on the pension list because he was blind.

On the face of it, his was a legitimate case.

But, then, they found not only that the man had never got a cent from the welfare system ... but also that he had perfectly good eyesight.

The money claimed in his name was allegedly being pocketed by two officials who had applied for a pension on his behalf.

In another case, a woman got more than R11 000 between 1993 and earlier this year, even though she was not entitled to a pension.

Again, officials had allegedly applied, fraudulently, on her behalf.

This pattern is repeated throughout the Western Cape — and, indeed, the country — in what, for some, has become a business, siphoning off millions of taxpayers' rands.

It is to the Western Cape government's — and the legislature's all-party finance committee's — credit that this province is way ahead of the others in rooting out this more than R200 million-a-year corruption.

But, it's a major job.

It means vetting each and every one of the province's more than 260 000 monthly pension payouts.

The first two preliminary reports tabled at yesterday's finance committee meeting — after a forensic audit ordered earlier this year — indicate the extent of the problem. But, these reports focus on only a few regional branches of the vast pension system — Paarl, Bellville and Ruyterwacht.

The intensified crackdown will broaden the probe.

One of the key figures in focusing critical attention on problems in the pension system is Democratic Party regional leader Hennie Bester.

Throughout the year, he has raised pointed questions about irregularities, the awarding of the payout contract to the company, Nisec, and a number of costly features of it.

His call earlier this year for a judicial commission of inquiry was dismissed in many quarters, but it's an option the provincial finance committee now is considering seriously.

Commenting on the scope of the problem last night, Mr Bester said: "The problem is extensive. It is a system that has become ingrained over a decade or more."

Rooting it out means creating an entirely new data base.

Finance committee chairman Arnold de Jager said it was simply not possible yet to say how many people were involved.

New contract ordered

Political Correspondent

THE controversial and lucrative pension payout tender awarded to the private company Nisec last year is to be urgently renegotiated.

This was ordered yesterday by the Western Cape legislature's all-party finance committee.

At issue are millions of rands that Nisec may have earned in interest while holding pension money, the absence of insurance on the pension money in its care, Nisec's earnings of more than R1 million a month in agency fees for pensions paid out by the Post Office and the ownership of the pension database.

The award of the payout tender to Nisec — wholly owned since March by the defence group Denel — is one of "three matters" being investigated by the Office for Serious Economic Offences (Oseo). Their officials raided Nisec offices in August, taking possession of boxes of documents.

This followed the launch of a forensic investigation into pension fraud under the leadership of Pieter le Roux, head of the University of the Western Cape's Institute of Social Development.

The provincial finance committee's call for a renegotiation of the tender is a further consequence of this investigation.

Nisec — formed a week before the gazetting of the pension tender — was awarded a five-year contract in June last year. It began running the system in December.

Until a few months ago, it was discovered, Nisec was drawing the more than R100 million-a-month pension payout sum from the treasury on the seventh day of each month, and holding it until payout day, on the 23rd or 24th day of the month.

Under these circumstances, the company was in a position to earn about R10 million in interest.

Now, the money is drawn just before payout day, but negotiations are under way to retrieve the interest.

The forensic audit also has confirmed the costly details of Nisec's sub-contract with the Post Office, first highlighted in the provincial parliament by Mr Bester.

Nisec's fee for administering the payouts is R12,25 for every pensioner.

But of the 260 000 pensioners, it pays only about 60 000 directly, while the remainder are paid on a sub-contractual basis by the Post Office. However, Nisec pays the Post Office only about R6 a pensioner for this service.

This means Nisec is earning about R1,2 million a month for work done by the Post Office.

Talks to get Welfare's R10m back

(300)

CT 17/11/95

CHRIS BATEMAN

NEGOTIATIONS have been launched to recover about R10 million from Nisec, the company engaged to pay out the Western Cape's 260 000 pensioners.

The awarding of the tender to Nisec is being investigated.

A broader forensic probe involving "thousands" of people and initially singling out the Welfare Department offices in Paarl, Bellville and Ruyterwacht is continuing.

This emerged yesterday after an interim report-back by forensic auditors probing corruption, fraud and bogus payments in the provincial department.

The province's Standing Committee on Finances, Public Accounts and Pensions heard that several cases were being investigated by the Office for Serious Economic Offences (Oseo), and the Cape Town fraud unit.

The committee seconded three of its top forensic auditors to Oseo.

Cases mentioned include officials and members of the public making claims on behalf of people they said were disabled or on behalf of people long dead.

Syndicates

Several syndicates are believed to be operating.

The negotiations over Nisec's estimated R10m a month interest "windfall" are centred in the 17-day period the company was able to hold R100 million each month before making pension and disability payments.

Standing committee chairman Mr Arnold de Jager said Nisec was no longer given the R100 million on the seventh of each month. For the past two months Nisec had received the money two or three days before pay-outs on the 23rd or 24th of each month.

Mr De Jager said evidence of a "serious breakdown" in controls over the payment of welfare subsidies had also been found, but this did not affect all institutions.

He said a general amnesty would be considered in an attempt to clean out millions of rands of official and public corruption and to prevent further massive losses.

Another major concern was an alleged lack of insurance for the R100-million payout.

Committee member Mr Hennie Bester said certain aspects of Nisec's five-year contract would be renegotiated and that it was "paramount" that the data base that Nisec used be claimed as Western Cape property.

"We're dealing with a system that has become ingrained over a decade — all this has to be undone, and the Western Cape is leading the country in doing it," he said. He was unable to say how many people were under suspicion.

No old-age home subsidies

Star 20/11/95 (300)

Cape Town – Subsidies to old-age homes would have to be phased out because South Africa could not afford them, the Minister of Welfare, Abe Williams, said at the weekend.

"To think that we can put every old person in a home is a dream," he said at the National Party's Western Cape congress in Somerset West.

He was replying to a motion, proposed by the party's Parow district council, expressing concern over the decrease in subsidies for old-age homes.

Williams said South Africa could not afford to pay every elderly person a pension of R430 a month, and then subsidise some of them with an additional R1 000 to R2 000 a month if they stayed in a home.

"If we subsidise (some of) them to stay in an old-age home, then they must all be subsidised – and we cannot afford this."

He also said the existing subsidies to old-age homes would not be suddenly withdrawn, but would be phased out over a period of about five years.

In future, as had been the case in the past, old people would have to stay with their children or remain in their own communities, which would have to provide services to the elderly. However, chronically ill old people would still have to be housed in old-age homes, Williams said. – Own Correspondent.

Province sportsman's gruesome murder

Govt looks at options for topping up pension funds

BD 21/11/95 (300)

Greta Steyn

GOVERNMENT is considering a range of options to top up the severely underfunded state pension funds, including putting in fixed property.

Finance Minister Chris Liebenberg confirmed that plans to reduce the shortfalls in state pension funds remained on track despite pressure on them because of early retirements.

Government and the trade unions had agreed to raise the pension funds' level of funding to 75% of projected liabilities. The last actuarial valuation of the core fund, the Government Service Pension Fund, showed it was only 51,5% funded, but this had improved despite the exodus of bureaucrats.

"We are ahead of our agreement with the unions," Liebenberg said.

Ways to reduce the pension fund deficits included issuing government stock to the funds, increasing their assets, improving the potential for growth in their asset portfolios and making cash payments.

The funds could also benefit from restructuring of state assets, either through receiving stakes in them or through cash distributions.

"We are looking at all these areas," said Liebenberg.

Part of the solution could be the transfer of ownership of fixed property to the pension funds, particularly where government was a major tenant.

Government had also been paying an extra R1bn into the funds every year, he said.

However, part of that amount had been used this fiscal year to raise public servants' salaries — a move Liebenberg believed would not have a noticeable effect on the funds.

Before the elections, government had paid almost R7bn into the funds to cover early retirements up to April last year. That amount had been adequate, as was evident from the fact that about R52m of that amount remained untouched.

Liebenberg said that if government was not funding the pension funds, as was the case in many other countries, its debt as a percentage of GDP would be less than 45%, compared with the current level of about 55%.

One of the plans to improve the pension funds' funding was to increase investment in equities.

About R5bn is to be divided between five private sector fund managers, but no announcement has yet been made on which asset managers are to handle the plum account.

State names pension fund managers

(300)

Greta Steyn

BD 23/11/95

LIBERTY, Old Mutual, Rand Merchant Bank, Sanlam and Southern Life were named yesterday as the private asset managers that would handle the state pension funds' massive investments in equities over the next year.

They would each immediately receive a portion of the R5bn equities portfolio currently held by the state's fund manager — Public Investment Commissioners (PIC).

PIC head Badie Badenhorst said over and above the R5bn, part of the pension funds' cash flows would be made available to the new fund managers at the PIC's discretion. A maximum of R4bn in cash could be portioned out, which could bring the state pension funds' total investment in equities to R9bn in a year's time. However, there was no target for the planned increase in equity investment.

It is understood the PIC's equities portfolio consists largely of Sappi, Sasol and Iscor shares. The prices of these equities have fallen sharply, suggesting the market has discounted the likelihood that the new fund managers will diversify portfolios. If the R4bn in new cash is mostly invested in equities instead of government stock, it will be a boost for the JSE and a drawback for the gilts market.

The move to hand over part of the R95bn in state funds to the private sector is in line with Finance Minister Chris Liebenberg's drive to improve the funds' financial health. They are almost fully invested in government and parastatal stock, and returns have suffered as a result.

The PIC, which called on private asset managers to tender for the lucrative account, has come under fire for

Continued on Page 2

Pension fund

(300)

Continued from Page 1

BD 23/11/95

criteria used to select the winners. It is understood that government double-checked the PIC's decision to counter criticism from fund managers who lost out — explaining the delay between the decision and public announcement.

The finance department said a preliminary selection had been made on the basis of the size of funds under management, past performance and depth of management. Those managers had been invited to attend personal interviews. "Internationally accepted criteria were used in the final selection. Other criteria included the willingness of the organisations to identify with the goals and objectives of the reconstruction and development programme," the department said.

"All five organisations have signalled they will train people previously denied the opportunity of acquiring skills in asset and investment management. They have further committed themselves to supporting initiatives aimed at economic empowerment."

A market source said it was obvious size had been the determining factor in the decision, rather than investment performance. He questioned the wisdom of the approach, "especially in an era when big no longer means better".

The department said the PIC was mindful of the effect these appointments would have in the market place. "It must be stressed that these appointments will be reviewed regularly and that performance will be a major consideration," it said. The PIC would also monitor whether the managers complied with the other conditions.

Tax on pension contributions mooted

(300)

Greta Steyn

BD 24/11/95

THE Katz commission is expected to recommend the taxation of contributions to pension funds when its second report is handed to Finance Minister Chris Liebenberg next week.

The commission is also expected to recommend against implementing a capital gains tax as it generates uncertainty and yields little revenue.

Anti-avoidance measures are expected to be tightened up and the taxation of groups of companies beefed up in terms of the commission's proposals. There will also be a chapter on taxpayers' rights which will address issues such as the receiver of revenue's failure to assess taxpayers quickly enough.

A source said the proposal on pensions taxation, which followed months of refinement after it was mooted last year, would probably cause a fuss "because no one likes fundamental reform". A Reuter report yesterday put a figure of R3bn on potential revenue

Continued on Page 2

Taxes

Continued from Page 1

BD 24/11/95

from this source.

The commission's proposal last year to place a limit on the tax-free portion of pension fund contributions was greeted with outrage. The proposal was rejected by the parliamentary committee on finance, which asked for more research to be done.

Finance director-general Estian Calitz mentioned pensions taxation as one area that government was looking at during last week's closed presentation of Budget issues to the parliamentary finance committee.

Another source said the Katz recommendations drew heavily on the work of the Smith committee on retirement provision. In June this year government appointed retired accountant Guy Smith to head a committee of experts whose brief on retirement policy included taxation. "Fears were raised last year that the proposal had not been properly researched. It would be difficult to repeat the accusation this year, although people will be unhappy," the source said.

He said finance raised through pensions taxation should be used to reduce personal income taxes in the middle income range of R38 000-R80 000.

Reuter reported sources said some of the expected R3bn resulting from the tax — to be levied at a flat rate — would be used to reduce high personal income tax rates. The commission would recommend that state pension funds and some older funds be excluded from the tax.

The suggestion to tax the build-up of earnings in pension funds would be accompanied by a call for all retirement vehicles, including pension and provident funds, to be taxed similarly.

The commission would also recommend a reduction in the rate of the secondary tax on companies from 25% to 15%. Other issues to be addressed include capital transfer tax, land tax, dedicated taxes and gambling, wagering and betting taxes.

Pensions firm now 'a whipping boy' (300)

CT 27/11/95

CHRIS BATEMAN

THE man at the centre of the Nisec pension payout controversy, the firm's Western Cape managing director Mr Alec Celliers, said yesterday that the company had become a "public whipping boy", when bureaucratic bungling, delays and inter-departmental ignorance were at fault.

In an interview, Mr Celliers rejected suggestions of improper tendering, "skimming" of agency commission, earning improper interest and irregularly hiring former CPA officials.

His company was raided by the Office for Serious Economic Offences in September and is the subject of a Department of Welfare forensic audit. No charges have yet been laid.

The Western Cape's standing committee on public accounts last week also recommended a comprehensive probe into the R135-million five-year contract between Nisec and the province.

Mr Celliers said his firm had enabled the province, for the first time in 20 years, "to know exactly where they stand" each month on pension payouts and subsidies.

The tender had stated that the successful tenderer could appoint CPA employees "because many would lose their jobs".

The R10m interest public accounts committee members' claimed Nisec had earned in nine months of handling R100m a month was "closer to R1m".

The contract insisted that cash accompany the pay-out data from the province and that all interest on this was for Nisec. The data was rarely provided on time.

Delays

Nisec originally tendered to pay out 175 000 (black) people (later amended to 260 000 pensioners of all races) and geared its capital equipment to handle this.

But it was now paying out only 45 000 people owing to delays in merging multiple mainframe computer systems in Gauteng and negotiations with traditional pay-out agents, the Post Office.

He said Lloyds of London covered all Nisec's cash withdrawals.

Whites-only old age homes to lose grants

(300) MG 27/10 - 2/11/95

Rehana Rossouw

Old age homes which cater for white residents only will lose their government subsidies, Western Cape MEC for health and social services Ebrahim Rasool warned this week.

"We currently spend 60 percent of the overall welfare budget on the aged. Whites get 80 percent of the budget, coloureds 12 percent Indians six percent and Africans two percent," Rasool said.

"There are some homes that are palaces, that refuse to integrate and transform into frail care centres. They should start feeling insecure."

Rasool said while it was not his intention to penalise whites, he could not justify continuing the unequal funding in terms of the new constitution. He had already tolerated the situation for two financial years and was not prepared to do so any longer.

He said many institutions disguised their racially exclusive admission policies in historic waiting lists, which up until the Separate Amenities Act was scrapped, were limited to people of one race only.

Rasool said the government could also no longer afford to pay for residential care and all homes will have to transform into frail care institutions if they want continued financial support.

Elderly people who could care for themselves would have to live with their families.

Cape Peninsula Organisation for the Aged head social worker Anne Garden said while she was aware that there were many homes which were still exclusively white, another reality was that the need for institutions was greater in the white community.

"Our organisation has no applications from independent black elderly people. They are still a valuable resource in their community, while white families are often reluctant to care for elderly residents," Garden said.

"Some families are also unable to afford to care for the elderly, R410 does not go very far. The government will have to look at subsidising the aged further if they want to remove them from old age homes."

R1 million in pension cheques stolen

(300)

CT 30/11/95

OWN CORRESPONDENT

UMTATA: Police in the former Transkei confirmed for the first time yesterday that government pension cheques totalling nearly R1 million were stolen outside the Botha Sigcau government building here last Wednesday.

Police said the cheques, together with a pistol, were in a government vehicle from Port St Johns that was parked in front of the building and left unattended. The vehicle was also stolen. Police recovered stripped parts of the vehicle at Elliotdale and arrested members of a syndicate that steals government cars.

Cosatu calls for Pension Funds Amendment Bill to be delayed

Neil Coleman

BD 5/12/96 (300)

THE memorandum attached to the Pension Funds Amendment Bill claims that Cosatu has been "consulted in depth" on the Bill.

Piet Badenhorst of the Financial Services Board repeated this claim before the parliamentary standing committee on November 13, and was quoted in November 14's Business Day as saying he was "totally surprised" by Cosatu's opposition to the Bill because the federation had been "extensively consulted" in the process of drawing up the legislation.

This claim is totally false. Indeed, our first sight of the Bill was when it was introduced to the committee on November 13.

The manner in which the Bill has been introduced also raises fundamental questions about the role of various business interests in drafting legislation which has such an effect on workers' lives.

By Badenhorst's own admission in the hearings, a major provision in an earlier draft of the Bill on the representation of workers on boards of funds was withdrawn at the insistence of business. This was done without the knowledge of the trade union movement. We had no sight of any of the drafts of the proposed Bill.

This poses the spectre that secret lawmaking by powerful elites, which characterised the apartheid era, continues to be perpetuated by unaccountable bureaucracies such as the Financial Services Board.

In seeking to influence a new approach to the orientation of retirement funds, Cosatu and our affiliates have been guided by several broad principles:

- Pension and provident fund investment should ensure social security for members of retirement funds;
- Maximum worker involvement in decision-making on all aspects of the funds;
- Pension and provident fund assets should be invested in a way which directly benefits workers and their communities. Investments should advance the objectives of job creation and job retention, address poverty, build infrastructure, advance worker rights, respect basic labour standards, and combat the legacy of apartheid in the economy; and
- Investment should be used as a lever to advance a growth path which meets the needs of the majority, and challenges existing patterns of ownership.

Cosatu is determined to ensure implementation of the commitment contained in the RDP to "make pension and provident funds more accountable to their members ... (and for) the democratic government to change the law to ensure adequate representation for workers through the trade unions, compulsory contributions by employers, and to move towards industry funds. It must also legislate a transformation of the boards of the mutual funds to make them more socially responsible."

This means firstly that the proliferation of 20 000-30 000 company funds needs to be addressed. A programme of negotiating industry-based funds needs to be urgently developed. Such funds offer a range of advantages, including benefits of scale, and the opportunity for workers to participate in directing them.

COLEMAN

Secondly, worker representatives need to control pension and provident funds, both with regard to establishing the rules/constitutions of funds, as well as controlling investment decisions. Some unions have argued that this means 100% worker control of funds. But all parties have agreed that there should be at least 50% representation on the boards of funds. The FSB proposal arising from the Mouton Commission — on which unions were not represented — is that legislation should provide for one of three trustees to be worker representatives. This proposal is totally unacceptable to us, and contrary to the spirit of the proposals contained in the RDP.

Thirdly, worker trustees need to be empowered and trained to be able to make effective and informed decisions on behalf of the members. Even where workers trustees are in the majority, they may simply rubber stamp decisions taken by the experts, because they are not currently empowered to weigh up the options facing the fund. Trustees should also be entitled to paid leave to attend training.

Fourthly, comprehensive and regular disclosure of information to members of funds is a sine qua non if workers are to be empowered. Members should be entitled to and receive benefit statements at least once a year, rules of the fund's constitution, financial statements and reviews/reports by the actuary.

Various legislative reforms are needed to ensure the democratisation and proper running of the funds.

These include a mandatory member-centred trust deed for all funds; a minimum 50% representation of workers/unions on trustees' boards; an end to discriminatory practices and corrupt or unfair exploitation of pensions; full rights to information; the appointment of an ombudsman or other independent tribunal to deal with members' complaints, at least two trustee meetings per year for each fund; and provision for a system of approved trustee training. Also, benefits should be portable and vested in members, and all funds should be covered by a single Act.

Many unions, including Cosatu affiliates, hold the view that fund trustees should be 100% elected by members, to ensure democratic control of funds. Funds which have been established on this principle include the industry fund established by the SA Commercial and Catering Allied Workers' Union. To implement this principle of accountability, member representation on funds should at least constitute a majority. The minimum statutory representation should be 50%.

In practice, current arrangements allow employers to veto members' attempts to transform the funds, improve their rules and end abuse.

The proposal in the Bill would institutionalise the employer veto through its recommendation that one out of three trustees be elected by members. It is also difficult to understand why the amendment removes the right to representation on funds which cover more than one employer.

Arguments raised by the FSB include the claim that greater worker representation will cause employers to close down funds, that smaller employers cannot afford the costs, that employers carry the risk, etc.

Funds are part of the wage package negotiated by workers and unions. It is therefore a misconception to think of the funds as external to the core interests of workers. Workers have a direct material interest in ensuring their money is properly administered and invested. Unions and workers have demonstrated that they are capable of managing this extremely effectively. It is patronising to suggest that given the necessary expert backup which all funds rely on, workers would be any less effective in safeguarding the funds than employers.

Cosatu would like an opportunity to make recommendations, not only on the issue of board representation, but also on other aspects of the Bill. We therefore propose that the passage of the Pension Fund Amendment Bill be delayed until all stakeholders have had a proper opportunity for to make their input.

Coleman is a Cosatu spokesman. This is an edited version of Cosatu's submission to the parliamentary finance committee on pension legislation.

How they chose the five who will manage a R5bn portfolio

ET (BR) 14/12/95 (300)

By Bruce Cameron

Johannesburg — One of the major tasks in running a retirement fund is to pick the right portfolio manager who will grow the fund without putting it at unnecessary risk.

For most this is a difficult decision. For the Public Investment Commissioners, who are trustees for more than R95 billion, the decision to appoint five portfolio managers to manage its R5 billion equity portfolio was further complicated by political and size considerations.

The government decided earlier this year to allow the commissioners to hand the management of the portfolio to the private sector because the commissioners did not have sufficient technical knowledge or specialist staff to actively manage and expand its equity portfolio.

This was a first step towards a general privatisation of the underfunded state pension funds. The decision resulted in the appointment of five portfolio managers last month — Old Mutual, Sanlam, Liberty Life, Southern Life and RMB Asset Management.

Badie Badenhorst, the secretary to the commissioners, said all possible managers were invited to tender for the job.

A number of criteria were used to compile a short list from the contenders. This included total funds under management; the number of skilled individuals in the management establishment; the years of service of the individuals in management in the investment environment; average years of service of the portfolio management; and the cost of management fees.

For the final selection process, the commissioners's executive looked for portfolio managers who would reflect its commitment "to a safe and conservative investment strategy". It also said it would rather employ the larger and well-established investment organisations, even though this might only provide average performance yields.

In making its final decision the commissioners looked at necessary skills, experience, depth of management, support and continuity of the skilled staff complement, and appropriate research and development infrastructure.

Other considerations included:

- ☐ A suitable and acceptable investment philosophy compatible to the commissioners' long-term objectives as a conservative investor;
- ☐ The ability to convert investment policy into suitable investment strategies;
- ☐ The ability to execute and convert the strategies into a successful process of matching assets to liabilities;
- ☐ The ability not to rely only on performance and/or price of services to be competitive with industry peers;
- ☐ The ability to be adaptable and to pursue specific benchmarks and to judge accordingly;
- ☐ The maturity to gradually restructure the commissioners' present "skewed" equities portfolio; and
- ☐ The skills to acknowledge and to have learnt from wrong strategies in the past.

Badenhorst said the commissioners also had to be concerned with other issues, such as ordaining a new status on a portfolio manager which had not been earned.

The companies chosen also had to identify with the aims of the government of national unity; undertake to support the economic empowerment of deprived South Africans; and prove their participation in affirmative action programmes in the portfolio management establishment.

Badenhorst said the commissioners realised the effect the appointments would have in the market place. He said the appointments would be reviewed regularly with performance and compliance with conditions being major considerations. The commissioners may also change the number of portfolio managers in the future.

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Thousands of workers set to join new provident fund

(300) ARG 16/12/95

ESTELLE RANDALL
Labour Reporter

THOUSANDS of farm, domestic and small business workers stand to benefit from a new provident fund which will be launched on Monday.

Initiated by the Rural Foundation and underwritten by Fedlife, the fund will provide retirement, disability, funeral and death benefits at a minimum premium of R30 a month.

Workers who join the fund will be able to transfer their benefits if they change employers and after two years' contribution workers will be able to use the fund as security for housing loans.

Monte Jordaan, managing director of Managed Group, the company which is administering and marketing the fund, said that 125 farmers, employing about 5 000 farmworkers in the Western and Northern Cape, had already indicated their intention to join the fund.

He said that in general farmers had said they would match workers' contributions, rand for rand. In some cases, where workers had services of 20 years or more and were close to retiring, farmers were willing to make larger contributions.

While all of the 5 000 workers covered by the fund when it becomes operative next week were permanent workers, Mr Jordaan said that seasonal workers who worked for the same employer for more than six months or who regularly returned to work for the same employer would also be able to join.

He admitted that it was difficult to make the fund available to other seasonal workers but said ways of doing so were being explored.

"It's a huge market and one that needs to be addressed," he said.

He said his company was also exploring the introduction of a medical aid scheme for farmworkers but would only finalise plans about this once the government's national health plan was complete.

"We don't want to duplicate what the government will offer," he said.

Mandela axes Sebo's chief executive

CT(BR) 20/12/95 (300)

BY ROY COKAYNE

Pretoria — President Nelson Mandela has terminated the services of Paul Stone, chief executive officer of the Sefalana Employees Benefit Organisation (Sebo).

The termination of Stone's services is effective from December 1. It follows his suspension in April and the subsequent inquiry into his continued employment as Sebo's chief executive.

Sebo has assets totalling about R4,2 billion and administers the four funds of the former Bophuthatswana government.

Professor Fink Haysom, legal adviser in the president's office, said Mandela had decided to terminate the services of Stone in terms of Section 21 of the Sebo Act after considering the recommendations of the inquiry, the further representations of Stone and after consulting Sebo's trustees and the Transitional Management Committee (TMC).

Paul Stone

"The inquiry found, inter alia, that there was an irretrievable breakdown in the relationship between Stone, the TMC and the contributors to Sebo, and that a continued employment relationship with Stone as chief executive was neither possible nor appropriate," Haysom said.

Stone was suspended on full benefits pending the inquiry, in line with fair labour practice.

Haysom was unable to provide any details about the cost of suspending Stone on full benefits from April until the termination of his services.

Spokesmen for Sebo were unavailable for comment.

Texas, and it tells the

Elderly must be protected — Rasool

(300) CT 20/12/95

THE elderly had to be protected from violent abuse — often perpetrated by their own families — and enjoy more financial concessions from business to make their pensions stretch, the Western Cape Minister of Health and Welfare, Mr Ebrahim Rasool, said yesterday.

Addressing pensioners at the Lily-Haven Old Age Home in Bonteheuwel, Mr Rasool said he had recently had to deal with a case in which an elderly man had been punched in the face by his son — an unacceptable action.

"Life must be liveable for the elderly outside old-age homes. The police must help to protect our aged."

The community, too, should draw on the experience and wisdom of their elderly — something that was not happening and which was why children turned to violence as a way of life.

The government was aware of the desperate plight of the elderly and had increased pensions twice since it had been in power.

"I know your pensions are hardly enough to keep you going, but as we continue we will try to squeeze out more money for you."

In the new year he planned to introduce a programme to encourage more concessions for pensioners from business, like lower bus fares every day of the week. — Staff Reporter

Motorists ignore call for boycott

(300)

Sowetan 20/12/95

Sowetan Correspondent

THE proposed boycott of Shell initiated by the SA-Nigeria Democratic Support Group failed to capture the imagination and support of local motorists who continued to fill up at Shell service stations.

The group had called on South Africans to stage a two-day boycott yesterday and today of the more than 800 Shell service stations in South Africa to protest against the company's involvement in Nigeria.

The only visible sign of protest was at the Shell Ultra City on the Ben Schoeman Highway between Johannesburg and Pretoria, where about 20 members picketed.

Members of the organisation, some with chains around their necks, stood on the side of the highway, waving placards which said: "Shell is about blood", "Shell products kill" and others bearing the names of the nine Ogoni activists executed by the Nigerian military regime.

The group's spokesman, ANC MP Carl Niehaus, had urged holidaymakers "to simply drive past Shell stations and remind it of the responsibilities they cannot escape. We want Shell to use its economic pressure on the Sani Abacha (military leader) regime (in Nigeria)".

Shell is Nigeria's biggest employer and produces more than 50 percent of Nigerian oil.

Shell spokesman Pieter Cronje said the effects of the boycott had not been widespread.

"We resent the fact that Shell is being singled out. This boycott is unfair and discriminatory. People cannot expect business to assume the roles of governments, international bodies and the people of Nigeria to change the political dispensation in Nigeria," Cronje said.

Many motorists filling up at Shell service stations were unaware of the boycott and most continued to fill up.

Wednesday December 20 1995 SOWETAN

Bleak time for pensioners

(300)

Sowetan 20/12/95

By Khathu Mamalla

THOUSANDS of elderly people in Northern Province face a bleak Christmas and New Year after the provincial government failed to pay them their monthly pension grants.

The pensioners have been going to their payout points almost daily but have been told that their cheques had not yet been delivered.

In other areas, especially the former Lebowa homeland, some pensioners have not been paid their old age grants since October.

The province's MEC for health and welfare, Dr Joe Phaahla, said yesterday he was aware of some problems in the former Venda homeland. He said the payments of pensions could have been delayed because the department had wanted pensioners to get their grants just before Christmas.

"It is possible that there could have been confusion regarding the dates because the officials wanted to pay all the pensioners by Christmas," said Phaahla.

No more cheques

He said he would investigate and urge the officials involved to speed up the process of paying the pensioners.

His department would do away with the system of paying through cheques as it presented the elderly people with problems.

"We thought cheques were safe but still some of the cheques disappear and it is not easy to trace them. We will go back to using cash to pay the pensioners," said Phaahla.

Care-worker diplomas may be 'worthless'

Dec 95

(300)

Watch-dog body to set standards

Staff Reporter

PROTEA Technical College divisional head Christa Hans has sounded a warning against expensive training sessions for lay care-workers that leave people with nothing but worthless diplomas.

Ms Hans was speaking at a Provincial Department of Labour workshop, where it was decided that a new Western Cape watch-dog body would be founded to address problems associated with lay care-workers.

Ms Hans said people had paid up to R3 000 for 3-month training sessions that left them with "worthless" diplomas.

"They call themselves private institutions and give very bad training. These malpractices need to be adressed," Ms Hans said at the workshop, which was attended by role-players in the field of lay care-work.

The new body would supervise diplomas and provide protection against fraudsters who offered care training without having the proper education themselves.

Ms Hans said the lack of registration and supervision in health-care training made it easy for fraudsters to conduct their business.

Hjalmar Enderstein, chief training adviser at the Department of Labour, said: "There is a big gap. Nobody is supervising training standards for lay care-workers, whereas other industries do have their own training boards. The Western Cape urgently needs its own watch-dog body."

St John's Ambulance, Protea Technical College and the Provincial Department of Labour have, together with a wide range of related organisations, said they recognise the urgent need to co-ordinate their training activities in the fields of:

- Care of the aged;
- Child care and youth development;
- Care of the handicapped; and
- Care of the sick at home.

The new training board — its official name is not yet known — will accredit training institutes and set standards.

Mr Enderstein said: "Trainers should come to us to get their courses accredited with the board and in return we would put a stamp of approval on their diplomas. In this way we can regulate the proliferation of diplomas."

Another advantage was that a certificate recognised by the board would make it easier for the holder to get the diploma recognised nationally and internationally.

Ms Hans said: "At present, a diploma might not be worth anything to another employer and employees have to start from scratch. We need to ensure the portability of qualification."

The new board would also have the task to remove barriers between different care professions.

"If lay care-workers want to change from child care to elderly care in the present system, they have to complete full training without any regard to the knowledge and experience they gathered in their child-care work.

"The legacy of the past is a very fragmented training situation. We need to assess what people already know and give them the credit for it."

The new lay-care body is part of the National Qualifications Framework, which was created as a key element of the Reconstruction and Development Programme.

The framework aims to:

- Enable successful learners to progress to higher levels without restrictions;
- Assure training quality by registered accrediting bodies; and
- Assess and credit on-site experience.

Education Foundation statistics showed the necessity of improving training. About 44 percent of the adults in the Western Cape were functionally illiterate.

Low earners to score from new fund

(300)

STAFF REPORTER

CT 21/12/95

EMPLOYEES who earn between R250 and R2 500 a month could get an unusual Christmas present from the boss — financial security for life.

These employees can now benefit from a new provident fund if their employers are willing to pay premiums of R30 or more per month.

The Workers' Fund — designed for domestic workers, farm workers and employees of small businesses — has been introduced by the Rural Foundation, said media liaison officer Ms Liesel Koch.

An employer has to sign the contract for an employee to become a member.

After two years, a member may use the fund as security for a loan on a house. The contract is also transferable should a worker change jobs.

The fund provides benefits for death, funeral, disability and retirement. Fedlife is the underwriter, while the Managed Group will do the administration and marketing.

At retirement, a worker can take the benefit as either a lump sum or a monthly pension. With a monthly contribution of R30, an employee who is 30 years old and who works until 65 should get a lump sum of R291 800, if contributions increase by 10% a year, and investment returns are 12% a year.

Little cheer for the aged at Christmas

ARG 22/12/95

DENNIS CAVERNELIS 300
Staff Reporter

TERRORISED by criminals, living on the breadline and abused by their own children, many elderly people find Christmas a far from a joyous time.

"Often, in the middle of the month, I'm left with only loose change," said Sunny Robb, 62, City Bowl resident, of her R410 monthly pension.

She pays R228 rent a month, and about R100 for electricity and telephone, R40 for transport, R14 for weekend newspapers, and R45 for a visit to a private doctor in an emergency.

She said she and other pensioners could not afford fruit and meat — "bread is our staple diet".

Twice a week, Meals on Wheels come around to Mrs Robb, to deliver a meal, which costs R1,50.

Mrs Robb said she was not campaigning for a R1 000 a month pension — "we're just asking for little discounts at the supermarket chains, from Telkom and the electricity department — things to make it a little easier for us".

"There are no buses on Christmas Day. If I wanted to go out to lunch with a friend in Cape Town it would cost us about R100. We'll all be staying home on Christmas (Day)."

Mrs Doreen Napoleon, 60, of Heideveld said: "Every morning when I wake up I check if my furniture is in the house — that's how we live."

Mrs Napoleon said people fought and drank in her neighbourhood and gang violence was rife, "but we can't do anything about it".

"My husband waited five months before he got his pension — it was tough, we have to pay rent and electricity and buy food, and there's nothing over. We can't depend on our children to help us, they have families of their own."

"It's hard to get by on R410 a month".

"People say a telephone is a luxury, but I can't travel to my children in Mitchell's Plain."

Mavis Florence of Belgravia Estate said she could not afford a telephone, "and new clothes I can forget about".

She "can't manage to come through" with rent, groceries and other necessities on her pension.

Clara Coert, also of Belgravia Estate, said: "What the elderly want is love, attention and care. They come here (to the senior centre) to listen to each other's stories and to take their minds off bereavement, so they don't have to sit at home alone".

"There should be more of these centres especially in high-crime areas, where the youngsters could maybe speak to the elderly".

Guguletu pensioners said they were ripped off by hawkers near the pension pay points, abused by their own children and families and terrorised by criminals.

"Our own children are taking our pension money", said Nelson Rondo.

"There is no security when we collect our pension", people are robbed and pickpocketed, hawkers entice people to buy their goods and give them the wrong change," he said.

● The Guguletu Senior Centre needs sponsorship for food, or food at a reduced cost. If you can help, contact Mary Sili at the centre at ☎ 637 4402.

Public servants reject pensions shake-up

(300)

Pretoria Correspondent

An official study of pension benefits has urged a shake-up of government retirement arrangements which it found to be about 20% better than those in the private sector.

Among its recommendations is a call for a fresh look at the practice of basing public servants' pensions on salary at the date of retirement.

But the findings drew immediate fire from the Public Servants' Association. Executive director Casper van Rensburg said the association rejected the recommendations of the Smith Committee on Strategy and Policy Review of Retirement Provision in South Africa.

The report is clearly employer-inclined and shows a total disregard for the benefits to public servants, he said.

Among the recommendations were that benefits for public servants be renegotiated to allow members who resigned to transfer their actuarial interest to private pension funds; that the Government reassess its current funding policy; and that pensions of state employees who were deprived of benefits in the previous political dispensation be addressed.

Van Rensburg said the PSA was not at all behind the committee, which, when considered with the findings of the Katz Commission on taxation, would erode pension benefits.

The intention of this committee was to attack public servants' benefits and to reduce state contribution to public servant pension funds, he said.

He said recommendations concerning higher resignation benefits would have the effect of decreasing death and retirement benefits for public servants.

Star 27/12/95

Probe aims to ease govt pension burden

(300) (250)

Greta Steyn

THE Smith committee, appointed by government to review SA's retirement provision policy, has recommended sweeping changes which should alleviate the huge burden on government to care for the aged.

The committee, appointed in June by Finance Minister Chris Liebenberg, handed its report to Liebenberg before the weekend. It recommended ways to make state assistance more effective, and proposed ways to encourage people to provide for themselves and make better use of private pensions.

It also suggested major changes to the benefits enjoyed by civil servants. These recommendations could be resisted by public sector trade unions.

As some of the issues raised in the report are controversial, the committee also recommended that a representative forum on national retirement provision be established. It said public acceptance of retirement policy was a precondition of its success.

The report said that the present annual old age grant, which cost the state about R8bn, was an effective part of poverty relief. But the application of the means test needed to be reviewed, as it was applied inconsistently and was open to abuse. It suggested that the value of an applicant's house no longer be excluded from the test.

The report recommended urgent steps be taken to tighten up administration of the old age assistance, as fraud was widespread. Savings of up to R1,2bn a year could be achieved by setting up a national social grants register and computerising payments.

A major focus of the report is on

Continued on Page 2

Pensions

(250) (300)

Continued from Page 1

BD 27/12/95

making the private provision of pensions work well to lessen the state's burden. But it stopped short of calling for compulsory provision by all working people, saying the issue could be put on the national forum's agenda.

It recommended that all funds be required to provide members who withdraw before retirement with the option to transfer their full accrued assets to another fund where they would be preserved until retirement. Unreasonably low cash benefits were often paid on withdrawal — an issue which the national forum would have to consider.

The report recommended partial compulsory preservation of pension benefits in exchange for greater access to loans against pensions. Members often wanted to borrow from their pension funds for housing. As a precondition to enhancing these loan facilities, members should be compelled to preserve part of their pensions accumulated in the fund and have no access to the money until retirement.

With a view to reaching employees of smaller businesses and the self-employed, the committee recommended that more industry and umbrella funds be created. Pooled arrangements should be encouraged, and people should be allowed to contribute to them on an irregular and ad hoc basis.

The report suggested that government use a subsidy to encourage people with low benefits to select pension incomes for life rather than a lump sum. The retirement enhancement would be paid by the retirement fund, which would offset it against income tax due. As such a move would reduce the number of people qualifying for a full old age grant, there should be no effective additional cost to the fiscus.

For public servants, the committee proposed an entirely new approach. It suggested that the use of the official's last day's salary as a basis for his pensions payment be scrapped, and replaced with his average over the previous two years.

Government also had to rethink the level of benefits to civil servants, which was about 20% better than those provided for by other large employers. Such a move would free up funds for better salaries. It also recommended that "reasonable and affordable" retrenchment packages be negotiated.

On the under-funding of government pension funds, the committee suggested that the agreement between the trade unions and government be reconsidered. In terms of the agreement, government will ensure that the funding level rises to 75% from the present 60%. It said government should consider retaining partial funding as a principle. The present level of funding was not unreasonable, as the pension benefits of members who had reached 50 had been covered.

CT 27/12/95 (300) ([illegible])

Proposals to trim public servants' pensions

SPECIAL CORRESPONDENT

PRETORIA: Retirement packages for public servants are worth about 20% more than the norm in the private sector, says the Smith Committee on Strategy and Policy Review of Retirement Provision in South Africa.

The committee recommends that some of the benefits should be renegotiated.

Among these is the practice of basing a public servant's retirement benefits on his or her salary at the date of retirement.

The committee recommends replacing this with the member's average salary in the last 24 months of service.

It said the present practice was financially unsound because it was costly and allowed the temptation to promote a long-serving public servant just before retirement. It also led to anomalies because the employee who retired shortly before a general salary increase received a much lower pension benefit than a colleague who retired shortly after the rise.

Another benefit that the committee said was out of line with the private sector was the payment of a gratuity in addition to a pension.

The committee recommended:

- Introducing an appropriate transfer value for actuarial interest so that members who resigned could choose to transfer this to a private sector fund;
- The introduction of an early retirement benefit from age 55;
- Changing the retrenchment benefit so it was fair and affordable.
- Recognising retirement arrangements as part of the overall pay package;
- Addressing the reasonable expectations of temporary staff who were denied pension benefits under the previous government;
- That the government reassess the funding policy;
- The formation of a Government Employees Pension Fund Investment Policy Committee;
- The review of the policies of many other funds — mainly for local authority, semi-government and recently commercialised enterprises.
- Establishing a statutory body, separate from the state and responsible to the trustees of pension funds, to administer these funds.

CERTAIN RESTRICTIONS TO BE IMPOSED

Special benefits planned for activists against old regime

(200)

C 27/2/95

A NEW BILL envisages paying pensions to former office-bearers and activists against apartheid on a par with pension benefits paid to political office-bearers and officials under the previous government. **BARRY STREEK** reports.

SPECIAL pensions for members of formerly banned organisations, provided for in a new bill, will be restricted to full-time office-bearers, officers, people banned for more than five years and people jailed for more than five years for political activities.

The Special Pensions Bill, published in the Government Gazette at the weekend, provides that spouses of deceased beneficiaries will also be entitled to pensions.

Only South Africans or people entitled to South African citizenship who are over 40 will be eligible. Full pensions will only be paid to people over 60.

The preamble to the bill says the measure provides for the payment of special pensions to people "who have served the public interest in the establishment of a democratic constitutional order".

The bill also provides that beneficiaries will benefit on the similar terms to those of elected political office-bearers and state functionaries under the previous regime.

Due regard will, however, be given to affordability.

The payment of special pensions is in line with the government's recent decision to award medals to uMkhonto weSizwe (MK) and Azanian Peoples Liberation Army (Apla) veterans.

The administration of the new scheme will be vested in a three-member special pensions board, to be appointed by the Minister of Finance in consultation with the President.

This board will decide on the level of pensions to be paid to ANC, PAC, MK and Apla veterans and bring the pensions in line with those paid to officials in the government and the former homelands.

In each case it will decide what would have been an appropriate salary, comparable to the salary payable to office-bearers and functionaries under the previous regime, and the period of service that would have been applicable.

The bill says this will be assessed in terms of a schedule, but the schedule has not yet been published.

The bill defines an officer of a political organisation as "a person working in bona fide full-time capacity for the political organisation or an active full-time serving member of the political organisation".

It defines an office-bearer as a member of the governing or executive body of a formerly banned political organisation that existed for five years or more.

Benefits can be paid to eligible people of any age who suffered permanent disability.

The benefits can also be paid to more than one surviving spouse of a beneficiary, provided the total amount paid does not exceed the amount that would have been paid to a single surviving spouse.

The bill is expected to be tabled in Parliament early next year.

CT 27/12/95 (300)

Payouts for elderly by computer

PRETORIA: A computerised payment system — and the accompanying controls — for old age assistance could result in savings of between R800 million and R1 200m a year, according to the Smith Committee on Strategy and Policy Review of Retirement Provision in South Africa.

It has recommended that such a system be installed with all haste, adding that effective management, administration and payment systems, were a key to the continued affordability of the old age assistance system.

Study urges pensions shake-up

(300) ARG 28/12/95

The Argus Correspondent

PRETORIA. — An official study of pension benefits has urged a shake-up of government retirement arrangements, which it found to be about 20 percent better than those in the private sector.

Among its recommendations is a call for a fresh look at the practice of basing public servants' pensions on salary at the date of retirement.

The findings drew immediate fire from the Public Servants' Association. Executive director Casper van Rensburg said the association totally rejected the recommendations.

He said the Smith Committee report was clearly employer-inclined and showed a total disregard for the benefits to public servants.

The committee said the practice of basing a public servant's retirement benefits on his or her salary at the date of retirement should be renegotiated.

It recommended replacing the last-day salary definition with the member's average salary during the last 24 months.

The committee said the practice was unfair to those who retired just before a general increase, and could lead to promotions just prior to retirement.

It was financially unsound because it:

- Was costly;
- Led to anomalies because those who happened to retire shortly before a general salary increase got lower pension benefits than colleagues who retired shortly after the date of such an increase; and
- There could be a tendency to promote a long-serving public servant shortly before retirement, leading to higher retirement benefits.

Another benefit the committee said was out of line with private-sector norms was the practice whereby a gratuity was paid in addition to a pension at retirement.

With regard to the renegotiation of benefits, the committee also recommended:

- The introduction of an appropriate transfer value on resignation whereby members could elect to transfer their actuarial interest to another (private-sector) retirement fund;
- The introduction of an early-retirement benefit as an option for the member from age 55 onwards; and
- Changing the retrenchment benefit to one that is both fair and affordable.

Other recommendations by the commitee included:

- Formally recognising the retirement arrangements of public servants as part of the overall remuneration package;
- Addressing the reasonable expectations of those state employees — temporary employees — who were deprived of fund membership benefits in the previous political dispensation;
- That the government reassess the current funding policy and examine the options and negotiate any change with members at an appropriate time;
- The formation of a Government Employees' Pension Fund Investment Policy Committee; and
- That the many other funds — mainly for local authority, semi-government and recently commercialised enterprises — which had benefits similar to the fund for public servants, also be made subject to a policy review and consideration be given to making changes similar to those recommended for the Government Service Pension Fund.

Mr Van Rensburg said the PSA was not at all behind the committee, which, when considered with the findings of the Katz Commission on taxation, would completely erode pension benefits.

He said the Smith Committee's findings could be considered at this stage because of the current negotiations to rationalise the 10 public-servant pension funds into one.

All matters of public servants' pensions should be dealt with within the formal negotiation structures already established, he said.

Recycled senior citizens?

■ Care of the aged is a priority for next year with a multi-sectoral thinktank thrashing out a new approach.

ARG 30/12/95

(300)

ADELE BALETA
Staff Reporter

A RADICAL new approach to caring for the aged intends re-integrating senior citizens into society and making state institutions a luxury of the past.

Children will have to take greater responsibility for their elderly parents and only the very frail and those from destitute families will be catered for in government-subsidised homes.

A special set of criteria based on sound research will determine who will be admitted to institutions. The remaining state old-age homes, most of which are in white areas, will be converted into housing complexes.

Plans on the table of the National Welfare Ministry for 1996 include a multi-sectoral approach to the aged, involving the adequate provision of housing, health, transport, nutrition and security for the aged in the communities from which they come.

National Council for the Aged director Sid Eckley says: "Many organisations are unnecessarily scared of cutbacks. The government will never renege on its responsibility to the very poor and the very frail.

"It will, however, cut back on subsidies for those institutions which have taken in people who are not so frail and who have an income in the region of R1 300 a month.

"Research has shown that many people currently in institutions should not be there. Care has been concentrated on a minority whose families are in a better position to look after them."

Mr Eckley represents the aged on a committee appointed by National Welfare Minister Abe Williams to prioritise welfare funding for the next financial year and to look for short- and long-term solutions to problems.

The committee comprises representatives from all provinces and includes interest groups such as churches, NGOs and welfare and development discussion groups. It was set up amid complaints about the lack of progress welfare has made in moving towards transformation goals.

"High on the agenda are the inequities characterising the welfare system with children's homes, homes for alcoholics and the aged still being run on racial lines," Mr Eckley said.

Western Cape Health and Welfare Minister Ebrahim Rasool recently called for a reappraisal of funds to old-age homes which saw the lion's share of an R80 million budget being allocated to white homes in the past financial year.

As much as 80 percent of the budget went to 114 white homes and 20 percent was shared between 24 coloured and three black homes, he said.

The minister has pointed out that while no one would be evicted from homes, the onus was on white institutions to begin an integration policy urgently.

Mr Eckley agrees: "Too much money goes to white institutional care and the critical question is why the money is not going to coloured or black homes and why people from these areas are not going to these institutions."

Research was being completed by the University of Cape Town for new assessment criteria and procedures that will ensure that only those that need constant nursing care are admitted to subsidised institutions.

The evaluation process for admission would be conducted autonomously without the institution deciding on the merits of the case.

Mr Eckley said the thrust of care would change: "Instead of putting people in institutions, services need to be provided to them. It is critical that health, housing, transport, security and nutrition for the aged be addressed as a whole.

"Primary healthcare facilities need to be accessed freely, not only by pregnant mothers and children under the age of six but by the aged as well."

Neglect and abuse of the elderly by relatives and others needed to be checked and a helpline for the aged with a tollfree number was being planned to assist old people.

"The office of the public protector needs to be expanded to protect the elderly," he said.

Maintenance laws offered protection to the elderly, but instead of going the legal route in an already overburdened justice system, Mr Eckley believed education involving caring for the aged was more important.

"We need to restructure care institutions and work on how to get this care to the consumer. The government is taking the situation seriously."

Mr Eckley said the welfare sector organisations and churches who run institutions had to make themselves more acceptable to the majority by changing their top executive which needed to be a representative body of management. There needed to be a policy of affirmative action.

"Many institutions are still run by whites and they need to be more reflective of South African society."

There had been an increase in fees of up to R400 a month for people who needed round-the-clock care.

"It's either an attempt to keep the homes lily white or to survive the onslaught of cutbacks in subsidies. I believe it is the correct route to take.

"Those families that can must pay. But it's unfair to ask this amount from those who do not have families."

Mr Eckley said white institutions had not tried to reach across old divides by giving their residents access to old people of colour. This, he believes, would result in less uncertainty and fear.

In a successful initiative Mr Eckley said old people were being bus-ed into the townships where they were meeting people of similar ages and getting to know them.

normal life

More caring approach aims to give aged a chance to lead

30/12/95 (300) Star 30/12/95

By ADELE BALETA

Cape Town – A new approach to caring for the aged intends re integrating senior citizens into society and making state institutions a thing of the past.

Children will have to take greater responsibility for their elderly parents, and only the extremely frail and those from destitute families will be catered for in government-subsidised homes.

A special set of criteria will determine who will be admitted to these institutions. The remaining state old-age homes, most of which are located in white areas, will be converted into housing complexes.

The Welfare Ministry is working on plans to provide adequate housing, health, transport, nutrition and security for the aged in the communities from which they come.

National Council for the Aged director Sid Eckley said this week: "Many organisation are unnecessarily scared of cutbacks. The Government will never renege on its responsibility to the very poor and the very frail.

"It will, however, cut back on subsidies for those institutions which have taken in people who are not so frail and who have an income in the region of R1 300 a month.

Research shows that many of those currently in institutions should not be there. Care has been concentrated on a minority whose families are in a better position to look after them," Eckley said.

He warned: "High on the agenda are the inequities characterising the welfare systemm with children's homes and homes for alcoholics and the aged still being run on racial lines."

Western Cape Health and Welfare MEC Ebrahim Rasool recently called for a reappraisal of funds to old-age homes which saw the lion's share of an R80-million budget being allocated to white homes in the past financial year.

As much as 80% of the budget went to 114 white homes and 20% was shared between 24 coloured and three black homes.

Rasool said that no one would be evicted from homes, however – the onus was on white institutions to begin an integration policy urgently.

Research was being completed by the University of Cape Town for new assessment criteria and procedures which would ensure that only those who needed constant nursing care were admitted to subsidised institutions.

The evaluation process for admission would be conducted autonomously without the institution deciding on the merits.

Neglect and abuse of the elderly by relatives and others needed to be checked and a helpline for the aged with a toll-free number was being planned.

"We need to restructure care institutions and work on how to get this care to the consumer," Eckley said.

"The Government is taking the situation seriously and we have already had two meetings, with another scheduled soon".

He added that welfare organisations and churches running institutions must make themselves more acceptable to the majority. There also needed to be a policy of affirmative action.

"Many are still run by whites and they need to be more reflective of society," Eckley said.

He added that, in a successful initiative, old people were being bussed into the townships where they were meeting people of similar ages.

"They have found that they have very few differences.

"They all feel pain, they all have gripes about welfare pensions and they all have family that neglect them," he said.

SOCIAL SECURITY - PENSIONS + Care of the AGED

1996

JAN. - JULY

School gets extra day to admit three black pupils

Kevin O'Grady

BD 1/2/96

THE governing body of Potgietersrus Primary School in Northern Province has been given an extra day to agree to admit black pupils as the provincial government is not ready to go to court.

The body was earlier told to admit three black pupils, whom right-wing parents had prevented from attending the school, by 4pm yesterday or face legal action and possible closure.

However, provincial government spokesman Jack Mokobi said yesterday government lawyers were "still gathering affidavits" and would lodge an application challenging the body's position in the Pretoria Supreme Court tomorrow.

Parents are to attend a meeting to discuss the issue tonight. Mokobi said the deadline had not been moved to allow for the meeting or its outcome. "They have benefited from us not being ready," he said.

It would, however, "be in the interests of all of us for them to decide to allow the pupils to attend the school and save themselves the humiliation of being forced to", Mokobi said.

Government would use the province's Education Act and the interim constitution, which provided that every child should have access to state schools, to challenge the school's position.

Sapa reports governing body chairman Jan Oberholzer said it would have been impossible for the school to respond to the initial ultimatum.

School management has denied it is excluding pupils on grounds of race, saying the school is full, so black and white children were turned away.

National Education Minister Sibusiso Bengu's spokesman Lincoln Mali said Bengu did not intend to get involved in the dispute "at this stage".

Bill for freedom fighters' pensions less than expected

BD 1/2/96 25 (300)

Greta Steyn

THE cost to government of providing pensions to former freedom fighters would be about R200m-R300m a year — much less than the R1bn originally estimated, according to figures made available by the finance department.

Deputy Finance Minister Alec Erwin said at this stage, to pre-fund part of the pensions had been discarded in favour of a pay-as-you-go system, which was cheaper.

"Those who qualify will have their rights protected. It will be similar to social pensions," Erwin said.

However, a final decision on what was affordable had not yet been taken.

The special pensions will be paid in terms of an agreement reached at the World Trade Centre and included in the interim constitution.

Erwin said last year the pensions would cost the state R500m in the first fiscal year, and the cost would rise to R1bn within two years.

Payment was to have started in the last fiscal year, but the time taken to finalise draft legislation caused a postponement.

Erwin said pensions would be based on "deemed" salary scales, depending on seniority and derived from salaries that were earned by parliamentarians of the previous dispensation.

As a rough guide, the lowest pension applicable would be about R1 000 a month and the highest about R8 000.

"This is not final," Erwin emphasised.

Accountable

The Special Pensions Bill, gazetted at the end of last year, did not attach the deemed salary scales for comment.

According to the Bill, a special pensions board would be created which would be accountable to the finance minister.

The board would have the power to investigate a person's eligibility for benefits.

In terms of the Bill, people who are 40 years or older qualify for benefits, which are usually paid from the age of 60.

They had to have been an "office bearer or officer" of a political organisation for a period of five years or longer who had suffered a banning order or imprisonment for anti-apartheid activities for a period of five years or longer.

Provision has also been made for people who incurred injuries that caused permanent disability.

According to the Bill, application has to be made through political organisations, if they still exist. Members of any of the legislatures would not be entitled to benefits while they are members.

The pensions to which they would have been entitled will be paid into the Public Representative Retirement Fund.

The benefits will be held in a special account and reinvested, and will accrue to the member once he leaves the legislature.

The Bill states that gratuities paid to individuals in terms of the SANDF demobilisation process will be subtracted from their special pensions benefits.

☐ **FIGHTING FOR THE ELDERLY:** Naomi Slabber of Cape Town is in the running for a prestigious national award that recognises outstanding service to the community.

One woman wages war to halt the abuse of senior citizens

ADELE BALETA (300)
Staff Reporter

ABUSE and neglect of senior citizens, who were once considered the backbone of society, continues unabated with little financial support or legislation in place to protect them.

But, Naomi Slabber, founder of the Concerned Friends of the Frail and Aged, a voluntary group lobbying for the protection of the elderly, is cautiously optimistic about the future.

She believes that if the white paper on welfare is passed, legislative muscle can be flexed to control the abuse of senior citizens which, she says, has become as widespread as battery of women and child abuse.

Ms Slabber, 68, has been selected as one of two finalists from hundreds of applicants for Tomorrow magazine's golden achievers award for "community service" for her tireless work highlighting the plight of the elderly.

The awards ceremony will be televised on M-Net's *Front Row* on Thursday.

At her Kreupelbosch home, Ms Slabber has many files documenting a litany of abuse and neglect. There are letters to and from government ministers, nursing bodies and managements of old-age institutions.

Since 1992, Ms Slabber has been receiving complaints from people in homes, some of which resemble "chambers of horror".

ARG 3/2/96

There are complaints ranging from broken lifts to staff rudeness, theft, physical violence, neglect by doctors and nursing staff, over-medication and lack of security.

"It gets worse," she said. There is a case before the SA Medical and Dental Council after a city doctor allegedly issued a death certificate for an elderly Rondebosch women, but failed to examine her corpse.

Police later identified Freda Turnbull as one of three women police believe were victims of a killer who preyed on residents at the Fairmead Court retirement home in Rondebosch.

"Someone has recently been banned from a home after staff apparently resented her frequent visists and attentiveness to a senior citizen," she said.

Ms Slabber is hopeful that the proposal for an ombudsman system becomes law. There is to be a national ombudsman plus one for each province.

"It's also hoped that in every province there will be a system of volunteer ombudsmen. It's what we have been fighting for."

She is not convinced, however, of the idea of children taking more responsibility for their ageing parents.

"Who is going to monitor the situation? It's fine in certain circumstances, but in the majority of cases people do not have the means or tolerance to look after the elderly.

"There are endless stories of old people being deceived by their relatives and being left homeless and penniless. It's difficult to monitor people in their homes and the elderly are often too fearful to speak out."

Ms Slabber, who was forced to take a break from her work while receiving treatment for liver cancer, says she is concerned that the announcement of budget cuts to welfare organisations — including old-age homes — could lead to people who could not afford increased rates being dumped on the streets by unscrupulous owners.

"The training of ward aides needs to be addressed as a lot of unintentional abuse takes place because of lack of education."

Ms Slabber began her crusade in 1992 after visiting a relative in a home and being horrified at the conditions.

In spite her own health problems, she continues the fight and her reputation as defender of the aged has become so widespread that the once-silent are now making public their suffering.

Ms Slabber reads a letter received that day: "I need to share the problems that I have been having in this hell-hole."

"The letters just keep on coming," she said.

Marcus backs retirement funds taxation

300

CT(BR) 2/2/96

By Llewellyn Jones

Johannesburg — South Africa's powerful parliamentary joint standing committee on finance yesterday threw its weight behind proposals to impose a 30 percent tax on the interest, rental and trading income of retirement funds.

It is estimated this could raise up to R3,5 billion a year.

The committee, reporting on hearings last week into the findings of the Katz commission on changes to the country's tax regime, also roundly endorsed a string of Katz recommendations on the treatment of corporate taxes which had been welcomed by industry.

Voicing its support for the imposition of a tax regime on retirement funds, the committee acknowledged the sharp differences of opinion that had occurred during the hearings and said all detailed submissions would be sent to the finance ministry, along with the committee's report.

It also endorsed the commission's proposal that pension and provident funds be treated equally and that different forms of saving should be tax neutral.

The committee rejected evidence placed before them calling for a postponement of any decision on retirement fund taxation until the Smith committee report on the retirement industry had been fully discussed and there was clarity on government policy towards retirement in general.

The committee's chairman, Gill Marcus, told a news conference that it had left the door open for implementation of the Katz proposals on retirement funds during the fiscal year beginning April 1.

Marcus said the final decision would have to be taken by the government.

"I would certainly say it's possible that it could in fact be effective in the next financial year.

"I certainly wouldn't want to close that door .... I don't see why it should be ruled out," she said.

The committee's report said that attempts to delay implementation would lengthen the period of uncertainty in a situation in which there was an urgent need for clarity and certainty.

There would be no guarantee that delay would lead to any greater consensus in circumstances in which powerful vested interests were at stake.

The committee "recommends that government take an early decision on certain broad matters of principle, and simultaneously announce procedures for further negotiation on matters of detail".

Backing the Katz proposals on company taxes, Marcus's committee agreed that:

- It would be unwise to introduce a capital gains tax until tax administration had been improved, but said the present weak state of inland revenue should not be used to justify not imposing the tax;
- The secondary tax on companies should be substantially reduced. It said the tax should be retained for the time being although levels could be reconsidered;
- The marketable securities tax should be abolished, but warned that this decision should be "determined by budgetary constraints."

Confusion as W Cape (300) pensioners re-register

ARG 5/2/96

ROGER FRIEDMAN
Provincial Affairs Reporter

THE re-registration of old age and disability pensioners is under way — but not without some confusion.

Western Cape Democratic Party leader Hennie Bester said party offices had been "inundated with complaints and requests" from people who had been unable to re-register in terms of the programme being undertaken by the welfare department and a private payout company, Nisec.

The creation of a new data base was necessitated by large-scale fraud. There are more than 260 000 monthly pension payouts in the Western Cape.

Mr Bester said logistical problems had arisen in the re-registration process "due to lack of sufficient notification and publicity of dates".

This had caused "gross inconvenience" to pensioners, with many not being able to re-register at places allocated for the purpose in their areas.

Mr Bester said pensioners experiencing difficulties should call the Nisec helpline at ☎ 948 3131 or the DP at 45 1420 (provincial office), 434 3232 (Sea Point), 683 6721 (southern suburbs) or 782 3127 (Simon's Town).

COMPANIES

Retirement funds best bet to fight inflation — survey

BD 8/2/96 (300)

Adrienne Giliomee

SA's retirement fund industry managed assets with a total value of R124,5bn in the year to December, with almost two thirds invested in the equity market.

Figures from independent consultants and actuaries Jacques Malan & Associates show 62,3% of the retirement funds opted for equities, while 23,5% were invested in fixed interest instruments, 7% in cash and 6,9% in property.

The returns provided by the survey are for lump sums invested at the beginning of each period and represent gross returns before investment charges.

The survey showed that the average return of the retirement funds outperformed the inflation rate over all periods ranging from one year to 10 years. Over a year, the average return was 17,5% against an inflation over that period of 6,9%. Over 10 years, the funds yielded an average return of 22,3% against inflation of 12,7%.

January was the worst month for the industry, with fund managers posting an average return of -7,4%. They turned in their best performance in December, yielding an average return of 4,2%. There were also other good monthly returns recorded in September (3,1%), in October (3,3%) and in November (2,8%).

Among the individual funds, Old Mutual's segregated fund captured 15,1% of the retirement fund market, or R18,76bn, posting a 16,7% return over one year and a 24% return in three years.

Liberty Asset Management handled 13,6% or R16,9bn of the market, while Sanlam's focus fund managed 12,5% or R15,59m.

The best performing retirement fund last year was AA Life's BoE investors fund, with a 25% return. It was placed second during three years, with a 33,4% return.

Over a three-year period, Norwich Life produced the best results with a 33,8% return, compared with an average return from retirement funds during that period of 24,1%.

Investec's segregated fund yielded the best return since 1991, notching up a return of 25,7%. This compared favourably with an average industry rate of 22% and an inflation rate of 10,4% for the same period.

Sanlam's 200 plus fund recorded a 25,7% return in 10 years, almost double the inflation rate for that same period. Syfrets was second with a 25,2% return.

Old Mutual launched a set of five new profile portfolios at the end of 1994, with returns ranging from 18,3% for the Old Mutual balanced fund to 21,2% for the Old Mutual growth fund.

Annual fees charged by fund managers averaged at 0,4%, or R498m of portfolio market value.

Pension funding plan slated

(300

Greta Steyn

BD 8/2/96

PUBLIC Servants' Association GM Casper van Rensburg has slated plans to investigate the possibility of slashing government's deficit by radically changing the way in which the public service's pension fund is funded.

The parliamentary finance committee proposed last week that a "pay as you go" system should be investigated urgently.

The system means that pensions would be paid out of revenue, rather than out of a fund which provides for future liabilities.

The committee said it had heard evidence that such a move could dramatically reduce public debt service and the budget deficit.

The call was also made by the Smith committee, whose report on retirement provision was released late in December. If a change to "pay as you go" proved unacceptable, the committee recommended that moves to top up the pension funds be reviewed, as they appeared to have reached an adequate funding level already.

Van Rensburg said it was obvious that government hoped to solve its fiscal problems by using the pension funds, but this could not happen without negotiations.

He said a "pay as you go" system might have short-term benefits for government finance, but created a massive problem for future generations.

"SA is not a rich European country that can afford this kind of system.

"The chickens will come home to roost if adequate provision is not made for future pensions."

He said the state should be happy with the fact that it had cheap funding from its pension funds investing in government stock.

Van Rensburg did not, however, rule out accepting the present level of funding of the pension funds, of about 60%, as adequate.

The Smith committee has expressed its concern over the agreement government reached with unions to increase the funding level to about 75%.

The committee recommended that the state and its unions reconsider the agreement "in its entirety".

Pensioner body slams tax plan

National representation called for

(300) (388)
ARG 9/2/96

Business Editor

THE 20 000-member Association of Retired Persons and Pensioners has slammed proposals to tax the income of retirement funds, calling for a national forum on retirement provision.

In a strongly worded statement, the Association's chairman, John Visser, criticised the Katz Commission's proposal to impose a 30 percent tax on interest and rental income of funds.

By reducing profits on investments, he said, a tax on pension fund income would make it harder for funds to finance cost-of-living increases for pensioners.

"Equally disquieting will be the temptation for trustees to increase the proportion of equity in the investment spread, with its attendant risk," Mr Visser said.

"As companies may not be able to maintain prospective pension benefits for employees at the present rate of contribution, inevitably the pension fund will be meeting the cost, again at the expense of pension increases or the improvement of pension benefits."

Only about 30 percent of pension funds paid benefits that keep pace with inflation, Mr Visser said.

In other funds, profits from investments were used to finance retrenchment programmes or other benefits for existing employees at the expense of pensioners.

Pensioners wanted full cost-of-living increases to be enforceable by law, he said, subject only to affordability and the maintenance of a reasonable reserve in the fund.

Pensioners also wanted equal representation on boards of trustees, instead of just one representative, "which is hardly equitable on larger boards of trustees".

Mr Visser said pensioners should organise themselves into a national body that could represent their interests to the Registrar of Pension Funds, parliamentary standing committees and commissions set up by the government.

"It is not sufficient to rely on well-meaning bodies such as Cosatu, the Life Offices Association or Sacob to represent pensioners' interests," he said. "Pensioners must also speak out for themselves and forcefully so.

"We want a national forum on retirement provision as recommended in the Mouton Report... This is long overdue."

Mr Visser said retirement fund members numbered 9,3 million, of whom 1,2 million received pensions.

"An organised voice of such numbers cannot be disregarded by the politicians if they want their votes and by the captains of industry if they want them to buy their products."

Special pensions will cost R250-m

ARG 13/2/96 (300)

Political Correspondent

THE special pensions to be paid to former freedom fighters and exiles will cost between R200 million and R250 million a year, Alec Erwin, Deputy Minister of Finance, said today.

The Special Pensions Bill, which is under discussion by the parliamentary finance committee, aims to provide for former activists who "served the public interest in the establishment of a democratic constitutional order".

The plan for the pensions is in line with the government's controversial decision to award SANDF medals to former Umkhonto we Siswe and Apla soldiers.

Mr Erwin told a Press briefing the bill was still being "fine-tuned".

Hearings on the bill by the parliamentary joint standing committee on finance will start in a few days time.

Financing options were being examined, Mr Erwin said.

The bill would benefit those who had worked hard during the liberation struggle, many of whom were now in dire financial straits.

New legislation on the government procurement process would be introduced by July, Mr Erwin said.

Meanwhile, new legislation against money-laundering is in the pipeline, Finance Minister Chris Liebenberg announced. Current legislation was ineffective, he told the Press briefing.

Transnet warns of strike over fund

(300)

OWN CORRESPONDENT

Star 15/2/96

Thousands of Transnet workers would embark on a strike and bring transport services to a halt if the Government meddled in their R20-billion pension fund, SA Footplate Association general secretary Chris de Vos said yesterday.

If the Government meddled with the R20-billion of members' money, they would embark on an unprecedented strike that would cripple the country's major transport services.

De Vos said trustees of the Transnet Pension Fund had sought an urgent meeting with Minister of Public Enterprises Stella Sigcau and Minister of Finance Chris Liebenberg to get clarity on plans to restructure the pension fund.

"It is time that the Government decided whether the fund is a state pension fund or not. It is not acceptable that they interfere when it suits them. The money in the fund belongs to the members, and the Government must stay out of it," De Vos said.

The Government says it wants to restructure the fund because it is fraught with racial distortions.

Capacity to administer pensions 'inadequate'

(300) BD 16/2/96

Samantha Sharpe

CAPE TOWN — Public and private pension fund administrative systems were inadequate for the successful implementation of either the Katz or Smith proposals, Smith committee secretary Reg Munro said yesterday.

Speaking at the Pension Lawyers Conference, Munro said that until the administrative aspects of SA retirement provision had been attended to, any proposals were in danger of losing their significance. Media comment to date had focused on the perceived differences between the Smith and Katz recommendations. However, the two could work in tandem to create a "new world" of retirement provision.

The state's financial burden was increasing with the number of old age grants rising 54% to 1,7-million in the five years to 1995, while their annual cost soared 180% to R8bn over the same period.

Moves to stop the drain on the state would include drawing more individuals, particularly low income earners, into personal retirement provision and encouraging fewer people to withdraw their pension savings before retirement.

"Taken together, the proposals — with significant changes at the detail level — might be able to support these objectives," Munro said. There would also have to be greater certainty as to whether lump sums or pensions were preferred and to what extent.

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ITH LUMLEY

Pensions bill won't discriminate against Askaris

(300)

By MXOLISI MGXASHE

Cape Town – The Special Pensions Bill to be passed in Parliament this session does not discriminate against former freedom fighters who defected to the Askari counter-insurgency.

However, the fate of scores of former participants in this SADF-created hit-squad group is hanging in the balance.

In the spirit of the national reconciliatory policies of the Government of National Unity, the "struggle" Bill aims to provide for former activists who "served the public interest in the establishment of a democratic constitutional order".

In the case of people who were either executed by the apartheid government, or killed while in combat with the SADF, or who died in exile in the course of their active involvement in the struggle against apartheid, their dependants will have the right to make claims.

The feeling among people officially connected with this process is that distinction should be made between the time which defectors had spent as genuine participants of the liberation movements, and the time they spent attached to the SADF in its war against "terrorism".

If this distinction is made, former Askari forces would be able to get part of the pension that would have been due to them if they had remained with the liberation movements.

But the representatives of the former liberation movements in the steering committee appear determined to have "these traitors" exluded from the dole.

Another contentious issue in the Bill is its restrictive requirement that beneficiaries should have been in prison for no less than five years and not more than 15.

Keke Nkula, who serves on the steering committee, said: "I was among the very first persons to go to prison for political resons. I was sentenced to three and not five years in 1960. I have never been able to work since my release from prison in 1963, when I had to leave for exile where I worked throughout until I returned in 1992 for the PAC.

"Are you going to tell me I will not qualify for this pension because I did less than five years in jail? These are some of the things the PAC is contending very seriously with the bill as it stands, and we have already submitted our observations and recommendations."

Nkula said the movements had rejected prospects of the former Askaris benefiting from the pension: "We discussed this issue sometime last year and our resolution was unanimous, with the ANC and the other groups, that people who joined enemy ranks and went about the streets assassinating our comrades could not now turn around and claim benefits meant for the true combatants.

"In any case, the Askaris were paid quite handsomely by the apartheid regime for carrying out its dirty work," Nkula added.

In Cape Town alone, 2 000 former activists or relatives of those who were either slain in combat or executed by the former government have already filled in forms.

They include members of MK and Apla who are now with the SANDF and are lining up in their uniforms to fill in the forms in a spacious office in Cape Town.

In the Eastern Cape, 1 200 applications and in Gauteng more than 4 000 have been received.

Star 17/2/96

Among relatives and dependants of deceased freedom fighters who made inquiries in the Western Cape office this week was a 29-year-old woman, Hombisa, who was 3 years old when her father, Nkosana Rosebury Maseti, was hanged on September 26 1967 for "terrorism" activities connected with Poqo, the then militant wing of the PAC.

"We are four in the family. Our mother, who was a schoolteacher in Port Elizabeth, raised us single-handedly.

"She managed to put away some money and her employee's benefits continued to see us through school long after she died in 1974," Hombisa said.

Pension bill sp

(300) 17/2/96

Former freedom fighters reject proposed law

ARG

■ The special "struggle" pensions, which will cost between R200 million and R250 million a year, have raised controversy among former freedom fighters and exiles.

MXOLISI MGXASHE
Staff Reporter

THE Special Pensions Bill due to be passed in parliament this session has caused controversy among former freedom fighters who took part in the struggle against apartheid and whom the law is designed to benefit.

The bill makes no distinction between former freedom fighters who remained loyal to the liberation movement and those so-called 'Askaris' who defected to a counter-insurgency unit.

With the imminent passing of the controversial bill, the fate of scores of former participants in this SADF-created hit-squad group is hanging in the balance.

In the spirit of the government's policies of national reconciliation, the "struggle" bill aims to provide for former activists who "served the public interest in the establishment of a democratic constitutional order".

In the case of those who were either executed by the apartheid regime, or killed while in combat with the SADF or who died in exile in the course of their active involvement in the struggle against apartheid, their dependants will have the right to make claims.

The feeling among people officially connected with this process is that a distinction should be made between the time defectors spent as genuine members of the liberation movements and the time they spent attached to the SADF in its war against "terrorism".

If this distinction is made, former Askaris would be able to receive part of the pension that would have been due to them had they remained with the liberation movements.

But, steering committee representatives of the former liberation movements appear determined to exclude "these traitors" from the dole.

This and other issues that have stirred controversy and dissatisfaction among veteran activists, have prompted parliament's joint standing committee on finance to place advertisements in newspapers country-wide calling for public comment on the Special Pensions Bill.

Another contentious issue in the bill is its restrictive requirement that beneficiaries should have been in prison for no less than five years and not more than 15 years ago.

Steering committee member Keke Nkula said: "I was among the first to go to prison for political reasons. I was sentenced to three and not five years' prison in 1960.

"I have not been able to work since my release from prison in 1963 when I had to go into exile and when I worked until I returned in 1992 for the PAC.

"Are you going to tell me I will not qualify for this pension because I did less than five years in jail?

"These are some of the issues the PAC is seriously contendingwith the bill as it stands, and we have already submitted our observations and recommendations."

Trevor Wentzel, national co-ordinator for the disbursement of the allocated R300 million a year in pensions for freedom fighters, said his task and that of the nine provincial co-ordinators was to gather as much information as possible on the activists — living or dead.

The information was then passed the office of Deputy Minister for F nance Alec Erwin and the authors the bill, who would establish a board sift through all the applications to co sider those who had valid application

"It is this board, as far as I kno which will make the final decision on the thousands of applications that ha been filed since last month.

"Even cases of former 'Askaris' w be finalised by board. We are on the facilitators and co-ordinators here said Mr Wentzel.

But, Mr Nkula said the movemen had rejected prospects of the form 'Askaris' benefiting from the pensions

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"In any case, the 'Askaris' were pa

FLASHBACK: A group of ex-political prisoners who visited th year remembered with nostalgia the hard labour they did at t

bill sparks row

ject proposed law which will benefit turncoats

ARG 17/2/96 (300) (254)

up of ex-political prisoners who visited their former "alma mater", Robben Island, during their reunion last th nostalgia the hard labour they did at the lime quarry. Picture: LEON MÜLLER, Staff Photographer.

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The information was then passed to the office of Deputy Minister for Finance Alec Erwin and the authors of the bill, who would establish a board to sift through all the applications to consider those who had valid applications.

"It is this board, as far as I know, which will make the final decision on all the thousands of applications that have been filed since last month.

"Even cases of former 'Askaris' will be finalised by the board. We are only the facilitators and co-ordinators here," said Mr Wentzel.

But, Mr Nkula said the movements had rejected prospects of the former 'Askaris' benefiting from the pensions.

"We discussed this issue in a workshop sometime last year and our resolution was unanimous with the ANC and other groups that people who joined enemy ranks and went about the streets assasinating our comrades could not now turn around and claim benefits meant for the true combatants.

"In any case, the 'Askaris' were paid quite handsomely by the apartheid regime for carrying out its dirty work, and our comrades have had nothing and most are now destitute, sick, with nowhere to go," said Mr Nkula.

In Cape Town alone, about 2 000 former activists and their relatives already had filed applications.

They included members of MK and Apla who are now with the SANDF and were lining up in their uniforms to file applications in a spacious office in Cape Town.

About 1 200 applications in the Eastern Cape and over 4 000 applications in Gauteng had been received.

No information could be obtained from other provinces.

Among the relatives and dependants of deceased freedom fighters who made inquiries at the Western Cape office this week was a 29-year-old woman, Hombisa Maseti, who was three years old when her father, Nkosana Rosebury Maseti was hanged on September 26 1967 for activities connected with the then militant wing of the PAC, Poqo.

"We are four in the family. Our mother, who was a school teacher in Port Elizabeth, raised us single-handedly and sent us to school.

"She managed to put away some money and her employee's benefits continued to see us through school long after she died in 1974," said Ms Maseti.

When she called at the Western Cape provincial offices of the pension scheme this week, Ms Maseti did not have much information about her father.

All she knew was what she and her two brothers and sister could remember from stories her mother used to tell them about their father.

"I still remember, for instance, the story about the pain my mother went through when Daddy was hanged. She had to buy his corpse from the prison authorities for R4 in order to give him a decent burial at the Rebecca Cemetery in Pretoria.

'Overall' pension-fund performance deceptive

(300) ST (PT) 18/2/96

IT is not how well your pension-fund manager shows up in industry surveys that counts but how well he performs with your retirement money.

The latest *Survey of Retirement Fund Investment Managers* from Alexander Forbes, South Africa's leading retirement-fund consultants, shows a wide disparity in the performance of individual retirement funds as compared to the published overall performances of fund-management houses.

The survey shows wide spreads across a portfolio of retirement funds not only under a common mandate within one management company, but also across the industry.

Calculated from the average annual performance over three years, the smallest range of returns was achieved by RMB Asset Management at 6%. The fund achieved an average annual return of 24,9%, so broadly speaking, the top fund could have made 28% and the worst performer 22%.

At the other extreme, Board of Executors achieved an average return of 24,3% but the range of returns was 17%. In short, some funds managed by BoE did very well and others performed appallingly.

The returns ranged from Standard Corporate and Merchant Bank's low of 19,5% (range 14,2%) to AGIC's 28,8% (range 15,1%).

"Trustees often feel particularly aggrieved when their portfolio achieves outstanding results but not for their own retirement fund," notes John Hayward, senior director at Alexander Forbes.

Mr Hayward adds that although fund managers know about the dissatisfaction, they have not been successful in alleviating the problem for two reasons.

"Firstly, to attract and retain top portfolio managers, some asset-management organisations find it desirable to give the portfolio manager a degree of latitude to depart from the house view on overall asset allocation and individual shareholdings. Secondly, the nature of the SA share market is such that even a relatively small difference in individual holdings can have a marked effect and it is often hard to obtain a sufficiently large line of the less-traded shares to satisfy all the portfolios."

He quotes the example of being invested either in Trans-Natal or Rand Mines in 1994: Trans-Natal returned 134%, but the much smaller alternative coal investment Rand Mines made 238%. This is enough materially to affect the overall return.

The survey also notes that aligning new portfolios takes time in an illiquid market.

Managers with a more aggressive style like to vary their stock selection and will tend to have more difficulty aligning individual portfolio returns than do the passive managers who seldom sell an existing holding.

Trustees should do more than feel aggrieved at getting a raw deal. They should vote with their feet and move their money elsewhere.

Talks held over 'pensions tax'

(300) BD 19/2/96

Samantha Sharpe

CAPE TOWN — Fears that the Katz commission's controversial pension tax proposals would be introduced in the 1996/97 Budget had prompted a special meeting between inland revenue and the finance ministry to try to resolve the administrative implications of the new taxes, industry sources said at the weekend.

While Finance Minister Chris Liebenberg last week expressed reservations about the new taxes on pensions mooted in the Katz report, the parliamentary standing committee on finance has come out in support of the tax proposals.

However, sources said the current state of inland revenue, which is being merged with customs and excise to create a more effective tax administration, could make it difficult to implement the Katz proposals.

These included the introduction of a 30% tax on pension funds' interest, rental and other trading income.

Inland Revenue Commissioner Trevor van Heerden confirmed at the weekend that he had met with Finance Minister Chris Liebenberg, the Financial Services Board, Katz commission chairman Michael Katz and industry members on Friday to discuss possible legislative amendments arising from the 1996/7 Budget.

However, while these included administrative details linked to the Katz proposals, "it was one of only a number of issues under the spotlight", Van Heerden said.

He said the commission's call for a 30% tax on pension funds' interest, rental and other trading income would not provide administrative difficulties for the revenue department if implemented in the Budget this year.

"There are only 14 000 funds that have to be taxed at a flat 30%, which is no more administratively difficult than other taxes we have to administer," Van Heerden said.

Liebenberg has hinted that the merger of inland revenue with customs and excise is a bigger task than originally anticipated.

Speaking at the 1996 Pension Lawyers Association conference, Katz commission member Dennis Davis said there could be no real tax reform without a more effective system of tax administration.

"We will never be able to deal with any of the issues, which are compelling matters for tax reform, without a change in inland revenue."

He said the Katz commission pension fund tax proposals were an "honest attempt to make the tax system more neutral".

Any "parochial lobbying" by the life industry to discourage government from implementing the Katz recommendations could sound an end to tax reform in SA, Davis said.

Pension tax proposals expected to be shelved

Levy on life industry's assets mooted

BD 21/2/96

(300)

Samantha Sharpe

FINANCE Minister Chris Liebenberg is expected to shelve the Katz commission's controversial pension tax proposals for the 1996/97 Budget in favour of a one-off 1% levy on the life industry's estimated R500bn assets.

The move, which would raise about R5bn, would obviate the need for a politically unpalatable increase in the VAT rate.

The ministry refused to comment, but sources said Finance Minister Chris Liebenberg had asked life companies to submit proposals on practical aspects of the levy by noon today. A task force had also been appointed within inland revenue to facilitate implementation of the tax.

They said the finance ministry had mooted a tax of between 0,75% and 1% on all life industry assets, which could add between R4bn and R5bn to state coffers in financial 1996/97.

The proposed levy followed in the wake of a meeting late last week between inland revenue, the finance ministry, the Financial Services Board and industry players to discuss the practical implications of the Katz commission recommendations, they said.

Labour was absent from the talks, but the issue is likely to be raised when labour and government meet for Budget negotiations over the next couple of weeks. Speculation is that Liebenberg will seek labour's support for a tax on pensions in return for holding off on a higher VAT rate.

The sources said fears that the commission's recommended 30% tax on pension funds' interest, rental and other trading income would be impossible to implement speedily had spurred government to come up with a substitute tax.

Liebenberg has expressed concerns about the new taxes on pensions mooted in the Katz report, although the parliamentary standing committee on finance has given full support to the commission's proposals.

Sources said the one-off levy would allow government a "revenue stopgap", while providing an opportunity for additional discussion and debate on Katz's call for a pension fund tax.

It would also give inland revenue some time to put its house in order, with improved tax administration still a crucial element to efficient revenue collection, they said.

Liebenberg has hinted that the merger of inland revenue with customs and excise is a far bigger task than initially anticipated.

Life industry sources said that while they were averse to any ad hoc tax, "the one-off levy might be more favourable than a hasty implemention of the Katz proposals".

Katz calls for levy on pensions

(BR/8)(300)

BY JON BEVERLEY

CT(BR) 21/2/96

Durban — The Katz commission has proposed that a levy of between 0,75 percent and 1 percent be included in next month's Budget on the estimated R500 billion in assets held by the retirement fund industry — a move that would raise about R5 billion for the government.

The industry has been asked to comment on the proposal that, if implemented, could remove the need for the government to reintroduce prescribed asset requirements.

It is understood that the Katz commission has realised its proposals for the taxation of the industry are too complex to be introduced in the Budget on March 13 and that the levy proposal is aimed at raising immediate revenue.

The Katz commission recently proposed a 30 percent tax on interest and other income, plus changes to the individual tax on lump sums and on retirement benefits. Soon after this, the Smith commission took the opposite view, saying no changes should be made to the retirement funding system.

Jurie Wessels, the executive director of the Life Offices Association, could not confirm whether the life offices had been asked to comment on the proposed levy.

But Linton Beckett, the Durban representative of actuaries Ginsburg Malan & Carsons, confirmed assurance companies had been asked to comment on the levy. He said the levy met the government's urgent need to raise funds for the RDP and was seen as a temporary measure. Durban broker, Patrick Anderton, said a 1 percent levy was probably less harmful than the proposal to levy a 30 percent tax on investment income.

The 30 percent proposal would shave about 3 percent off investment returns of between 17 and 19 percent and the compounding effect would be considerable.

□ See Pages 18 and 24

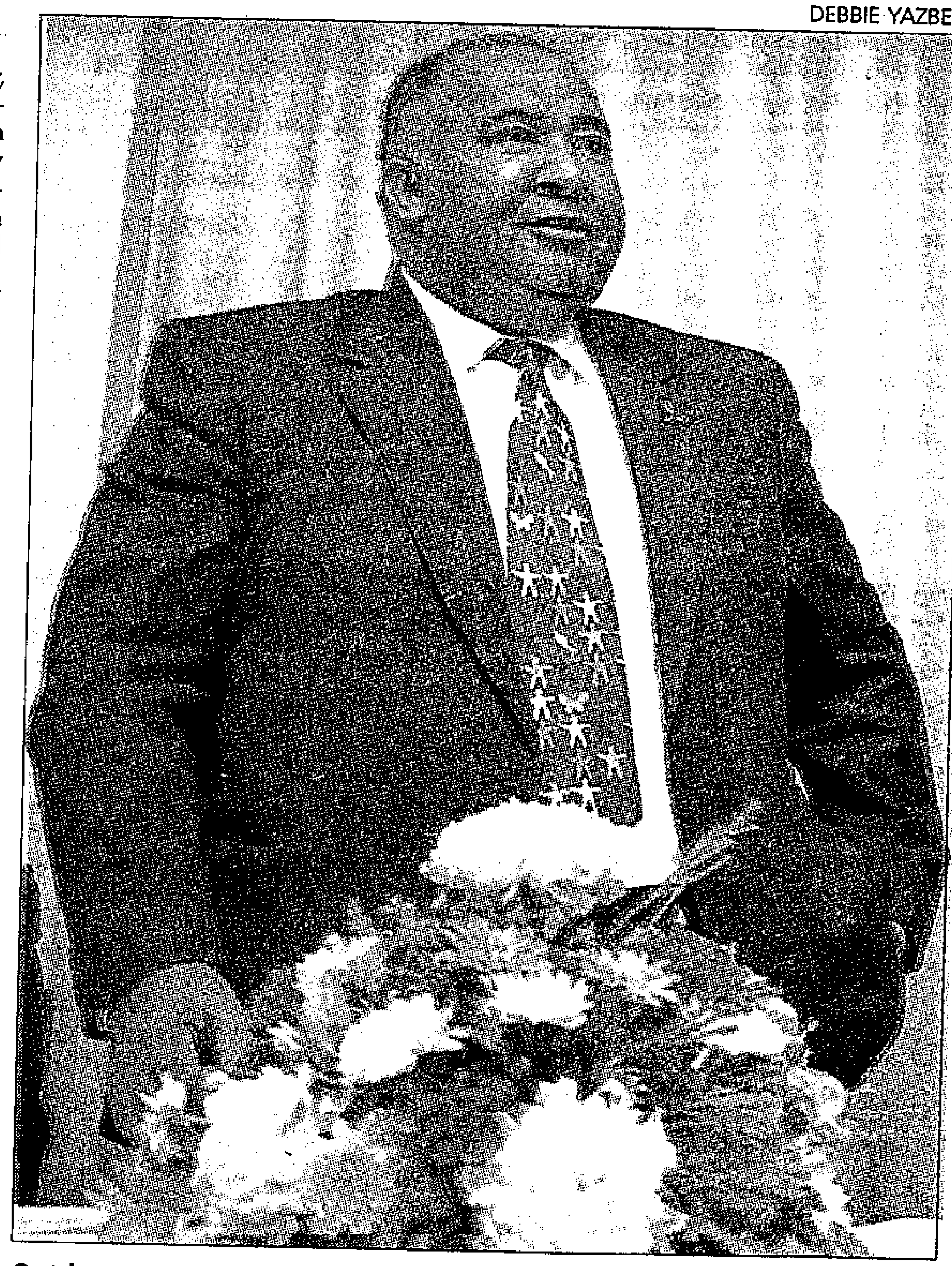
Globetrotter Williams always controversial

(300) Star 22/2/96

From overseas trips to visits to a topless bar in Cape Town 'to investigate street children', he has kept a high profile

By Lara Smith

DEBBIE YAZBEK



Out he goes ... the departure of Abe Williams, the National Party's most senior black member, is a major blow to the party ahead of Western Cape local elections.

Rugby administrator, teacher, former Labour Party politician and former National Party cabinet minister Abe Williams (56) has enjoyed a varied and controversial career.

Williams was one of the first Labour Party MPs to cross over to the National Party in 1989, and in 1993 was one of the first coloured cabinet ministers appointed by then state president F W de Klerk, who made him minister of sport.

Before that, in 1981, at a time when apartheid was still strong, Williams was appointed assistant manager of the Springbok rugby team for the demonstration-plagued tour to New Zealand.

It was De Klerk who put forward Williams' name to Nelson Mandela when he drew up the post-election Cabinet in 1994.

His appointment as minister of welfare raised eyebrows, and Williams' performance in the Cabinet since then has been lacklustre.

Since taking over the Welfare Ministry in 1994, he has been criticised by the African National Congress and his own deputy, Geraldine Fraser-Moleketi, on several occasions for dragging his feet in drawing up a white paper on welfare; failing to produce any meaningful legislation; not appointing a director-general; and maintaining apartheid practices in the department.

The current accusations that have surrounded his resignation from the Cabinet yesterday are not the first to be aimed at Williams and his department.

The Welfare Department itself has been plagued by allegations of fraud, especially fraud relating to pension schemes.

In November last year, investigations were carried out in six provinces into corruption involving millions of rands in state pensions. In 1994, the Government estimated that about R1-billion was being paid out annually in fraudulent disability and pension claims.

Williams pledged to tighten controls on the system and crack down on pension cheats.

In the past he has been accused of using taxpayers' money for his personal use on more than one occasion.

He has attributed the spending to work-related duties.

A R71 000 trip to the Far East with his wife in 1983 was "to investigate the connection between culture, tourism and distance education". He was sports minister at the time.

A visit to a topless bar in Cape Town with high-ranking police officers in November stemmed from an "official study of the plight of street children", he said.

He raised the wrath of female delegates at a conference on violence against women in Cape Town last year when he said it had given him the opportunity to look at some beautiful ladies.

The current accusations against the former Cape Town primary school principal and his subsequent resignation from the Cabinet is a blow for the National Party. As their most senior black politician, Williams would have played a major role in the NP's campaign for the upcoming Western Cape local government elections.

Minister was told: quit or be fired

Star 22/2/96 (300)

Fraud office probes claims that Williams got large sums to favour firms tendering to handle pension payments

By Jovial Rantao, Patrick Bulger and Mondli Makhanya

Welfare and Population Development Abe Williams was forced to resign from the Cabinet last night or face dismissal. The ultimatum came from his party leader FW de Klerk and from President Nelson Mandela after shock revelations that he was being investigated for pensions fraud, according to Government sources.

The Star understands that the allegations against Williams were of such a nature that De Klerk and his advisers, who were surprised and shocked by the developments, decided, after a hastily convened meeting, to minimise the damage to the image of both the National Party and the Government by letting Williams go.

➤ Globetrotter Williams always controversial Page 12

The move is seen as a break from the NP tradition to, in times of trouble, stand behind its ministers and officials to the end.

Williams is being investigated in connection with allegations of fraud, corruption and bribery involving millions of rands from social pensions.

Mandela's spokesman, Joel Netshitenzhe, said the president had been contacted by NP leader and Deputy President F W de Klerk "indicating that Minister Williams has offered to resign with immediate effect". The resignation had been accepted.

The Star understands that Mandela has for some time been receiving information from various sources about the alleged corrupt practices in the Welfare Ministry, but has waited for the law to take its course.

De Klerk said that the resignation "should not be interpreted as an admission on his part relating to any crime or irregularity". It was unclear who would replace Williams.

Mandela was yesterday informed by investigators from the Office for Serious Economic Offences (OSEO) of the 9am raids on Williams' Pretoria and Cape Town offices and homes shortly before they took place. The president has also received a report on the investigations from Justice Minister Dullah Omar.

Before Williams' resignation last night, sources had told The Star that Mandela had intended to suspend Williams.

Yesterday afternoon, Williams (52) said in a press statement he was innocent and undertook to give his full co-operation to the investigators. "I have not at any stage acted in an improper manner," he said.

The OSEO's director, advocate Jan Swanepoel, confirmed to The Star that investigators from his office, empowered by a search warrant issued by a judge, had raided Williams' homes and offices yesterday.

The raids were a direct result of an investigation initiated by the Western Cape department of health and social affairs, which alleged that Williams was a recipient of large sums of money in order to promote and favour particular companies that tendered for pension payments.

Western Cape MEC for Health and Social Affairs Ebrahim Rasool, an ANC member, said his office had launched an investigation into allegations of fraud and corruption in the social security unit of the department.

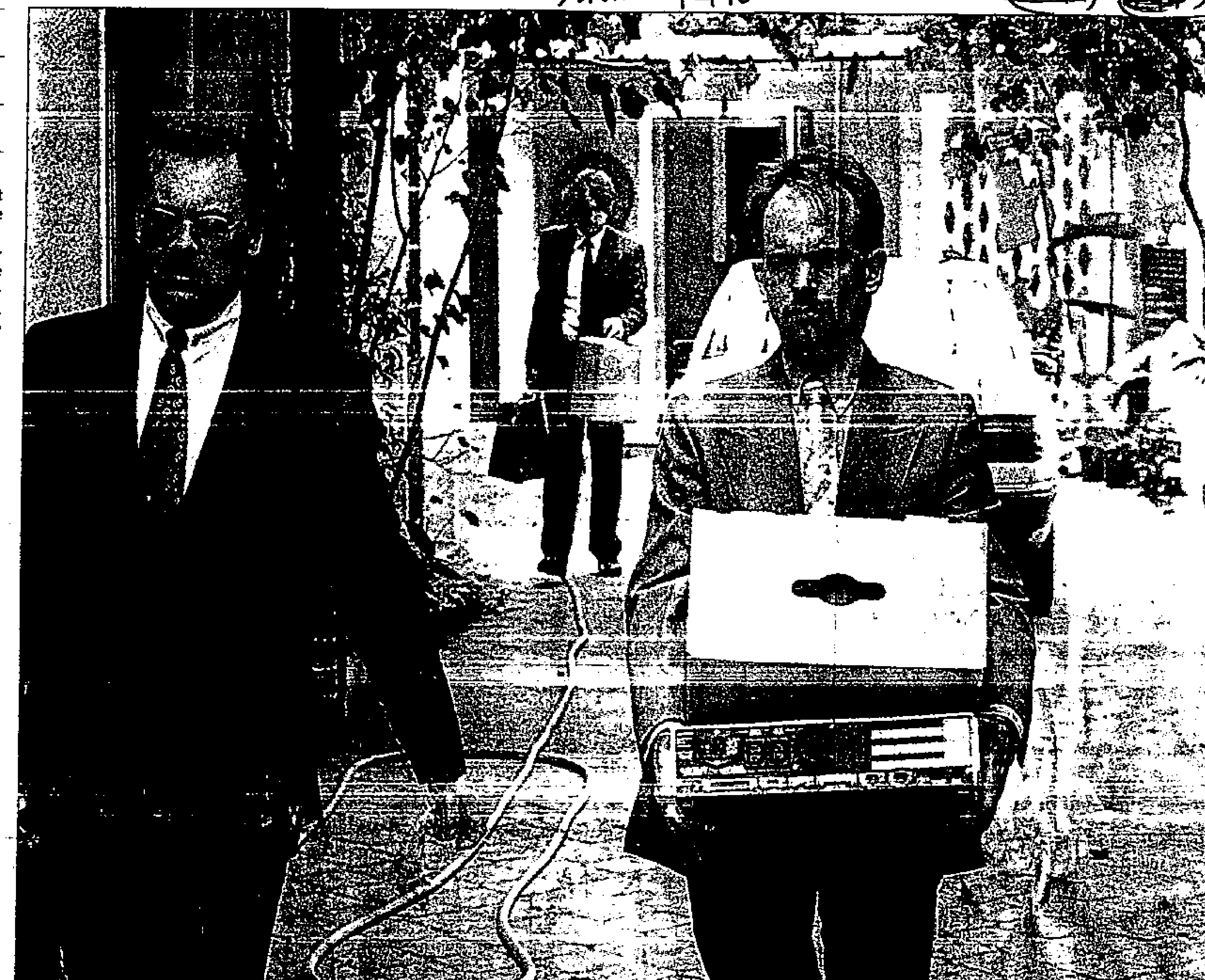
The investigation, under the guidance of a Prof Pieter le Roux, was conducted by Ernst & Young, which has produced a draft report. "The report pointed to a systematic weakness in the administration of pensions and grants, and showed that in some cases, junior clerks were corrupt at the expense of needy people.

"The report also showed that at middle and senior management level there were people engaged in a variety of fraudulent and corrupt practices, ranging from procuring premises and services to purchasing goods and equipment for the department of social services," Rasool said.

Although the draft report was not conclusive on the matter, it had raised serious questions about the tender awarded to Nisec, a subsidiary of arms manufacturer Denel, for the payment of pensions and grants.

Rasool added that people, including bank clerks and those who worked with Williams, had provided him with information.

"The essence of what they've alleged is that Williams has been the recipient of large sums of money in order to promote and favour particular companies who tendered for pension payments."



Police raid ... investigators carry away documents and equipment after they had raided the offices and home of Cabinet Minister Abe Williams yesterday.

Another setback for NP

Williams quits Cabinet after raid on offices

(300)

BD 22/2/96

Stephen Laufer and Kevin O'Grady

WELFARE Minister Abe Williams resigned from the Cabinet with "immediate effect" last night after the Office for Serious Economic Offences raided his offices and homes in Cape Town and Pretoria.

The move, which follows recent resignations by several other NP members from the Cabinet and the party, will deal a further blow to efforts by leader and Deputy President F W de Klerk to realign his party and raise the profile of its leading black members.

De Klerk said he had held "in-depth" discussions with Williams after the raids and it was decided Williams should resign in the interests of the NP and the government of national unity.

"His letter of resignation makes it clear that his resignation ... should not be interpreted as an admission on his part relating to any crime or irregularity," De Klerk said. He hoped further investigations against Williams would "proceed in a fair and reasonable manner and that justice will prevail".

NP spokesman Danie du Plessis said De Klerk would, in consultation with President Nelson Mandela, decide on a replacement for Williams.

Mandela's spokesman Joel Netshitenzhe said the president had accepted Williams's resignation.

The warrants authorising the raids are understood to refer to the award of a tender for the privatisation of the social security benefit cash payment system by the Western Cape government in 1994. They also refer to a literacy programme run by the now defunct House of Representatives, of which Williams was education minister.

The irregularities which led to the Williams investigation were reported to the Office for Serious Economic Offences by University of the Western Cape economist Prof Pieter Le Roux, who investigated the award of the tender on behalf of the provincial government. A separate complaint was made to the office by a competitor of Nisec, the company which won the contract.

The ANC's Western Cape welfare MEC Ebrahim Rasool, who initiated the tender award investigation, said yesterday bank clerks and officials who worked for Williams had stated that the minister "had been the recipient of large sums of money to promote and favour particular companies who tendered for pension payments".

It is understood a national welfare department committee of officials advised the provincial government on the privatisation of pension payments in the Western Cape, and that they had at a later stage — once Williams had become minister — "indicated" the award

Continued on Page 2

Williams

Continued from Page 1

BD 22/2/96

should go to security company Nisec.

His alarm had grown, Rasool said, when Williams had proposed that welfare MECs of the nine provinces hear a presentation by Nisec.

Nisec did not apparently possess the advanced fingerprint identification technology the tender specified. The company was later bought by Denel Informatics, a division of arms manufacturer Denel.

Nisec/Denel Informatics reportedly earns R12 for each of the 260 000 pensions paid out every month, double the amount paid to the Post Office, which still handles pension payments to whites and coloureds on behalf of the new contractor.

A further clause in the contract guarantees the company payment of the full amount for the Western Cape five days in advance of the monthly pension payout. With minimum social welfare pensions set at R410, this would allow the company to earn five days' interest each month on more than R100m.

Office director Jan Swanepoel refused to comment, saying it was unfortunate the investigation had become public so early.

A Denel spokesman said he could not comment.

Why I resigned

ARG 22/2/96

300

TYRONE SEALE, Political Staff

FORMER Welfare and Population Development Minister Abe Williams has spoken out about why he resigned after raids on his home and offices by the Office for Serious Economic Offences.

In an interview today, Mr Williams said it would have been unbearably embarrassing for him to remain a member of the cabinet while under investigation.

Speaking from his Cape Town home, Mr Williams said he would retain his seat in parliament.

Asked why he had chosen to resign merely at the announcement of an Oseo investigation into his possible involvement in welfare fraud, Mr Williams said: "It's very difficult to be a minister if there's an inquiry around you. It's unbearable. You have to sit in cabinet and it's embarrassing for you, your colleagues and the president."

On what he would do if he was either cleared or indicted by the investigation, he said he would take that decision at the end of the probe.

Mr Williams declined to speculate on his chances of being cleared, adding "that's why I've appointed a lawyer".

He said he would visit his office today to "clear out a few things".

To an outsider, events appeared normal at the Williams's home in Kromboom Road, Rondebosch, early today.

Mr Williams, dressed in a suit, came out of the house and posed willingly for photographs. He looked relaxed and smiling.

Mr Williams said he planned to consult his lawyer before going to his office.

Two officers from the national protection service arrived to fetch Mr Williams about 7.40 am.

The two men loaded some suitcases into the boot of Mr Williams's blue-and-silver luxury German car.

Meanwhile, political staff report the National Party was reeling in shock today after Mr Williams's resignation.

Senior party members said NP leader, Deputy President F W de Klerk, was expected to be asked today to convene an urgent summit to review what they said was "an atmosphere of crisis and alarm" in the party as it prepared for the Cape metro local government elections in May.

Mr De Klerk announced last night that after an "in-depth" discussion with Mr Williams, the NP's most senior coloured member had decided "to resign with immediate effect from the cabinet in the interests of the NP and the government of national unity".

Earlier, Oseo officials petitioned the Supreme Court for a search warrant and raided Mr Williams's homes in Pretoria and Cape Town as well as his Cape Town offices, and removed large quantities of documents and computer records.

In less than a month, the NP in parliament has now lost four of its most distinguished public representatives. The deputy speaker of the national assembly, Bhadra Ranchod, who is the most senior Indian member, deputy constitutional assembly chairman Leon Wessels and deputy land affairs minister Tobie Meyer have all opted to retire from politics.

LATEST

Move 'commendable'

FORMER Welfare and Population Development Minister Abe Williams did a commendable thing by resigning in the wake of "serious" allegations, President Mandela said today.

Speaking on the steps of Tuynhuys after meeting visiting German Bundestag President Dr Rita Suessmuth, Mr Mandela said this did not mean that by this action Mr Williams was admitting guilt. He declined to comment further. — Sapa.

The bell tolls for NP, says ANC

ARG 22/2/96 (300)

The African National Congress has issued the following statement on the resignation of Abe Williams:

THE African National Congress has taken note of Mr Abe Williams's resignation as Minister of Welfare. It is significant that the resignation follows soon after the raids by the Office for Serious Economic Offences on his houses and offices.

Without pre-judging the outcome of the investigations that are currently in progress, the ANC urges the Office for Serious Economic Offences to move as fast as possible in order for the facts to become known.

No person, regardless of the high position that he/she occupies, or has occupied, can be above the law.

The law must act without any fear or favour. A very clear message must be sent to whoever is involved in criminal activities: you have nowhere to hide.

The current investigation by the Office for Serious Economic Offences into corruption in the Department of Social Welfare, follows the Forensic Investigation which was initiated by the office of Mr. Ebrahim Rasool, ANC MPL and MEC for Health and Social Welfare in the Western Cape.

Mr Rasool previously stated in the Western Cape Legislature, that the fraud levels that the Government of National Unity inherited from the National Party could not simply be the work of officials.

He insisted that political sanction must have been available.

Yesterday Mr Rasool mentioned that information in his possession seems to implicate Mr Williams in having played exactly such a role.

It is important to note that ANC members of the Government of National Unity are taking the lead to expose fraud in the previous National Party government.

They are also in the forefront to develop a code of ethics for members of parliament and other mechanisms to ensure that the current government is clean and accountable.

Those who recently made sweeping statements about perceived levels of corruption in the current government, will hopefully now take note of the effective and very positive contribution that ANC members of the GNU are making to root out the corruption that we have inherited from the National Party.

It is true that blame must be apportioned where it is due, but it is surely not asking too much to expect that the ANC's clear commitment to fight corruption should also receive the recognition that it deserves.

The current allegations against Mr Williams once again highlight the gross mismanagement of our country's resources by the previous National Party regime.

Surely the very serious fraud which has been uncovered in the Department of Welfare and which MrWilliams is alleged to have been involved in, could not have taken place without a general atmosphere of corruption and condoning of corrupt practices.

In this regard the National Party and its leadership, who also formed the core leadership of the previous government, cannot escape a major share of the blame.

Every time further information comes to light about the National Party's performance in the past government, more and more questions are raised among the electorate about whether the NP is deserving of even the very limited support that they received during the last elections.

The voters of the Western Cape and of South Africa are ready to pass a harsh verdict. The bell is tolling for the NP.

WHY WE RAIDED ABE WILLIAMS

Argus 22/2/96 (300)

(300)

Probe revealed 'possible contravention of Corruption Act'

ARG

ROGER FRIEDMAN
Provincial Affairs Reporter

DETAILS of the investigation into the alleged financial irregularities of former Minister of Welfare and Population Development, Abe Williams, have been disclosed by the Office for Serious Economic Offences (OSEO).

Mr Williams resigned from the cabinet yesterday, hours after his offices and homes were raided by OSEO members searching for documents.

OSEO director Jan Swanepoel said today an investigation into possible irregularities about the award of a tender to Nisec CC for the payment of pensions in the Western Cape had uncovered information possibly implicating Mr Williams.

A search of Nisec's premises led to the extension of the inquiry to "inter alia the payment to and receipt by Mr Abraham Williams of certain amounts of money".

OSEO's information was "possibly indicative of a contravention of the Corruption Act of 1992".

Mr Swanepoel said his office applied to the Cape Town Supreme Court for a warrant to search the offices and houses of Mr Williams, among others.

The warrant was authorised on Tuesday and executed yesterday by members of the police attached to OSEO.

Mr Swanepoel said the investigation [illegible] and would probably take a "considerable time".

On completion of the investigation, a report would be submitted to Minister of Justice Dullah Omar and all evidence handed to Attorney-General Frank Kahn.

Mr Kahn would have to decide whether to prosecute Mr Williams or others who might be implicated in the report.

Mr Swanepoel stressed that the fact Mr Williams' homes and offices were raided did not necessarily mean he was guilty of any offence.

Mr Williams yesterday declared himself innocent and pledged to assist the OSEO investigation.

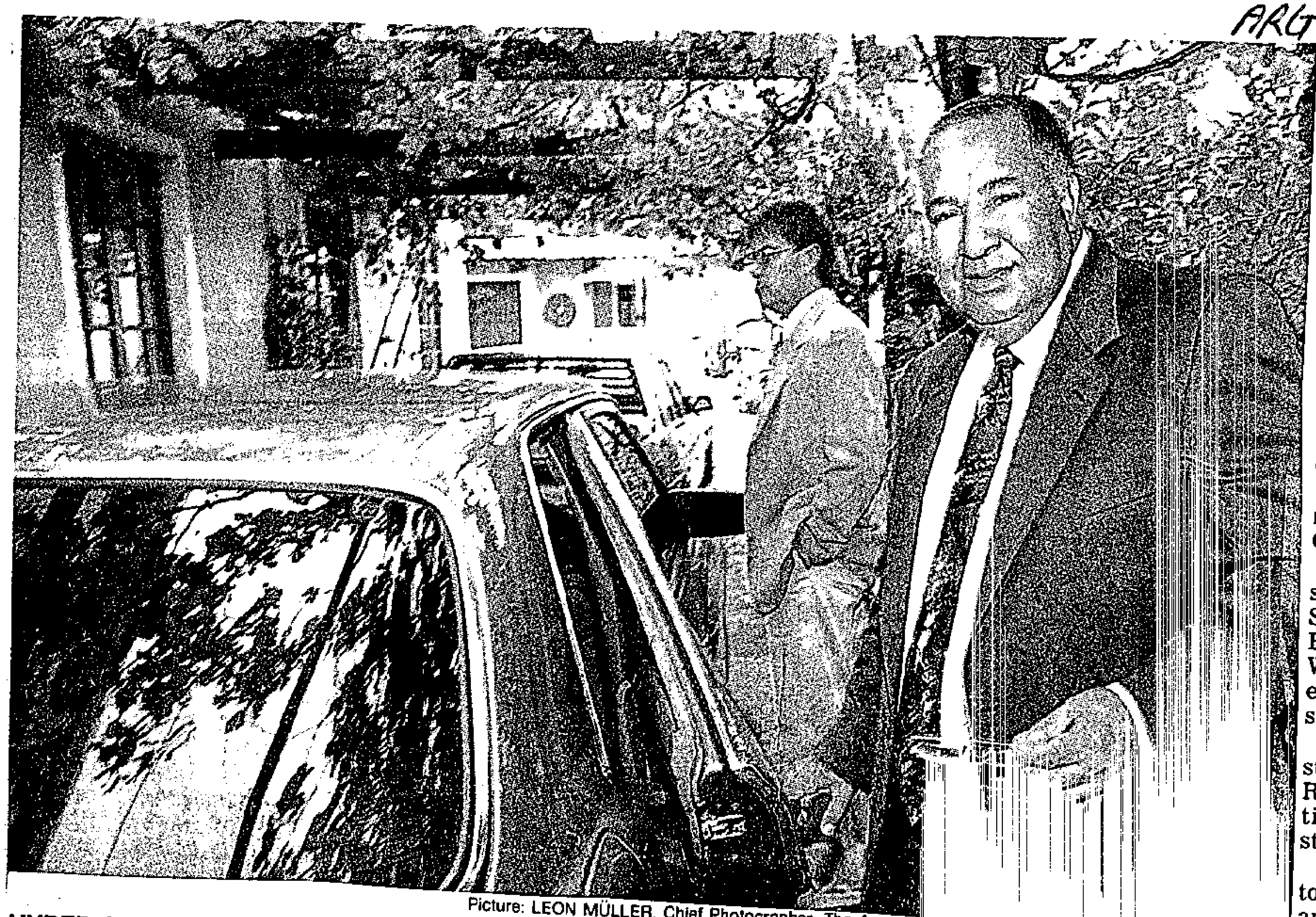
● Mr Swanepoel said he was mystified by a statement from Western Cape Minister of Health and Social Services Ebrahim Rasool to the effect Mr Williams had been declared "a serious economic offender".

"If anyone declared him a serious economic offender, it was certainly not I or OSEO."

Mr Williams has not yet given any statements to the OSEO, reports Tyrone Seale. His legal representative, Frikkie Erasmus, said this morning that while Mr Williams had committed himself to co-operate with OSEO, he had tendered no statements, let alone confessions.

Mr Erasmus also said he was carefully studying yesterday's statements by Mr Rasool with a view to possible legal action over what appear to defamatory statements.

Mr Erasmus said OSEO had confirmed to him the investigation had just begun and the office had no way of certifying individuals as serious [illegible]



Picture: LEON MÜLLER, Chief Photographer, The Argus.

UNDER SUSPICION: Abe Williams, who resigned from [illegible]

Argus 22/2/96

300

Controversial Abe

Latest accusations not the first to be levelled at former

300

teacher, rugby administrator and cabinet minister

Staff Reporter and
Argus Correspondent

RUGBY administrator, teacher, former Labour Party politician, National Party cabinet minister, champion of the coloured community, self-deprecating joker, alleged crayfish hoarder, alleged exam cheat, alleged slumlord in Saldanha Bay ... Abe Williams has had a varied and controversial career.

The current accusations which have surrounded his resignation from Cabinet are not the first to be aimed at him and his department.

The 56-year-old Mr Williams was one of the first Labour Party MP's to walk-over to the National Party in 1989, and in 1993 was one of the first "coloured" cabinet ministers appointed by then State-President FW de Klerk who made him Minister of Sport.

In 1981, when apartheid was still strong, Williams was appointed assistant manager of the Springbok rugby team for the tour to New Zealand.

He and Errol Tobias were the only black members of the touring party, an experience Mr Williams later joked about. "We thought we had to carry the cases but ended up making the speeches," he once told sportswriters.

He has made controversial remarks in speeches – including an allegation that affirmative action would only benefit blacks.

Argus

Speaking at Genadendal before the April 1994 general elections, Mr Williams said brown people would have to wait until blacks had jobs. "Why must the colour of our skin count against us again? Why must the colour of our skin, which counted against us in the old South Africa, also count against us in the new South Africa? The ANC will discriminate against us again. We are past the times of toyi-toyi, protest, marches and swear words. The election is not about the past, it is about the future."

It was a theme he returned to the following year in the run-up to what was supposed to have been Cape Town's local government elections, postponed because of court action. Mr Williams said the ANC weren't the only ones in the struggle. "My message to you is to ask yourself the questions: 'Why do we, the brown community, need to feel less important than our fellow Afrikaners? Why do we, the brown community, take second place when it comes to affirmative action?' "

It was Deputy President De Klerk who put forward Mr Williams' name to President Mandela when he drew up the post-election cabinet in 1994.

His appointment as Minister of Welfare raised eyebrows and Mr Williams's performance in cabinet since then has been lacklustre.

Since taking over the Welfare Ministry in 1994, he has been criticised by the African National Congress and his own deputy, Geraldine Fraser-Moleketi, for dragging his feet in drawing up a White Paper on Welfare; failing to produce any meaningful legislation; not appointing a director general; and maintaining apartheid practices in the department.

The Welfare Department has been plagued by fraud allegations, especially relating to pension schemes. In November last year, investigations were carried out in six provinces into massive corruption involving millions of rands in state pensions.

In 1994, government estimated about R1-billion was being paid out annually in fraudulent disability and pension claims. Mr Williams admitted to Parliament last year that more than R15-million in social allowances had been embezzled or stolen from the Welfare Department in the last three years. He pledged to tighten controls on the system and crackdown on pension cheats.

In the past, Mr Williams has been accused of using taxpayers money for his own personal use – allegations he has shrugged off by attributing them to work-related duties.

A R71,000 trip to the Far East with his wife in 1983 while he was Sports Minister was supposedly "to investigate the connection between culture,

'Corrupt at the expense of needy'

Press statement by Ebrahim Rasool Western Cape MEC for Health and Social Services

I have been advised this morning that the raids by the Office for Serious Economic Offences have occurred and that Minister Williams has been declared a Serious Economic Offender. This, I think, simply means that strong suspicions regarding his conduct exist and that these will now be fully investigated.

We have reached this stage following the Forensic Investigation initiated and launched by my office last year into allegations of fraud and corruption in the Social Security unit of our work. This forensic investigation was conducted by Ernst & Young under guidance by Professor Pieter le Roux. We have in our possession the first draft of the report.

The report pointed to systematic weaknesses in the administration of pensions and grants, and showed that in some cases there were junior clerks who were corrupt at the expense of needy people.

The report also showed that at middle and senior management level there were people who engaged in a variety of fraudulent and corrupt practices ranging from procuring premises and services to purchasing goods and equipment for the Department of Social Services.

Although the report is not entirely conclusive on this matter, it does raise serious questions about the tender awarded to NISEC (now belonging to Denel) for the payment of pensions and grants.

It raises questions as to how the tender was awarded, whether NISEC can deliver a fraud-free pension service, and whether we are getting our money's worth from NISEC.

On the first two issues raised in the report, I will provide greater details at a later stage. The third issue around NISEC is the subject of a current investigation by OSEO, following the raids last year in September on NISEC and I am sure that OSEO will be guiding us further in our relationship with NISEC.

All of this is important for considering the raids this morning on Mininster Williams.

I have, in the Western Cape Legislature, already raised my feeling that the fraud levels we've inherited from the National Party could not simply be the work of officials. I believed then that political sanction must have been available through commission or omission.

This feeling was confirmed when speaking to people who responded to our call for information. These people made direct contact with me, telephonically or in meetings, believing that there was at last a seriousness in tackling fraud and that their information may have a positive outcome.

These people, including bank clerks and those who worked with Minister Williams, are vulnerable and I respect their plea for confidentiality.

The essence of what they've said is that Minister Williams has been the recipient of large sums of money in order to promote and favour particular companies who tendered for pension payments.

My alarm grew when, at a MINMEC meeting between the National Minister, the Deputy Minister, the Provincial MECs and officials of welfare from across the country, Minister Williams proposed that we all listen to a presentation by NISEC/DENEL on pension payouts.

I was the one to raise objections to this proposal by Minister Williams on the basis that NISEC is being investigated in the Western Cape and was a competitor for the tenders of some other provinces and that the Minister's proposal was highly irregular.

Minister Williams acceded but again tried to have the MECs have lunch with him in his office where NISEC could speak to us.

This confirmed the stories related to me by my informants and I am confident, that having made all of these available to the investigating team, and that these have resulted in a Declaration of a Serious Economic Offence against Minister Williams, today's raid may have the effect of putting at the disposal of OSEO the necessary evidence which may prove or is likely to prove corruption, fraud or bribery.

tourism and distance education".

A visit to a topless bar in Cape Town in November was an "official study of the plight of street children".

And he was "overcharged" by estate agents when he paid R600,000 for a Bloubergstrand beach house. Told that estate agents had put a value of only R450,000 on the house, Mr Williams replied: "Well, then, I probably paid too much for it."

He also raised the wrath of female delegates at a conference on violence against women in Cape Town last year when he said it had given him the opportunity to look at some beautiful ladies. But he is also on record as saying men needed to change their attitudes and perceptions about women's role in society.

In 1984, Mr Williams made headlines when the tenants of 40 houses he owned at White City in Saldanha Bay complained he had increased their rent three-fold after buying the houses, which had no electricity or running water, from a fishing company.

In 1989, thieves broke into his house in Saldanha Bay and allegedly stole 80 crayfish tails from his freezer. Mr Williams, who helped arrest the men, swore there had been only 25 crayfish tails in the freezer.

He was also accused of cheating while a student at the University of the Western Cape.

THE RECEIVING END: Controversy always seems to follow former Welfare and Population Development Minister Abe Williams. Here he patiently waits for protestors to hand him their petition.

MAN FOR ALL SEASONS: Williams was a keen sports administrator in his younger days. Left, he dons his 1981 assistant manager's blazer for the ill-fated 1981 Springbok tour of New Zealand.

MAKING THE GRADE: Williams, below, is capped as a social worker at the University of the Western Cape in 1982.

HAPPIER TIMES: Abe Williams and his wife Esme are all smiles as they attend the opening of parliament.

Former minister probed over pension money

ARG 22|2|96

(300)

ROGER FRIEDMAN
Provincial Affairs Reporter

FORMER National Minister of Welfare and Population Development, Abe Williams, is being investigated for allegedly accepting large sums of money in order to promote and favour particular companies which tendered for pension payments.

He was among the first Labour Party MPs to cross the floor to the National Party in 1989, and was Minister of Sport in the F W De Klerk government. Mr Williams resigned from the cabinet yesterday after police raided his home and offices in Cape Town and Pretoria to search for documents.

Deputy director of the Office for Serious Economic Offences, Tommy Prins, said today: "Our teams have come back with a lot of documentation and are busy going through it now.

"Obviously, we are eager to finalise the investigation as soon as possible."

Mr Williams has denied ever "acting in an improper manner" and pledged his full support for the investigation.

Western Cape Minister of Health and Social Services, Ebrahim Rasool, said yesterday Mr Williams twice tried to set up meetings between provincial ministers and one of the private companies tendering to administer pension payouts.

The company Mr Williams wanted the nine provincial ministers to meet was Nisec - the same company being investigated for irregularities in the tender process in the Western Cape.

The Western Cape was the first province to privatise pension payouts. Nisec was originally awarded the contract. The company has been taken over

Ebrahim Rasool

by Denel, formerly linked to Armscor.

Mr Rasool said Mr Williams was not suspected of acting irregularly with regard to the Western Cape contract.

"The allegations arise with regard to the alleged passing of money after the Western Cape contract had been awarded."

At a meeting between Mr Williams and the nine provincial ministers late last year, Mr Williams "proposed that we all listen to a presentation by Nisec/Denel on pension payouts".

Said Mr Rasool: "I was the one to raise objections to this proposal by Mr Williams on the basis that Nisec was being investigated in the Western Cape and was a competitor for the tenders of some other provinces and that the minister's proposal was highly irregular.

"Mr Williams acceded but again tried to have the MECs have lunch with him in his office where Nisec could speak to us."

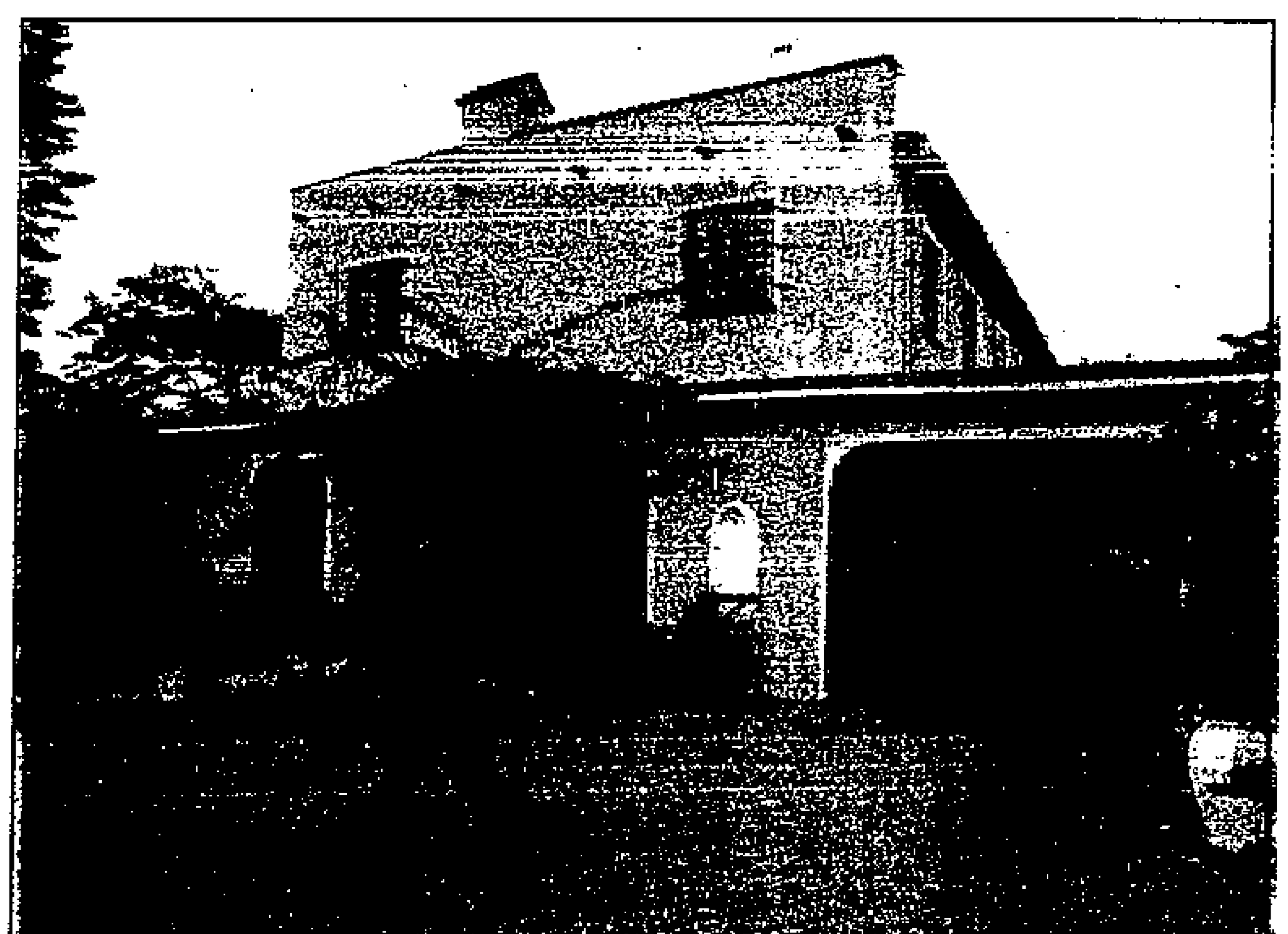
Mr Rasool, who said he was addressing the media on the advice of Deputy President Thabo Mbeki to advise how the Williams affair affected the Western Cape, went on to explain how a forensic investigation into the tender awarded to Nisec to administer Western Cape pension payments and grants led to a stream of callers and visitors to his office to submit information.

"These people made direct contact with me, believing that there was at last a seriousness in tackling fraud and that their information may have a positive outcome."

His informants included bank clerks "and those who worked with Minister Williams", said Mr Rasool.

Pictures: LEON MULLER, The Argus.

ON THE MOVE: Abe Williams and his bodyguard were loading suitcases into his car today.



RONDEBOSCH RAID: Members of the Office for Serious Offences swooped on Mr Williams's Rondebosch home, left. They removed documents and computer equipment.

He's the fourth minister to leave cabinet since '94

(300)

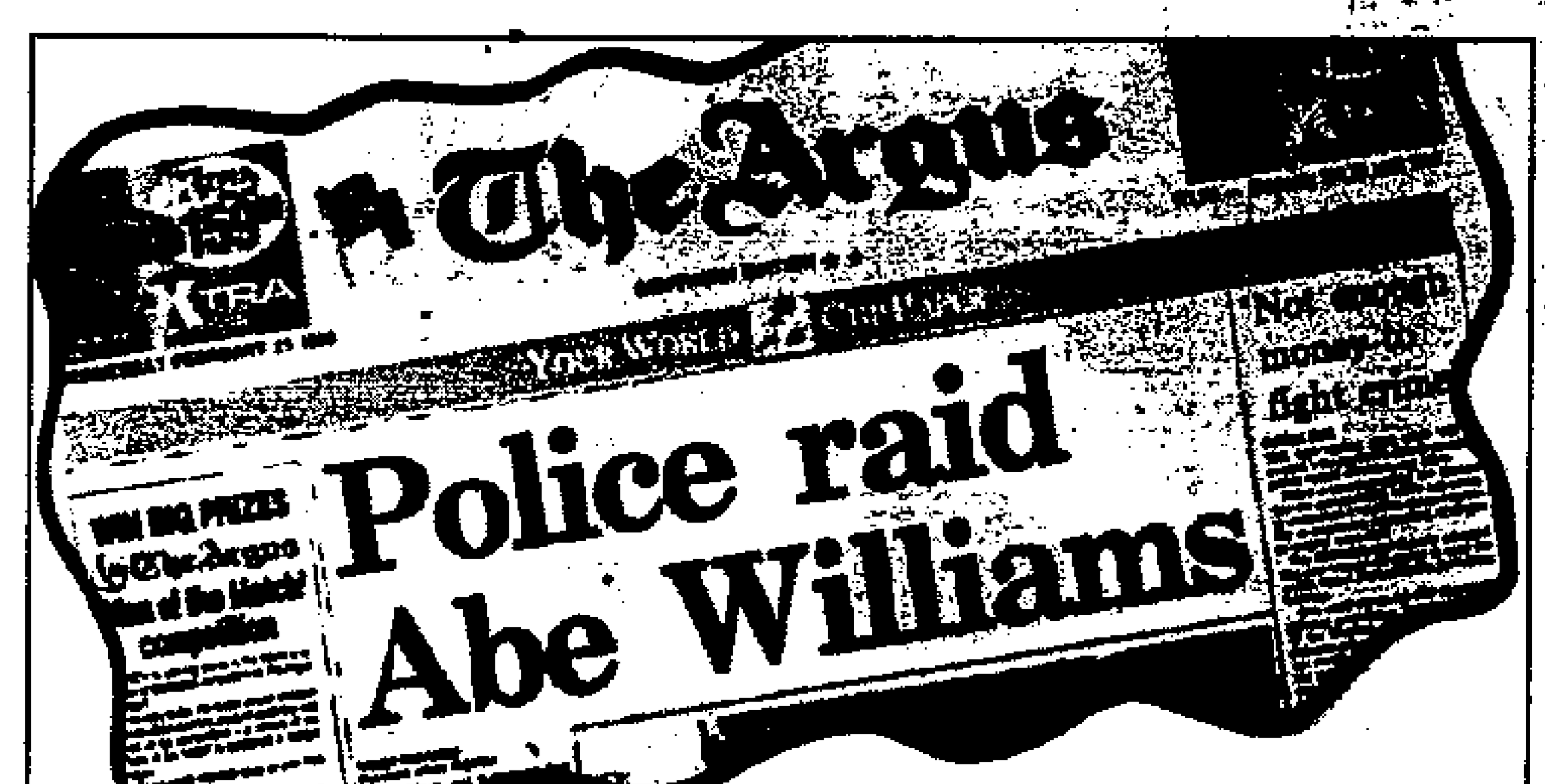
Staff Reporter
ARG 22|2|96

ABE Williams, former Minister of Welfare and Population Development, is the fourth minister who has left cabinet of the government of national unity since it was announced in 1994.

Others who left are Derek Keys, former Minister of Finance, who was replaced by Chris Liebenberg; Joe Slovo, former Minister of Housing who died in January last year and was replaced by Sankie Nkondo; and Roelf Meyer, who recently resigned.

Mr Williams is the only cabinet minister whose resignation came in the context of an investigation into his activities.

He joined the National Party in 1989 and in 1993 was one of the first "coloured" cabinet ministers appointed by the then State President FW de Klerk, who made him Minister of Sport.



FIRST WITH THE NEWS: How The Argus broke the story yesterday.

Pension payments are safe — deputy minister

ARCT 22/2/96 (300)

Political Staff

PENSION payments are safe, in spite of the sudden resignation of Welfare and Population Development Minister Abe Williams.

The resignation, after an investigation into alleged pension corruption, will have no effect on payouts of state pensions, grants and other forms of welfare.

This assurance was given today by Mr Williams's deputy minister, Geraldine Fraser-Moleketi.

Last week, Mr Williams and Ms Fraser-Moleketi announced wide-ranging initiatives to curb the estimated R1 billion loss to welfare fraud each year. This represented nearly 10 percent of the welfare budget.

Part of the clampdown will involve the re-registration of all welfare recipients and fingerprinting of pensioners.

Ms Fraser-Moleketi said none of these actions would be compromised by the Office for Serious Economic Offences (Oseo) investigation into Mr Williams's possible involvement in welfare scams.

She said Mr Williams's resignation had surprised everyone in the ministry, "but I think he must have felt there were reasons that justified the need for such an action".

Ms Fraser-Moleketi said she was handling welfare matters while waiting to hear from President Mandela about the appointment of a new minister.

She will head the department until a new minister is appointed. Under the government of national unity agreement, President Mandela is expected to consult Deputy President F W de Klerk on a National Party replacement for Mr Williams in the cabinet.

THURSDAY
FEBRUARY 22, 1996 ★

Huisamen: Williams never got one cent from me

CT 22/2/96 (300)

DALE GRANGER

IN his "private capacity as minister" Mr Abe Williams "never received one cent from me", said Mr Michau Huisamen, who was managing director of Nisec when it was awarded the CPA pension payouts in December 1994 until the company was taken over by Denel in September of the same year.

He was responding to a statement by Western Cape MEC for Health and Social Services, Mr Ebrahim Rasool, that Williams had been declared a "serious economic offender" and that a report into administration of pensions and grants "raises serious questions about the tender awarded to Nisec" and "whether Nisec can deliver a fraud-free pension service, and whether we are getting our money's worth from Nisec".

Rasool said information indicated Williams "has been the recipient of large sums of money in order to promote and favour particular companies who tendered for pension payments".

Huisamen said he and Williams "only met at a parliamentary function months after the tender was awarded".

"It seems Minister Rasool is trying very hard to discredit Nisec right from the beginning and trying very hard to score a lot of political points at the cost of others like Minister Williams.

"This is a bit rich from Mr Rasool, who invited me to a Sunday night supper at a hotel about two months after the tender was awarded," he said.

He said he and Williams had met at the parliamentary function as he was a sponsor of the parliamentary rugby team, and also donated hundreds of thousands of rands to the Eastern Province rugby team and the University of Port Elizabeth.

"These types of money (donations) are not strange," he said, adding that Rasool was making "allegations that somebody gave Minister Williams money to favour Nisec — this is quite obvious from his statement".

The investigation into how Nisec had won the tender from the Cape Provincial Administration to administer pension payouts was launched in September last year when the Office for Serious Economic Offences raided its offices in Cape Town, Pretoria and Port Elizabeth.

Computer records, lists of company assets, accounting books and other documents were seized.

In the contract Nisec is being paid R125 million over five years and R1,5 billion is paid to Nisec for pensions and grants to 260 000 people in the Western Cape every year.

After the raid on Nisec offices, Democratic Party leader Mr Hennie Bester asked how two CPA employees, Mr Anton Scholtz and Mr André Louw, had joined the employ of Nisec shortly after they had won the tender. He also asked why the company was being paid to administer payouts to white and coloured pensioners of the former House of Representatives and House of Assembly when the Post Office had been subcontracted for the former, and ATM banks for the latter.

Nisec is also alleged to have charged the Western Cape legislature several million rands above the "agreed-upon figure".

MINISTER PROBED BY OFFICE FOR SERIOUS ECONOMIC OFFENCES

Abe Williams quits cabir

(300) CT 22/2/96

PRESIDENT MANDELA has asked the Office for Serious Offences for a report on allegations made against former cabinet minister Abe Williams, who was said yesterday to have been declared a serious economic offender. **JACKIE CAMERON** reports.

NATIONAL Minister of Welfare and Population Development Abe Williams resigned from his cabinet post last night after it emerged that he is at the centre of a serious economic offences investigation — and has been accused of corruption and fraud.

In a synchronised operation, members of the Office for Serious Economic Offences — which investigates white collar crime — yesterday swooped on Williams' Rondebosch and Pretoria homes and his Cape Town city offices in a search for documentary evidence to support allegations against him.

RESIGNED: Mr Abe Williams

The investigators also searched the Pinelands home of the former chief director of the Western Cape's Department of Social Welfare, Dr Ebrahim Jarodien, and seized documents.

The raids took place while Williams was attending a cabinet meeting, but the matter was not raised during the meeting, the secretary to the cabinet, Dr Jakes Gerwel, said.

"He did not mention it," Gerwel added.

Williams attended the interpellation mini-debates in Parliament yesterday and was seen in earnest conversation with the National Party's Western Cape leader, Dr Dawie de Villiers.

Earlier yesterday Williams pledged his "full co-operation" to OSEO so the investigation could be dealt with "in an expeditious manner".

President Nelson Mandela has asked for a report from the OSEO.

In an unusual move, provincial MEC for Health and Social Services Mr Ebrahim Rasool held a press conference in the city late yesterday in which he said he had been "advised" that Williams had been "declared a serious economic offender".

A CAREER DOGGED BY CONTROVERSY – Page 3

Rasool said he had received information — and in turn passed it on to OSEO — that "Williams has been the recipient of large sums of money in order to promote and favour particular companies who tendered for pension payments".

He said he was "confident" that yesterday's raid on Williams' premises "may have the effect of putting at the disposal of OSEO the necessary evidence which may prove or is likely to prove corruption, fraud or bribery".

The MEC said the raids were connected to an investigation into the embezzlement of millions of rand in pension money and a controversial tender awarded to a company called Nisec for the payment of pensions and grants.

He said the latest forensic audit estimated the amount lost to fraudsters as much less than originally thought, but he declined to elaborate.

Rasool denied trying to extract political gain from Williams' situation.

Williams could not be reached for comment following his resignation.

In a brief statement, Deputy President F W de Klerk said Williams had "decided to resign with immediate effect from the cabinet in the interest of the National Party and of the government of national unity".

"His letter of resignation makes it clear that his resignation from the cabinet should not be interpreted as an admission on his part relating to any crime or irregularity," he said.

In another twist to the saga, Dr Jarodien claimed last night that some time ago he gave documentary proof to OSEO that Rasool, in fact, had signed the controversial Nisec tender.

Jarodien, now a pensioner, said: "Williams had nothing to do with the tender. Minister Rasool was the one who signed for Nisec two months after he took office, based on information given to him by the department.

"I tried to warn Rasool but he would not listen to me. They gave him the wrong information and he signed."

Jarodien said he was quite happy when the OSEO team arrived around lunchtime yesterday to search his home for bank statements, documents related to Nisec and another literacy project "where there was an allegation that I pocketed millions in order to promote the programme".

"I have nothing to hide. If anything, they can see how bad my overdraft is and how much personal debt I am in."

Yesterday morning, the Cape Times saw three members of an OSEO team removing boxes of documents and computer equipment from Williams' double-storey home in Kromboom Street, Rondebosch.

The team was busy inside the home for more than three hours, sifting through piles of documentation and collecting bank statements dating back as far as 1990. At one stage one investigator fetched a screwdriver from his car.

Later a worried Mrs Esmé Williams arrived in a chauffeur-driven luxury vehicle and shook hands with the investigators before accompanying them inside.

● Last week Williams announced that the government had launched a nationwide clean-up of pension fraud which is costing the taxpayer about R1 billion each year.

He said about three million pensioners would be fingerprinted in the next two years as part of the drive to stamp out corruption, which affects about 10% of the R10,72bn in payouts made by the state each year.

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(300) CT 22/2/96

CONFISCATED: (Above) Members of the Office for Serious Economic Offences remove documentation and computer equipment after searching the Kromboom Road, Rondebosch, home of Minister of Welfare and Population Development Mr Abe Williams.

CONCERNED WIFE: (Left) Captain Jorrie Jordaan, explains the circumstances to the minister's wife Mrs Esmé Williams. While the raid was in progress other members of the OSEO carried out raids on Williams' Pretoria home and offices in Cape Town. Williams resigned from his cabinet post last night.

PICTURES: BENNY GOOL

'Stokvel to pay out its investors

Sowetan 22/2/96

By Musa Zondi
Consumer Reporter

MR WALTER Wright, director of the Mini Millionaire stokvel, yesterday gave his word that all the investors would be paid out next week – at the latest.

Speaking from Berlin, Germany, Wright said he was aware of the report that appeared in *Sowetan* yesterday and wanted to assure his investors and agents that they would be getting their money.

Scores of Wright's clients had complained to *Sowetan* that they had not received their returns even though they were promised payouts in December last year.

"I have been in this business for the past six years and in that period we have always paid out all our investors. In the past six months I have been tied in to a particularly large deal and sometimes things do not go the way that they are planned.

"We have had a few problems along the way but we can assure you that the money will be transferred by this weekend and our members will be receiving their investments plus profits by next week.

"I will be back in the country next week and by that time, all our investors should have received their money," he said.

The delay was partly caused by the United States government shutdown last year just before Christmas which forced civil servants to stay at home for at least four weeks.

It was at this time, Wright said, that the delays started but all had been sorted out now.

He said he had kept in constant contact with his agents, who, in turn, relayed messages to other investors.

"My integrity means more to me and as a Christian, I will not and cannot do harm to my investors," he said.

One caller to *Sowetan* said yesterday that he was confident that investors were still going to get their money.

300

Williams quits cabinet position

MINISTER of Welfare and Population Development Mr Minister Abe Williams resigned his Cabinet position in the interests of the National Party and the Government of National Unity, NP leader Mr FW de Klerk said last night.

Williams, the most senior black NP member, quit after raids by the Office of Serious Economic Offences on his homes and offices in Cape Town and Pretoria earlier yesterday.

De Klerk said in a statement that he had held an "in-depth discussion" with Williams after the raids.

"Flowing from this discussion, he has decided to resign with immediate effect from the Cabinet in the interest of the National Party and the Government of National Unity."

Williams' letter of resignation had made it clear that the resignation should not be interpreted as an admission relating to any crime or irregularity.

"I would like to thank Minister Williams for his service in the National Party in his capacity as Minister and should like to express the hope that further investigations will proceed in a fair and reasonable manner and that justice will prevail." - Sapa.

Sowetan 22/2/96

Pension pay slips missing

(300)

POLITICAL STAFF

CT 10/1/96

SACKFULS of pension and disability payout vouchers worth uncounted millions are missing, two senior former Cape Provincial Administration Welfare officials have claimed.

They also claim that delays in untangling the tricameral welfare system are costing Western Cape taxpayers R8 million a year.

The officials said yesterday that the delays were keeping new pensioners waiting up to nine months for their first payments. Others had "given up" and had stopped trying to collect pensions — thereby unwittingly disqualifying themselves because collections had a six-month "shelf-life".

These claims were made by Mr André Louw and Mr Anton Scholtz, both of whom now work for the Nisec welfare payout company that serves the Western Cape and which has been under investigation. Mr Louw is operations manager and Mr Scholtz marketing support manager.

Payments amount to about R500 a month for each pensioner.

Mr Scholtz said "sackfuls" of vouchers, sent from the central government's Bureau Nucleus, which runs the central welfare computer system, to post offices for signing by clients "suddenly went missing over the past few months".

This made it impossible for agencies like his own to check who was due to receive money, he said.

Mr Scholtz said Nisec's mobile fingerprint-reading automatic dispensing machines regularly paid out the maximum R10 000 single back-payment to victims of bureaucratic delays. Some people, whose applications failed to bring results within nine to 12 months, had "given up".

The province also failed regularly to provide inquiries staff to help clients at Nisec payout halls. Mr Scholtz claimed Nisec could save the province R8 million a year as it could make a single welfare payment to any individual qualifying for multiple payments. There were 50 000 people in this category among the 260 000 welfare beneficiaries in the Western Cape. Nisec charges R12,25 for each payout it makes for the province. It is serving only 45 000 black people because of official delays in creating a single data base for the former tricameral welfare system. The Post Office serves the remainder.

Mr Willie van Schalkwyk, a senior data technologist with the Bureau Nucleus in Pretoria, said he would "be fired" if a bag containing on average 20 000 vouchers and worth millions went missing. He denied knowledge of such large-scale incidents.

Dr Waldie Terblanche, Western Cape director of social security, challenged Mr Scholtz to "provide specifics so we can investigate". He said the new Social Security Act would be introduced on March 1, establishing a single social security system for the country and legally enabling the merging of the nation's 14 computer mainframe systems.

"Locally we're decentralising our mainframe data-capturing systems to prevent long delays," he said. His inquiries staff had strict instructions to be at Nisec payment halls at 8am. He promised to investigate the apparent absence of staffers from Langa's St Francis Hall yesterday.

Boardrooms turn over as law changes pensions tax

(300 [redacted]) CT (BR) 11/1/96

By Charlotte Mathews

Johannesburg — Changes have swept through boardrooms in the past 12 months as retirement before the end of last August became the only way that many executives in the private sector aged 55 and older could avoid paying heavy taxes on their pension benefits.

However, many have continued as consultants for their previous employers.

From the end of August it was no longer possible for members of private pension schemes to reduce their tax liability on the pension funds they withdrew by buying a single-premium annuity, said Beric Croome, a tax partner at Kessel Feinstein.

Previously, any pension payment above the first R120 000, which was tax free, was taxed at the member's average rate of taxation in the year of retirement.

Buying a single-premium retirement annuity in the retirement year made it possible to reduce the average rate of tax to the minimum 17 percent.

Under the new rules, a retiree would be taxed at whichever was the higher of the average rate of tax in the year of retirement and the tax rate for the previous year.

This change does not yet apply to members of state pension funds who can withdraw their lump-sum benefit tax-free.

Consulting after retirement has also been addressed. The commissioner for inland revenue said last June that an employee could continue to provide knowledge and skills to a former employer in a different capacity if he or she no longer qualified for membership of the pension or provident fund and had been paid out all retirement benefits.

☐ See Page 14

SMITH REPORT

Refuting Katz

(300)

Incentives for pension saving indispensable

FM 12/1/96

The report of the Smith Committee on pensions is a model of clear reasoning but by no means without compassion for the most deserving. It shows that what SA has achieved in the provision of pensions through the private sector, with the aid of tax concessions, is a solid start towards the ultimate goal of the State's obligation towards the aged being no more than residual.

But Smith insists the retention and even extension of current tax incentives is vital. By implication, this invalidates the approach of the latest Katz report, which tends to treat the great accumulation of capital in pension funds as a milch cow from which to squeeze additional revenue.

As there are other, better ways to gain extra funds for government (*Economy* January 5), this forces us to conclude there is more than a touch of the politics of envy in the Katz proposals. It would have been far better, procedurally — as the *FM* has argued several times — for the Katz Commission to file majority and minority reports so that the protagonists of all viewpoints come out in the open.

The Katz Commission appears to be veering towards a counterproductive redistributionist viewpoint, under the influence of the radical members of the commission. Brutally stated, we now have to choose Smith over Katz if SA is to prosper.

In its main recommendations, Smith proposes that the old age assistance system should be retained as an unfunded, redistributive system of poverty relief for the aged, especially for those who have never been in formal employment or whose lifetime incomes have been too low to enable them to afford personal provision for retirement. This should be the core around which other provisions must be built.

Concurrently, SA should continue to provide income tax incentives for personal pension provision by those who can afford it — through occupational retirement funds and voluntary schemes. The goal: to reduce the long-term level of State dependency by the aged. The interface between the two systems should be carefully monitored and controlled so that individuals on the margin are motivated to do as much as possible for themselves.

The report devotes an entire chapter to the need to reform the pension system applicable to public servants (see *Economy*). It is vital to establish effective management of the State pension system, especially at provincial level, if the total cost of pension provision in SA is to be affordable.

Consistent application of the revised means test — soon to be introduced — is also essential. The revised test notes the value of a house owned by a pensioner (see chart 1). More important, Smith emphasises that urgent steps are needed to establish administrative integrity and efficiency — corruption is a serious problem.

Smith suggests a simple criterion for overall cost management of State old age pensions — through capping the total outlay as a determined percentage of GDP. This figure stands at 1,7%. Chart 2 shows the cost of the State old age pension, making various assumptions about the difference between GDP growth and the cost of the pensions.

Occupational retirement provision should be expanded wherever possible to those in formal employment, without introducing compulsory provision now. Open retirement funds, giving the benefits of scale to small employers and individuals, should be encouraged, and special funds, with appropriate nontax incentives, should be developed for the informal sector.

The preservation of personal provision needs to be extended if the cost of pensions to the State is to be affordable. In the interests of labour mobility, all retirement funds should be required to provide transfer benefits to be paid to another approved fund should the member so choose. The value of those benefits should represent the full actuarial interest of the fund member. The financial impact would need to be actuarially tested in the case of defined benefit funds as their solvency might be threatened.

On retirement, a member should be allowed to choose between a pension income and a lump sum. But incentives should be developed to encourage the selection of a pension. This is particularly important in the low-income group, which can easily become dependent on the State (see table 1). The committee recommends a specific set of measures for the low-income group, including a subsidy to enhance the value of a pension, to encourage retirees to select a pension instead of a lump sum.

For low-income earners, the committee proposes a system of pension enhancement. It would have to be based on the central register of retirement benefits being developed by Inland Revenue. Also needed would be access to the data. Retirees would choose the form in which benefits would be taken.

Those with low benefits should be encouraged to select pension incomes for life in preference to lump sums, through provision of a subsidy. To qualify, the retiree would have to qualify for old age assistance (excluding the subsidy from means) and the entire benefit would have to be taken as a life pension. Should this be extended to imply the choice of a joint life pension with a spouse?

The committee has suggested a formula which generates a sliding scale of State assistance (table 2). The enhancement would extinguish when the personally provided pension reaches R984 a month, equivalent in present conditions to a capitalised value of R120 000. The example assumes the capitalised amount derives from a pension, as with a defined benefit fund. With a defined contribution fund, the capital value would be

Chart 1

A MEAN TEST

Changes to the means test

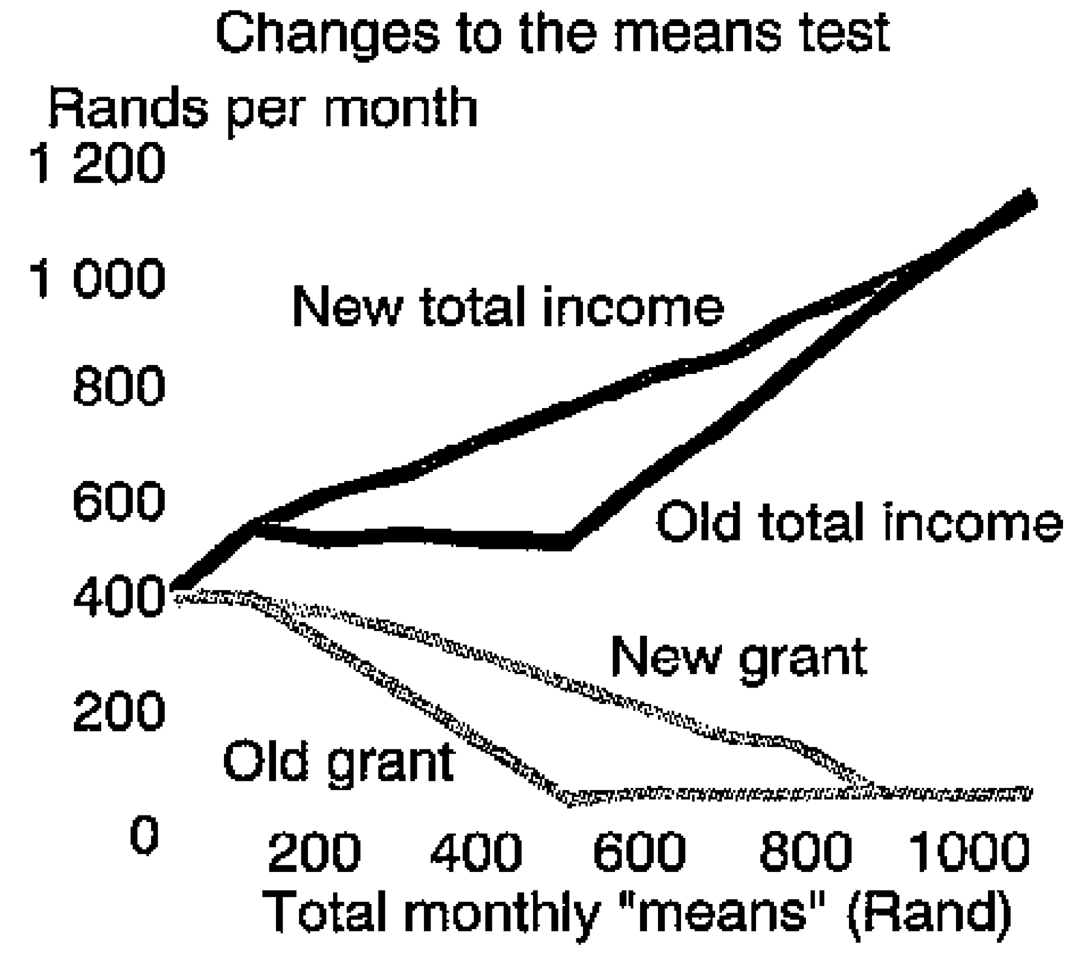


Table 1

WHERE WE ARE

Monthly pensions paid by retirement funds

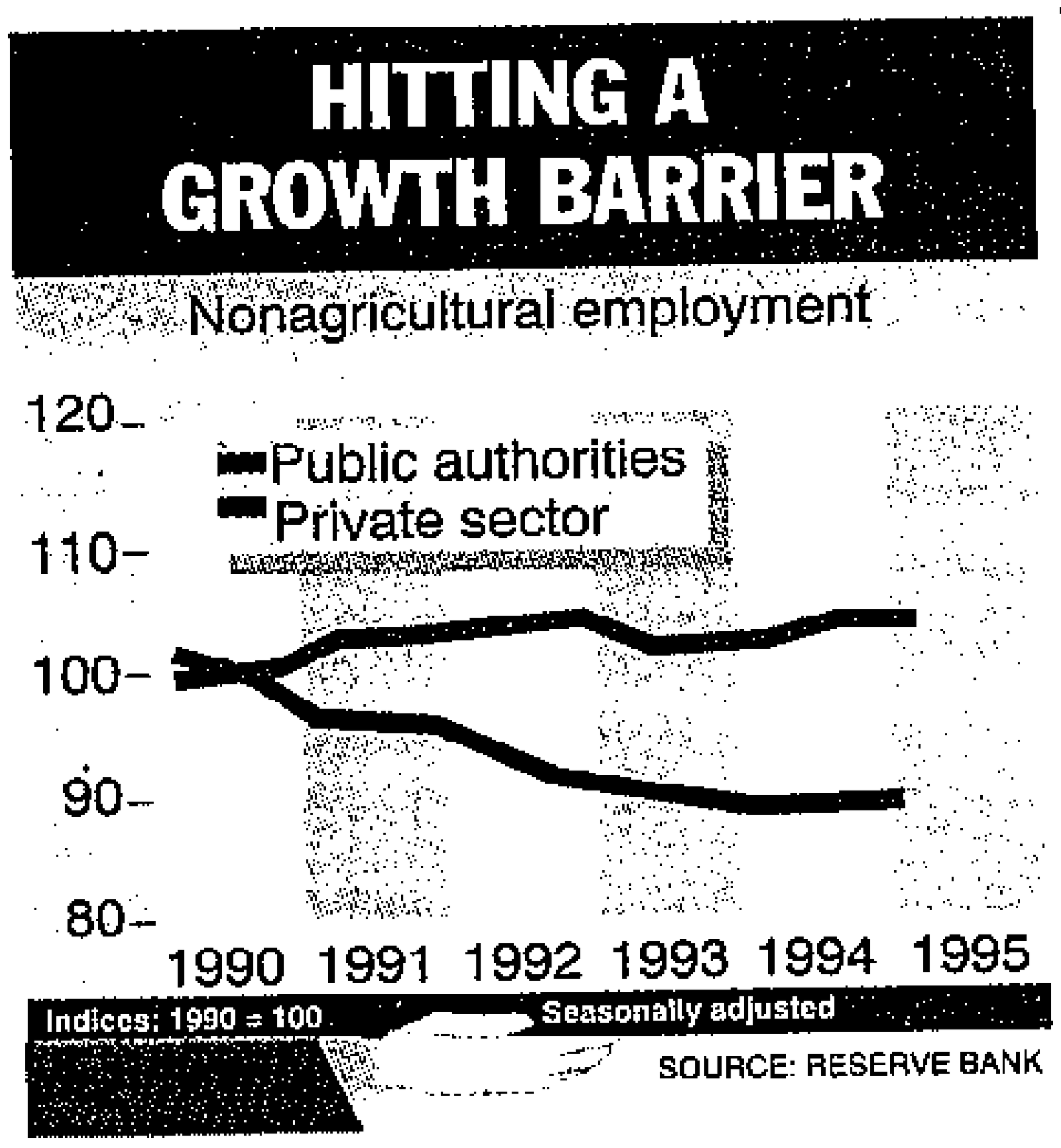
1992 Mouton table 14,3		1995 sample survey	
Monthly Pension	% of Total	Monthly Pension	% of Total
Less than R150	24,7	Less than R150	20,1
R150-R299	16,5	R150-R299	14,8
R300-R599	22,5	R300-R599	19,1
R600-R799	9,2	R600-R799	8,2
R800 or more	27,1	R800-R999	6,5
		R1 000 or more	31,3
	100,0		100,0

SOURCE: INSTITUTE OF RETIREMENT FUNDS

nesses but the extent and scope of the concessions are not clear — nor even the circumstances in which they will be granted.

Wits Centre for Business Development's Ian Clark says there is great uncertainty among small entrepreneurs about the Act's implications. In this climate, people considering ventures are being deterred and those already in business are not making new appointments until there is more clarity on their future obligations to employees.

Even among big businesses, employers forced to pay an uneconomic minimum wage to an unskilled worker will not easily hire more unskilled workers.



There is already evidence of this. In its latest *Quarterly Bulletin*, the Bank reports "a fairly strong rise in labour productivity which, in the first nine months of 1995, contributed to slower growth in nominal unit labour costs and lower inflation."

This is partly because the private sector has been investing heavily in the capital projects. But it is also because companies have reduced staff. Presumably, also, they have invested in their human resources, increasing the skills level of those already employed. It has proved beneficial for those workers and for the companies. If the trend persists, it will make domestic goods and services more competitive in the global marketplace. But it is aggravating the already serious problem of unemployment.

The economic recovery created only 52 000 additional jobs in the formal sector, from the start of the economic recovery in May 1993 to the first quarter of 1995.

"This gain," says the *Quarterly Bulletin*, "was considerably smaller than the loss of 420 000 employment opportunities in the recession of 1989-1993."

The failure of the cyclical recovery to significantly stimulate employment is particularly worrying in SA. The dimensions of the problem and minimal social benefits makes it more politically explosive than it is in other countries. But the lag between economic growth and employment creation is plaguing the most advanced economies.

A recent edition of *The Economist* records: "Even after several years of economic recovery, one out of 12 workers in the rich industrial world is on the dole."

The magazine quotes a "jobs study," by the Organisation for Economic Co-operation & Development, which suggests the reason is that labour is not mobile enough and relative wages fail to adjust to changes in demand for skills."

The smaller the differential between the pay packet of unskilled workers (usually in oversupply) and skilled workers (often in demand), the fewer new jobs are created and more jobs lost.

Confirmation comes from a comparison of the US and continental Europe. In 1973, roughly 65% of the working age populations in Europe and the US were working. By the Nineties, employment had increased to about 72% in the US and fallen to 62% in Europe.

Not coincidentally, the lowest paid European worker earns 68% of the income of his middle-income compatriots; the lowest paid American earns only 38% of the median income.

Inflexible wage structures destroy the link between output and remuneration. This reduces potential and limits expansion which could create new jobs. Fortunately, human ingenuity being what it is, people continue to innovate and experiment.

Profit-sharing and productivity-linked incentive schemes have proved highly successful in some organisations. Randgold human resources director Richard de Villiers says: "The advantage of both schemes is that the employee's fortune is tied to the fortunes of the shareholders. This motivates employees, reduces employers' fixed operating costs, gives workers an understanding of the problems facing the organisations and industries in which they work and allows them to play a part in some decisions directly affecting them.

"Bonuses are made as tangible as possible so that employees have a real sense of their contribution and are aware of sharing in rewards. To reinforce this, there are frequent meetings at which the allocation of bonuses are discussed — an important educational tool."


Parker

Gold mining is a special case; unions have been working closely with management to save marginal mines from closure and to prevent and reduce further retrenchments. "They appreciate the marginal mines must have variable costs because margins cannot absorb variations in revenue."

Another mechanism with the potential to conserve jobs that would otherwise have been lost is outsourcing. Telkom, for instance, has agreed with its unions on the first five phases of this process.

Programme manager for noncore business Hennie Steyn says: "The first phase was to identify functions not part of core business. Then we separated those functions where they were interwoven with the core. We then formed divisions, each with its own identity and created an interface between the divisions and the financial system. In the fifth phase, we established profit centres."

Telkom hopes to sell off these divisions during 1996 but must still conclude an agreement with the unions.

Though these mechanisms conserve jobs, the most likely generator of new jobs is franchising. Parker Gordon Associates' Eric Parker says a survey by his organisation shows only 6% of retail business goes through franchisees. "In Australia, this figure is 25% and, in the US, it is 40%."

Parker, one of the founders of the Nando's franchise, sees enormous scope in co-ordinating the efforts to micro-entrepreneurs under a franchise banner.

Says Clark: "When the economy does well, small businesses do very well because they can respond far more quickly to an increase in demand. And, when it does badly, small businesses do very badly because they do not have the resources of big companies to see them through."

This is the time to get small businesses on to a sound enough footing to survive the next recession. It is not the time to hobble them with labour and other regulations.

We cannot afford to live with the existing rate of unemployment. It is time to tackle the problem head on.

Government must take a tough stand against Cosatu to limit future damage.

A revision of the tax system is needed to make the environment more investor-friendly. The tax threshold should be higher to increase the disposable income of those at the lower end of the earning scale. This will keep demand going.

Secondary tax on companies should be scrapped or substantially reduced. This will help keep supply strong and inflation down.

And privatisation programmes should be accelerated. Though jobs will be lost immediately in the process, they will soon be replaced more productively elsewhere.

At the start of 1996, government is almost midway through its term of office. If it is to reap the benefits in 1999, of the current period of expansion, it will have to take decisive action now. ■

given and the pension equivalent derived.

All this is based on the capitalised value of the existing old age grant of R50 000-R60 000. And the calculation is premised on current qualifying ages for old age assistance (60 for men and 55 for women). The rate of pension actually achieved would be a function of the retiree's age and of the provision for future increases.

Retirement funds should be allowed to advance so-called "lifetime benefits" in the form of limited loan facilities for housing, education, major medical costs and other negotiated reasons, to make membership more attractive. Funds introducing these benefits should be required to add partial preservation, too.

The report urges the formation of a national retirement provision forum to represent all stakeholders. The Finance Minister should appoint a task group to prepare a draft pension policy, then report to the forum. When the initial work has been done, a permanent policy committee should be established. This sounds sensible but there is room for a caveat.

We should not extend the Nedlac principle as this tends to lead to important matters of public policy being hammered out behind closed doors and presented as a fait accompli. No forum should be allowed to curtail full public debate.

In sum, says the report, the goal must be to ensure that nobody who has been employed for at least 20 years will have to rely on the State for relief after retirement.

Attainment of this ideal is aggravated by the sector of the population that can provide for itself being proportionately smaller than found in developed countries. This follows from the high level of structural unemployment. And it has a particular bearing on black, unskilled people whose employment pattern tends to be intermittent. Theirs is the worst plight.

Smith argues that we need to develop a culture of saving. To achieve this, perceived hindrances to pension participation must be removed. In particular, the need of members to have access to their accumulated funds to meet lifetime crises should be recognised, provided this is buffered by some form of preservation and compensated by enhanced future payments or savings levels.

This goal will be attained neither quickly nor easily and will require a sustained national marketing campaign.

Because of the present insecurities in the job market, especially for blacks, there is a need to be able to borrow from a pension fund while temporarily unemployed. The committee is sympathetic to this need but says there should be significant restrictions on the proportion of the member's funds that may be advanced in the circumstances. The maximum interest rate payable should be the same as the rate which would apply to housing loans from funds. The repayment period for capital and interest should not exceed 20 years — but there will be circumstances where repayment should not be required before retirement.

The legislation should also require — as a precondition for receiving lifetime benefits — that a fund introduce compulsory preservation of half of the member's contributions accumulated with interest or half of the employer's contributions with interest, whichever is greater.

Admittedly, the previous position where people changing employment tended to dissipate their pension benefits has been ameliorated by transfer rights and the establishment of so-called voluntary pension preservation funds. Nevertheless, the need for a measure of compulsory pension preservation has not yet been met.

The report observes that people tend to take the maximum lump sum on retirement. Worse still, when they change employment, they retire from a fund to which they have belonged for only a short time and receive less than the full value for their accrued benefits. Too many funds still penalise members who resign from a company.

This is a serious problem when considering immediate measures to improve the functioning of the pension system. To enforce, overnight, a higher level of benefits specifically on defined benefit funds might, however, bankrupt some funds. Still, all funds should be required to offer the option to withdrawing members of transferring their full accrued benefits to other funds.

The report gives a detailed analysis of the actuarial problem — that it takes a long period and the sacrifice of a significant slice of the saver's current income to build up a meaningful amount of capital on which to base a pension. By way of illustration, it would take a contribution of 9% for 20 years out of an income of R1 750 a month for a man to acquire R50 000-R60 000, capable of generating a pension of R410 a month. Over a 30-year period, the rate would, of course, drop — to 5%.

A problem is presented by employees of small firms and the self-employed. To bring these categories into the pension system, the committee recommends the encouragement of the negotiation of additional industry and umbrella funds by unions, employers and employees.

These could be on industry-wide lines, a system now flourishing in Europe. One important concession would be to allow individuals to vary their contributions to such a fund or cease contributing entirely — either during a period of unemployment or when joining a company which has its own fund. But tax concessions would not work to encourage this because the targeted group does not pay much tax.

Though the report says little about inflation, it goes without saying that the management of any pension system is much easier under low inflation rates — if any additional incentives were needed to work high inflation out of the system. Under a low-inflation scenario, financially unsophisticated people do not have to comprehend the subtleties of protecting the underlying capital through strategies such as equity investment. Estimates of future liabilities become more stable and certain.

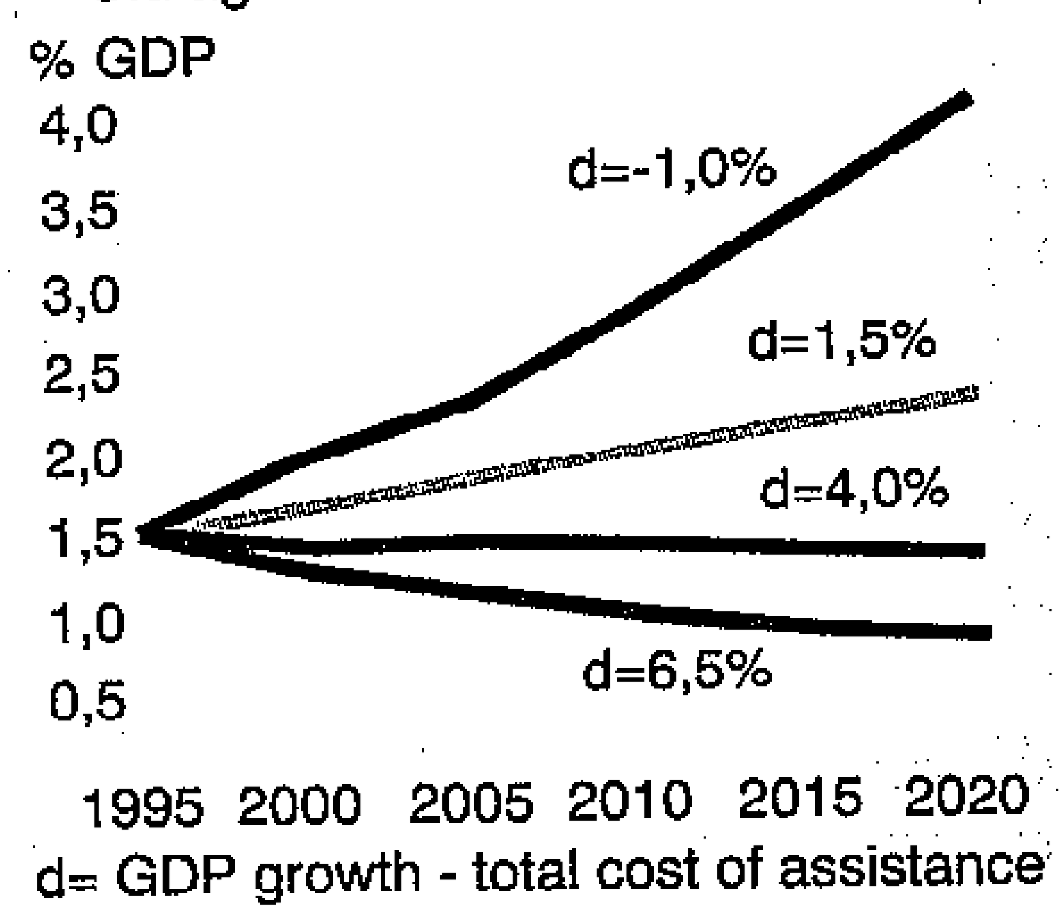
This point is poignant in relation to the past failure of State pension funds to react effectively to inflation — hence the vast underfunding of the State pension system, which is a burden on future generations.

Do we have to repeat the truism that only through rapid growth can SA hope to provide a standard of living (not least in the form of pensions) commensurate with that enjoyed in the world's advanced industrial countries? ■

Chart 2

STAYING AHEAD

Old age assistance as a % of GDP



SOURCE: SMITH

Table 2

BEEFING UP PENSIONS

A possible subsidy for personal provision

Personally Provided Pension Per month	Estimated Capitalised Value	Pension Enhancement Per month	Total
R	R	R	R
82	10 000	83	165
164	20 000	167	331
246	30 000	250	496
328	40 000	278	606
492	60 000	222	714
656	80 000	167	823
820	100 000	111	931
984	120 000	nil	984

SOURCE: SMITH

PUBLIC SERVICE PENSIONS

Smith's new deal

FM 12/1?/96 (300)

Several radical changes have been proposed by the Smith Committee (see *Leading Articles*) relating to public service pensions.

It has recommended the public service pension fund switch from the present defined benefit basis to a defined contribution scheme. The first step could be to start a new fund for public servants who join after a stipulated date.

The rationalisation process for the former TBVC states and the self-governing states has already started. In terms of a Bill already drafted, pension funds are to be rationalised into a new fund, the Government Employees Pension Fund, in which the assets of the existing funds will vest.

Now, the combination of the defined benefit basis, investment of public service pension money in government bonds, plus a long period of double digit inflation, has led to serious underfunding.

The assets of the existing funds total R70bn, about 90%-95% of which is invested in government bonds. As limited capital growth has been achieved to date, book and market values are not very different. However the liabilities, if prudently valued, are about R120bn. About 65% relate to contributing members, while the remainder relates to pensioners who number about 230 000. The annual payout to pensioners is about R4,2bn.

The shortfall will have to be made up by the taxpayer.

The committee recognises the need to allocate public-sector pension money to property and shares. The proposed new fund could easily allocate its investments along these lines. However, if a significant proportion of the R70bn of existing pension money was shifted out of gilts into shares it would cause a financial earthquake.

The committee's terms of reference in relation to the public service included:

- Funding arrangements;
- Investment management to ensure growth;
- The desirability of using pension funds as an instrument of personnel policy; and
- The division of authority and responsibility between the State as employer and pension fund trustees.

Significantly, the committee was not asked to evaluate the quantum of the pension package itself. This remains a matter for negotiation between the State and its employees.

To deal with the rationalisation of the employees of the former TBVC and the former self-governing territories, a pensions task team was established to consider proposals for pension fund rationalisation under Section 212 of the constitution. It included representatives of the stakeholders.

The benefit structure in the new consolidated public-sector pension fund will resemble that of the present government service fund, except that differentiation between male and female members and permanent and temporary State employees will be removed.

The regular contributions to be made by the State to the new fund will not be more than the aggregate contributions being made to the present funds. However, the State itself, as employer, will remain responsible for payment of benefits, after allowing for the value of members' own contributions. Enhanced benefits, over those permitted by the rules of the new fund, will be allowed only if the fund is fully compensated by the State.

The committee feels that a gradual switch should be made to the defined contribution from the defined benefit basis, with a concurrent reduction in the proportion of civil servants' salaries devoted to pension accumulation. There should also be adjustments to facilitate retrenchment and early retirement, which would make for a more flexible public service. ■

Pension fund kitty of R90-billion

10 civil service funds are to be rationalised into one and tens of thousands are likely to lose their jobs over the next six years

(300)

Star 17/1/96

By Norman Chandler
Pretoria Bureau

South Africa's public servants are to get a pension fund "cushion" of about R90-billion as rationalisation of the government employment sector becomes a reality over the next six years.

While tens of thousands are certain to lose their jobs, "an eventual united, closely knit public service" is envisaged by Casper van Rensburg, general manager of the Public Servants' Association of South Africa.

He said in an interview with The Star in Pretoria yesterday that rationalisation of the 1,2 million-strong public service was inevitable although it would be acceptable only in terms of collective bargaining principles in order to avoid retrenchments as far as possible.

He appealed to government employees to accept that there would be upheaval in their careers over the next few years.

Van Rensburg said 10 civil servants' pension funds were being rationalised into one central pension fund with assets of R90-billion or more. The fund was to be administered by a joint board of trustees.

Legislation had still to be drafted and it was hoped that the PSA would have a major say in the management of the proposed new fund.

One proposal put to the Government was a reduction in members' contributions – as far as the PSA was concerned, this would probably be reduced by about 0,5% – while gender contributions and benefits would be equal in terms of the Constitution.

Van Rensburg said reports that 100 000 people could be facing retrenchment over the next year should be regarded as speculative.

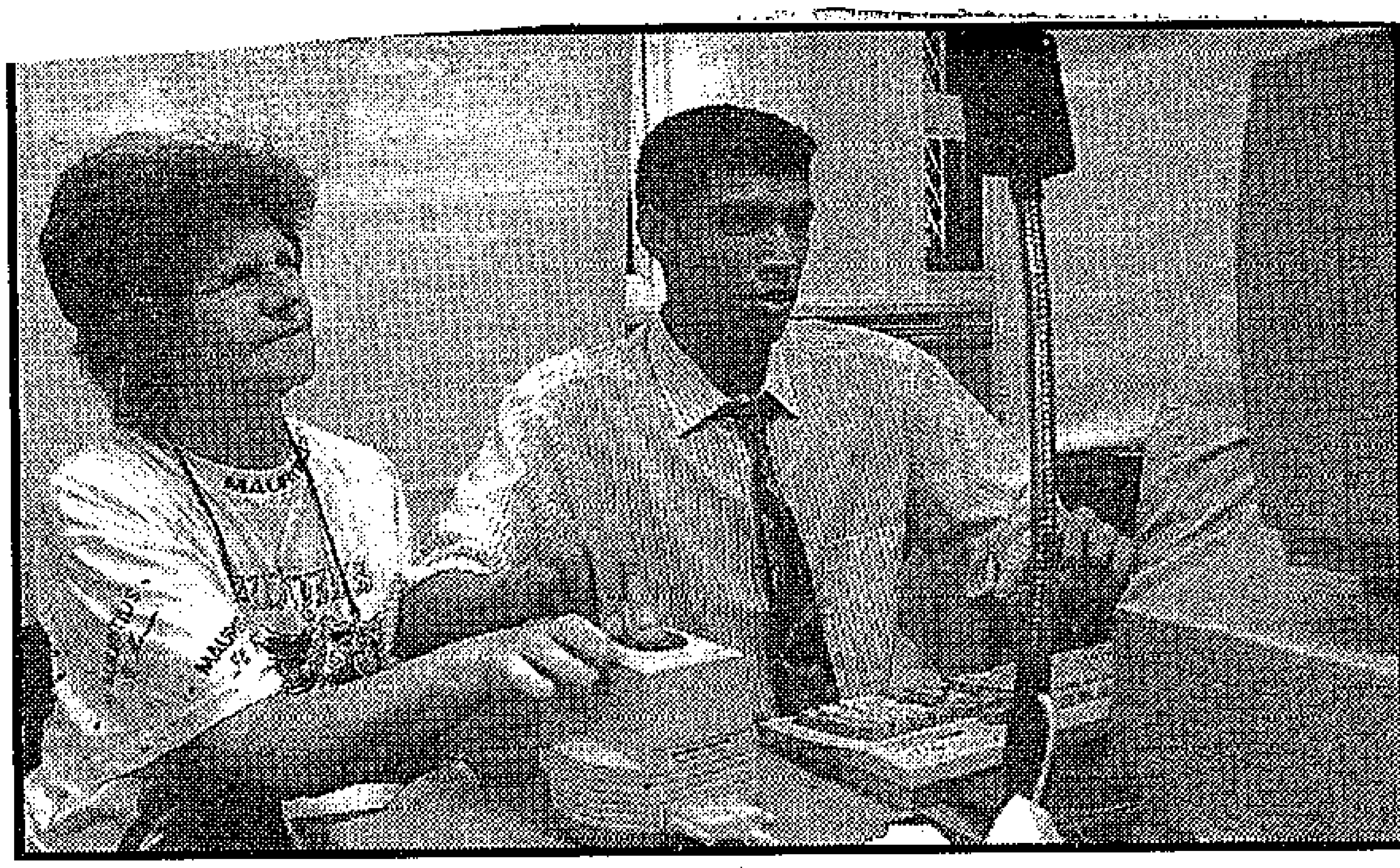
There were two important points to take into consideration in the development of a united public service, one of which was retrenchments and the other integration.

There was also the question of retrenchments in the SANDF, which has disclosed that it intends to down-size by 46 000 people over the next three years in the country's biggest rationalisation programme.

The possibility of one-off payments to affected public servants was being looked at but "discipline has to be exercised and this could take up to six years".

Van Rensburg said former Finance minister Derek Keys had overseen a 5% reduction in the number of public servants, which resulted in about 24 000 losing their jobs – but at a price of R2,5-billion to the State.

The public service in general ballooned because of the re-incorporation of the former homelands into South Africa.



FINGERPRINTS: Brenda Cullis is fingerprinted on behalf of her mother by enrolment clerk Christo Adams. The hi-tech machines cost about R10 000 each. (300)

Pensioners queue for hours to reregister for payouts

ARG 17/1/96

LINDSAY BARNES, Staff Reporter

THOUSANDS of Western Cape pensioners have queued for hours to reregister for their pension payouts in a laborious process that included fingerprinting and photographs.

The massive attempt to validate pension payouts irked many pensioners — some of whom were disabled or ill and had to wait anything up to three hours to be attended to.

This followed a call by the Western Cape Department of Social Services to all people who receive pensions, disability or child maintenance grants to reregister in an effort to eliminate the massive fraud and maladministration recently uncovered.

"The aim of this is to validate the existing database and to update individuals' personal files," said operations co-ordinator Terrence Bailey.

Some files had no identity document numbers while some people had been given the same pension numbers, he said.

They had also discovered an individual case of fraud on Monday but could not divulge the details.

"There are people getting pensions who are not supposed to be," he said.

The process is being carried out by National Insurance Security (Nisec) welfare payment company, on behalf of the Western Cape administration, at a cost of "millions", Nisec general manager Alec Celliers said.

The equipment alone had cost about R1 million and this excluded the "significant" cost of official staff and vehicles.

Angry pensioners phoned The Argus to complain about the new registration and some also contacted Nisec.

In Rondebosch, pensioners waited for about an hour before the Nisec officials arrived and got the ball rolling, but things progressed slowly with the queue at one stage stretching out of the library building.

Irate pensioners slated the inconvenience of reregistering.

"It is all bloody nonsense. I've been drawing a pension since 1978 and I resent being fingerprinted," said one resident who did not want to be named.

A woman who had spent the night in hospital and waited in the queue for more than an hour complained of being ill. It was unfortunate, she said, but the process was not taking too long.

Once people reached the front of the queue, the actual logging process was quick and painless.

People were fingerprinted with the aid of a small, hi-tech machine that did not involve the use of ink, and photographs were taken with impressive upmarket computer equipment.

At Cape Town Civic Centre the mood was calmer although far more people waited on seats provided.

Mariam Samuels of Woodstock felt reregistering was probably necessary. "I think it's the right thing. It's for my own benefit and for the government's."

NP objects to ward boundary hearings

CT 17/1/96

PETER DENNEHY

THE National Party took exception yesterday to the Demarcation Board even considering ward boundary proposals from the Central Joint Executive Committee (JEC).

At a hearing in the Athlone Civic Centre, Mr David Erleigh of the NP said this exception was taken on the grounds that the JEC had not had its proposals approved by the various councils represented on it — Cape Town, Pinelands, iKapa and Crossroads.

The NP also objected to the alleged lack of "community hearings of any nature" being held by the JEC, and to its refusal to give the NP a hearing when views of other political parties (ANC and DP) had been presented under the guise of being the views of individual JEC members.

Central JEC co-chairs Ms Nomaindia Mfeketo and Mr Brian Watkyns said it was Mr David Statham, the sole NP member of the JEC, who had ignored his mandate to represent his council, and opted for a course mandated by the NP instead.

Demarcation Board chairman Professor Fanie Cloete said his board would hear the JEC proposals and those of any other interested individual or group, including the NP. The board would be swayed only by the merit of the arguments put before it.

250 000 pensioners must be registered

(300) CT 17/1/96

WILLEM STEENKAMP

UP to 250 000 pensioners in the Western Cape have to be registered with the new fingerprint and photo-based identification system launched recently to combat rampant fraud and duplication.

According to recent reports, millions of rands are being lost to the Western Cape government every year through irregularities, including fraud, the disappearance of pension vouchers and the duplication of pension pay-outs.

The Department of Social Services yesterday said dual action had been taken — the new fingerprint system had been installed and the province's database was being updated.

Social security director Dr Waldie Terblanche said this would link pension pay-outs with pensioners' identity numbers, a system that was incomplete.

Eventually both actions would be married to form a cohesive and accurate database, Dr Terblanche said.

The fingerprinting and photograph system is being implemented by Nisec, the company contracted by the province to handle pension payments.

All pensioners will eventually have to have their photographs and index fingerprints taken.

This process, expected to take four to five months, would be followed by a filtering process to cancel out duplications and other irregularities, after which pensioners would be issued with pension cards.

A Nisec spokesman said he could not say how long the process would take, as this "depends on how well the beneficiaries respond". So far, however, "the clients are co-operating fantastically".

The fingerprinting was being done area by area, with pensioners being warned in the media and through posters placed in post offices on where to go and when.

The process takes between two and three minutes per person.

"We are trying to do this in as dignified a manner as possible," the spokesman said.

Smith proposals hit public sector

(300) CT(BR) 18/1/96

By Llewellyn Jones

Johannesburg — Viewed in isolation, the Smith commission proposals on retirement funding would not have a major effect on the man in the street, according to Ant Lester, the assistant general manager at Old Mutual Employee Benefits.

"It is rather the public sector — where the most fundamental changes are suggested — where it will have the most significant impact," said Lester.

Adrian Arnot, the general manager for employee benefits at Southern Life, said the report had highlighted problems that the industry was already aware of, but it had put forward some suggestions.

"It went on to address the need for a forum where the issues could be discussed and decisions made," Arnot said.

"The truth is that we can go on and on having commissions and reports, but at the end of the day we need some decisions made to bring finality and certainty to an industry which ultimately has a long-term outlook," he said

There are, however, some creases which have yet to be ironed out. Lester said the price attached to the Katz commission proposals was that it imposed a very heavy tax on low-income employees.

"If you look where he gets his tax take from, he hits the groups that earn less than R50 000 a year," said Lester.

"Smith tried to alleviate some of this pain, but I don't think he went quite far enough. He provided for a negative tax (or subsidy) for the very low-income earners provided they take their pension benefit at retirement," he said.

Arnot agreed: "There is no doubt that once it has been decided what the pension industry needs, the tax regime can effectively drive it in that direction. But at the moment, when you look at the two together, it does not appear to have done that."

He said one of the uncertainties that needed to be ironed out regarded the taxation of lump sums. "Say a lump-sum payment is taxed now, and three years down the line the marginal tax rate is reduced and VAT increased, the pensioner is slammed from both directions and, at the end of the day, is made much poorer."

Public sector employees could also end up much poorer under certain circumstances. "Teachers do not earn a good salary but have received good pensions. Now, if you start fiddling with the benefits that these state employees enjoy, while not adjusting the salaries they earn, you could cause a lot of pain. The Smith commission makes this point," Arnot said.

In the private sector, Lester said the commission's proposals liberalised the funds to a much greater extent. "It went along the lines of recognising the role ... and the importance of trustees, and recognising the labour relations aspect of pension fund arrangements.

"It made the point that retirement funding is actually something which is subject to negotiation and agreement as part of the overall remuneration of employees.

"It also delved into the issue of open funds where the basic employer-employee relationship is given a far wider definition allowing many more people to enter into the retirement fund net."

Another innovative proposal made by the commission was that employees should be given the full actuarial value of their pension on withdrawal provided that it was preserved. Arnot said, however, that "more and more companies were realising that they had to be more generous with withdrawal benefits anyway."

Weekend Argus, January 20/21 1996

Communes — home from home for the aged

ARG 20/1/96

(300)

■ There is hope for senior citizens faced with an uncertain future as a "communal living" concept for the aged kicks into first gear.

ADELE BALETA
Staff Reporter

STUDENTS swear by it and now senior citizens are seeing the commune system as a way for them to lead an independent life without being a burden, especially to the the taxpayer.

In the face of massive welfare budget cuts and the government's intention to transform old-age homes into frail-care centres, the vast majority of elderly people have been left to their own devices. Children are being told they have to take responsibility for their ageing parents.

But Michelle Freeman, fundraiser for the Abbeyfield Society of South Africa, believes the Abbeyfield concept is a "joyful" solution to the problem — and so do the elderly residents at a home in Bergvliet.

Ina Nel, 79, lives at the Masonic Abbeyfield Society Home — Geoffrey Burchill House in Bergvliet. She shares the house with seven others. Each has a room and there is a communal kitchen. They share bathroom facilities.

The atmosphere inside the house is happy and the surroundings colourful. There is no hint of institutionalised care meted out by underpaid, unhappy people. A sense of a big happy family prevails. Loneliness and depression, so often associated with senior citizens, appears to be absent.

Mrs Mel says: "I have control over my own life here. We do our own thing. I eat when I want to. My family visits whenever they want to. I can switch off my light and go to bed whenever I want to. I am very happy."

Michelle Freeman says:"Government will take care of about two percent of people over 60-years-old who need frail care. The insurance industry estimates that only four percent of South Africans have adequately planned their finances for retirement. This means that 94 percent of senior citizens will be forced to live with their families or seek affordable, secure and rented accommodation."

The Abbeyfield society of South Africa — a non-profit organisation — follows the concept of housing elderly people in small companionable groups of six to eight, in an ordinary house, in an ordinary street. The reasoning is not to remove senior citizens from their support networks in the community.

The idea was born in England in 1956. There are now over 1 000 such homes in England and since 1987, six houses have been opened in South Africa and another two will have opened by March. The established house are in Sea Point, Ocean View, Claremont, Rondebosch , Sea Point, Bergvliet and Walkervillle in Gauteng. The soicety operates mainly in the Western Cape region, with only one house in Gauteng and another planned for Kwazulu Natal.

The Western Cape Provincial Minister of Health and Welfare, Ebrahim Rassool, has sanctioned the society's work saying: "The concept has a valuable role to play in the RDP, for it empowers volunteers to create their own neighbourhood old age homes".

Once an Abbeyfield society has been formed in an area, members start raising funds in the community to buy a suitable house, to be shared by six or seven people. Each house is owned by its local society, which runs it as a self supporting home. Maintenance and management of the home is superviser [illegible]

Pictures: DOUG PITHEY, Staff Photographer.

□ **KICKSTART:** Kicking the concept of communal living for senior citizens into gear are Abbeyfield fundraiser Michelle Freeman, left, 80-year-old Bergvliet home resident Claire Davis and Chrissie Mossop, employed by the society.

W/E Argus 20/21/01/96

300

gardening, laundry and cooking. Staff are employed to take care of heavier household chores.

There are no rules and regulations, just consideration for others.

Once fully paid for, the house remains an Abbeyfield home for generation after generation of elderly people.

The idea is to buy the house, so that there is no bond. Running and maintenance costs are divided amongst the residents. Where there is no bond a nominal rent is paid to cover maintenance costs.

The homes are furnished by the residents themselves, but where this is not possible community assistance is sought.

What about homes in disadvantaged areas?

Mrs Freeman says everyone is welcome to join an Abbeyfield. There is no discrimination on the basis of race.

"We do find that people want to be in homes that are in their communties.

" In 1985 we purchased land in Khayelitsha. By 1991, we took title on three adjoining plots. The social turmoil prevented us from developing further, but now a society is being constituted in neighbouring Guguletu. We have been promised funds to build a house there and we are in the process of employing a staff member to promote the concept in the community," she said.

Mrs Freeman believes big business could make a valuable contribution to society by supporting the concept.

■ For more information phone Michelle Freeman at ☎ 689-3252.

□ **LIVEWIRE:** Volunteer Robert McCree, a retired electrician, is on call at the Abbeyfield home in Bergvliet.

Worry-time for pensioners with part-time jobs

ARG 20/1/96 (300)

JEAN LE MAY
Staff Reporter

SEVERAL Cape Town pensioners who went to have their pensions validated had a worrying few days when the provincial Department of Social Security found they or their wives had taken part-time jobs.

But it all ended well when compassionate officials decided to leave well alone.

Joey Bester of Table View, a retired teacher who has in the past helped pensioners with problems, told Saturday Argus that several people came to him in distress.

They said they had had "letters from the government" demanding the payment of a proportion of their pension money since they or their wives started part-time jobs.

"In one case it amounted to R600 and there was no way in which the pensioner involved could repay that. He just did not have the money," said Mr Bester.

"But we went to see the department and they were very nice about it. The official said that if he could afford to pay back just a few rands a month they would accept that, and we got the impression that they did not intend doing anything more about it."

Pensioners' validation programme extended

ARG 20/1/96 (300)

JEAN LE MAY
Staff Reporter

THOUSANDS of ill and disabled pensioners have spent long hours in queues unnecessarily because a notice about validating their pensions was badly worded.

■ Pensioners have until the end of March to have their pensions validated for a new national data base which will stop fraud, says Western Cape social security director Waldie Terblanche.

Notices distributed in the Western Cape this month gave the impression that unless social pensioners reported for validation of pay-outs between 8am and noon on certain dates in January, they ran the risk of losing their pensions.

As a result, thousands of pensioners, many of whom were disabled or ill, have queued for hours.

In fact, further dates had been arranged for January, February and March throughout the Western Cape, SATURDAY ARGUS was told by Waldie Terblanche, director of social security in the Western Cape Department of Health and Welfare.

Moreover, the notices did not make it clear that the validation procedure applied only to white, coloured and Asian pensioners — with the result that many black pensioners joined the queues only to be told there was no need for them to be there.

And there was more confusion about the type of pensions to be validated.

The extensive validation programme is being undertaken nationally to stop massive fraud in social pensions and to get all pensioners on to a single, national computerised database.

The validation consists of finger-printing and photographing pensioners as well as checking identity documents.

Dr Terblanche produced copies of schedules which showed that validation procedures had been arranged at certain points in all the regions of the Western Cape on staggered dates until the end of March.

Pensioners would be informed of the dates which applied to them before the next pay-out date by notices placed in post offices, community centres, churches ahd local newspapers, said managing director of Nisec Alec Cilliers. Nisec has the contract to pay out pensions for the province.

However, Pat Lindgren of the Citizens' Advice Bureau said that not all pensioners had seen the notices and that scores of people had telephoned wanting clarification.

"If anyone misses the validation date, it will not be the end of the world," he said. "If people are really ill or disabled, we are prepared to send somebody to their houses to get it done."

Mr Cilliers said it was important that procurators — people who were authorised to collect pay-outs for pensioners — should appear in person together with the pensioners whose money they collected.

"They will be photographed and finger-printed as well," he said.

He said that much of the fraud occurred through procurators collecting pensions for people who were not entitled to them or for "fictional" pensioners.

The misunderstanding about validating pensions occurred because the full schedules had not been completed before the January notices were sent out, said Mr Cilliers.

He said that Nisec had not foreseen that pensioners would get the impression that they had to have their pensions validated before the end of January.

He also admitted that the notices should have said it was unnecessary for blacks to have their pensions validated.

This was because "they have already been caught on the database", he said.

The notices said the types of pension to be validated included "old age, blind, war veterans, maintenance, foster care and disability". It was noted that military and civil pensioners did not have to register.

She said that the national Department of Welfare had added to the confusion by issuing statements that pensioners would be asked to validate their pensions during their birthday months.

Chief director of health and welfare in the province Virginia Petersen told SATURDAY ARGUS that forensic auditors had been appointed to establish the extent of the fraud and would report shortly.

She said that it was difficult to believe some of the fraud estimates which had been bandied about.

Moreover reports of fraud in the department had not made things any easier when it came to negotiating with the province and the national department for more money.

As it was, the national department had allocated the Western Cape only 65 percent of the R200 million required to support present services and had refused to allow for a R22 million subsidy for new support.

Mrs Petersen said that the province had to find ways of curbing the fraud, "although there wil always be con artists".

Although propsals had been made that the Nisec contract should be renegotiated, the province was contractually tied to it for the next five years, she said.

Nisec was involved in two processes at the moment, the creation of a database and the present monthly payouts, she added.

The Western Cape was being used as a model in setting up the national database "but there will always be teething problems."

Mrs Petersen said that a national contributory social security scheme was the ideal but that much would depend on the economic growth of the country.

She felt confident that the country was moving towards social security for everybody but that "there will always be very poor people and the unemployed for whom security must be provided," she said.

Taxation of retirement funds could help to reduce personal tax rates

(BOD) CT (BR) 23|1|96

BY AUDREY D'ANGELO

Cape Town — The Katz commission's recommendations on the taxation of retirement funds, which cannot be implemented this year, would bring in sufficient funds to reduce personal tax rates, Dennis Davis, a member of the commission, said yesterday.

Davis said he hoped powerful influences in the industry would not succeed in getting them quashed because the priority was to ensure equity in the tax system.

Presentation

He was speaking at a quarterly Syfrets unit trust presentation.

He said the Katz commission was looking at the tax system as a whole. It had not recommended a rise in VAT this year because poverty relief was not sufficiently well organised and the RDP was still in the early stages of implementation.

A watch would have to be kept on the introduction of taxes by different government departments.

Although user taxes represented cost recovery "we cannot have a plethora of dedicated taxes imposed," he said.

The Regional Services Council levy could be unconstitutional and although it brought in R1,8 billion a year no one seemed to know what was being done with the money.

"It needs to be looked at and either imposed at provincial level or stopped completely."

Capital gains tax would not be imposed in the foreseeable future because it would bring in less than R1 billion and the inland revenue department was not up to dealing with the burden of administering it.

"They would have to index for inflation and take roll-over relief into consideration."

A capital transfer tax which would be a beefed-up version of estate duty would possibly be included in next year's Budget but there would not be time for it to be introduced this year.

Davis said secondary tax on companies should not last forever but the commission did not want it to be abolished this year.

However, the tax had caused a plethora of capitalisation issues leading to a reduction in the take from company tax.

If secondary tax on companies remained it would probably have to be reduced from 25 percent to 10 or 15 percent, with no accompanying rise in the company tax rate.

☐ Syfrets would pay more attention to smaller companies listed on the JSE, which were "the ones generating magnificent returns", Syfrets unit trust manager John Karas said yesterday.

Under-researched

He said such companies were under-researched by fund managers and "the secret is to get into them before much is known about them".

In an upbeat forecast for this year, Karas said South Africa's economic outlook was "the best for decades, with growth accelerating towards 4 percent and inflation under control."

The manufacturing sector grew 7,5 percent last year.

The bond market had benefited from lower inflation and companies listed on the JSE were reporting good earnings, he said.

The financial markets were still offering good returns.

He said Syfrets was increasing its exposure to growth stocks and limiting its exposure to cyclical stocks.

Katz commission's proposals on pension funds come under attack

(300) BD 23/1/96

Tim Cohen

CAPE TOWN — Organisations as diverse as the retirement fund industry and Cosatu yesterday attacked the Katz commission's proposals to introduce new taxes on pension funds, sparking a spirited defence of the recommendations by commissioners.

In evidence before the parliamentary finance committee, the Life Offices' Association charged that the commission's proposals could reduce the net benefits of fund members by between 20% and 25%.

Association spokesman Arnold Basserabie said the proposed 30% tax rate on fund interest, rental and trading income was too high and would affect low-income earners most.

Institute of Retirement Fund president Maurice Harding and Basserabie rejected the commission's argument that the 30% proposal was suitable because it would minimise the chance for arbitrage within taxed funds in the industry. In his submission Harding said it seemed the commission had overestimated the incidence of tax arbitrage and, in any event, it was inappropriate that the possibility of arbitrage should be the main motivation for such far-reaching changes. Such problems could be dealt with by appropriate legislation, he argued.

Finance deputy director-general RW Burton said he had heard that there was grave concern in the public service about the proposals, which suggest equality between the public and private sector funds.

Cosatu submitted that many other investigations were in the pipeline, including the Smith commission, the restructuring of public servants' pension funds and the Pensions Fund Amendment Bill which affected the industry. Cosatu's Ravi Naidoo said deciding on a new tax system before deciding what to do with the industry was "putting the cart before the horse".

The commission was unable to predict the likely impact of its recommendations in the retirement industry, and therefore its recommendations should not be implemented until their effect and national priorities related to the industry could be better assessed.

Cosatu said its proposals suggesting a differentiated VAT system had been ignored by the commission, while spokesman Colin Coleman charged that the union movement's original misgivings about the composition of the commission had proved justified.

In response, commission chairman Michael Katz said the commission's recommendations on retirement fund

Continued on Page 2

Katz

(300)

Continued from Page 1

BD 23/1/96

taxation had not sought to increase revenue for the fiscus. The intention had been to achieve equity as the commission had identified the problem that a disproportionate incentive accrued to a single industry.

Any reform was likely to have an impact but, in principle, the tax system ought to be neutral as between all forms of savings, he said.

Commission member Dennis Davis said the retirement fund industry was "desperately trying to kick for touch" in suggesting further delays. He called for acceptance in principle of the commission's recommendations which could then be refined in deliberations.

The committee continues its hearings today.

Samantha Sharpe reports that Davis said the commission had missed its goal of applying a holistic approach to tax reform.

Speaking at a Syfrets Unit Trust presentation, Davis said substantial tension between the work the commission had to complete and the need to look at tax reform holistically had made the latter impossible. But the commission's call for a tax on the accumulated capital in pension funds and other retirement industry taxes were in the context of an efficient, equitable and balanced tax system.

He said there had been no "singling out of the retirement industry" and it would be wrong for the industry's "powerful forces" to defer implementation of the commission's proposals.

Sacob and Nafcoc oppose Katz's pension proposals

(300)

Tim Cohen

BD 24/1/96

CAPE TOWN — The SA Chamber of Business (Sacob) and the National African Federated Chamber of Commerce (Nafcoc) opposed the bulk of the Katz commission's proposals on the retirement fund industry yesterday.

Nafcoc said taxing retirement lump sum benefits would affect the ability of black entrepreneurs to establish businesses. Western Cape Nafcoc president Themba Pasiwe told the parliamentary finance committee that many of its members traditionally used their lump sum pension benefits to finance the establishment of small businesses.

Giving evidence on the Katz commission's third interim report, Pasiwe said increased taxation of pensions would reduce their ability to establish businesses because Nafcoc members often found it difficult to raise finance to start businesses.

Commission chairman Michael Katz responded that one of the commission's desires was to give people access to the benefits of state incentives at times other than retirement. The problem with the existing situation was that tax benefits were granted to citizens only on retirement whereas they needed access to their "lifetime savings" at other times, he said.

In its written submission, Sacob said it warmly applauded the Katz recommendations on equal treatment for private and public sector pensions. But it could not accept the recommendations on taxation of the retirement fund industry because there was a contradiction between the expressed wish for a holistic approach with its recommendations which were at odds with the Smith commission report.

On general issues, Sacob said real tax reform would be possible only if there was a reduction of government's consumption expenditures and the immediate and effective improvement of the country's tax administration.

Sacob felt secondary tax on companies should be scrapped but, if it was to remain, the rate should not exceed 10% which would give rise to an effective maximum corporate tax rate of 40,9%.

Reuter reports Nafcoc called for next week's tax amnesty deadline to be extended and for a blanket indemnity. Pasiwe said the amnesty had failed to net thousands of small businesses.

Deputy Finance Minister Alec Erwin is due to brief the committee on the tax amnesty today.

Comment: Page 14

Transnet in plan to slash pension deficit

(300) BD 26/1/96 (300)

Mungo Soggot

TRANSNET is planning to encourage employees to switch from its pension fund to a provident fund — a move which could halve the pension fund's deficit at a stroke.

Officials at the transport parastatal said yesterday a transfer would not only help it cut the deficit on its defined-benefit pension fund, but would also allow employees greater flexibility when cashing in retirement entitlements.

Transnet chairman Louise Tager confirmed the plans, but stressed that any changes to the current setup would have to be approved by Public Enterprises Minister Stella Sigcau.

The deficit, which stood at R4,2bn at the end of March last year, has haunted the parastatal's financial results for years. Five years ago, when Transnet was commercialised, it was R17,2bn.

Analysts said Transnet had even resorted to the controversial move of issuing more debt to fund the shortfall.

In its last financial year the company reported its first profit since commercialisation, with a post-tax surplus of R118m (R279m loss).

An official said Transnet expected about half of its employees to move to the provident fund, which could halve the pension fund's deficit.

Continued on Page 2

Transnet

(300)

Continued from Page 1

BD 26/1/96

Under the defined-benefit scheme, Transnet has a liability to make good any underfunding or shortfall in the pension scheme. This deferred liability disappears in the case of a provident fund. However, its obligation to make an immediate payment if pension fund members shift the actuarial value of their pension entitlement to the provident fund could remain.

The official said employees would benefit as they would be able to withdraw a larger lump sum on retirement, or when leaving the company. Pension fund rules limited the cash withdrawal to one-third of the value of an employee's retirement fund.

Some Transnet sources believed the scheme was being promoted by managers close to retirement who wanted to take larger cash lump sums. Others suggested the scheme would encourage older staff to retire

Exit Abe Williams

Abe Williams ~~has~~ weathered many a political storm in his career. Will he survive the latest scandal? Political Correspondent **Rafiq Rohan** does not think so ...

(300) Sowetan 23/2/96

ABE WILLIAMS' political career has always been clouded in controversy but he has always been able to bounce back. However, after this week's allegations by Western Cape Health and Social Services MEC Ebrahim Rasool that Williams is guilty of corruption and fraud, it would take something of a miracle to restore any trust in him.

Firstly, he is not likely ever to be forgiven by colleagues in his National Party for adding to the party's crises as it furiously tries to gain legitimacy.

Almost on the eve of the Cape Metropole elections, this scandal around Williams erupts. It virtually rules out any chance of the NP enhancing its image nationally and, most significantly, current prospects of entrenching its position in its only power base in Western Cape look extremely bleak.

To many political observers it comes as no surprise that Williams will end his political career under a cloud. The NP, one observer quipped, should have been a lot more circumspect before giving Williams such a senior and powerful position in government as Minister of Welfare.

If anything, his history indicates that his first and foremost concerns were his own welfare rather than that of the millions of pensioners and socially deprived people to whom he was supposed to be a servant.

As early as when he was a student at the University of Western Cape, allegations emerged of his not so above-the-board style of operation. There were claims, which he has never denied, that his university qualifications were obtained through cheating in exams.

Later, as a member of the tricameral parliament, he was instrumental in travelling abroad during the height of apartheid and pleading for the bastion of apartheid sport – rugby – to be returned to the international sporting fold.

The South African National Council on Sport saw him as one of the main defenders of sport under apartheid. At the time he was a close friend and colleague of rugby boss Danie Craven.

Williams crossed the floor in 1989 from the Labour Party to join the NP. Because of his earlier close relationships with NP figures, observers were not surprised when he crossed over.

As his stature in the discredited apartheid political system grew, so did his wealth. He became a much-despised landlord, owning some 40 houses in the West Coast town of Saldanha.

Most of the tenants were poor fishermen who depended largely on their income from seasonal fishing. In 1984 they were in an uproar because of the condition of his houses.

Tenants said they lived in slum conditions, the houses had no running water or electricity and that Williams demanded exorbitant rents.

In 1989 he was caught out in a scam around the lucrative crayfish industry. Thieves broke into his house and made off with some of his expensive silverware. Shotgun-style, he gave chase and the thieves were caught.

It was announced that the thieves also stole 80 crayfish tails, the most expensive part of the shellfish, from his freezer. At the time it was illegal to have more than 20 crayfish in your possession.

Abe Williams ... his party will not forgive him for adding to their crises.

Later, red-faced, he denied there were 80 crayfish. He said there were 25 in his freezer, which still meant that by his own admission he had at least five more than the law allowed.

He was appointed Minister of Sport by his leader Mr FW de Klerk and, during his administration, was criticised for lavish spending, including the purchase of a fleet of top-of-the-range BMW cars for himself and staff.

The name given to him by people in the Cape was "Fat-Cat Abe". This title was prominently displayed on many a poster by protesters during the apartheid years.

Other criticisms levelled at him include spending taxpayer's money on an NP campaign trail in the form of R9 000 for a tea party for De Klerk's wife, Marieke (who was never forgiven for labelling coloured people "non-people").

He was also taken to court where a ruling was made against him to appoint substitute teachers while teachers were on leave.

Last week, during the briefings by all Ministries of the media in Cape Town, Williams – in what now sounds like some sort of premonition – spoke at length about corruption in the pension payout systems.

He spoke of ongoing police investigations "at high level", of arrests and imminent arrests. Little did anyone realise how high level the investigations were, and how close to Williams himself this was going to be.

Then on Wednesday teams of detectives launched simultaneous raids on his Cape Town and Pretoria offices and houses, taking away documents.

At the time, Williams – unaware of his crumbling world – was attending his last Cabinet meeting. He came out, learnt of his fate and after an "in-depth" briefing with De Klerk, tendered his resignation.

He emphasised that the resignation was not an admission of guilt. But, as the ANC said in a statement, "Mr De Klerk should tell the country what his 'in-depth' discussion with Mr Williams encompassed, and why this led to the conclusion that Mr Williams should resign immediately".

Indeed, De Klerk may have to spell that out if he does not want this to become the focal point of the election campaign in the next two months.

February last year.

ANC blames Nats for Abe Williams

Sowetan

(300) (299)

National Party MP is said to have received lots of money for 'favours'

By Rafiq Rohan
Political Correspondent

THE African National Congress is patting itself on the back following allegations that the now former Minister of Welfare, Mr Abe Williams, was engaged in fraudulent activities and corruption.

The ANC says the National Party must share in the blame. President Nelson Mandela said Williams had done the commendable thing by resigning.

The Office for Serious Economic Offences (OSEO) launched a dramatic search-and-find operation which involved raiding Williams' houses and offices in Cape Town and Pretoria in a synchronised operation on Wednesday. Files and documents were removed by the OSEO and are currently being examined.

The OSEO said that it extended its investigation to the former minister after it uncovered information possibly implicating Williams while investigating possible irregularities in the awarding of a tender to Nisec cc to pay pensions in the Western Cape.

A search of Nisec's premises led to the extension of the inquiry to, *inter alia*, "the payment to and receipt by Mr Abraham Williams of certain amounts of money."

This information could be "indicative of a contravention of the Corruption Act of 1992", OSEO director, Mr Jan Swanepoel, said yesterday.

The lid was lifted by the local Minister of Health and Social Services Mr Ebrahim Rasool, who said he had information showing that Williams was guilty of "corruption, fraud or bribery".

"Williams has been the recipient of large sums of money in order to promote and favour particular companies who tendered for pension payments," Rasool said.

Justice Minister Dullah Omar said he had authorised the issuing of the warrant to search Williams' premises. Immediately after this warrant was carried out Williams resigned.

National Party leader, Mr FW de Klerk, issued a statement saying that Williams' resignation "should not be interpreted as an admission on his part relating to any crime or irregularity".

The allegations against Williams, the ANC said, highlight the "gross mismanagement" of resources by the NP regime and that the fraud uncovered could not have occurred had it not been condoned.

"The National Party and its leadership, who also formed the core leadership of the previous government, cannot escape a major share of the blame," the ANC said.

● See page 12

Sowetan 23/2/96

The payment that put paid to Abe

(300) M+G 23-29/2/96

Abe Williams' departure from the Cabinet was brought about by a provincial MEC, whose year-long investigation unveiled extraordinary facts, writes **Rehana Roussouw**

ABE WILLIAMS is being investigated in connection with allegations that he had accepted a large bribe from a company tendering to disburse pension funds.

The Office for Serious Economic Offences (OSEO) raided his house on Wednesday to establish whether claims that he had banked these funds in a front company were true.

The raid on his home and office was a result of a year-long investigation by the Western Cape MEC for Health and Social Services, Ebrahim Rasool, who in 1994 inherited a five-year contract between his administration and a private company Nisec, to pay R1,7-billion a year to Cape pensioners. Nisec is owned by Denel, a former Armscor subsidiary.

And Nisec had access to interest on R100-million for 17 days before pensions and disability grants were paid out.

Following the disclosure last year by national government that the Western Cape was losing R240-million a year in welfare fraud, Rasool launched an investigation, which he said this week unveiled facts "beyond my expectation".

Information he received from informants allegedly fingered Williams, former welfare minister in the House of Representatives.

Rasool said he had believed from the start that the levels of fraud inherited could not simply be the work of officials. "I believed then that political sanction must have been available through commission or omission."

Rasool's breakthrough came when he appealed to the public for further information. He received telephone calls and personal visits from Williams' former staffers and bank officials, who provided information that Williams had allegedly received large sums of money to promote particular companies tendering to pay out pensions. He passed all the information he received to the OSEO investigators.

"My alarm grew when, at a Minmec meeting in December last year between the national minister (Williams), the deputy minister, the provincial MECs and officials of welfare from across the country, Minister Williams proposed that we all listen to a presentation by Nisec on pension payouts," Rasool said.

"I was the one to raise objections to this proposal by Minister Williams on the basis that Nisec is being investigated in the Western Cape and was a competitor for the tenders of some other provinces, and that the minister's proposal was highly irregular.

"Minister Williams acceded but again tried to have the MECs have lunch with him in his office where Nisec could speak to us.

"This confirmed the stories related to me by informants and I am confident that (the) raid may have the effect of putting at the disposal of OSEO the necessary evidence which may prove, or is likely to prove, corruption, fraud or bribery."

Rasool's forensic investigation into the social security unit of his department has already yielded serious allegations of fraud and corruption, as well as weaknesses in the contract with Nisec.

Investigators found that Nisec enjoyed a monthly "windfall" where it was allowed to hold R100-million a month for 17 days before making pension and disability grant payments. This has since been corrected, and the company receives the money two days before the payments are due.

The investigation also uncovered a variety of fraudulent and corrupt practices among junior clerks and senior management in the Department of Social Services. For instance, transport was procured from a company which did not own a single vehicle, but was paid R80 000 to transport files for the department.

This is not the first time Williams has been in the thick of political controversy.

His appointment to Cabinet was met with howls of protest from ANC members in Cape Town who had felt the bite of Williams' staunch support of attempts to quell anti-apartheid activity.

He first reached Parliament as a Labour Party representative for the House of Representatives in 1984. Five years later, he was appointed HoR deputy minister of education and culture and in 1991 the additional portfolio of welfare minister was added.

Williams did not endear himself to educators and parents in the Western Cape during his tenure, as he was the first Western Cape politician to propose large-scale retrenchments of teachers.

His appointment by De Klerk as minister of welfare and population development in 1994 was seen by many in the ANC as a token of appreciation to Western Cape coloured voters for their support in the elections.

Williams scandal blurs the Nats' new vision

Marion Edmunds

THE National Party had hoped to spend this coming weekend romancing the media at the Marine Hotel in the picturesque Cape village of Hermanus. The resignation of Welfare Minister Abe Williams, following the investigation by the Office for Serious Economic Offenses, has put an end to that prospect.

The National Party will have to spend its first-ever media *bosberaad* on the defensive, doing damage control to convince a highly sceptical press corps that yes, the Nats are a good, clean and well-intentioned lot, with a future in a democratic society.

The Williams "*skandaal*" could not have hit the Nats at a worse time. It has spoiled the afterglow of the Nats February 2 announcement of a new vision, it has damaged the NP's prospects in the local government elections in Cape Town, to be held at the end of May.

Political scientist Professor Robert Schrire of the University of Cape Town believes that the sought-after coloured vote will be affected by the allegations made against Williams: "The moderate, conservative middle-class coloured voters will hesitate before voting NP now. Not that they will vote for the ANC, they will rather sit on their hands," he said.

This is disputed by another National Party coloured leader, the Western Cape's Local Government MEC Peter Marais, who said after hearing the news: "After Boesak was investigated, the ANC actually improved its position in the Cape; why should the National Party coloured vote be damaged by Williams's resignation?"

The comparison between Boesak and Williams is damning and raises questions about Marais's ambitions. After all, a national Cabinet seat has been freed up by William's resignation and there are eager new Nationalists waiting in the wings.

As Schrire puts it: "A politician is motivated by a mixture of idealism and self-interest. In the case of the black NP members, the motivation is mostly self-interest because they were prepared to be part of a party that once discriminated against them. The NP attracts shady characters because black members in particular see it as an easy way to power and privilege."

Certainly, Williams, through his long association with the National Party and the tricameral parliamentary system, has known both power and privilege. And as political scientist Jannie Gagiano from the University of Stellenbosch points out, there were and still are a lot more like him who played a part in black local government and in the homeland governments in the old days. Many of these co-optees have found a political home in the new NP and these new recruits could ironically do the party more damage than good, if more of their skeletons come tumbling out of the warehouse of the past.

Williams's resignation has placed the spotlight firmly on the black Nationalists and it has raised the stark question: how straight are they? While nobody is giving an answer, the only NP member who has been prepared to comment honestly and authoritatively on the impact of this question is Senator David Malatsi, a politician who has over last few weeks gained some credibility as the new NP's black voice.

"I am terribly disappointed," he said in reaction to the news. "And this hampers our new vision. It undermines all our efforts to try and bring credible people of colour into the NP."

Malatsi said what the secretary general designate of the party, Roelf Meyer, could not allow himself to say for fear of damaging his image before taking on the mantle of his new job.

A NP source said Meyer wanted the old guard "to mop up the mess" so that it did not taint him before he starts as secretary general on March 1. By midnight Wednesday, they were doing their best.

The Nats communication director, Marthinus van Schalkwyk, had swung into damage control mode: "Remember it is not the NP we are dealing with here, it is an individual ... if Mr de Klerk had not acted decisively then there might have been more damage done ... of course the ANC through Ebrahim Rasool staged the whole thing as part of the election campaign in the Western Cape," he said.

To De Klerk's credit, he has acted quickly, and he settled the Williams resignation the day the news hit the street. It will be in his interest to keep up the momentum and raise the media's interest in who will replace Williams, rather than what he did wrong.

The jury is out on the former. Pundits say that Williams' replacement, if from the National Party, ought to be a woman. There are three contenders: MP Sheila Camerer whose big plusses are her experience, and her sophistication. The Northern Cape's MEC for Public Works, Peggy Hollander — who is on the point of coming to national government to swop positions with NP MP PW Saaiman — is another option. She lacks Camerer's skill and political acumen, but she is what the National Party so desperately want and what they lost when Williams went down, a Nationalist leader of colour. And to date, she has no black marks next to her name.

Western Cape Housing MEC Gerald Morkel, as a foremost coloured Nat, must also stand a chance.

Abe's political approval won contract – claims

Star 23/2/96 (300)

Probe into former minister began after complaints that a company without adequate technological capacity won tender

By Jovial Rantao
Political Reporter

The resignation of Abe Williams as Minister of Welfare and of Population Development is connected to an investigation into how a company with capital of only R100, and lacking the required technological capacity, won a R500-million tender to administer pension payouts in the Western Cape for five years.

Well-placed sources have told The Star that investigations by the Office for Serious Economic Offences began six months ago after a well-established Cape Town firm called Three ID Systems, which also bid for the contract, suspected that the successful company, Nisec, had been awarded the tender corruptly.

Three ID Systems is involved in a court case with Nisec, the State Tender Board, the Government and the Department of Welfare and Population.

The sources say that on March 11 1994 the Western Cape government invited tenders to re-compile the social services register. Nisec had changed ownership five days before the tender was published.

"The owner knows nothing about technology," a source claimed. "He only received technological backup from (arms manufacturer) Denel after the contract was won. Nisec did not have the technological capacity when it won the tender."

The source said when the Nisec tender was turned down by, among others, Dr Chris Stegmann, a member of the regional tender board, minister Williams wrote to Western Cape director-general Hennie Beukes in May 1994. Williams requested that the tender be agreed upon as soon as possible and it was awarded to Nisec on June 21.

Williams is said to have guaranteed "political approval" for the Nisec tender.

The source said that when Three ID Systems' efforts to have the Nisec tender withdrawn dragged on in court, the company started its own investigations and handed information to the OSEO. After months of investigation, the OSEO declared the awarding of the tender to be a serious economic offence.

OSEO director Jan Swanepoel said yesterday investigations into a tender awarded to Nisec had led investigators to possible corrupt activity by Williams. Investigations were then extended to include the former minister.

"The investigations are into the payment to and receipt by Williams of certain amounts of money, possibly indicative of a contravention of the Corruption Act of 1992," he said.

Denel yesterday denied any involvement to secure the tender. It had bought a majority share in the company only after it was awarded the tender.

■ NP leader F W de Klerk is likely to suggest NP MP Jac Rabie or Western Cape Housing MEC Gerald Morkel to replace Williams, NP insiders have told The Star.

stole. Such libel is being maliciously spread and I am therefore

find out why I was dismissed, I have still not heard a word."

BD 23/2/96

Denel denies role in alleged irregularities

Wyndham Hartley

CAPE TOWN — SA's arms manufacturer Denel has denied involvement in any allegedly irregular payments that might have been received by former Welfare Minister Abe Williams in connection with social welfare pensions in the Western Cape.

Denel owns 51% of Nisec, the company which won the contract to pay the monthly R1,5bn to Western Cape pensioners each month using a sophisticated fingerprint system.

MD Johan Alberts said yesterday that the Western Cape administration invited the tenders in early 1994 and Denel became involved in Nisec, which is now a registered company, only in September. "Denel denies that there has been any involvement on their part to secure the tender and dismisses the allegations that Denel may have been involved with payments to obtain or maintain the contract in question."

This denial followed a statement by Office for Serious Economic Offences director Jan Swanepoel who said it was an investigation and search of Nisec's premises that necessitated the extension of the investigation into the alleged receipt of money by Williams. This, said Swanepoel, could indicate a contravention of the Corruption Act.

A war of words has erupted between the ANC and the NP over Williams's resignation. The ANC said it had always fought corruption in the NP, while the NP contrasted its own prompt action over Williams with the ANC's monthslong wrangle in the Winnie Mandela and Allan Boesak affairs.

NP leader FW de Klerk had not named a successor to Williams by last night.

Comment: Page 18

Fraud probe urg

□ *Task group leader wants national action on all social services dep*

ARG 23/2/96

ROGER FRIEDMAN
Provincial Affairs Reporter

THE leader of the task group investigating alleged fraud and irregularities in the Western Cape social services department has called for a national investigation into fraud and corruption in social services departments across the country.

Speaking today in the light of the Abe Williams affair, Pieter le Roux "strongly recommended" that individual provinces awarding pension payout tenders postpone their decisions.

Former national Minister of Welfare and Population Development Abe Williams resigned on Wednesday after police raids on his houses and offices in Cape Town and Pretoria.

The Office for Serious Economic Offences (OSEO), which carried out the raids, said yesterday they followed an investigation of possible financial irregularities over the award of a tender to Nisec CC — later taken over by Denel — for the payment of pensions and grants in the Western Cape.

OSEO was brought into the investigation by Professor Le Roux's task group.

A search of Nisec's premises led to the extension of the investigation to "inter alia the payment to and receipt by Mr Abraham Williams of certain amounts of money".

Western Cape Health and Social Services Minister Ebrahim Rasool said the allegations against Mr Williams did not concern the Western Cape tender.

LATEST: Denel executive spokesman Paul Holtzhausen today flatly denied that Denel or Nisec had ever paid any money for any reason to Abe Williams.

Other provinces awarding contracts similar to that granted to Nisec in the Western Cape include Gauteng and the Eastern Cape.

Professor Le Roux recommended that national action be taken on three fronts by the establishment of:

- A task group for effective management;
- A commission for fraud and corruption; and
- A social security systems task group to investigate immensely complicated systems questions including appropriate information systems and data monitoring systems.

The recommendations followed discussions this week between Professor Le Roux and newly appointed national Director-General of Welfare Leilah Patel.

Professor Le Roux estimates on the basis of the World Bank Poverty Survey that as much as R1 billion a year in pensions and grants never reaches intended beneficiaries.

"Particularly in the light of the recent developments we wish to strongly recommend that the individual provinces, who are in the process of considering tenders for similar contracts (to the Western Cape's), delay any decisions."

- Mr Williams's attorney, Frikkie Erasmus, said today he was formulating a claim for alleged defamation over statements by Mr Rasool. The claim would be "extensive", he said.
- Denel said it was waiting to hear whether its tenders to distribute pensions in other provinces were successful.
- Western Cape African National Congress leader Chris Nissen today called for the OSEO investigation to be extended to look into allegations of financial irregularities in the former House of Representatives (coloured administration).

A career dogged by controversy

300

294

MELANIE GOSLING
STAFF REPORTER

FROM a primary school teacher in the tiny West Coast town of Saldanha in 1977 to national Minister of Welfare and Population in 1994, NP member Abe Williams' career has been dogged by controversy.

While he was seen as something of a hero in the 1980s by many white South Africans as a "trouble-shooter" on Danie Craven's SA Rugby Board, travelling all over the world to plead for SA's re-admission into the international arena, he has also been accused of cheating in examinations while a student at the University of the Western Cape, of hording illegal crayfish and of being a slumlord in Saldanha, demanding high rentals from the poor.

ACCUSED: Abe Williams

In 1984 Williams hit the headlines when tenants of 40 houses he owned at White City, Saldanha, complained that he was milking them by high rentals for slum housing with no electricity or running water.

The tenants, mostly seasonal fisherman, said that when Williams bought the houses from Southern Seas Fishing Enterprises, he upped their rent by nearly three times. As many as nine people lived in the squalid two-roomed houses.

In 1989 thieves broke into Williams' house in Saldanha and stole two silver dinner services. They also allegedly stole 80 crayfish tails and 40 crayfish from his deep-freeze. Williams was instrumental in arresting the men, giving chase in his car and firing warning shots, but later swore that he had only had 25 crayfish in his home. The legal limit was 20.

As Department of Education and Culture Minister in the House of Representatives in 1993, he caused an outcry when he ruled that no substitute teachers could be appointed while teachers were on leave. Subsequently the Supreme Court ruled his decision was not valid.

In the same year he got flak for spending over R9 000 of taxpayers' money on a NP tea party in Atlantis for Ms Marike de Klerk.

Last year he was harshly criticised for his handling of the investigation into social payments fraud.

Pledge on 900 pensions

(300)

POLITICAL WRITER

CT 23/2/96 (254)

THE payment of R71,3 million in additional retrenchment packages to more than 900 naval personnel would be speeded up, Defence Minister Joe Modise yesterday told the senate during debate on the Adjustments Appropriation Bill.

He was responding to pleas by senators James Selfe (DP) and Mark Wiley (NP) for the packages to be paid to the naval personnel, who have been fighting for their retrenchment packages for more than six years.

Modise said that the matter had been approved by Parliament and permission had been granted by the courts and the treasury for the money to be paid over.

'SEARCH DOES NOT INDICATE GUILT'

Williams affair rocks NP

~~299~~ 300 ~~301~~

CT 23/12/96

THE NP REELED under the shock of Mr Abe Williams' resignation from the cabinet yesterday, despite praise from President Nelson Mandela. **BARRY STREEK** reports.

AS the political consequences of Welfare Minister Mr Abe Williams' resignation from the cabinet widened yesterday, the Office for Serious Economic Offences warned that the investigation into the alleged irregularities would probably take a "considerable" time.

For the National Party, the news could not have come at a worse time — and the announcement yesterday that veteran politician Mr George Bartlett was also to quit active politics has compounded the impression that senior Nationalists were deserting a lost cause.

Williams was one of the key figures in the NP's surprise victory in the Western Cape in the 1994 election. He denied yesterday that he would resign from the NP or from Parliament, and he was praised by President Nelson Mandela for quitting — but his resignation from the cabinet was a serious blow for the NP's bid to broaden its base by portraying itself as non-racial.

This followed the decision of Deputy Speaker Dr Bhadra Ranchod to quit active politics, the resignation of other NP leaders such as Deputy Land Affairs Minister Tobie Meyer, and the suspension of youth leader Pierre Jeane Gerber and Senator Sathi Naidoo, one of its few black parliamentarians from KwaZulu-Natal.

Yesterday, there was considerable speculation in NP ranks about who Williams' successor will be — perhaps a woman such as Sheila Camerer or someone from the provinces. The NP may use the opportunity to negotiate a cabinet reshuffle so that the Welfare portfolio is re-allocated.

Yesterday the director of the Office for Serious Economic Offences Jan Swanepoel said in a statement that during a search of Nisec, a subsidiary of the state-owned Denel, "information came to light which was followed up and eventually necessitated the extension of the inquiry to inter alia the payment to and receipt by Mr Abraham Williams of certain amounts of money, possibly indicative of a contravention of the Corruption Act 1992".

Swanepoel said, however, the investigation would probably take "a considerable time".

When it was completed a report would be submitted to Justice Minister Dullah Omar and all evidence would be handed over to the attorney-general.

Swanepoel also said it had come to his attention that Western Cape Health and Social Services MEC Ebrahim Rasool had alleged in a press release that Williams had been declared a "serious economic offender".

"If anyone declared him a serious economic offender, it was certainly not I or the Office for Serious Economic Offences."

The fact that Williams' offices and houses were searched did not mean that he was guilty of any offence, Swanepoel said.

Mandela said that Williams had done a commendable thing by resigning in the wake of the serious allegations.

Speaking on the steps of Tuynhuys after meeting visiting German Bundestag President Dr Rita Suessmuth, he said this did not mean that by this action he was admitting guilt.

He said the matter was subjudice and he did not want to comment any further.

Abe Williams pictured yesterday PHOTOGRAPH: BRENTON GEACH

Star 24/2/96

It wasn't a payout – Williams

(300)

By GLYNNIS UNDERHILL

Cape Town – Former welfare and population development minister Abe Williams says he did receive money from pension company Nisec – but claims this had nothing to do with its winning a multimillion-rand tender.

"I never received money from Nisec as a payout for the tender being awarded. Definitely not. I was definitely not involved in handling that contract. It was not my job to be handling contracts," Williams said.

He resigned from the Cabinet within hours of Office for Serious Economic Offences (OSEO) raids at his offices and homes in Pretoria and Cape Town this week.

The office named Williams as a suspect in its probe of irregularities in the award of a tender to Nisec for payment of pensions on behalf of the Cape Provincial Administration.

While Williams said he did not wish to elaborate on how Nisec's cash had been used, he did say he would co-operate fully with the OSEO.

His lawyer, Frikkie Erasmus, said there had never been a payment relating to the tender. "There might have been payment later, but it was totally unrelated to the activities of that company or the operations of the pensions department," Erasmus said.

OSEO director Jan Swanepoel said that during a probe of the tender award, documents had come to light which "caused us to worry about Mr Williams".

Inquiries about Williams and his bank account led to the search.

Swanepoel said he had never accused Williams of being "a serious economic offender" but he was under investigation. "Less than a million" was involved.

In an interview yesterday, Williams said he was not guilty of any offence in the pensions scandal. He would be heading for his hometown of Saldanha on the west coast to address the leaders of his constituency in person this weekend.

While he would continue his work as an MP, his resignation from the Cabinet was "the honourable thing to do" under the circumstances, Williams said.

Abe returns to his roots but vows to fight back

ARG 24/2/96 (300)

■ Minister of Welfare and Population Development Abe Williams, who resigned this week after the Office for Serious Economic Offences raided his homes and offices in Pretoria and Cape Town, has vowed to fight back.

GLYNNIS UNDERHILL
Staff Reporter

VOWING to fight back, former Minister of Welfare and Population Development Abe Williams said he had woken up yesterday morning to the realisation his world had not crashed around him.

After his shock resignation this week in the wake of raids by the Office for Serious Economic Offences on his homes and offices, Mr Williams said the family had been going through "a difficult time."

"I have always been called controversial. I always stood up for what I believed in, from the early days of international sport I always spoke out. I am going through a difficult time and it's not good for my family. My personal life is under a lot of strain," he said.

While Mr Williams told SATURDAY ARGUS he had at some stage received money from Nisec, he claimed it was not as a payout for the awarding of a pensions administration tender to the company in the Western Cape.

However, he declined to elaborate on the details and said he would be assisting the Office for Serious Economic Offences (OSEO) with its investigation.

Mr Williams has been named by the OSEO as a suspect in its inquiry regarding possible irregularities concerning the award of a tender to Nisec for the payment of pensions on behalf of the Cape Provincial Administration.

In an expansive mood yesterday, Mr Williams said he had decided it was "not the end of the world" and he must fight back.

The phone had not stopped ringing since his resignation and people he did not even know had offered much support, he said.

Flowers had been sent to his family and all gestures were appreciated, said Mr Williams. Even the local priests had shown tremendous support in this time of need, he said.

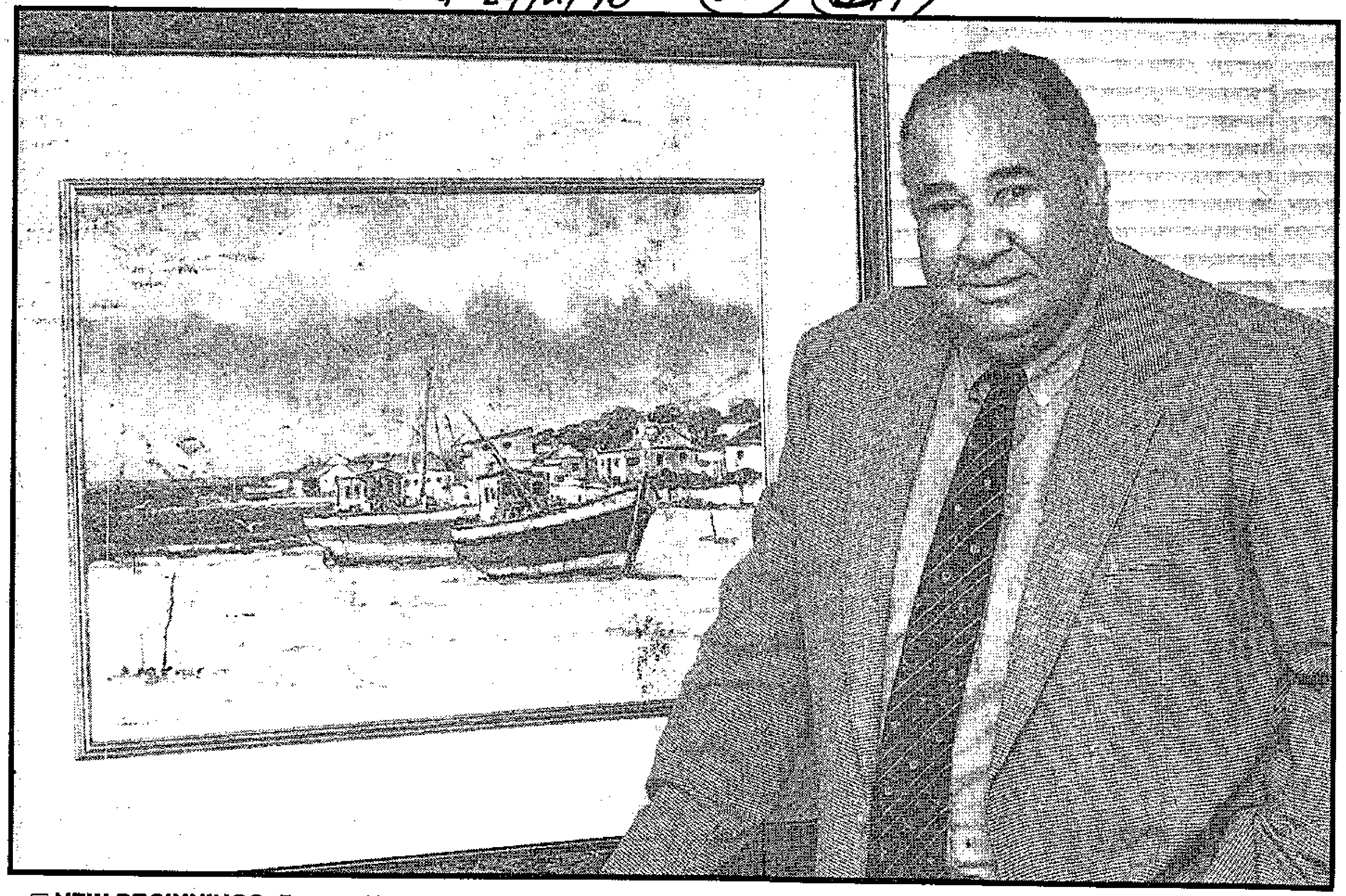
Mr Williams said he believed he had done a good job as Minister of Welfare and Population Development and the impact of the policies instituted would be felt in the long term.

He admitted the circumstances surrounding his prompt resignation from the cabinet had "not been a happy occasion."

While he was saddened that some members of the Press had chosen to find him guilty while the investigation was in its preliminary stage, he said he accepted other politicians around the world also faced similar treatment from the media.

Mr Williams said he had felt a responsibility to his colleagues, as well as deputy president Mr De Klerk and the President, and in the interests of good government, to do the right and honourable thing.

"I cannot sit in the cabinet while I am under a cloud of suspicion," he said.



☐ **NEW BEGINNINGS:** Former National Party Minister Abe Williams says his family has been placed under considerable strain after his shock resignation. Picture: BRENTON GEACH, Staff Reporter

Always labelled a "controversial figure" by the media, Mr Williams said he had decided to retain his seat as a member of parliament and he had not decided yet whether to resign.

"I will look at it later. I feel I have to go back to a grassroots level and I am concerned about my community. The coloured people feel they are being left behind. I want to get to the real issues. I have always been a bridge builder," he said.

Mr Williams confirmed he would be suing Western Cape Health and Social Services Minister Ebrahim Rasool for defamation over statements made about him by Mr Rasool at a press conference.

Mr Rasool is alleged to have said Mr Williams was a "serious economic offender" but the OSEO director Jan Swanepoel insists the investigation is at a preliminary stage.

"If anyone declared him a serious economic offender, it was certainly not I or OSEO," said Mr Swanepoel.

Mr Williams said he would in the meantime continue his community work and he would be going to Atlantis and Saldanha, his home town, at the weekend.

"I will be preparing for the local elections in these areas. I just want to show my face. People will expect me to inform them of these developments. I must explain my reason for resigning and the role I have to play," he said.

A qualified teacher and former school principal, Mr Williams said he had a wealth of experience to fall back on should he decide to resign as an MP.

"Now I just want to be left to settle into my new role and let the enquiry continue," he said.

With his "enormous wealth" of community work behind him, Mr Williams said his future was not a big concern for him.

He pointed with affection to a painting on the wall of his ministerial office which he had commissioned of his home town Saldanha on the West Coast. "This is the West Coast on a sunny day with the wind on the choppy sea," he said.

Mr Williams said he had grown up in Saldanha and his father had been a fisherman.

From his humble beginings, Mr Williams rose to become the most senior ranking coloured member of the National Party.

ABE: I DID GE

But I was not guilty of any offence in the pensions

(300) ARG 24/2/96

☐ **STARTING AFRESH:** After his shock resignation, former Welfare and Population Development Minister Abe Williams was planning a weekend addressing his parliamentary constituency on the West Coast.

■ **Former Welfare and Population Development Minister Abe Williams, who resigned this week under a cloud of suspicion, confirmed he did receive a payment from Nisec — but insists it was not related to the awarding of a tender to the company.**

GLYNNIS UNDERHILL
Staff Reporter

FORMER Minister of Welfare and Population Development Abe Williams now has disclosed he did receive money from the pension company Nisec — but claims this money was unrelated to the awarding of a multi-million rand tender to the company.

"I never received money from Nisec as a payout for the tender being awarded. Definitely not. I was definitely not involved in handling that contract. It was not my job to be handling contracts," said Mr Williams.

His shock resignation came soon after the Office for Serious Economic Offences (Oseo) raided his offices and houses in Pretoria and Cape Town.

Oseo has named Mr Williams as a suspect in its inquiry regarding possible irregularities in the award of a tender to Nisec for the payment of pensions on behalf of the Cape Provincial Administration.

In an exclusive interview with SATURDAY Argus, Mr Williams said he did not wish to elaborate at this stage what the money from Nisec had been used for. However, he said he would be giving his full co-operation to the Oseo.

His lawyer Frikkie Erasmus, who was present during the interview, said there had never been a payment relating to the tender.

"There might have been payment later, but it was totally unrelated to the activities of that company or the operations of the pensions department," said Mr Erasmus.

Oseo director Jan Swanepoel told SATURDAY Argus Mr Williams was a suspect in its inquiry and the money involved was "less than a million".

"When we raided the premises of Nisec in Port Elizabeth, we came across documents which caused us to worry about Mr Williams.

"We made certain inquiries about Mr Williams and his bank account, which led us to the search."

He said he had never accused Mr Williams of being "a serious economic offender", but had said he was under investigation.

In the interview at his ministerial offices, Mr Williams said he was not guilty of any offence in the pensions scandal.

He said he would be heading for the West Coast and his home town of Saldanha to address the leaders of his constituency this weekend.

While he would continue his work, at a grassroots level, as a Member of Parliament, his resignation from the cabinet had been "the right and honourable thing to do" under the circumstances, said Mr Williams.

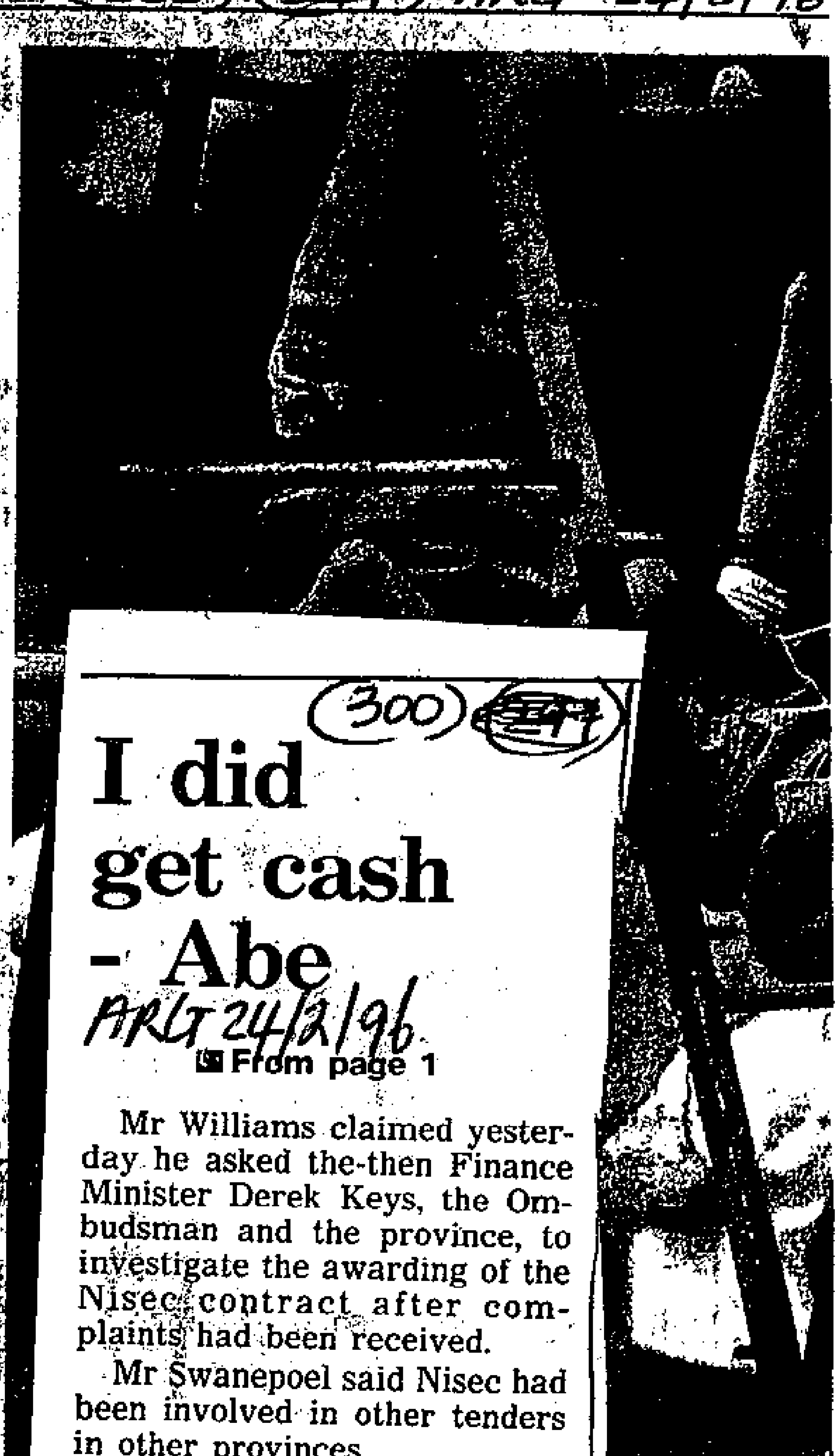
"I felt a responsibility to my colleagues — as well as Deputy President De Klerk and the President and in the interests of good government — to do the right and honourable thing. I cannot sit in the cabinet while I am under a cloud of suspicion."

Mr Williams said he realised he might be "going into the wilderness" by resigning, but he would continue with his community work.

Looking relaxed and confident, Mr Williams said he had decided to retain his seat as a Member of Parliament and had not decided yet whether to resign.

Mr Erasmus said he had documentary proof that Mr Williams was in no way involved in the evaluating or awarding of the tender.

■ To page 3



(300)

I did get cash - Abe

ARG 24/2/96

From page 1

Mr Williams claimed yesterday he asked the-then Finance Minister Derek Keys, the Ombudsman and the province, to investigate the awarding of the Nisec contract after complaints had been received.

Mr Swanepoel said Nisec had been involved in other tenders in other provinces.

"We are entitled to extend our inquiry, which we did in this case, into Mr Williams' affairs," he said.

Mr Swanepoel said Mr Williams was under suspicion of a possible contravention of the Corruption Act of 1992, which covered the taking of gifts or rewards.

"We are investigating money received in connection with any tenders."

The investigation is at a preliminary stage and could take months, said Mr Swanepoel.

While Mr Williams was a suspect, it still could be proved he did not receive money corruptly, he said.

"We have raided before and we have found a person not to be guilty. Maybe he can provide a reasonable explanation," said Mr Swanepoel.

Hudson ill as Palframan gets second chance

RAWALPINDI. — South African opening batsman Andrew Hudson looks almost certain to miss tomorrow's big World Cup clash against England.

While a few players — Hudson was one of them — didn't take part in an optional practice at the KRL ground yesterday, coach Bob Woolmer later revealed that the 30-year-old Natalian was suffering from a bout of 'flu.

"It's unlikely that he will be able to play tomorrow," said Woolmer.

The good news, however, is that paceman Shaun Pollock, who has been having problems with a recurring ankle injury, appears to be on the mend.

"It flared up before the match against England in Port Elizabeth," said Woolmer "and it hasn't really cleared up. But thankfully, Shaun says he hasn't felt twinges for two days."

Hudson's absence would probably mean that wicketkeeper Steve Palframan will open the innings with Gary Kirsten.

England, who arrived in Pindi yesterday after what manager Ray Illingworth described as a "rather bumpy two-hour drive" from Peshawar, are in good shape.

"Richard Illingworth has had tummy trouble for a couple of days, but he seems to be okay now," said coach Illingworth who added that he should have a full complement of 14 to select from come tomorrow. — Sapa.

■ More reports in sports section.

Search for plane postponed

DURBAN. — The Air Force has postponed until today the search for a light aircraft which was reported missing early yesterday.

The aircraft, with two people aboard, was en route to Maritzburg from East London and last made contact with aviation officials at 7pm on Thursday.

The pilot apparently decided to change his route because of low cloud and thunderstorm activity and planned to follow the coastline to Virginia airport in Durban, the Aeronautical Research Co-ordinating Centre (ARCC) said in a statement. — Sapa.

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End of road for man in the white panama hat

(300) ST 25/2/96

NORMAN WEST charts the rise and fall of the tenacious Abe Williams, a man considered by many of his own people to be a lackey

ABE WILLIAMS, who resigned as Minister of Welfare this week, was the life and soul of any social event.

More often than not wearing a flamboyant white panama hat, the amiable bear of a man liked nothing better than to lead his pals in the singing of *Kaapse gommaliedjies*.

But not everybody appreciated buffoonery and many of his political colleagues detested his frivolous behaviour in public. "Between you and me," whispered one this week, "his going could prove to be a blessing in disguise."

Mr Williams's career was dogged by controversy. His antics often caused the National Party as much embarrassment as Winnie Mandela brought the ANC.

He could hardly have dreamt, when he began his career as a primary school teacher in Saldanha Bay, that he would one day sit in President Nelson Mandela's cabinet.

That he reached such dizzying heights is a tribute to his staying power. But along the way he earned the wrath of many of his own coloured people, earning names like "traitor" and "lackey" and "kreefdief" (crayfish thief).

Teachers hated him for his autocratic style when he was Minister of Education and Culture in the now-defunct House of Representatives. In 1993 he decreed that no substitutes should be appointed when teachers went on leave.

The Cape Teachers' Professional Association, then led by Franklin Sonn, now the ambassador to Washington, took him to court and won the case. "Autocratic Abe" as he was then called, was forced to withdraw his ruling.

The "*kreefdief*" posters held aloft by protesting students had their origin in an incident in 1989 when thieves broke into his Saldanha house and stole two dinner services and allegedly 80 crayfish tails and 40 crayfish from his deepfreeze.

Mr Williams gave chase in his luxury state car, fired a couple of warning shots when he spotted the villains and so helped the cops nab them. The legal limit at the time was 20 crayfish a person. Mr Williams swore only 25 could have belonged to him.

He was perhaps first thrust into notoriety when he accepted the position of assistant manager of the 1981 Springbok rugby team pleading for international readmission of South African sport. This was in defiance of a call from the South African Council On Sport that there should be "no normal sport in an abnormal society" and an international call to isolate South African sport.

Mr Williams was shunned by his community and widely ostracised as an "Uncle Tom" of the apartheid regime.

When Allan Hendrickse and his Labour Party decided to contest the elections for the House of Representatives in 1984, Mr Williams was elected by the small number of voters who did not boycott the poll.

He and Mr Hendrickse became the best of friends.

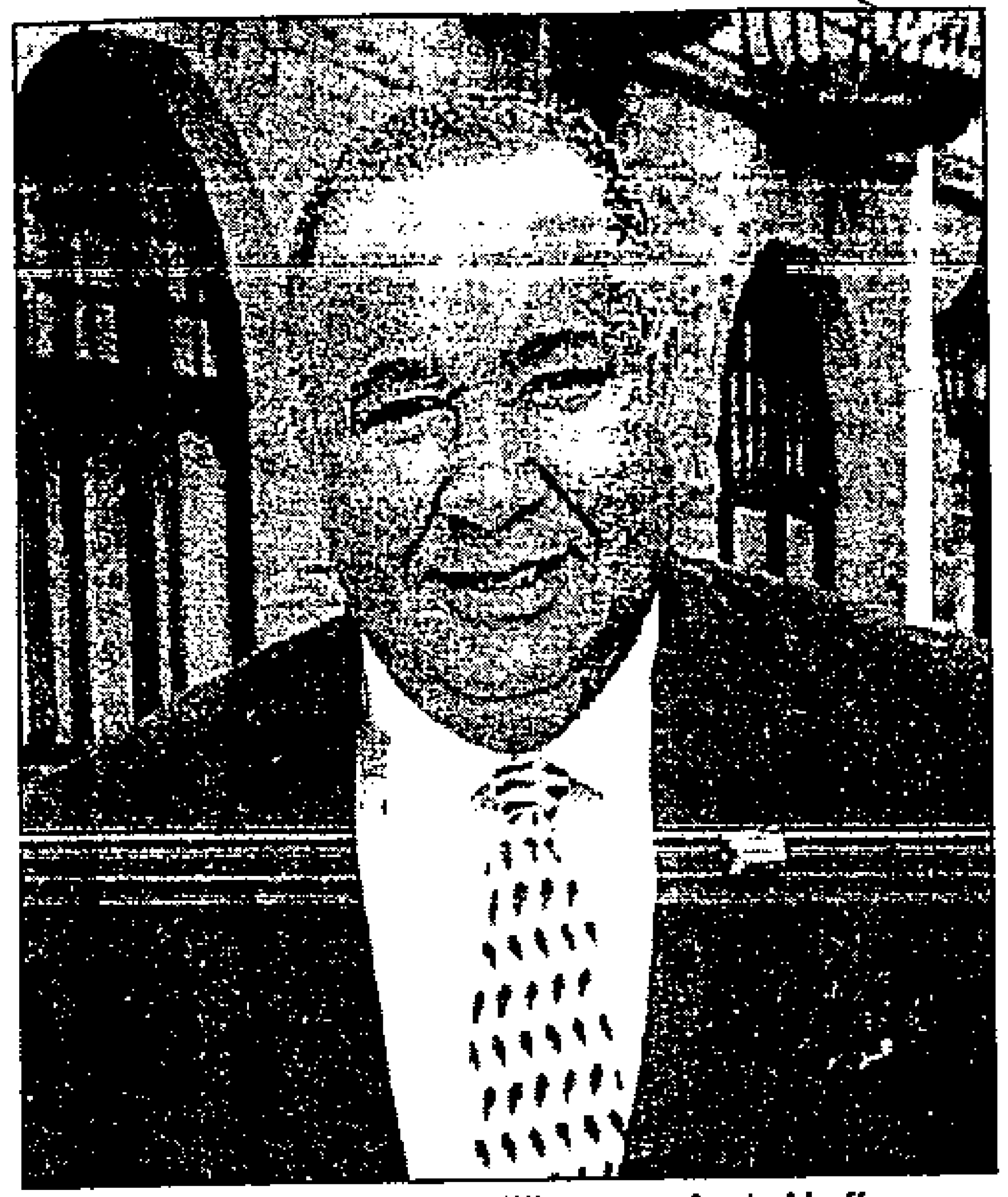
Mr Williams was soon appointed the national secretary of the Labour Party and later the Minister of Education and Culture.

Gerald Morkel, who is now the housing minister in the Western Cape legislature, grew fed-up with Mr Hendrickse's autocratic style. In 1991 he led a rebellion and joined the NP.

Mr Williams followed suit and, after the 1994 elections, became Minister of Welfare and Population Development, a move most people saw as his reward for being such a loyal supporter of NP ideology.

Ironically, a glossy four-page insert with a picture of Mr Williams as minister appeared in newspapers on Friday proclaiming a campaign to rid the welfare system of its "immense" problems.

"It is estimated that close to R1-billion is lost through inefficiency and fraud in the system," the insert declared.



ON THE WAY OUT . . . Abe Williams was fond of buffoonery

By YVETTE VAN BREDA

BANK officials and staff members who had worked for the former Minister of Welfare and Population Development, Abe Williams, provided the information which led to this week's swoop on his homes and offices this week by the Office for Serious Economic Offences.

Last week, Mr Williams announced in Parliament that the government was launching a nationwide cleanup of pension fraud, which, he said, was costing the taxpayer an estimated R1-billion a year.

This week, he resigned his post amid allegations that he had been receiving money from Nisec, a company which had successfully tendered to pay out pensions in the Western Cape.

The chain of events which led to his shock departure began when the deputy head of the Office for Serious Economic Offences, Tommy Prins, applied for a warrant to search Mr Williams' Rondebosch and Pretoria homes, and his Cape Town office.

On Wednesday, police seized several documents relating to the pension fund.

The Pinelands home of the former chief director of the Western Cape's Department of Social Welfare, Dr Ebrahim Jarodien, was also raided by officials.

The swoop was the culmination of a year-long investigation started by Western Cape minister for Health, Ebrahim Rasool, after the disclosure that the Western Cape lost R240-million a year in welfare fraud.

Mr Rasool, who in 1994 inherited a five-year contract between his administration and Nisec to pay R1,7-billion a year in grants and pensions to 260 000 people in the Western Cape, said his investigation revealed astonishing facts.

He believed that "political sanction must have been available through commission or omission" and that the fraud could "not simply be the work of officials".

His appeal to the public to come forward with information had resulted in calls and visits from Mr Williams' former staffers and bank officials.

Mr Rasool said Mr Williams was not suspected of acting irregularly before the contract was awarded. However, money had changed hands after the tender had been finalised.

In terms of the contract, Nisec is being paid R125-million over five years.

Mr Rasool said a report on the administration of pensions in the province raised serious questions about the award of the tender to Nisec "and whether we are getting our money's worth from them".

This week the head of the Office for Serious Economic Offences, Jan Swanepoel, said that on September 5 the unit had decided to launch an investigation into possible irregularities concerning the award of the tender to Nisec.

"Certain information" came to light during a search of Nisec's premises, which necessitated the "extension of the inquiry to, inter alia, the payment to . . . Mr Williams of certain amounts of money", which possibly indicated "a contravention of the Corruption Act of 1992".

Mr Swanepoel said the investigation would probably still take considerable time. Once completed, a report would be handed to Minister of Justice, Dullah Omar. The evidence would also be handed to the attorney general.

"The fact that Mr Williams's offices and houses were searched does not mean he is guilty of any offence," said Mr Swanepoel.

The investigation into how Nisec won the tender began in September with police raids on its Port Elizabeth, Pretoria, and Cape Town offices.

Computer records, lists of company assets, accounting books and other documents were seized.

Asked why two Cape provincial officials, Anton Scholtz and Andre Louw, were employed by Nisec shortly after the company was awarded the Western Cape tender, a Nisec source said that it "had been expected that the successful company would take staff from the CPA who had the necessary expertise to get the new system up and running".

Mr Rasool said the earlier situation in which Nisec had access to R100-million for 17 days before pensions were paid out, had been remedied and the company now received the money only two days before payments were due.

Denel's managing director, Johan Alberts, said Nisec CC — which was previously owned by Michau Malan Huisamen of Port Elizabeth before being taken over by Denel — had lodged a tender to pay pensions in the Western Cape on April 5 1994. On June 16 that year, Mr Huisamen was told that the company had been awarded the tender.

Mr Alberts denied that there was any involvement by Denel "to secure the tender" and dismissed allegations that the company had made any payments "to obtain or maintain the contract".

In another twist to the saga, Mr Williams announced that he was going to sue Mr Rasool for an "extensive amount".

This followed claims by Mr Rasool at a press conference on Wednesday that Mr Williams had been declared a "serious economic offender". This was denied by Oseo, which said that Mr Williams was merely being investigated for a possible contravention of the Corruption Act.

Worker representatives to get half the seats on pension fund boards

(300) BD 28/2/96

Tim Cohen

CAPE TOWN — The parliamentary finance committee yesterday approved a Cosatu proposal that employee representatives take at least half the seats on the management boards of SA's 17 000 pension and provident funds.

The committee took the decision against the recommendation of Business SA, which argued that placing burdensome restrictions on employers would tend to discourage the establishment of retirement funds, to the detriment of the investment environment.

There are currently no legislative requirements for the proportion of employer and employee representatives on the boards of pension and provident funds, which control the retirement investment portfolios of about 6,5-million South Africans.

The amendment was a late inclusion into the Pension Funds Amendment Bill, originally intended to change existing legislation only slightly by providing that all pension and provident funds be required to have management boards. The decision to amend the Bill was unanimous.

The committee's recommendation, which is unlikely to be disputed when the Bill is presented to Parliament this year, will come into effect only two years after the legislation is passed.

This is intended to allow existing funds to make all the necessary arrangements, which might include the training of fund members so that they will be in a position to operate as effective trustees.

Cosatu spokesman Neil Coleman said the decision was "an important breakthrough". For the first time it had been recognised that workers had the right to be part of decision making in pension fund management. He downplayed the effect of the decision, saying he did not think investment portfolios of pension and provident funds would change dramatically. The amendment might have the effect of rationalising the number of funds, he said.

Financial Services Board deputy executive officer Andre Swanepoel said any increase in costs of the funds would ultimately be borne by employees, suggesting employer representatives would have to take this into account when taking investment decisions or changing benefit regimes. Employers would still have the choice of whether to establish pension funds for their employees, Swanepoel said.

Coleman said he did not think the amended Bill would have the effect of discouraging employers from establishing pension funds. The unions would be looking for a "constructive approach" from employers.

Team to probe Williams

(300) Mar 28/2/96

Two advocates, top police officers to investigate fraud claims

By Jovial Rantao
Political Reporter

The Office for Serious Economic Offences has assigned two advocates and two senior policemen from the SAPS's commercial unit to investigate allegations of fraud and corruption against former welfare and population development minister Abe Williams.

OSEO director, advocate Jan Swanepoel, told The Star that the investigating team would, for the next few weeks, be busy collecting documentation and would interview Williams and other witnesses at a later stage.

"It will be some months before this investigation is completed," he said.

The leader of the National Party, Deputy President F W de Klerk, was said to be in consultation yesterday with people in and outside his party before naming Williams' replacement. He is expected to make the announcement late today.

Party insiders have told The Star that De Klerk would appoint one of the three prominent Western Cape coloured MECs to the welfare and population development portfolio. They said the NP leader, under pressure to elect a coloured leader from the province, would in all likelihood appoint Peter McKenzie (MEC for safety and security), Gerald Morkel (housing) or Peter Marais (local government).

The appointment of a Western Cape coloured leader is viewed by NP strategists as one of the most crucial in view of the forthcoming May 29 local government elections.

Pressure on De Klerk to show loyalty to the coloured-dominated Western Cape has meant that other candidates such as the Northern Cape's Peggy Hollander and former deputy justice minister Sheila Camerer would not be considered.

A surprise appointment could be that of NP MP Jac Rabie or the shifting of NP Gauteng MEC John Mavuso to the welfare and population development portfolio.

Mavuso was recently appointed to take over as general services minister after Chris Fismer was named as the new provincial affairs and constitutional development minister. Fismer replaced Roelf Meyer, who has been appointed NP secretary-general.

Williams resigned a week ago after his houses were searched by OSEO investigators in connection with possible irregularities in the awarding of a tender to a private company for the payment of pensions on behalf of the provincial administration.

Union provident fund set up

(300) BD 29/2/96

Renee Grawitzky
and Adrienne Gillomee

IN A further move to entrench union control of provident funds, the Transport and General Workers' Union (TGWU) launched yesterday its national provident fund governed by a union-controlled board of trustees with technical assistance from Old Mutual, which will administer the fund.

The fund could potentially cover 60 000 workers in the cleaning, security and transport industry. The SA Commercial, Catering and Allied Workers' Union launched a fund in 1994. Saccawu said the asset base of the fund at December was R271m.

TGWU general secretary Randall Howard said employers in the various sectors had already been approached to join the fund. Ten companies which had no benefits in place had agreed to join the fund.

Old Mutual also administers the Saccawu fund and is involved in a number of other initiatives to form national provident funds.

Government in bid to cut 100 000 pension pay-outs

Monies saved by retrenchments to help pay for civil service parity

(300)

ARG 29/2/96

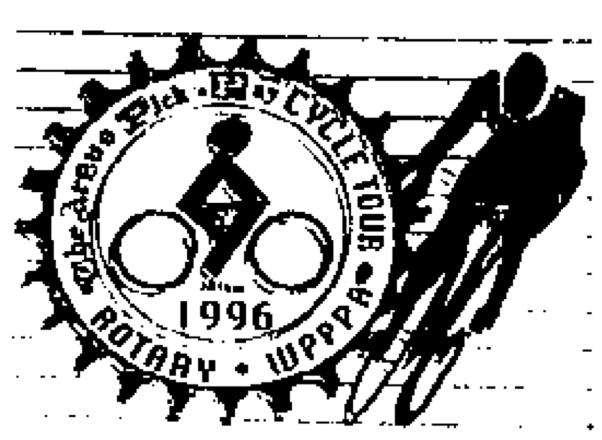
Tour is just a stage in Leanne's odyssey for needy children

IAN SADLER, Sports Staff

MOST cyclists finishing The Argus/Pick'n Pay Cycle Tour next month will be content to hang their bikes up in the garage for a few weeks and take a breather.

Not so Leanne Dickerson of London. She will continue on her way up the Garden Route, headed for Kosi Bay.

This determined Englishwoman is cycling from Vioolsdrif on the Namibian border along the coastline – stopping off in Cape Town for the Tour – then on to the Mozambican border.



She left Vioolsdrift on February 19 and is due in Cape Town on March 5.

The reason for the 3 200 km ride is to collect money for Isaiah 58, a children's shelter in East London.

"This will be my first long cycle trip, although I've done plenty of training," said Leanne, Press officer for the national Missing Persons Helpline in London.

"Singer Cliff Richard, a patron of Helpline and a supporter of Isaiah 58, sent Leanne a letter of encouragement on the eve of her trip.

She intends covering about 80km a day and will be accompanied on the first leg by Neil Smith of the firm Puncture Buster, sponsors of her bike.

Contributors can get in touch with Leanne on 987 1210, fax 987 1218.

MARATHON JOURNEY: Leanne Dickerson of London on the bicycle she will ride for charity round the coast from Vioolsdrif on the Namibian border to Kosi Bay on the border with Mozambique. While in Cape Town she will take part in The Argus/Pick'n Pay Cycle Tour.

ESTELLE RANDALL, Labour Reporter

THE governmnt wants to cut pension payouts to up to 100 000 civil servants who face retrenchment. Many of these are from the former homelands, but some Western Cape civil servants could also face the chop.

Civil servants may be asked to volunteer for retrenchment from March 1. Retrenchment packages are now being negotiated, union sources disclosed.

The government wants to use the savings from pension payouts to help finance wage increases for civil servants next year.

These are some of the chips on the table as the bargaining began at public sector wage talks in Cape Town. Unions this week obtained clarity on the government's proposals.

The talks in the Public Service Bargaining Council are scheduled to continue until March 8, with implementation of wages and conditions for April 1.

They affect employees in health services, state administration and correctional services.

A spokesman for the Public Service Ministry said trade unions and government had agreed not to release details of proposals, at this stage.

It is understood, however, that the key proposals contained in the government's offer are to reduce pension payouts for retrenched public sector employees and to phase in a new grading system over two years instead of three.

Assistant general secretary of National Education, Health and Allied Workers' Union, Fikile Majola, said unions agreed in October on new grades comprising six broad bands with 16 salary ranges.

He said there also had been a proposal for a significantly higher starting salary of R40 000 a year.

In March 1995, the average salary in the public sector had risen from R3 271 to R3 497, but there was still a wage gap between white and black salaries. Average salary for white civil servants was R5 205, while black civil servants earned an average of R2 300.

Phasing in a new grading system was estimated to cost R9,1 billion for the first year, but earlier this year the government indicated that there was only R6,5 billion available.

Since then, the government had secured additional funds, bringing the amount available to R7,4 billion.

But, savings on pension payouts could increase funds available for wage increases and regrading to about R8,5 billion.

The government's October 1995 proposal for a new grading system was aimed at halting industrial action and retaining skilled staff and was to be accompanied by staff cuts of up to 100 000 people.

Negotiations affecting police pay would be dealt with in a separate national negotiating forum.

Trail that led to Williams' raid

raid.

ARG 1/3/96 300

Provincial Affairs Reporter

OVERSEAS trips, shadowy tendering procedures and a multimillion rand lease agreement for allegedly inferior office space — these formed part of the paper trail that eventually led detectives to raid the homes and offices of former Minister of Welfare and Population Development, Abe Williams.

Mr Williams resigned from the cabinet hours after police attached to the Office for Serious Economic Offences (OSEO) raided his homes and offices in Pretoria and Cape Town last week. They also raided the home of his former chief-director (Welfare) Ebrahim Jarodien in Pinelands.

Today The Argus reveals some of the contents of the draft report following a forensic investigation into allegations of fraud and corruption in the Western Cape Department of Social Services. The report was compiled by Ernst & Young under the guidance of University of the Western Cape professor, Pieter le Roux.

The report raises questions about the tender awarded to Nisec (now a subsidiary of Denel) for the payment of pensions and grants in the Western Cape.

It is this aspect that is presently under investigation by OSEO.

But the Ernst & Young report also points to alleged fraudulent and corrupt practices ranging from procuring premises and services to purchasing goods and equipment for the Department of Social Services.

Contacted for comment last night, Mr Williams and Dr Jarodien did not agree on the extent to which Dr Jarodien kept Mr Williams informed of events in his department.

"Look, if he was the minister he would have been kept informed," said Dr Jarodien when asked if he had kept Mr Williams abreast of developments surrounding a controversial R22 million literacy programme.

"He would have been involved. He would have been kept informed," said Dr Jarodien on the subject of a sticky R2 million a year office-space lease agreement he allegedly negotiated with "the Solomon Brothers".

According to the report, "various complaints" — from leaking roofs to dangerously sagging ceilings — were registered by officials working in the building.

Mr Williams, however, denied knowledge of various letters to and from Dr Jarodien contained in the report, saying it was unfair to question Dr Jarodien as chief-director. The welfare director of the House of Representatives at the time, Patrick McEnery, was officially the accounting officer in the department.

Mr Williams said: "Those letters were never referred to me," when he was asked whether he was aware that the director-general of Budgetry and Auxilliary Services had asked the Ombudsman to appoint an inquiry into alleged irregularities in a R22 million computerised literacy project.

Mr Williams referred questions relating to the OSEO investigation to his lawyer, Frikkie Erasmus, saying the matter was sub-judice as far as he was concerned.

Dr Jarodien said "something sounds funny" with the report, after having excerpts read to him over the telephone.

It was inappropriate to comment on the report as he had not yet seen it.

But Dr Jarodien said "various different departments" in the provincial administration were involved in authorising projects and tenders — decisions had never been his alone to take.

On the subject of the extended lease

● Turn to page 4

● From page 1

agreement for premises at Minelli Centre/Nerina House in Cape Town, the report concludes: "The State may have suffered losses in that monies were paid out without authorisation and under circumstances in which authorisation had been specifically denied.

"These losses were occasioned by acts or omissions on the part of Dr Jarodien and/or other officials.

"At the time of the acts or omissions Dr Jarodien failed to comply with or ignored standing instructions of which he was aware and, in addition, exceeded his powers.

"Accordingly, Dr Jarodien and any other officials involved in this transaction appear to have met the requirements for civil liability for losses sustained by the State."

The report reached similar conclusions with respect to the literacy programme.

ARG 1/3/96

● Dr Jarodien was chief director (health and welfare) in the tricameral House of Representatives from the mid-1980s — and remained in office in the Western Cape until last year. Some contents of the report refer to the period prior to Mr Williams' elevation to the Welfare Ministry — others' refer to the period after he took over.

● Western Cape Minister of Health and Social Services, Ebrahim Rasool, who commissioned the forensic report, said he was reluctant to comment on information pertaining to such an important, on-going investigation.

He confirmed that the report in the possession of The Argus was in fact a draft copy — "for discussion purposes only" — of the Ernst & Young document.

Williams admits he received money

(300)

By Jovial Rantao
Political Reporter

Star 1/3/96

Former welfare and population development minister Abe Williams has admitted that he had been receiving some money during his term of office. But he said the undisclosed amount – which he maintained he had received in his private capacity – was not paid by Nisec, the company that was awarded a multimillion-rand tender by the Cape Provincial Administration.

In a statement issued and released through his lawyers yesterday, Williams stated that he had received payments from Armsec, a close corporation owned by Michau Huisamen, the man who was the sole owner of Nisec when it was awarded the R500-million pensions tender.

A few months after Nisec had won the tender, Huisamen sold Nisec to Denel, which had thereafter acquired 41% of the shares.

In the statement, Williams denied that he had at any stage received any money from Nisec and said the payment received from Armsec had no connection with or bearing on the award of the contract to Nisec or with the activities of the Department of Welfare or those of Nisec or Denel.

Williams' lawyers said Denel had also denied making any payment to the former cabinet minister.

The legal representatives issued a statement following confusion that arose from media statements by Office for Serious Economic Offences (OSEO) director advocate Jan Swanepoel, who said that during an investigation of Nisec's offices, information was obtained extending to certain payments received by Williams.

"Advocate Swanepoel has since confirmed the factual incorrectness of the information initially obtained by him and the statements made pursuant thereto, and that the information had in fact been found in Armsec's and not Nisec's offices," the lawyers said.

The OSEO announced this week that two advocates and two senior policemen from the SAPS's commercial unit have been assigned to investigate the allegations against Williams.

PROPOSALS ON RETIREMENT BENEFITS

LEAVING KATZ ON A LIMB?

(300) FM 1/3/96

The pre-Budget atmosphere crackles with tension over moves Finance Minister Chris Liebenberg may make on controversial Katz Commission proposals. There is evidence that government may be turning its back on the commission's recommendation to:

- □ Tax the interest and trading income of pension funds; and
- □ Impose a progressive front-end tax on accumulated benefits.

Michael Katz

It is likely to take bridging action to tax the pensions industry and postpone decisions on specific proposals. It could impose a one-off levy of 0,75%-1% on the R500bn in assets held by pension funds. This would generate R4bn-5bn in the 1996-1997 financial year.

Katz Commission chairman Michael Katz reportedly opposes a levy as it fails to address issues such as tax arbitrage which were raised in his report.

Earlier, Liebenberg had — in his pre-Budget speech to parliament — expressed reservations about the Katz proposals, though with his usual courtesy and moderation. He conceded tax concessions for retirement savings — allowances and benefits — were "too rich." So equity is needed.

Nevertheless, he said, it would be silly to do anything to damage an industry that is the biggest provider of savings in a country short of savings. Even the present savings ratio is too low to sustain the targeted growth rate.

Significantly, he added it would be unfair to introduce taxes retroactively. The government would be reluctant to impose taxes affecting accumulated vested rights. This is an evident reference to the Katz proposal for a front-end tax on accumulated retirement benefits.

Further research is needed, added Liebenberg, before implementing the controversial proposals to tax pension fund income, especially as the Katz Commission had conceded the need for more research.

And the report of the Smith Committee, which in important respects challenges Katz, is part of the picture. Smith argued South Africans must provide as much as possible for their retirement — a proposition at odds with the Katz pension proposals.

That Liebenberg has gone public ahead of the Budget indicates his objections to Katz are to be taken seriously. In this context, the proposal to take R5bn from pension funds — whether it stems from Katz or the Department of Finance is immaterial — could be regarded as the least harmful of many avenues of action. That is, granted the premise that government feels it needs a major tax contribution from the retirement industry.

Chris Liebenberg

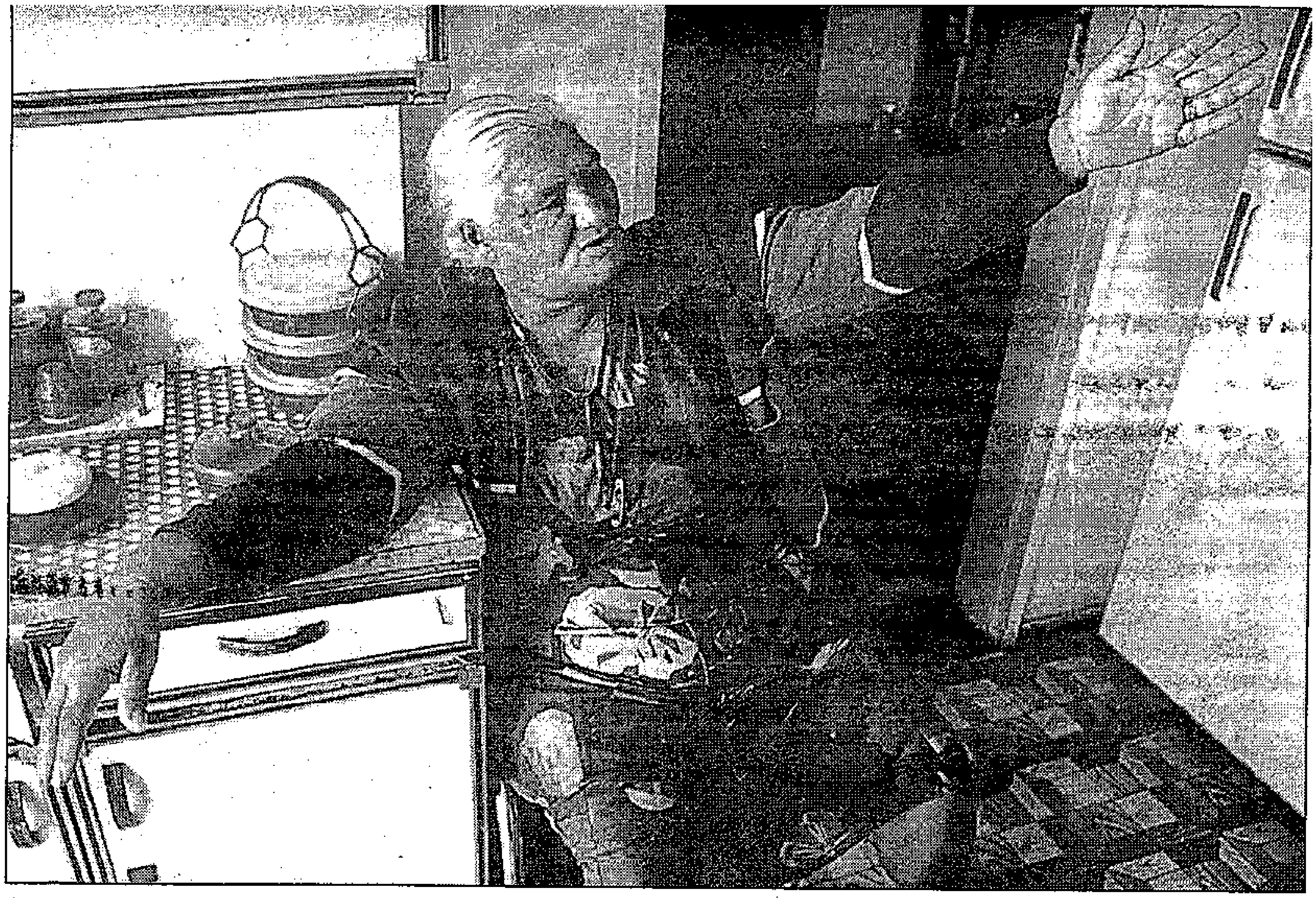
The options all come with major

economic objections or seem politically unacceptable to the governing party;

- □ To accept a continuing deficit of 6% of GDP or more would be immensely damaging to financial stability — a proposition that no serious participant in any party would challenge;
- □ The original Katz proposals are flawed (*Leading Articles* February 9), as Liebenberg has conceded; and
- □ Cosatu will fight to the death any increase in the Vat rate (now 14%). And a higher petrol tax would be universally resented — though an increase in indirect taxation would be the best choice in terms of free-market economics.

Lastly, SA needs to tackle its fundamental problem of ineffective tax collection by implementing the plan now under way to establish the new SA Revenu Service.

But the suspicion remains that the au thorities want to strike at the retiremer industry because it is a soft target at time when the departments of Inlan Revenue and Customs & Excise are in state of administrative collapse and ex isting taxes (including Vat) cannot b collected effectively. ■



Retirement provision: Workers will have to learn not to be reckless on the issue of investment decisions

PHOTOGRAPH: HENNER FRANKENFELD

Working in the best interests of pensioners

M+G (BM) 1-7/3/96 (300)

The deadlock is broken: workers and employers will have equal representation on the pension fund board, reports Lynda Loxton

THE Parliamentary Joint Standing Committee on Finance broke the deadlock on the question of worker representation on pension fund boards on Tuesday.

It was finalising the Pension Funds Amendment Bill aimed at, among other things, implementing the Mouton Commission recommendation that pension funds be managed by boards.

After hearing the views of both business and labour again, it decided to back demands by the Congress of South African Trade Unions (Cosatu) that at least 50% of board members should be elected by pension fund members.

This decision, Business South Africa (BSA) representative Barry Shipman told *Reuters* afterwards, could lead to a move away from defined benefit funds, because employers would have to submit to arbitration in the case of a disagreement about, for example, where pension funds would be invested.

Financial Services Board deputy executive officer Andre Swanepoel had warned the committee of this possibility earlier on, but chairwoman Gill Marcus said some decision had to be taken to resolve the issue and finalise the legislation.

"That is a possible consequence ... we are assuming that matters will be addressed in discussions and in the normal procedures of electing the fund committees," she said.

Shipman had told the committee that BSA supported the Pensions Fund Amendment Bill and was "not opposed to equal representation or majority representation by employees ... but the Bill should set a minimum and not be prescriptive".

The Labour Relations Act already provided for a comprehensive framework for collective agreements on retirement provision and should be given a chance to work.

Life Officers Association representative Chris Newall said the employer bore the financial risk with defined benefit funds and the issue of investments was "quite crucial in order to provide the appropriate level of funding at the lowest cost to the employer.

"For that reason we believe that it is right for the employer to have a say with regard to the investments of the fund, because they impact directly on the contribution that the employer makes in order to meet the promises in terms of the defined benefit fund."

But Cosatu representative Neil Coleman said the trend in the Katz and Smith commissions was to remove the differences between defined benefits and defined contribution pensions funds, "so we do not feel that is a legitimate point".

"In any event, there are a number of abuses that take place with workers' contributions in those defined benefit funds ... it is also incorrect to assume that if you have 50/50 representation ... that worker trustees will be reckless on the issue of investment decisions," he said.

Marcus said this highlighted the need for workers and employers to "thrash this out" between themselves in the best interests of the pension fund as a whole.

Controversy continues to follow Abe

GLYNNIS UNDERHILL (300)
Staff Reporter

ARG 2/3/96

HARD on the heels of the shock resignation of former Minister of Welfare and Population Development Abe Williams, SATURDAY Argus can now reveal:

- That the Office for Serious Economic Offences is investigating "various suspicious payments" made to Mr Williams during his years in public office;
- That Mr Williams is at the centre of a controversy over clothing given to the Department of Welfare and Population Development by a Taiwan-based charity group.

The director of the Office for Serious Economic Offences (Oseo), Jan Swanepoel, told SATURDAY Argus the investigation had been extended to include the years Mr Williams held public office.

"We are looking at various suspicious payments made to Mr Williams which involve the last couple of years," he said.

And, in another development this week, a government source has alleged Mr Williams ordered a government three-ton truck to cart away, to a National Party office, 80 box-loads of clothing given to the government for distribution to the poor.

In the week following Mr Williams' resignation, under a cloud of suspicion after Oseo raids on his homes and offices in Pretoria and Cape Town, the controversy has deepened.

Mr Swanepoel said the investigation initially related to the awarding of the Western Cape tender — for the payment of pensions on behalf of the Cape Provincial Administration — to pensions company Nisec.

"Later on, it developed into looking into Mr Williams' affairs and all payments received," he said.

Mr Williams was one of the first Labour Party MPs to walk over to the National Party in 1989. In 1993, he was the first coloured cabinet minister appointed by then-State President F W de Klerk.

This week, Mr Williams was embroiled in another controversy in his former Welfare Department after it was alleged he had requisitioned a government vehicle to transport 80 boxes of

■ To page 2

□ **SOMEONE TO LEAN ON:** "It is in times like this that you have got to stand by your husband and be a real wife," says Esme Williams.

Williams controversy

■ From page 1

ARG 2/3/96 (300)

clothing, given to the department, to a National Party office on the West Coast.

The former cabinet minister is a Member of Parliament and he serves a constituency on the West Coast.

After a complaint was lodged officially against Mr Williams by a member of his former department, the clothing was returned to the Welfare Department in boxes, claimed a government source who asked not to be identified.

Mr Williams declined to answer questions this week and referred all queries to his lawyer.

The Oseo claim that it is investigating "various suspicious payments" made to Mr Williams over the years comes on the heels of a startling chain of events in the past week.

Last week, Mr Williams disclosed to SATURDAY Argus he had received money from Nisec — but claimed this money was unrelated to the awarding of a multi-million rand tender to the company.

W/E ARGUS 2/3/3/96

300

Fair deal sought by pensioners of WW 2

■ When it comes to paying pensions to war veterans from World War 2, it appears there is a huge disparity between those who had a good education and those who did not.

MXOLISI MGXASHE
Staff Reporter

DISABLED veterans who had not passed the junior certificate or matric when they joined up during World War 2 have asked the government to remove all forms of discrimination in the allocation of pensions, including those based on academic background.

D A Biden, founding member of the Disabled Soldiers Association, a loose body of disabled ex-servicemen, said now that apartheid no longer existed it was about time "this injustice" was also redressed.

In an interview Mr Biden, who said he was speaking on behalf of almost 7 000 "victims of this discrimination", said in 1992 a revised military pension scheme came into effect in the country "which blatantly" favoured all those who had been "financially strong and fortunate enough to attend university".

University degree holders, even those who graduated after reintegration into civilian life at the end of the war, were — according to DSA — grouped as "A" pensioners, and those with matric as "B" pensioners while those below standard 10, including those in standard six and lower, were grouped "C" and got the lowest benefits.

"When we volunteered for active service on the declaration of war many of us had left school during the depression after passing standard 8 or 9, no questions were asked about our level of education. Those days a soldier was a soldier," said Mr Biden.

All disabled veterans are apparently paid the same basic allowances. The differences come in with the academic grading which give the "Bs" a 25 percent advantage over the "Cs" and the "As" a 66 percent difference over the "C" underdogs to which most black veterans belong.

Mr Biden said this arrangement left differences in the pension scheme between the "A" and "C" groups ranging between R231 to R1 155 a month for soldiers who lost both feet.

He cited the case of disabled veteran Lucas Majaji, who had not gone above Standard 6 at school and served in the war, as a stretch bearer.

"This man, who died last year at the age of 75 or so, saved many lives in that war, including mine. Lucas was wounded while carrying a wounded soldier. He went back for another injured soldier and was hit by enemy fire for the second time.

"But he went back for another man and was wounded for the third time... That's how he got the DSM, which is next to the Victoria Cross, the highest military honour.

"Lucas died a victim of this discrimination I am talking about. Was it his fault that he could not, in the period of the depression, afford to go higher in his education?.

"These are some of the things we have raised with the previous government but without success, and we hope now that we have a democratic government that listens to poor people things will be different," said Mr Biden.

Meanwhile, another World War 2 veteran, Morris Archibald Dingiswayo, 79, has spent more than a decade going up and down war veteran and social welfare offices in Cape Town trying to claim his war veteran pension benefits.

He has not up to now had these, but was instead offered the more general old-age benefit. He was apparently told several times by the relevant authorities that now that he is on the old-age pension he could not get the war veterans' benefit.

But Mr Dingiswayo has not for all these years accepted that explanation and he is still fighting to get what he believes is due to him.

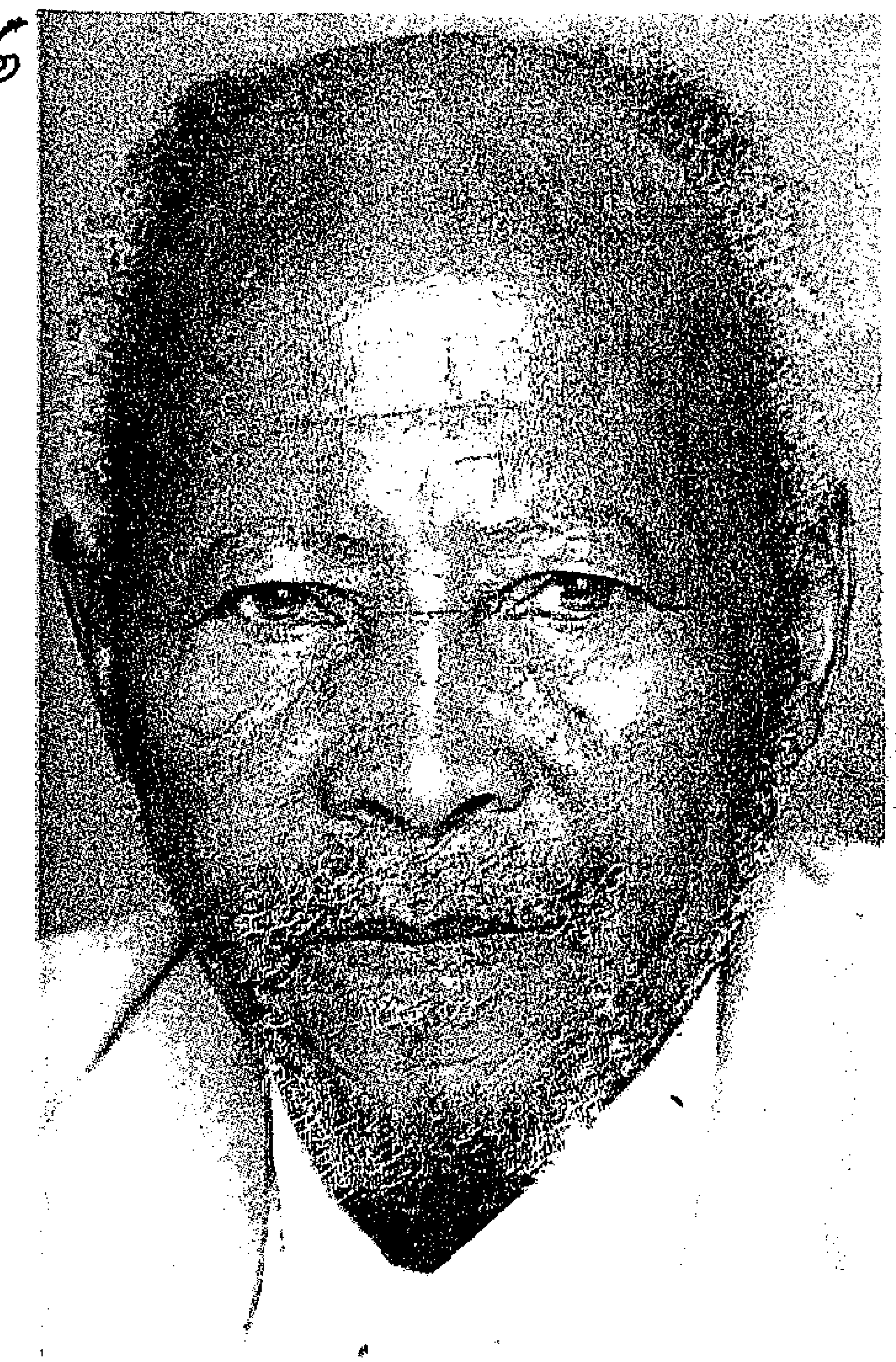
He obtained a certificate of service from the South African Defence Force on March 31, 1991 as evidence of his service in the army.

"I went to the Defence Force in 1991 to introduce myself, without any records. I had asked the army to keep my letter of discharge in my file when I was discharged in 1945, but I was told that my file was missing.

"They asked me if I could still remember the division or ship I had served in and I told them it was in the native non-combat staff of the South African Engineering Corps. They were satisfied and gave me the certificate of service, but not my pension benefits," said Mr Dingiswayo.

Mr Dingiswayo has spent all this time hoping that the deductions, made from his earnings as a worker cleaning the heavy weaponry aboard a warship and whatever was due to him in pension as a veteran, would one day be reimbursed to him.

He said he had heard from the news that a conference of ex-servicemen from Commonwealth countries were meeting in Cape Town to address, among other things, the problems of non payments of pensions and other benefits to war veterans.



Picture: LEON MULLER, Staff Photographer.

☐ **VETERAN:** World War 2 Navy veteran Archibald Dingiswayo is one of the ex-servicemen who feel they have been robbed of their pension benefits by the Defence Force.

Don't panic over rising food prices, say economists

Economists say there is no need to panic about food price rises yet, after expectations for a drop in the inflation rate were squashed this week with the Central Statistical Service's announcement that annual inflation remained pegged at 6,9% in January.

"There is a lot of competition in the market, which should keep food price hikes to a minimum. The consumer can rest assured it is unlikely there would be any dramatic rises in food prices in the immediate future," says Nedcor senior economist Kevin Lings.

The CSS figures indicated the consumer price index rose 1,3% between December and January. Economists say the continued upward trend in food prices and medical, health, transport and communication costs is to blame for the higher than expected inflation rate.

Medical care and health expenses contributed 0,3% to the hike. Annual food inflation has accelerated to more than 4% – its highest level since July.

Economists say the food price rise was probably due to a spillover from the festive season, after a relatively large hike in December. Flood damage to vegetables also played a role.

Major sub-indices which added to the food price index in January were fruit and nuts (up 5,7%), vegetables (up 4,1%), meat (up 1,9%) and grain products (up 1,5%).

The rand's 5% devaluation against the dollar recently is unlikely to have any substantial impact on the consumer price index in the immediate future, economists say.

"Unless the rand depreciation continues at the current rate and falls by 10% or more, it will have very little effect on the CPI," says Standard Bank chief economist Nico Czwpyonka.

The currency's move is predicted to have an impact on the imported-goods component of the producer price index, but analysts say that would take time to show up in the CPI.

"It will have an immediate effect on the producer level, with the result that one should expect some price hikes in imported items, with the petrol price and car prices likely to increase," says Lings.

He predicts a further fall in the inflation rate in the coming months. – Staff Reporter

Star 2/3/96

Sanction moves on Cuba seen as US election tactic

San Salvador – Former Salvadoran guerrillas have accused US officials of playing election-year politics by calling for increased sanctions against Cuba after the downing of two small civilian planes.

Talk of toughened sanctions "has been converted into an electoral issue that the two parties are competing over", the Farabundo Marti National Liberation Front said in a statement this week.

The group blamed the increasing tensions since last Saturday, when Cuba shot down two aircraft flown by members of an exile group, on "the imperial politics of the US government which does not support a social system with a different logic".

Congress and President Clinton agreed this week on a package of new sanctions against Cuba.

The FMLNF urged the US to end its trade embargo on Cuba and normalise relations. The guerrilla group waged a fierce civil war against the Salvadoran government during the 1980s. More than 70 000 people were killed before the conflict ended in 1992. – Sapa-AP

Another two arrests made over South Coast murders

Port Shepstone – Another two men have been arrested in connection with murders on the KwaZulu Natal South Coast, the special investigation team probing South Coast murders announced yesterday.

One of the suspects was arrested in Lamont, near Margate, in connection with an attack on a group of people in the Mvutshini area in December, in which two people were killed.

The suspect appeared in court in Port Shepstone later yesterday.

Investigators arrested eight other suspects last month in connection with the Mvutshini incident, and on Wednesday another suspect was arrested in connection with an attack in the Nsimbini area in 1994.

A third man, currently in custody in Paddock, will also be charged with murder for his alleged role in the Nsimbini attack.

The special investigation team has now arrested 15 people since January in connection with 10 murder cases on the South Coast. – Sapa

'Various payments' to Williams under scrutiny

Cape Town – Hard on the heels of the resignation of former minister of welfare and population development Abe Williams, it can be disclosed that the Office for Serious Economic Offences is investigating "various suspicious payments" made to Williams, and that Williams is at the centre of a controversy over clothing donated to the Department of Welfare and Population Development by a Taiwan-based charity group.

The director of the Office for Serious Economic Offences, Jan Swanepoel, said the investigation had been extended.

"We are looking at various suspicious payments made to Williams which involve the past couple of years," he said.

In another development this week, a government source alleged that Williams ordered a government 3-ton truck to cart away 80 boxes of clothing donated for distribution to the poor. – Own Correspondent

(300) Star 2/3/96

Forgotten old soldiers get raw deal on war pensions

Star 2/3/96 (300)

By MXOLISI MGXASHE

Cape Town – Disabled veterans who had not passed the junior certificate or matric when they joined up during World War 2 have asked the Government to remove all forms of discrimination in the allocation of pensions to war veterans, including those based on academic background.

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In an interview, Biden, who said he was speaking on behalf of almost 7 000 "victims of this discrimination", said that in 1992 – 47 years after the war – a revised military pension scheme came into effect in the country which "blatantly" favoured all those who had been "financially strong and fortunate enough to attend university".

University degree holders, even those who graduated after reintegration into civilian life at the end of the war, were – according to the DSA – grouped as "A" pensioners, and those with matric as "B" pensioners, while those below Std 10, including those with Std 6 and lower, were grouped "C" and received the lowest benefits.

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Biden said this arrangement left differences in the pension scheme between the "A" and "C" groups ranging between R231 and R1 155 a month for soldiers who had lost both feet.

He cited the case of disabled veteran Lucas Majaji, who had not gone above Std 6 at school and served in the war as a stretcher bearer.

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"He went back for another injured soldier and was hit by enemy fire for the second time.

"But he went back for another man and was wounded for the third time. That's how he got the DSM, which is next to the Victoria Cross, the highest military honour.

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"These are some of the things we have raised with the previous government but without success, and we hope now that we have a democratic government that listens to poor people things will be different," said Biden.

JOBS

Watchdogs or pension fund rubber stamps?

(300)

ST (BT) 3/3/96

New legislation governing the country's pension fund industry seeks to make management more accountable of its R300-billion in assets. **DICK USHER** examines whether the proposals will work.

AMENDMENTS to pension fund legislation likely to be made law this year will bring about wide changes to the industry, but the big question is whether industry is ready for the challenge.

"Ready as ever," say industry spokesmen.

"Not by a long chalk," say independent observers.

The latter's criticism focuses on aspects of the Pension Fund Amendment Bill which aim to make management of the industry's R300-billion in assets more transparent and the funds subject to greater member supervision.

The Amendment Bill proposals, approved by the parliamentary finance committee this week, will require funds to have management or trustee boards with at least half the seats taken by elected member representatives.

Existing funds have until 1998 to implement the changes, while funds set up after July 1 next year would have to implement the moves from the outset.

The problem lies not in the Bill's intentions, but in difficulties that are likely to be met in making these intentions a reality.

"The aim is to give members more control over their retirement funds through having a representative on the board, but without adequate training these trustees will simply be unable to fulfil that function," says Pierre Reineck of Functional Learning Systems, which runs educational courses for trustees.

"There is such a wide range of skills involved in being a trustee, and they will have to function in an incredibly sophisticated financial environment. They'll have little hope of matching expertise with the professionals.

In agreement with this assessment is James Downie of Southern African Essentials, business consultants and trustee trainers.

"The types of skills we're looking at range through investment skills, actuarial, accounting, taxation, constitutional and industrial relations," he says.

"Member trustees will be sitting on boards with managers and highly skilled professionals and they'll need a broad spectrum of training if they're not to be anything other than rubber stamps for decisions taken by these people."

And the duties are onerous. They include:

- ☐ Understanding the details of the trust instrument, including the fund rules;
- ☐ Compliance with statutes governing trustees' activities;
- ☐ Observing proper diligence and good faith; and
- ☐ Administering trust property in the best interest of all the beneficiaries.

"The boards of union-inspired provident funds are usually 50-50 management and member representatives," says Mr Reineck.

"But although members elect people they genuinely believe will be best able to do the job for them, those elected are generally the products of a deprived educational background, often unskilled labourers with maybe four years formal education.

"This applies especially to company funds where member representatives find themselves up against the expertise of people such as the financial director and the industrial relations manager," he says.

Mark Anderson, an editorial board member of Trustee Digest, a periodical aimed at trustee éducation, says the problem is not so much that trustees should have the skills to run funds themselves, but that they should be able to act as watchdogs over the fund managers.

"They are there to make sure the managers play the role they promised to perform and are performing in terms of their mandate.

"It was one of the factors that made the Maxwell debacle in England possible — Robert Maxwell was simply able to do whatever he liked with corporate pension fund assets. There were no effective watchdogs."

Mr Reineck says that although the major insurance companies which administer and manage investments for existing funds do provide training, especially for provident fund trustees, there are serious questions about how effective this training is and how adequately it equips them to perform their trustee role.

"One major company, for example, gives all elected trustees of funds which it manages a three-hour training course.

"When this is directed at people who, in many cases, are barely able to calculate simple percentages, one has to ask whether the training is aimed at helping them to play their part or is simply a whitewash, which allows them to manipulate the situation," he says.

A further problem is that trustees bear collective responsibility for their actions and could all be held responsible for the poor performance of a fellow trustee. "A plea of inadequate training would not save a trustee from accountability for failure to perform his or her duties," Mr Reineck warns.

Spokesmen for major fund administrators, however, respond that they are well aware of the pitfalls of inadequate training. Old Mutual says that in March the company already had trustee training programmes in operation.

"Up to now they've been conducted by outsiders on our behalf, but from March we'll be launching our own effort," says a spokesman for the insurance giant.

Douw Steyn of Sanlam, a company which administers about 1 800 retirement funds, says the group has a number of training programmes in place both for its group business officials, who in turn train trustees, and for the unions. The latter team has been doing trustee training for years, he says.

Backlash over levy on assets

Retirement fund income targeted for tax

(300)

BD 6/3/96

Greta Steyn

THE backlash over plans to tax the retirement industry's assets had prompted government to try to find ways to tax the industry's income instead, industry sources said yesterday.

Government had initially decided to charge a levy of up to 1% on the industry's R500bn in assets because a tax on income would cause too many administrative headaches to be implemented in the 1996/97 fiscal year. However, after an outcry government had discussed ways around the administrative problems with the industry, the sources said. Government had not given up on the idea of raising R3bn-R3,5bn from the industry.

Administrative problems in taxing income would be overcome by using the same base used for regional service council levies (now paid to metropolitan councils). The tax would be paid on pension funds' income flow, including dividends and realised capital gains.

Sources said a move to tax income would not be unlike the Katz proposal to tax pension funds' trading income, although it would also include dividend income. The Katz proposal excluded dividends as these were not taxed in the hands of individuals, but included interest income.

One source said Finance Minister Chris Liebenberg hoped to present the tax as the first step of a phased introduction of the Katz proposals. It would be politically less sensitive than an asset tax, which carried "ominous leftwing overtones. But it is the same thing in disguise." The move would make a mockery of the reasoning behind the Katz proposals as it was obviously aimed at plugging a fiscal hole, not at holistic reform of the tax system.

It was not clear at what rate the levy was likely to be implemented, but government hoped to raise R3bn-R3,5bn from it.

Business believed government did not want to take on the unions over raising VAT and had opted for an ad hoc approach to the pensions industry instead. However, the unions have also not yet given their support for a tax on pension funds' income. Government and labour were to meet last night to discuss the Budget.

Business unanimously rejected the proposed asset tax as the thin edge of the wedge for wealth taxes. In a strongly worded statement, business told the National Economic, Development and Labour Council that the tax would be nothing short of confiscation. No credible economic theory supported a tax on assets rather than on income.

Retirement industry sources said yesterday the outcry had made government find an approach which would be more acceptable.

Shock pension payout figures

(250) (300)

STATE pensions are being paid to between 28 000 and 280 000 people who are not entitled to receive them, Acting Minister of Welfare and Population Development Dr Dawie de Villiers said yesterday.

In reply to a question from Senator William Mnisi (DP), he said this represented between one and ten percent of the total number of beneficiaries.

The figures were based on estimates made from sporadic investigations in some provinces.

Steps to eradicate abuses included the amalgamation of 14 computer systems into a single "transverse system". — Sapa

CT 8/3/96

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Massive pension fraud

Cape Town – Between 28 000 and 280 000 people were receiving state pensions to which they were not entitled, Acting Minister of Welfare and Population Development Dr Dawie de Villiers said yesterday.

This represented between 1 and 10% of the total beneficiaries, he said in reply to a question from Senator William Mnisi (DP). The figures were based on estimates made from sporadic investigations conducted in some of the provinces.

Steps to eradicate the abuses included the amalgamation of 14 computer systems, the implementation of the National Social Grants Register planned for May 1, and the 1992 Uniform Act on Social Assistance for grants from the beginning of this month. – Sapa.

(300) Star 8/3/96

No payment to Williams, says Denel

(300) ([illegible]) Star 9/3/96

The Office for Serious Economic Offences has confirmed that an affiliate of arms manufacturer Denel had not been responsible for an alleged irregular payment to former welfare minister Abe Williams, Denel said yesterday.

Denel said managing director Johan Alberts had received a letter to this effect from the OSEO. "The purpose of the letter was to clarify the matter and to eliminate any incorrect perceptions which may have arisen," it said.

Williams resigned on February 21 after staff from the OSEO had searched his offices and homes. It declined to reveal the charges being investigated.

ANC Western Cape MEC Ebrahim Rasool at the time claimed to have initiated the probe, alleging it concerned the award of a R149-million five-year contract to distribute social pensions. The contract to pay out about R1,5-billion a year using fingerprint identification technology was awarded to Nisec, a Denel affiliate.

Denel yesterday also released the letter from the OSEO on the matter. It said in part: "The company which ... made a payment into an account controlled by Mr A Williams was not Nisec." Alberts said he was happy the matter had been cleared up. – Sapa

ALLEGATIONS OF FRONT COMPANY

Abe 'was paid thousands'

(300) ~~(299)~~ ~~(304A)~~

A LETTER IN THE Cape Times' possession links Abe Williams to payments. **CHRIS BATEMAN** and **DALE GRANGER** report.

FORMER Nisec director Mr Michau Huisamen last night admitted paying "about R100 000" into an account called the West Coast Community Development Fund (WCCDF) — which is said to be a front company for former Welfare and Population Development Minister Abe Williams.

Williams earlier admitted receiving an undisclosed sum, but claimed it was "totally unrelated" to the R149 million five-year contract to Nisec to administer the Western Cape's pension payouts.

The Cape Times has obtained a copy of a letter written this week by the office for serious economic offences (OSEO) director Mr Jan Swanepoel to Nisec lawyers.

It reveals it was at Huisamen's Port Elizabeth premises that OSEO found documents linking Williams to payments.

The letter seeks to clarify it was at Huisamen's (Armsec) company office and his home, not Nisec premises, that the documents linking the two men was seized.

Cape Times sources claim to know of just under R1m allegedly deposited in the WCCDF account. Huisamen last night admitted paying money to the WCCDF from his security company Armsec, saying: "We did make a donation to the fund, but definitely not for that (R1m) amount".

He said the document OSEA found in his office was, "I think, for the amount of R50 112, a donation, a sponsorship".

Asked how much he had given the fund, he replied: "About R100 000 or less, I think, I'll have to go and have a look."

Huisaman said his company made many such donations to projects, including the Sport Foundation Trust, the RDP, the Parliamentary Rugby Club, the Zwide Sports Ground and the Eastern Province rugby team.

"Donations and sponsorships must be seen in that light. It was a meagre amount in the broader spectrum."

Huisamen said the R50 112 donation to WCCDF was made on May 25 last year after he had sold his shares in Nisec and resigned as managing director.

He said Nisec was awarded the Western Cape tender to administer social welfare pension payouts a year earlier and that "to try to link the two (WCCDF payment and Nisec tender) is absurd".

● Western Cape Police Services MEC Patrick McKenzie is to take over as Minister of Welfare and Population Development.

THE ABE WILLIAMS DOSSIER

— Page 4

PO resisted Nisec takeover

(300)

DALE GRANGER
STAFF WRITER

THE POST Office fought attempts by Nisec to take over the 216 000 social welfare grants they pay out in the Western Cape after a stormy meeting in Pretoria in the middle of last year attended by, among others, Western Cape government officials, former Nisec managing director Mr Michau Huisamen and the company's then public relations officer, Mr Naas Botha.

Mr Tommy Ackermann, who was the senior manager in charge of social grants at the Post Office at the time, said in an interview yesterday the meeting was also attended by Ms Virginia Petersen, chairwoman of the provincial welfare strategic management team, and Dr Ebrahim Jarodien, then acting director of welfare.

He said Jarodien and Nisec officials insisted that the Western Cape social grants paid out by the Post Office be handed over to Nisec.

Ackermann, now managing director of Pensecure, a new firm set up by the Post Office to pay out social grants, said they had told him this "instruction" came from the office of Mr Abe Williams, former national Minister of Social Welfare and Population Development, who is now being investigated by the Office for Serious Economic Offences.

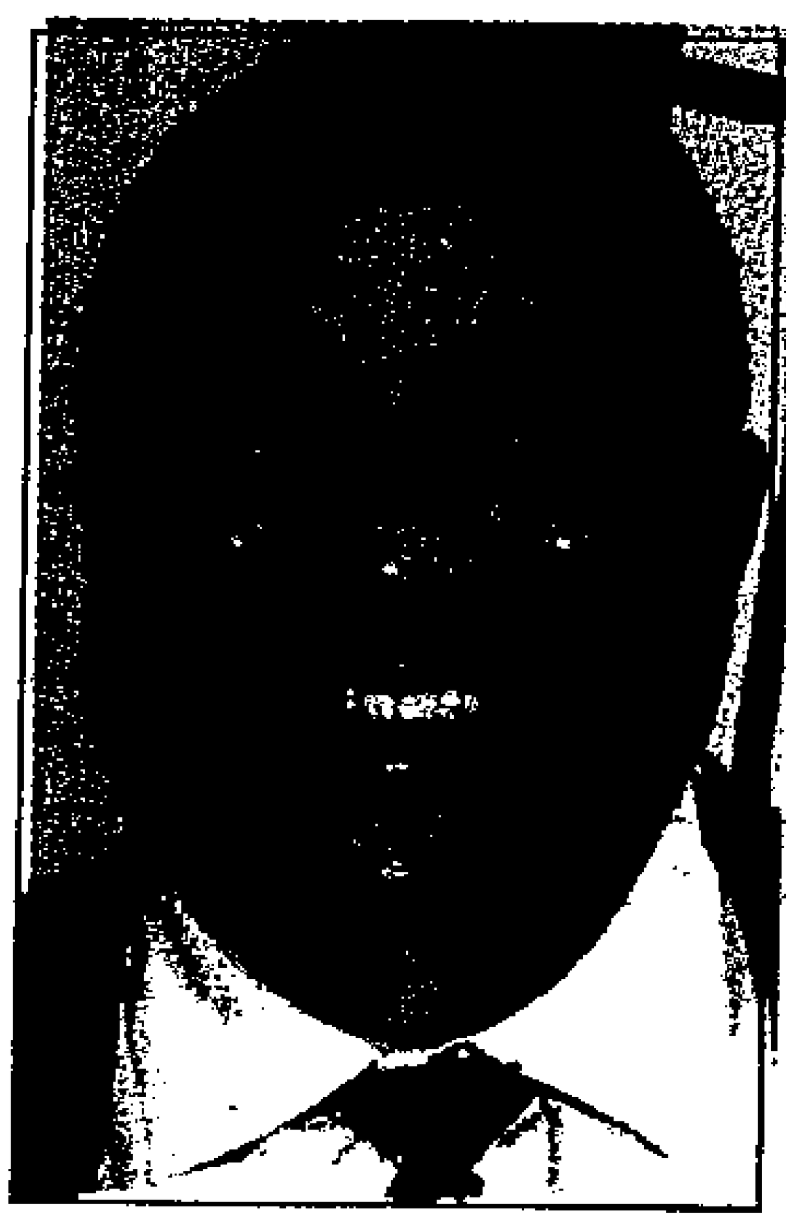
They were adamant the contract Nisec had won from the Western Cape government (to administer black social welfare pensions) be extended to include those in the Western Cape who were paid out by the Post Office.

"I retaliated and said this could not be the case because the Post Office had an agreement with the provincial administration that we rendered a service on behalf of the government. The meeting was adjourned," Ackermann said.

The contract between the government and the Post Office stipulated that we "cannot just allow a tender to be given to anybody. A private firm cannot just absorb volumes and I was adamant that they prove it to me in writing. They couldn't give it to me," he said.

Ackermann said he was prepared to fight a Nisec takeover in court. At the second meeting in Cape Town, the Western Cape government delegates had told him Williams had asked that Nisec reach an agreement with them to facilitate a sub-contractor (Post Office) under the prime contractor (Nisec).

"I still adamantly demanded written proof to substantiate this verbal information as up to this date I had not received written confirmation. Later I obtained the tender document (for the Western Cape contract with Nisec) which stipulated a supply of software and hardware for fingerprint identification for specifically the 175 000 (black) beneficiaries in the Cape."



'INSTRUCTION': Former Social Welfare Minister Abe Williams

Williams' lawyer Mr Frikkie Erasmus said yesterday: "We don't want to comment pending the outcome of the investigation. As far as we are concerned, the innocence of Abe Williams will be proven in the appropriate forum."

Jarodien said: "I would find it difficult to believe (the instructions came from Williams). He was not (Western Cape Health) minister at the time and had no authority to instruct me. I was at the meeting at the instruction of Mr Rasool where Nisec officials were antagonistic. I was opposed to their summarily taking over Post Office clients."

Mr Huisamen said: "In the meetings where Ackermann was involved, it was always on a friendly footing. There was a little problem one day with Jarodien, but we sorted it out afterwards. He was unco-operative".

Board to probe pensions irregularity allegations

BD 12/3/96 (300)

Amanda Vermeulen

THE Eastern Cape tender board is checking the process for the allocation of its R100m pensions administration contract following complaints from one of the bidders.

The board said all tenders for the contract to pay out R2,1bn a year in pensions would now have to be re-evaluated following allegations of irregularities in the adjudication process.

Adjudicator David Hardy, who is also chief director of administration and finance in the province's health and welfare department, said the board rejected the allegations, but another team would look into the complaints.

The new committee, convened by department secretary Mbuyo Tom, is staffed by government officials mainly from outside the province.

The tender was likely to be awarded at the end of the month.

Sources said Standard Bank's joint venture with Fidelity Guards was tipped to win, while other tenders included the Post Office and a joint venture between Absa and Nisec. Nisec, which won the pensions contract in the Western Cape, is under investigation by the Office for Serious Economic Offences.

Strike likely, warns union

(300)

Renee Grawitzky

BD 12/3/96

THE new municipal union, the Independent Municipal and Allied Trade Unions, launched last week, warned Finance Minister Chris Liebenberg and other ministers yesterday of impending industrial action if pension funds were taxed.

Spokesman Jan Bezuidenhout said yesterday that the union's launching congress had resolved to oppose a move by government to tax municipal pension funds in the 1996/7 Budget. If it did embark on this route, it could lead to industrial action.

The Federation of Labour Unions-aligned union was formed out of a merger of five unions and claims a membership of 80 000, making it the second largest municipal union after Cosatu-aligned SA Municipal Workers' Union — which claims a membership of about 100 000.

This union, now Fedsal's largest affiliate, has brought in an additional 15 000 members to the federation, increasing its membership to 230 000.

Outrage at R20 pensions rise 'insult'

ARG 14/3/96 (300)

MICHELLE LERNER
Staff Reporter

THE announcement of a R20 monthly increase in social pensions demonstrates the government's "disregard" for the elderly, say senior citizens' organisations.

Speaking after yesterday's budget when the increases were announced, they said it highlighted the need for a mass-based lobbying group.

"I'd like to know how many parliament members could survive on R430 a month," said Sid Eckley, director of the South African Council for the Aged. "It's an insult to older people and one that shows the present government has no understanding of their plight."

Although government grants had increased by five to seven percent over the past decade, inflation had cut pensions in real terms, he said.

Organisations for the aged decried the government's failure to consult them before taking decisions, and admitted "grey power" was lacking in the new South Africa.

"Everyone else has some kind of a national forum representing their interests," said Association for Retired Persons and Pensioners director George Fourie.

"But the man on the street, who's struggling to get by on a minimal retirement benefit, has no voice at all."

Winnerd Zantis, chairman of the Cape Peninsula Black Pensioner's Organisation, called the government's latest concession a "disgrace".

The population over 65 is around 1,7 million and is expected to double over the next 10 years. No single group acts as an umbrella body to give them voice.

Mr Eckley cited a "culture of silence" on the part of black and coloured seniors who bore the brunt of apartheid-era policies.

R450-m for MK and Apla's pensions

(300)

Sowetan 14/3/96

The liberation armies were disbanded in 1992 when negotiations started

THE GOVERNMENT HAS set aside a total of R450 million in the 1996-97 financial year for special pensions for veterans of the liberation struggle.

Finance Minister Chris Liebenberg said on Wednesday the money would be added to funds accumulated last year.

He said during his Budget speech that legislation would be tabled soon to authorise payment of the pensions. There had been considerable consultation on the legislation, and the Government hoped it would receive the support of all.

Freedom fighters

Former freedom fighters of Umkhonto we Sizwe, the African National Congress's former armed wing, and the Azanian People's Liberation Army of the Pan Africanist Congress will benefit from the deal.

These armies were disbanded in 1992 when multiparty constitutional negotiations which ended in the historic April 27 1994 democratic elections began.

The "good news" Budget relieves the anxiety over the future of the freedom fighters, many of whom had been demanding reparations and had been confronting President Nelson Mandela's Government of National Unity since its inception in 1994.

Meanwhile, the Government has budgeted on collecting a total of R144,857 billion in tax over the next financial year, and individuals are targeted to be the largest contributors.

Budget figures released yesterday indicate individuals should pay R57 975 billion in tax, while Value Added Tax is expected to generate R36 93 billion.

The budgeted income from companies other than mining companies is R19,11 billion.

Other major contributors to the Government's coffers are: extraordinary capital receipts, R1,88 billion; income tax from mining companies, R2,22 billion; secondary tax on companies, R1 billion; interest on overdue taxation, R750 million; stamp duties and fees, R1,04 billion; and transfer duties R1,65 billion.

Revenue up 13,8 percent

Total budgeted revenue is up 13,8 percent on last year and should amount to 25,8 percent of gross domestic product.

Liebenberg said improved revenue collections should yield an additional R1,5 million and the government's policy of gradually selling off strategic oil reserves had made it possible to transfer R1,9 billion to the national revenue account.

Pensioners get 6% more

(300)

Wyndham Hartley

BD 14/3/96

CAPE TOWN — Civil pensions have been increased 6% for all pensioners who retired on or after April 1 1995.

Finance Minister Chris Liebenberg said the minimum would be R24/month. The increases of those who retired later, but before April 1 1996, would be increased proportionally.

Military pensions would be considered at a later stage, "once negotiations on improvements in conditions of service of public servants, to which military pensions adjustments are linked, have been concluded".

Provisions were made for the payment of special pensions for freedom fighters. Liebenberg said R450m had been allocated for this in 1996/97 in addition to funds rolled over from last year.

Tax on pension funds, rental income slammed

BD 14/3/96 (300) (528)

Samantha Sharpe and Linda Ensor

CAPE TOWN — The retirement industry slammed the introduction of a 17% tax on pension fund investment and rental income yesterday as short-sighted.

The tax followed the Katz commission's proposal that the income pension funds earn on interest, rental and other trading income be taxed 30%, and is expected to add about R2,75bn to state coffers.

Sources said they were relieved the tax excluded trading profits, but it was a poorly disguised cry for funds and outside a holistic approach to retirement fund tax.

Life Offices' Association executive director Jurie Wessels said the association was happy that while government had accepted some of the Katz commission's principles, the proposals would be referred for further discussion with all the stakeholders.

"As far as the 17% tax on rental and interest income is concerned, we believe it is an ad hoc revenue collecting exercise, rather than the first phase of a phased introduction of the Katz proposals."

Liebenberg said the following Katz commission principles were accepted: taxation of income as it arises rather than when paid out; consistent tax treatment of private and public sector funds; tax neutrality between forms of retirement provision; ministration of opportunities for arbitrage in as far as this tax related; and incentive in favour of a lifetime annuity.

Other proposals — such as land tax, taxes on small and micro enterprises, the consideration of capital taxes and regional service council levies — required more investigation. Elements such as group income taxation, capital gains tax and taxpayer education would wait until the SA Revenue Services was fully operational.

"The one major outstanding issue ... is a holistic review of the tax system and recommendations in this regard. This issue will form the centrepiece of the final report which the commission will be asked to submit early in October 1996," Liebenberg said.

He sought to allay uncertainty about retirement fund taxation and to prevent employees taking early retirement to avoid having to pay extra tax on their lump sum payments. Benefits payable by retirement funds to members would be taxed only on the basis of the new method as from the year of assessment, commencing on March 1 1997 at the earliest.

The legally established, vested rights of members of public sector funds to lump sum retirement, retrenchment or resignation payments would be protected. Reference would be made to the number of years' service up to the date the changes were introduced as well as the final salary applied in the determination of benefits.

A guarantee was made for private sector fund members who became entitled to lump sum benefits after the implementation of the new provisions and were entitled to a deduction from their lump sum payment on retirement or retrenchment. If they received a smaller deduction under any new formula, the deduction under the previous dispensation would be phased out over five years.

FRIDAY
MARCH 15, 1996

CONTRIBUTIONS MUST INCREASE

Pension payouts will shrink by up to 17%

CT 15/3/96 (300)

CONTRIBUTORS WHO WANT to get as much out of their pension funds as they were expecting are going to have to pay in more, reports **FRANÇOISE BOTHA.**

THE 17% tax on some retirement fund income announced in Wednesday's Budget speech is going to reduce pension fund payouts by a minimum of 9%, but more likely 17%, over 25 years, say accountants and financial advisers.

The tax, which covers all private and state pensions and provident and retirement annuity funds, only applies to the interest and net rental income of the funds and not the dividend proceeds or capital gains from investments in shares or property.

Mr Michael Smythe, director and tax specialist of Southern Charter Financial Services, said the effect on contributors would be to reduce pension fund payouts by between 0,5 and one percent a year over the period that an employee is contributing.

At this rate, a person who contributes R200 a month to a pension fund that achieves 16% growth compounded for 25 years would, before the tax, have a retirement policy valued at R782 609.

If the 17% tax reduced the payout by 0,5% a year, this would cost the person R70 322 or 8,99% over 25 years. This would increase to R133 903 or 17,12% if the payout was reduced by one percent a year.

Mr Colin Wolfsohn, a partner at Kessel Feinstein Chartered Accountants said yesterday this meant people would have to increase their contributions if they wanted to receive the same amount of money.

"On a one percent differential, it means that the person would have to contribute 20,5% more each month or R42 to reinstate the portion that would be lost," he said.

The tax will only affect payouts from the date on which it is implemented and will have no retrospective effect. It also does not apply to life assurance endowment policies.

Smythe said that people who were close to retirement would be hit by the tax more than others in the short-term.

"Typically, they take their money out of equity-linked funds and move it to more stable funds which invest in property or cash. They do this to avoid the fluctuations in the stock market, but those funds are now going to pay higher taxes. This could adversely affect them," said Smythe.

But he warned that if people were to cash in their pensions today to avoid the lower returns, they would have to pay tax on the money at their average tax rate.

"This is probably not a wise thing to do," he said.

Both Wolfsohn and Smythe said that people may opt to provide for their retirement by putting money into unit trusts every month — a form of saving that does not attract the 17% tax — because the cost of the investment would be lower.

'Hundreds of millions' may be lost in pensions chaos

(300)

TASLIMA VILJOEN
Staff Reporter

THE former House of Representatives (coloured) social services department was open to widescale fraud and corruption, a Task Group report on fraud and other irregularities has revealed.

"Horrific" maladministration in the Western Cape is expected to have cost "hundreds of millions of rand" the shock report released in Cape Town yesterday said.

The report found that no system existed to keep a check on pensioners who had died. This meant unscrupulous officials could re-use pension numbers.

The task team noted that certain people who had been convicted of offences involving financial dishonesty had been promoted to senior positions.

Former Minister of Welfare and Population Development, Abe Williams recently resigned from cabinet hours after the Office for Serious Economic Offences raided his offices.

The report was compiled by forensic auditors, Ernst & Young.

In the cases of the former HoR, the House of Assembly and and the Cape Provincial Administration, the report concluded that systems and procedures in place were susceptible to fraud.

ARG 15/3/96

This resulted from ineffective management.

In 1995/6 277 000 beneficiaries received R1,6 billion in social security payments.

Identification numbers of 53 percent of HoR beneficiaries were found to be invalid on the central data base.

Internal audits of regional and branch offices had not been undertaken since 1985.

Probe into corruption urged

Cape Town – The former House of Representatives' social services department was open to widescale fraud and corruption, a task group report on fraud and other irregularities has revealed.

"Horrific" maladministration is expected to have cost "hundreds of millions of rands", the shock report released in Cape Town this week suggested. It found no system existed to keep a check on pensioners who had died. This had paved the way for unscrupulous officials re-using pension numbers for their own benefit.

Of particular concern was that certain people convicted of offences involving financial dishonesty had not only been retained in positions of financial responsibility, but had been promoted to senior positions.

The report highlighted the need for a national strategic restructuring of social services. It paid special attention to the House of Representatives, where most irregularities were found.

(300)

It recommended a full national investigation.

(~~299~~) Star 16/3/96

Liebenberg's tax leaves pensions a narrowing edge

ST 17/3/96 (300)

By TERRY BETTY

FINANCE Minister Chris Liebenberg's tax on the retirement industry has thrown South Africa's traditional investment haven into turmoil.

By taxing the industry's income on rentals and investments at 17 percent, Mr Liebenberg has cast a shadow over the favoured savings route of most South Africans.

Their monthly retirement income could be reduced by up to 20 percent as a result of Mr Liebenberg's proposals, which industry sources fear could be the beginning of a broader attack on the R500-billion retirement industry.

While Mr Liebenberg has hinted that the tax may stay at 17 percent, the retirement industry fears he will lift the rate gradually until it hits the 30 percent rate recommended by the Katz Commission.

The income from investments held by existing pensioners will not be taxed. But, if you are saving for your retirement, it is important to consider the impact of the proposals.

The tax hike has made a number of other investment opportunities more attractive, particularly if the rate is to be raised again.

But Andrew Bradley of investment consultants Fincorp says that, even with the new tax, a pension is still one of the best investments.

As the table illustrates, pensions still show a return about 10 percent ahead of the next best alternative — deferred compensation.

Retirement funds would also outperform other investment alternatives even if they were taxed at 30 percent, but the impact would vary according to the amount saved every month for retirement.

The table shows that, if you invest R1 000 a month for 30 years, your pension fund would be worth about R2-million and your deferred compensation worth R1,8-million.

A R1 000 investment in unit trusts invested in shares is not tax deductible and would attract 45 percent tax at source. The remaining R550 a month into the unit trust would be worth R1,7-million after 30 years — 18 percent less than the pension fund. It is important to note that this assumes a steady 12 percent investment performance by the unit trust. Many perform better.

The same R1 000 invested in a more conservative managed portfolio would be worth R1,4-million — a third less than the pension fund.

The main reason that the pension and deferred compensation options fare best is that they are bought out of pre-tax money. The biggest downside of endowment policies and unit trusts is that they have to be bought out of post-tax income.

There are some common assumptions underlying the assessment in the table. It assumes all assets are earning a 12 percent return. All instruments, other than the equity unit trust are invested 75 percent in equities and 25 percent in cash, property and gilts. The equity unit trust is invested 95 percent in equities and five percent in cash.

Interest and rental income is taxed at 17 percent in the retirement funds, at 35 percent in the deferred compensation, 30 percent in the endowment policy and 45 percent in the unit trusts.

Mr Bradley says that, in the example, payouts of retirement funds and deferred compensation on the day of retirement are taxed at an average rate of 30 percent.

The exception to the rule that retirement funds are the best option at 17 percent tax is if your salary is taxed at below 17 percent, in which case you would be better off buying a unit trust, says Mr Bradley.

Similarly, if the tax rate is lifted to 30 percent, anyone with an average tax rate below 30 percent would be advised to look at unit trusts.

A number of commentators believe that the rate may still reach 30 percent since the Budget has adopted the essence of Mr Katz's proposals. One industry source comments: "We started off with GST at four percent — now look where we are!"

Martin Kourie of Momentum Life says that, if the rate was raised to 30 percent, the lower earners would be better off buying a unit trust. "Even better, they could put the money into their bond if they have one."

He says: "The problem is not the 30 percent tax on the pre-retirement build-up — the real pain is felt after retirement, when the individual wants to draw a pension.

"Wealthier guys can afford not to draw a pension and so they structure it to be invested mostly in equities, which are tax-free.

"But the poorer person needs to draw maximum income and, to be able to pay this, the fund has to invest in interest-earning investments, which are then taxed at 30 percent."

Mr Kourie says that, if the Katz proposals are implemented, a pension worth up to about R820 000 will be taxed at a fair rate for a wealthier person. So people will need to calculate how much they should be saving in their pension each month to yield R820 000, in today's rand terms, on retirement.

Thereafter, they should rather pay tax on the income and invest the money themselves.

INVESTMENT COMPARISON

Year	Pension/provident			Deferred	Endowment	Unit trust	
	Untaxed	Taxed at 17%	Taxed at 30%	compensation	policy	Managed	Equity
0	12 000	12 000	12 000	12 000	6 600	6 600	6 600
5	68 168	67 295	66 636	66 384	52 357	51 765	53 196
10	173 498	168 748	165 210	163 871	129 808	126 680	134 330
15	359 128	343 507	332 062	327 772	260 906	250 936	275 600
20	686 269	644 544	614 487	603 334	482 811	457 036	521 579
25	1 262 805	1 163 105	1 092 537	1 066 627	858 422	798 886	949 879
30	2 278 858	2 056 368	1 901 713	1 845 546	1 494 203	1 365 897	1 695 636

Graphic: FIONA KRISCH Source: FINCORP

Payments to 19 000 'dead people'

Govt exposes R100m scam on pensions

BD 20/3/96 (300)

Ingrid Salgado

GOVERNMENT had been forking out pension payments to 19 000 dead people and would save nearly R100m in the next year by cancelling them, Gauteng social security chief director Louis du Toit disclosed yesterday.

This was discovered last month when data from the home affairs department on dead people was passed on to the provincial government. Gauteng — which pays about 40% of the national pension bill — had been making the lion's share of the false payments (25,8%). It was followed by Eastern Cape (17,3%), Free State (13,3%), KwaZulu-Natal (11,9%), Mpumalanga (11,6%), North West (9%), Northern Cape (5,4%) and Western Cape (4,1%). Northern Province was lowest at 1,6%.

Du Toit said Gauteng had given case details to police and the other provinces and had cancelled its own erroneous payments. Those who had drawn pensions after the true recipient died were liable for prosecution.

He said the problem arose because the provincial welfare departments did not have on-line computer linkages with home affairs. Data to check that pensions were paid only to living recipients thus had to be fed into computers manually.

The high false payment rate in Gauteng could be due to the former Transvaal Provincial Administration being "so massive". Some provinces like Western Cape had already started cleaning up their systems.

He said most pension recipients receive a maximum of R410 a month.

Gauteng would shortly undertake a similar cross-referencing exercise to check the finance department's civil pensions records against the social grants system. This would identify beneficiaries receiving both civil and social pensions. The identities of pensioners living outside Gauteng but still drawing provincial pensions would also be compared to elections registers in magisterial districts.

The province was, however, providing agency services to surrounding provinces where infrastructure for making payments was not yet in place.

Gauteng welfare MEC Sakkie Blanche said the department had identified 36 cases of fraud perpetrated by public servants. They were all directly involved in cash payments. Indications from police were that much of the fraud was the work of syndicates.

Many of those accused of fraud would receive salaries until their cases came before the courts, he said.

National estimates put monthly losses due to pension fraud at 10% of the total bill, or R13,5m in Gauteng. In provinces like the Free State the figure was closer to 20%.

Crackdown on pension payments to the 'dead'

(300)

Star 20/3/96

Phony beneficiaries are costing the department R72-million a year which can now be channelled to welfare organisations

BY PRISCILLA SINGH

The Department of Welfare national crackdown on fraud is expected to net up to R72-million a year by weeding out phony beneficiaries.

Pension payment data tapes show that 14 629 out of the estimated 900 000 beneficiaries on the Social Pension (Socpen) system are dead, but still receiving R410 a month.

If all these people are indeed dead – and the pay-outs are stopped – the department will save about R5,99-million a month, or R71,9-million a year.

Welfare spokesman Michael Fumarola said there might be individual cases where pensions had been stopped because the beneficiaries were listed as dead by Home Affairs, when in fact the people might still be alive.

"In these cases, strict procedures will be followed before a grant is reinstated," he said.

The massive savings will be good news for welfare organisations, as the department says it will be channelling the extra money to them.

Startling fraud figures were released yesterday by the Gauteng MEC for Welfare, Sakkie Blanché, who said his department was reviewing files of all people born before 1910.

Strict procedures before a grant is reinstated

"Johannesburg is the pilot project and since last month we have cancelled 36 cases of deceased beneficiaries and an amount of R130 531 is to be returned by the banks concerned.

"Also, 4 500 cases in the province have been identified where pensioners have died, yet power of attorney holders continue to draw the pension. These have already been cancelled and we save R1,8-million a month or R22-million a year," said Blanché.

The department recently announced the "life certificate" system to force beneficiaries to present themselves annually to officials to prove they were still alive. This will apply particularly to beneficiaries whose grants are paid into their bank accounts.

Task groups have been set up to work in different but inter-related spheres where action needs to be taken if social security systems are to be effectively restructured.

Although the extent of fraud has not been verified, it is estimated that inefficiency and fraud, involving beneficiaries, officials and organised crime, account for up to 10% of the national social security budget.

There are indications that fraud involves beneficiaries, officials and syndicates involved in organised crime.

Blanché said 36 Gauteng welfare officials had already been suspended for fraud and were facing criminal charges and disciplinary action.

Elderly face hardship as government moves on

pension subsidy cuts

CT 21/3/96 (300)

DIANE CASSERE

WIDESPREAD hardship is expected to follow the April 1 cut of subsidies for residents in old age homes. In addition, certain categories of elderly people will not be admitted to subsidised homes at all.

Mr John Newton, assistant chief executive of the Cape Provincial Organisation for the Aged (CPOA) — which has the greatest number of residences for the aged in the Western Cape — confirmed yesterday that they had been informed of major subsidy cuts for certain categories of senior citizens.

"We are in tough times. By the year 2000 only the frail and sub-economic aged will be subsidised at all," said Newton.

He said government circulars had instructed the CPOA to anticipate that subsidies would be phased out on a sliding scale, and CPOA had based their budgets on these instructions.

The CPOA had both subsidised and unsubsidised homes. Senior citizens were divided into three categories, he said. Category one were healthy and mobile; category two required some assistance, and category three were frail.

Previously all senior citizens with an income of less than R1 300pm were subsidised by anything from R240 to R1 159 a month, depending on their income. Those with a monthly income of more than R1 300 were not subsidised at all, and this remains the same.

Said Newton: "However, there is a proviso that after April 1 we may not introduce any more category one or two people to subsidised homes. We are going to have to adapt our approach and concentrate our resources. It will be a tough task but we must put our heads down and do it.

"Inevitably the subsidy cuts will affect the service. The sad thing is that the aged don't understand the magnitude of the changes."

Following is the experience of a Tokai woman, herself a pensioner, who wrote to the Cape Times. To prevent any anxiety for her 82-year-old mother, she has asked not to be named: "My mother, who is a fit 82-year-old, is in a semi-private home (not CPOA) where she has been for 10 years.

"The other day I had a letter from the board of directors of the home to say the government was planning to discontinue its subsidy for all those not in frail care at the end of this month. I am a pensioner myself, but if I am forced to pay the R788 a month to keep my mother in the home, I will be forced to go back to work.

"My mother is deeply upset and angry about this and it is affecting her peace of mind. Her independence and dignity are at stake."

The letter continues: "In view of accusations that a minister has probably defrauded his department of millions and that the Minister of Health has wasted millions on an Aids play, to deprive the elderly of about R30 000 a month (in this one home), thus placing a further burden on their already heavily taxed children, is grossly unfair."

A spokesperson for the Western Cape Department of Social Services confirmed that there would be subsidy cuts but added that "extensive discussions" were under way to determine how elderly people would be categorised. She declined to comment further.

A faxed query to the Department of Welfare in Pretoria produced this reply: "The content of the enquiry regarding subsidies to old age homes has bearing on a report that will be submitted to the Minister for Welfare and Population Development. Therefore, the department is unable to assist with your specific request at this stage."

● A group of concerned people has formed People for Pensioners, a group that will lobby the Minister of Welfare and Population Development on the subsidy issue. They can be faxed at (021) 75-3871.

Cape tender board asked to justify R400m contract

Amanda Vermeulen BD 2/4/96 (300) (~~299~~)

THE Eastern Cape health and welfare department has asked the province's state tender board to justify its award of a R400m contract, after two adjudication committees recommended another bid that was R165m lower.

A spokesman for the department said it wanted to know why the contract — to pay out R2,1bn a year in pensions — had been awarded jointly to Pensecure, a consortium involving the Post Office and Coin Securities, and Balraz Technologies.

Sources said the department was concerned that two adjudication committees had spent eight months between them analysing the bids. Both had recommended Standard Bank's consortium with Fidelity Guards.

But the board had given no justification for the contract's allocation last week, nor what it found in its assessment to overrule the findings.

It is understood the board was asked to respond to the department's request by yesterday afternoon. Provincial tender board chairman Rev Bongani Finca declined to answer questions on the board's decision.

Several bidders said they had written to premier Raymond Mhlaba for an explanation. The Office for Serious Economic Offences said it would also look into the matter.

Balraz had accused the tender process of irregularities in February when Standard Bank-Fidelity Guards were recommended for the contract. The board said last month it rejected the allegations, but decided to appoint another committee — staffed with government officials mainly from outside the province — to reassess the bids. The Standard-Fidelity consortium was again recommended. Its bid is understood to be R164,8m less than the combined Pensecure and Balraz price.

Standard Bank-Fidelity Guards said it had not been notified of the decision and refused to comment.

Eastern Cape's pensions tender allocation probed

(300) BD 4/4/96

Amanda Vermeulen

THE Office for Serious Economic Offences has started a probe into the allocation of the R400m pensions tender in the Eastern Cape.

The office's director Jan Swanepoel confirmed that its Cape Town office had started questioning some of the parties involved in the controversy.

Swanepoel said that these included bidders for the contract, although several could be reluctant to talk for fear of jeopardising their chances in future contracts.

The inquiry follows the decision by the province's tender board last week to allocate the pensions contract — to pay out more than R2,1bn a year in pensions — to Balraz Technologies and a joint venture between the Post Office and Coin Securities, Pensecure.

However, two separate tender evaluation committees had recommended that a consortium between Standard Bank and Fidelity Guards be awarded the contract.

Their bid had come in R165m lower than the Balraz/Pensecure offer.

The Eastern Cape health department has called on the tender board chairman, Bongani Finca, to explain the board's decision.

But Finca said yesterday he would not comment until he had "found out what the health department's problem was".

Several of the bidders have called on the province's premier Raymond Mhlaba to explain the tender allocation.

DP member in the Eastern Cape legislature Eddie Trent said there should be an official inquiry into the tender, as the province could not afford to spend R1 more let alone R165m. He said he would ask health MEC Dr Trudie Thomas for a full report today.

New pension rules let you take the lot — after tax

ST(BT) 14/4/96

MANY people are going to benefit from changes to the way their pension is taxed when they retire, writes **TERRY BETTY**.

The changes, which are expected to come into play in March 1997, will alter completely the way your pension is taxed at retirement.

Gone will be the one-third cash payout as opposed to a two-thirds pension. Instead, it will be possible to draw the full amount in cash.

Derek Sumption of Brantam Financial Services says the changes will completely rewrite the rules of the game:

You can withdraw the full cash value from your pension fund, retirement annuity, provident funds and deferred compensation schemes at retirement or even earlier;

The capital value of all retirement funds will be taxed as a lump sum at the point of retirement;

If you choose to take a monthly pension instead of the cash withdrawal, it will be tax-free;

The tax table used to calculate tax on your lump sum is new and has no relation to your income.

The tax deductibility of the contributions is identical whether you have a pension, provident fund or a retirement annuity.

The rules remove any differences between pension funds, provident funds and retirement annuities from a tax point of view. There is still a tax incentive to take a monthly pension rather than the cash.

In the new system the amount of income you earn in the years of retirement or in previous years has no effect on the tax rate levied on the value of your pension. From a tax point of view, this will be irrelevant when you retire.

The value of all your retirement funds will be added together at retirement. A portion of it will be tax-free and the balance will be taxed on a sliding scale.

The value of the tax-free portion will be at least R50 000. It can be increased to a maximum of R380 000, but only if you purchase R540 000 worth of annuities. Thereafter the balance is taxed as follows. R1 to R150 000 at 15%; R151 000 to R450 000 at 25%; R451 000 to R750 000 at 35%; and above at 45%.

Govt launches project to stop benefits fraud

BD 17/4/96 (300)

Linda Ensor

CAPE TOWN — A R1m campaign to make SA's social security system more efficient and eliminate fraud and corruption was announced by Welfare Minister Patrick MacKenzie yesterday.

Of the R11,5bn paid out last year to 2,8-million beneficiaries nationwide, an estimated R1bn was lost through fraud and leakage, providing scope for substantial savings if the system was cleaned up.

MacKenzie said there were indications that the fraud included beneficiaries, departmental officials and syndicates involved in organised crime. In many cases people who died months ago were still receiving pensions.

Prosecutions were expected to result from the initiative, but its main long-term objective was to restructure the system and make it free of fraud and corruption.

Independent people have been appointed to oversee the programme, which was aimed at identifying the areas of fraud and corruption; improving the management and efficiency of the system to prevent it recurring; and improving service delivery.

Uniform standards and procedures would be established nationally, internal controls tightened up and the records of all beneficiaries on the books of all provincial departments reviewed.

Frank Chikane, adviser to Deputy President Thabo Mbeki, was appointed chairman of the coordinating committee, Adv Wim Trengrove as head of the task group on fraud and corruption, which would also consist of two police officers, and University of Western Cape professor Pieter le Roux as chairman of the social security systems task group. Eskom GM Danie du Plessis, on secondment to government, would act as national programme manager.

Provincial and departmental representatives and independent experts would be appointed to serve on the task groups.

Welfare director-general Leila Patel said that on May 1 a national, uniform computer system with a single database and linking all the provinces would come into operation. A social grant register would also come into being.

The committee would submit a report on its findings and recommendations to MacKenzie within six months.

Pensions industry introduces Health Benefits as a discipline

(300) ARG 18/4/96

The Institute of Life and Pension Advisers (ILPA) has recognised that the role of the financial consultant has expanded beyond traditional roots in the life and pensions industry, says Christopher Bean, ILPA president.

"We have therefore introduced a new discipline known as Health Benefits, which means that financial advisers who specialise in the health benefits field may be admitted as fellows of the institute in the same manner as their life assurance and pensions counterparts," explains Bean.

A prerequisite for qualifying as a health benefits fellow is the successful completion of stringent exams which are conducted by the institute and accredited by the University of Pretoria.

"The aim of the new examination in Health Benefits is to equip candidates with knowledge and expertise in this professional environment and to evaluate them," says Bean.

"Everyone involved in health care management will benefit immensely by studying for and qualifying as a Health Benefits fellow of ILPA. Management and staff of medical schemes, health insurers, managed care organisations, hospital superintendents, government officials in the health care industry would all benefit by this qualification," adds Bean.

Head of Insurance and Actuarial Science at the University of Pretoria, Professor George Marx says the hyper escalation in contributions to medical schemes over the last decade has given rise to the introduction of many hybrid insurance and medical scheme products.

"'Managed care' the new buzzword"

"Along with the development of health financing arrangements, health care practice is also changing in an effort to maintain quality care within limited budgets. "Managed Care" has become the new buzzword says Marx.

Marx believes that the private health care industry will also be affected in many ways by the government's shift towards financing more primary care and less tertiary care.

"All these developments call for expert knowledge if one is involved with the arrangement of health care benefits, especially where this forms part of employee benefits, says Marx.

To support candidates in their preparation, study material is being put together by various experts in the health care delivery and financing industry.

These include the likes of Dr Jonathan Broomberg, co-chairman of the recently appointed Committee of Inquiry into the national health insurance system; Dr Izak Fourie, medical adviser to the Chamber of Mines and extraordinary professor at the University of Pretoria; Dr George Veliotes, head of the private practice division of the Medical Association of SA and Kobus Hanekom, senior manager employee benefits, legal consultancy, Old Mutual.

In addition, the University of Pretoria offers a one week full-time course covering specific health subjects. The course will be presented by the same experts who prepared the study material. Delegates are given the opportunity to obtain information on all new developments.

Examination entry forms and study material are available from the ILPA head office, telephone (011) 336-3941.

HEALTH CARE ISSUES UNDER THE MICROSCOPE

Ant Lester ... New Labour Relations Act sets the scene for a shake-up

New LRA set to change pension and medical aid management

(300) ARG. 18/4/96

The new Labour Relations Act (LRA) will place retirement funds and medical schemes firmly on the negotiating table – at both plant and industry collective bargaining levels.

According to Ant Lester, assistant general manager at Old Mutual Employee Benefits, revisions the act will bring to the collective bargaining process will result in significant changes to the design and management of retirement funds and, to a lesser degree, medical schemes.

"The act sets the scene for a shake-up in which sectoral funds, spanning and industry or industries, could be given a significant boost, with clear implications for employer-based benefit funds."

Lester added that the joint decision-making is required in terms of Section 86 of the new act which stipulates that employers consult and reach consensus with a workplace forum on changes to the rules of any employer-controlled pension, provident or medical aid scheme.

At the same time, the powers and functions of Statutory Councils and Bargaining Councils – new bargaining forums which will operate at sectoral level – include the ability to set up and run pension provident and medical aid funds for the benefit of their members.

"With trustee boards representing both employers and trade unions in a sector of the economy running retirement funds, the influence of individual employers and unions will be reduced. This could result in a number of changes to industry practice as we currently know it," said Lester.

He commented that although the last few years had seen the emergence of negotiated funds, most retirement schemes are either union or employer-driven. In future, funds jointly established for a sector of industry are likely to find favour.

Old Mutual's 1995 Health Benefits Survey, which is based on feedback from a sample of the country's top 500 listed and private companies, reveals that the trend towards greater union involvement is reflected in the way in which medical schemes are managed. Although a management committee remains most common (55%), 29% of funds now have a board of trustees (20% in 1994) on which union and pensioner members have greater representation.

Only 11% of employers had experienced medical-aid related industrial action, but well over half believed that the introduction of non-negotiated changes would result in such action.

Kobus Hanekom, senior manager (legal consultancy) at Old Mutual Employee Benefits said that in dealing with labour disputes, the Act introduces workplace forums at plant level. With the intention of preventing unfair labour practices from developing, it prescribes greater employer disclosure, consultation and joint decision making with these forums.

He added that the more effective resolution of labour disputes would also be facilitated by laying down minimum criteria of what constitutes a fair labour practice in respect of critical issues like unfair dismissals, strikes and lockouts.

"The act replaces the Industrial Court with the Commission for Conciliation, Mediation and Arbitration and the Labour Court requires that all disputes first be conciliated," said Hanekom.

"Only if this process is unsuccessful, may it be referred to arbitration which, in most cases, will be final and binding. Only in a small number of cases can issues be referred to the Labour Court for a decision."

Kobus Hanekom ... New act prescribes greater employer disclosure

'Shelter' for small businesses

(300) CT (BR) 19/4/96

From Sapa

Johannesburg — Metropolitan Life launched a new retirement fund — Umthunzi — which was aimed at small-scale enterprises employing more than five people, it said in a statement yesterday.

Umthunzi (an Nguni word meaning shade or shelter) would offer small businesses an affordable price range of benefits.

The new fund was developed in response to the extensive growth of small- and medium-sized businesses across the commercial and industrial sectors and the need to look after their staff interests, the company said.

Employers would be able to choose between a pension or provident fund pay-out and an optional range of add-on benefits, including life, disability, health and funeral benefits.

The benefits and contribution rates could be tailored to suit the needs of employees, provided the minimum total contribution for all employees exceeded R500 a month.

Derek Pead, the employee benefits general manager for Metlife, said employees would be able to borrow funds at competitive repayment interest rates against the security of their benefits, to buy a home, put down a deposit on a home or make home improvements.

Contributions would be tax-free within limits. In the case of the pension fund option, employee contributions would be tax deductible up to 7,5 percent of annual salary. Employer contributions would be tax-deductible as a business expense.

The village where the only hope is an old-age pension (and someone with a spanner to fix the tap)

ST 21/4/96

300

By CHRIS BARRON

EIGHTY-year-old Funiwe Wenzi has a regal bearing that makes nonsense of her bare feet and the threadbare towel she wraps around herself to ward off the freezing weather.

Yet she and the 1 500 villagers of Ncalukeni in the foothills of the Magxibha mountains, 60km northeast of Queenstown in the Eastern Cape, are far more passionate about their tap than about any cold they may feel.

The tap was installed on a never-to-be-forgotten day in 1994, and brought water to them from a small concrete reservoir nearby which in turn got its water from the Macubeni Dam built in 1993. Since then it has become the psychological focal point of the village, something they look at every day with the same mixture of faith, hope and apprehension being directed at the happenings of the Truth and Reconciliation Commission 200km away.

Six months ago the tap broke, and all their efforts to get the powers that be to fix it have come to nought. While countless numbers of well-paid bureaucrats anguish about the reconstruction and development programme in their offices in Pretoria and Cape Town, the greatest manifestation of the programme for those in Ncalukeni would be a man carrying a spanner.

The Chris Hani Water Supply Scheme, opened in the nearby Transkei village of Cofimvaba last week, is all very well. But as far as the villagers of Ncalukeni are concerned, if the RDP is not about someone coming to fix their tap, then it's about nothing at all.

Recent reports compiled for the World Bank show that unemployment in South Africa is increasing. Another way of spelling unemployment is poverty. And, although they don't have the figures to prove it, local relief organisations such as World Vision and Operation Hunger, and independent research bodies such as Research Africa, will all tell you that poverty is on the increase too.

Most of this poverty exists in rural South Africa. According to a recent study by the Land and Agriculture Policy Centre, 68,1 percent of people living in rural areas live in poverty.

According to the same study, the highest level of poverty is in the Eastern Cape, which has the second largest rural population in the country — about four million.

And while no one area can be singled out as the poorest, there is broad agreement among those involved in the situation on the ground that you'd have to look very hard to find any village in the province poorer or more destitute than Ncalukeni.

In a neat reversal of what one might consider to be the natural order of things, in Ncalukeni the older you are the more valuable you become to the community. Not in terms of wisdom or experience, but purely in terms of earning power.

The magic age, the age everyone holds out for, is 60. At 60 you are eligible for an old age pension. Provided you can persuade bureaucrats you are 60. Florida Martins, now 65, took four years to do so and only began getting her pension last year — you then join the thin line of those in the community who stand between survival and starvation.

Apart from a sparse scattering of men, most of those over 60 are women. It is the grandmothers and great-grandmothers who keep Ncalukeni alive. Each pension supports an average of 15 people.

Mrs Wenzi supports seven grandchildren and great-grandchildren whose parents and grandparents have disappeared. Three-year-old Nonqaba was sent to her after her parents were killed in political violence in Johannesburg.

On her monthly pension of R273, which she collects every three months in Lady Frere — 15km away along an almost impassable dirt track that provides the only access to the village — she feeds, clothes and houses all seven, and pays school fees for six who attend the village's pre-primary school and a primary school in the next village. The seventh is a young woman of 19 who has no job and no income.

They live on mealie meal and samp which grandmother Wenzi makes herself by pounding mealie corns which she buys in 50kg bags. The rough stuff left over from the pounding goes to feed two piglets she recently acquired. Their greens come from the leaves of the occasional pumpkin she manages to grow, which are boiled into a porridge.

They live in a small round hut which is kept impeccably tidy. There is only one bed, which old Mrs Wenzi allows the children to sleep in because, she chuckles, she herself is scared of falling off.

In the hut is a 25l drum of far from clean water which, in the absence of the broken village tap, she walks 300m twice a day to collect from a furrow which trickles down the mountain. The furrow plays host to the village's few pigs, goats and cows as well, and the fact that villagers report no more than a few isolated cases of diarrhoea says more about their apparent immunity to contaminated water than the precautionary measures they ignore.

The recent rains have made Ncalukeni look deceptively green. Mealie crops planted on strips of ground here and there will bear no mealies, say the villagers, because they were only planted in January and the cold will kill them before they can be harvested.

They were planted late because in October when it rained and they should have been planted, there was no money to pay the R50 a day needed to hire a tractor for ploughing. Often the only available tractor must come from further afield and then costs R100 a day.

Traditionally they would have ploughed with cattle, but most of their cattle were wiped out by the drought in the 1980s and now there are only four or five cows among the lot of them.

No running water, no crops, no cattle, no motor vehicles. They rely on taxis, which of course don't make the tortuous journey to and from their village for nothing.

No clinic. The closest help is at Glen Grey Hospital 30km away where there are seldom doctors, and the nurses, according to Sylvia Maposa, the World Vision project leader for the region, have shown almost no interest since their 1994 strike.

No electricity, of course, and no telephones. Which puts emergency help even further beyond their reach if it is needed at night or in the early hours of the morning.

A handful of men chuckle about this. Sometimes they need help, they say, after their bouts of drinking cheap home-brew end in stabbings.

No wonder women in the village for the most part regard the men as at best a nuisance and at worst a danger. Until recently villages like this would be populated mostly by women, children and old men. Now more and more younger men are to be seen lounging around after being retrenched from mines and other businesses.

They do not do much more than make the occasional mud brick and repair the occasional hut, say the women. They're a burden on scarce resources.

Ncalukeni and villages like it are deceptive places because although identified by studies as representative of the direst poverty in the country there are no obvious signs of starvation, nothing that suggests an Ethiopia or Somalia.

Interestingly, the villagers don't define their poverty in terms of empty bellies so much as in terms of insecurity about the future, and hopelessness about being locked into the present.

AT THE GRINDSTONE . . . great-grandmother Funiwe Wenzi supports seven children on R273 a month Picture: CHRIS COLLINGRIDGE

SOUTH AFRICA'S NATIONAL FINANCIAL DAILY
TUESDAY APRIL 23 1996

Government abandons drive to improve pension funds' level of funding

(300) CT(BR) 23/4/96

By Christo Volschenk

Cape Town — The government and public-service employer organisations agreed on Friday to abandon the drive to improve the funding level of the state pension fund.

This would enable the government to make large cuts in state expenditure and the deficit before borrowing within one financial year.

Until last week, the government's stated aim was to improve the funding level to a point where the assets of the pension fund matched its liabilities.

It had an interim target to improve the funding level to 76 percent by 2015. However, the parties instead opted for a minimum funding level of 60 percent.

Reaction from the private sector was guarded.

"With so many calls on its resources, it is understandable that government would think again about the wisdom of trying to get the funds fully funded," said the Life Offices Association.

The last actuarial calculation showed the average funding level of the 10 public-service pension funds, including the funds of the now-defunct TVBC governments, was 59,7 percent.

The Government Service Pension Fund, the biggest of the 10, is only 55 percent funded.

Government and public-service employee organisations decided last year that all the funds would be rationalised into a single one, which would also be called the Government Service Pension Fund.

Cas van Rensburg, the chief director of the Public Servants' Association, said yesterday the funding level of the new fund would be about 59 percent.

"When the rightsizing of the public service is completed, the GSPF should be funded above 60 percent," he said.

The fund would have assets of R71 billion, liabilities of about R120 billion and a membership of about 1,1 million employees.

The decision to abandon the drive to full funding would allow the government to cut back on its contribution to the fund in real terms in future financial years.

The government now contributes 2,74 times the amount an employee contributes to the fund. That figure would be cut. "By how much will depend on the success of the rightsizing exercise," Van Rensburg said.

He said government might save up to R3,6 billion a year once the rightsizing of the public service had been completed. The process would start on May 1, when all state employees would be given the choice to accept a voluntary severance package.

The decision to abandon the drive to full funding leaves the government with the option of cutting the deficit before borrowing much more quickly to the internationally accepted level of between 3 and 4 percent of GDP.

Alternatively, the government might decide to spend the money it has saved on RDP-related projects and keep the deficit structurally unchanged.

Red tape and bad postal service delay pension payouts

(300)

While the Government tries to prevent fraud by issuing life certificates, many pensioners are being left penniless

Star 24/4/96

By Nikki Whitfield

They may be alive and kicking, but their bank accounts are down and dwindling – and it seems several parties are to blame.

Since the Government's decision that state pensioners should prove they are alive before they can collect their monthly payments, hundreds of them have been forced to scrabble around for cash after their pensions stopped coming in.

The Department of Finance announced in October that 24 000 pensioners a month would receive life certificates in the post. These had to be validated by a commissioner of oaths and then returned.

There are 240 000 state pensioners in South Africa.

The plan was implemented after the department revealed that since 1993 about R22-million was being lost annually by paying pensions to people who had died. Next of kin and, in some cases, people awarded power of attorney continued to draw their monthly pensions.

But departmental red tape, South Africa's notorious postal service and pensioners' error have resulted in several snags.

A victim of the first two is 79-year-old Lynette Davidson, a retired Wits University lecturer and widow of a judge, who lives in Beverley Gardens, Randburg. She received a form in the post which she was required to fill in and return with her life certificate before March 15. But there was one major problem – the form reached her only in the middle of April. Another form she should have completed in January never reached her at all.

Her children, worried that she had not received her pension for March, faxed a copy of her life certificate and also sent the original certificate to the Pensions Office.

Fortunately, Davidson's story has a happy ending – she received her pension as usual at the beginning of April ... and it was back-paid to March.

But there are others who are not so lucky. And, according to Pensions Office assistant director Danie Coetzee, who was willing to concede that "the odd thing can go wrong in the system", it is often their own fault.

"Every month we send out thousands of life certificates in a staggered process – we have 240 000 pensioners on our books whose information has to be updated each year.

"But what is happening is that many pensioners are not informing us of any change of address, so the certificates get sent out but never come back. But if someone comes to us and says 'Look, I'm a pensioner, here's my life certificate, I haven't been paid for months', we will back-pay at the beginning of the next month, along with his regular pension."

Coetzee said that while some things might have gone wrong, the system seemed to be working. He appealed to pensioners who needed help to call him on (012 319-1002.

The Star ... Thursday May 9 1996

New computer network for social security

(300) Star 9/5/96

Nationwide system will hopefully shorten queues, long waiting periods and stamp out corruption

By Priscilla Singh

A new national computer network for social security, to be fully operational by Monday, is expected to save the Department of Welfare millions of rands by eliminating widespread fraud and duplication.

It is an amalgamation of the 14 old computer systems used by the previous political dispensation. The number of beneficiaries carried on the Social Pension System will be about 2,8 million. Social security takes up 88% of the national welfare budget, which was allocated R12-billion this year.

Director-general Dr Leila Patel said the amalgamation process had been complex because there had to be a consolidation of various old systems. And, further, problems the task teams encountered during the process had included various crimes such as false identification numbers; people claiming on behalf of beneficiaries who are dead; invalid ID numbers; and duplicate or triplicate names on pension lists.

"Over and above reducing long queues and waiting periods, the new system will eradicate fraud and corruption, one of the stumbling blocks for the department, which has been costing us millions. The system will operate from a national level and will be linked to the nine provinces on a mainframe with a database of all the beneficiaries," explained Patel.

Furthermore, the new system was unique as it had a uniformity that could not be changed without the national ministry's approval.

"National uniform framework legislation has been drawn up and has a delegated function which cannot be tampered with. In the past, a proper information system had been lacking within the department."

She added that, for the first time, the department would know immediately if there was a problem when beneficiaries said they had not received their pension or grant.

Everyone who is eligible will be on the system, which will make its first payment next month. The grants on the system are pension, war veterans, disability, maintenance, foster child, and care dependency.

Project manager Giel Vermeulen said the system had economic and accuracy spinoffs: "This is a superior system which is on par with international standards for social security systems and is also comparable to the United States, which has the largest in the world, and Canada."

Este Lorentz of the social security subdirectorate added: "It is the first large-scale exercise of this nature for the Government and is a special achievement in unifying the national social grant system."

R50M A YEAR CUT IN HOMES SUBSIDIES

New plan for care of aged

CT/16/5/96 (300)

A DEPARTMENT of Welfare plan to move away from subsidising residential care for the aged to community-based and family care was announced yesterday. **HENRY LUDSKI** writes.

THE Department of Welfare has announced plans for a controversial "reprioritisation" plan that will eventually phase out all subsidies for residential care for the elderly, except for the very frail.

The plan, spelt out yesterday by Deputy Minister and soon-to-be Minister of Welfare Geraldine Fraser-Moleketi, forms part of a major initiative by the government to shift welfare resources away from people who have traditionally benefited from the country's social welfare system to those who haven't.

Fraser-Moleketi told the Cape Times yesterday that the government was unable to continue to subsidise the "state-of-the-art" facilities for privileged sectors of the community while being unable to provide adequate facilities for needy communities.

The department was trying to move away from the costly system of residential care for the aged — which predominantly benefits whites — to family-centred and community-based services and programmes targeting the poorest and most vulnerable sections of the community.

Noting that the department had to cope with limited resources, Fraser-Moleketi said changing the department's priorities would lead to a saving of an estimated R50 million a year.

It would be "irresponsible to continue to service certain communities in a way they have become accustomed to while ignoring the millions of people in the country who must have access to social welfare services".

Most of the social welfare budget was being spent on residential care for the elderly, which still predominantly catered for whites. This expenditure limited the extent to which the department could intervene and be responsive to broader welfare issues, she said.

The reform of the welfare system, which will be spearheaded by Fraser-Moleketi and her deputy director-general Dr Leila Patel, will be debated in Parliament today.

But it will be under the shadow of the National Party's Mr Patrick McKenzie, who retires at the end of June after a brief period in office as Welfare Minister.

McKenzie was hauled in to replace Mr Abe Williams, who resigned recently under a financial cloud after his home and offices were raided by the Office for Serious Economic Offences.

The departure of McKenzie, who has admitted not having had any welfare experience, clears the way for Fraser-Moleketi and Patel to lead a department which for the first time since 1994 will not be under National Party control and which allows them to implement welfare reforms of which they themselves have been the architects.

PRO-WHITE IMBALANCE ADDRESSED

R50m to be slashed from old-age homes subsidies

CT 17/5/96 (300)

SAVINGS from cutbacks on subsidies to old-age homes are to be redirected to other formerly disadvantaged sectors, Welfare Minister-designate Ms Geraldine Fraser-Moleketi announced yesterday.

The government has announced that R50 million will be saved this year on cutbacks to subsidies for largely white old-age homes.

The savings are to be redirected to the poorest of the poor, including street children.

Deputy Minister of Welfare and Minister-designate Ms Geraldine Fraser-Moleketi released the figure during the debate on her department's R14,3 billion budget in the assembly yesterday.

It will mean that old-age homes will lose subsidies for pensioners earning more than R1 300-a-month. A sliding scale will kick in below this figure, and the new subsidy formula will begin retrospectively from April 1.

While the department could not provide a breakdown, better-off pensioners will have to contribute proportionately more than they did in the past.

"This is a necessary and difficult step," Fraser-Moleketi said.

The government's intention to cut subsidies, motivated by the disproportionate benefits accruing to whites, was announced last year, but the extent of the cuts has only now been publicly made known.

A department spokesman said more than 600 old-age homes catering for 44 000 people — 90% of whom were white — were affected. The subsidies to all nine provinces would now amount to R252,6m, down from R300m last year.

The Western Cape only drops 10,7%, down from R67,4m to R60,25m, while in KwaZulu-Natal the subsidy drops from R33,1m to R25m — a 24% decrease. This is substantially more than the 15% average for all nine provinces and also the biggest percentage cut for one province.

While no clear breakdown was given on where the savings would be redeployed, a spokesman said the money would be invested in shelters for the unemployed and for street children, and in upliftment programmes for unmarried mothers and children under five.

Programmes for victims of sexual abuse and violence would also benefit.

The welfare "reprioritisation" committee, appointed by former Welfare Minister Abe Williams, decided not to make cuts to frail-care services or to children's homes, although the cost of R786 a month per child had not been adjusted during the last two years.

● Outgoing Welfare Minister Patrick McKenzie said 86% of the welfare budget — or R12 billion — went to social security, with 2,8 million people each month receiving pensions, disability grants, parent and child support, foster care and other grants.

The bulk of the grants went to the elderly (60%), the disabled (24%) and on maintenance grants (14%).

Owing to improvements in monitoring systems, 14 629 names of dead beneficiaries had been picked up in the last year, saving the department R72 million.

The social welfare services and assistance portion of the budget makes up 13% of the total budget — amounting to R1,1 billion — which includes subsidies to old-age homes and to non-government organisations dealing with Aids, and those addressing the needs of criminal offenders, victims and their families. — Political Staff

Ties with China, Taiwan wanted

POLITICAL STAFF

SOUTH AFRICA wanted to maintain and expand friendly and cordial relations with Taiwan and mainland China, Foreign Affairs Minister Alfred Nzo said yesterday.

Addressing the Senate on the Foreign Affairs policy debate, Nzo said he was in continuous contact with all parties concerned with the issue.

He would visit Taiwan next month after visiting Beijing last month. The results of talks during the two visits would help determine future ties with these countries.

South Africa has full diplomatic relations with Taiwan, but has ties with China as well. It is caught in a difficult position as China does not recognise Taiwan and refuses any country permission to have diplomatic relations with both.

State halts its R72-m ~~90~~ 300 pensions to the dead

TYRONE SEALE ARG 17/5/96
Political Staff

THE state will save R72 million in the current financial year by stopping the payment of social pensions to nearly 15 000 South Africans who are long dead but are being represented by dishonest relatives and other fraudsters.

Welfare and Population Development Minister Patrick McKenzie said yesterday that 14 629 names were being removed from the social pensions system after it had been found that the beneficiaries were deceased.

Provinces were progressively reporting more savings through the elimination of fraud, Mr McKenzie said during the national assembly debate on his budget vote.

The software to start developing a new national social grants register, which would keep a proper record of beneficiaries and eliminate duplicate and invalid records, was now in place.

The amalgamation of 14 computer systems, dating back to apartheid administration, into a national computer network for the new social security system had been successfully implemented earlier this week, he said.

Deputy Welfare Minister Geraldine Fraser-Moleketi, who is to succeed Mr McKenzie at the beginning of July, announced a cutback in subsidies to old-age homes of about R50 million in this financial year.

She said new criteria had been developed for the allocation of welfare subsidies to specific services for people with disabilities.

Although this would mean hardship for old-age homes, cutbacks had been found to be the only option.

The department had to show that it was addressing the racial gaps in the provision of welfare services, Ms Fraser-Moleketi said.

R6-m cutback for Western Cape aged care budget

(300)

ANDREA BOTHA
Staff Reporter

ARG 17/5/96

WESTERN Cape Minister for Health and Social Services Ebrahim Rasool has announced a R6 million cut to the care for the aged budget.

"No-one will be thrown on to the street," he assured a meeting for the aged at the Lentegeur hospital in Mitchell's Plain yesterday.

He also announced a new policy on old age homes.

Mr Rasool said the government could not provide all aged people with residential care, but that it was the government's responsibility to take care of the frail and infirm.

A shift must be made to residential care for all elderly patients who require 24-hour care, he said. Plans are under way for alternative housing and aged care facilities for "active" elderly people, who are still healthy.

As a part of the new policy, more frail care centres will be brought to disadvantaged communities. No new centres will be started in white communities. Mr Rasool said this was not a racially-based policy, but that there were already 107 old age facilities in white areas, compared to one for blacks.

He said care for the aged in the Western Cape needed urgent restructuring.

CHANGES PLEDGED

Old-age care ruled by racism

(300)

CT 20/5/96

THE WESTERN CAPE is to get six new frail-care homes in sweeping changes to old-age care. **ANEEZ SALIE** reports.

WESTERN CAPE welfare authorities have pledged sweeping measures to eradicate the legacy of apartheid from the care of the aged.

The MEC for Health and Welfare in the Western Cape, Mr Ebrahim Rasool, said the number of state-aided frail-care homes in coloured areas would be increased from 25 to 29 and in black areas from one to three. All six of the new homes would be in disadvantaged areas and four of these would be in rural communities.

The number of homes — 107 — in formerly white communities would remain the same.

Rasool emphasised that the facilities would be only for the frail, in line with new government policy that shifted resources from old-age homes to community-based care for the elderly.

The government will no longer subsidise an old-age home purely in terms of its number of residents. Under the new policy only the frail and destitute may remain in residence. An appeal is being made to families and the community to care for their aged, with official financial support.

In a country where 64,3% of the elderly are African, coloured and Indian and 35,7% white, there are old-age residences for only 0,5% of Africans and 3% of coloureds as opposed to 9% of whites.

According to the 1991 census, there were 1,8 million people older than 60 in South Africa. It is estimated that this number will increase by the year 2035 to about 7,5m, most of whom will be from developing — and possibly underprivileged — communities.

The provision of separate facilities for different population groups was unconstitutional and not cost-effective, Rasool said.

"We need to open not only our residential facilities and service centres, but also our hearts to all people."

Integration had begun "tentatively", but was "slow".

"This province can set the example and show the rest of the country that we can all live as equal citizens sharing our resources," Rasool said.

"Integration needs to be managed correctly and sensitively."

Rasool said the government was committed to promoting and maintaining the dignity, independence, participation and fulfilment of older people.

The government would not abdicate its responsibility to provide appropriate, affordable and cost-effective care and support for the frail and indigent aged.

"The shift will be from providing residential care (in old-age homes) to the provision of residential care for the frail who need 24-hour care and of community-based services to those who can still care for themselves."

Community-based services would have to be improved to keep active older people in the family and the community.

Rasool said this would be done by:

- Expanding welfare services in ways that directly strengthened the family's ability to care for all its members, young and old alike.
- Extending the network of service centres by increasing the budget for these by R9m this year. The number in coloured communities would increase from 28 to 45 and in African communities from 12 to 18. Of these, 80% would be built in rural communities. The number of centres in white communities would remain the same at 52.
- Encouraging community leaders and the police to detect cases of financial, physical or emotional abuse of the aged.

Newly-appointed national Welfare

❑ Turn to Page 3

R6m off old-age budget

(300) CT 20/5/96

From Page 1

Minister, Ms Geraldine Fraser-Moleketi, announced last week that the new policy would save R50m.

"In the Western Cape this will translate into a modest R6m cut from our budget for the care of the aged," Rasool said.

"This is not as drastic as expected, but it is the start of a process."

The fairly small cut in budget reflected the government's concern for the aged, Rasool said.

"It means that no one — frail or active — will be cast out on to the streets."

Rasool also wants to introduce a quota system for old-age homes.

"This system will not be racially based, but (will) make a few beds available for other needs in the community, for example for women in crisis. The home for the aged must be seen as a resource for the community and not only for the few residents who stay there."

Rasool said he had asked residents and workers at old-age homes to indicate what needed to be done to change the homes into frail-care facilities.

The alterations would be submitted as RDP projects.

Rasool said the government would be better able to meet the needs of the aged if fraud and corruption were eradicated from the welfare department. Fraudulent pension claims cost R1 billion a year.

The Western Cape province was leading the way in dealing with fraud and corruption.

"So far 25 officials in the Western Cape have been identified and action will be taken against them," Rasool said.

Return of prescribed assets is proposed

(300)

CAPE TOWN — Trade unions have mooted the reintroduction of prescribed assets for pension funds to help boost growth and meet the socioeconomic expectations of black South Africans. BD 21/5/96

Prescribed asset rules lay down minimum amounts that pension funds would have to invest in certain instruments.

Cosatu's pension fund and investment co-ordinator Irene Charnley told a parliamentary finance committee that a "reconstruction bond" should be launched into which pension funds should be obliged to invest at least 10% of their assets. This could raise up to R50bn for development and job creation and would have to "go hand in hand with a clear, efficient delivery programme by government", she said.

Prescribed assets, used by the previous NP government to fund projects to uplift poor whites, were abolished 10 years ago.

"To achieve the 6-8% growth rates necessary to address high levels of unemployment in the country, we need investment in development to create jobs," Charnley said.

Government needed the assistance of financial institutions but "expecting them to voluntarily invest directly in development projects is wishful thinking". — Reuter.

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mined by the court. The claims total millions of Australian dollars.

New old-age policy welcomed

(300)

ANEEZ SALIE
HEALTH WRITER

CT 21/5/96

THE government's shift in funding from old-age homes to community-based care is fully supported by the South African Council for the Aged.

Its executive director, Mr Syd Eckley, said yesterday the shift was similar to the council's own policy developed over a number of years.

His organisation has advocated a developmental approach, in line with the new welfare policy, which seeks to abandon a costly and racist system of subsidising, without qualification, all old-age homes.

Instead, the government will primarily see to the indigent and the frail in such institutions. Active senior citizens should be accommodated within communities, preferably with their own families, with the full support of state services.

"The government is really on track," Eckley said. "I have been in welfare since 1962, and I'm glad that we finally have a government which sees the light. We need to single out incoming Welfare Minister Geraldine Fraser-Moleketi, who has been the driving force behind the new policy.

"In my decades of lobbying government I have met many ministers, none of whom understood the issues like she did, nor were her predecessors prepared to put their money where their mouths were, as she did."

In the past government spending was in line with apartheid, which had left a legacy of only half a percent of African aged being cared for in old-age homes as opposed to three percent of coloureds and nine percent whites, the Cape Times revealed yesterday.

"As we can see from the statistics, we have to do something dramatic. We know that it will take some time," Eckley said.

● Sapa reports that DP leader Mr Tony Leon said yesterday his party was totally opposed to the government's plans for a R50m cut in subsidies for old-age homes.

Addressing a local government election meeting in Sea Point, Leon said the cut affected 44 000 people in 600 homes run by non-profit organisations.

● See Page 6

Cosatu pleads to turn back the clock

(300) CT 21/5/96 (BR)

By Bruce Cameron

Cape Town — Cosatu wants the prescribed assets on retirement funds reintroduced to finance the development of the country's infrastructure. They were phased out 10 years ago.

Irene Charnley, a Cosatu representative, told the parliamentary joint standing committee on finance yesterday that the government should launch a reconstruction bond into which the money could be invested.

The committee was taking evidence on the report of the Smith committee inquiry into the retirement industry.

She said Cosatu had decided that about 10 percent of the R500 billion in funds under management in the private- and public-sector retirement funds should be channelled into the reconstruction bond.

Cosatu was also in favour of scrapping any tax deductibility incentive for pension funds. She said that union members of provident funds placed their money into their funds because they wanted to save and not because of any tax incentives.

Charnley said that with the reintroduction of prescribed assets the government would have to do its share by coming up with a properly planned programme for which the money could be used.

She said the effect of the Katz proposals on the taxation of funds would soon be minimised as private-sector funds restructured to avoid paying tax on interest and rental income on capital leaving the public-sector funds.

The public-sector funds had most of their money in interest-bearing government stock.

Not all private funds would voluntarily invest in development.

"A few will, while the majority will find ways to avoid such investment for competitive reasons," she said.

It was imperative that uniform measures were applied to force investment in solid development rather than in speculation in equities to achieve a growth rate of between 6 percent and 8 percent, she said.

Charnley said the required growth levels would be difficult to achieve without development that focused on infrastructure, such as the provision of water, housing, a transport system, roads and ports.

The development would improve the conditions of the poor, enhance export capacity and assist in the development of the domestic market.

Charnley said a major drawback of the Smith committee report had been its failure to consider the needs of the whole country.

N Province, Mpumalanga hit by illegal old-age pension payouts

(300) Star 22/5/96

By Justice Malala
Provincial Correspondent

The Mpumalanga and Northern Province governments are losing thousands of rands every month to foreigners using false identity documents to draw old-age pensions and locals registering at more than one pay point.

Mpumalanga MEC for Finance Jacques Modipane said yesterday more than 30% of people who drew old-age pensions in the province were foreigners using false ID documents.

"Most of them are Swaziland citizens who come into South Africa at the end of the month to draw the pensions and then return home," he said.

Modipane said his department was still trying to determine how much it was losing through the fraudulent deals. He said most of the pensioners had been granted IDs by corrupt officials of the former KaNgwane and KwaNdebele.

"It was also very easy to get IDs in the runup to the April 27 1994 election, and many took advantage of the situation then," he said.

Northern Province Finance MEC Edgar Mushwana said most pensioners were registered in Johannesburg, the former Lebowa and former Gazankulu.

Most of the pensioners involved in the scam were Northern Province residents who had worked in Gauteng's urban areas and had houses in the province that they used to register as pensioners in the province. They would then travel back home where they also had addresses to use for registration purposes, Mushwana said.

"At the end of every month these people travel to the three centres to draw the pensions, and they can go undetected."

He said the provincial government was trying to standardise its pension payout so that there would not be any duplication. New identification mechanisms would be developed and contained in a central databank.

'Quick fix' pension funds tempt government

(300) M+G (DM) 24-30/5/96

Lynda Loxton

WITH R500-billion in assets, South Africa's pension funds have become tempting targets for the government as it casts around to raise funds for its formidable development demands.

A 17% tax on pension fund profits has been levied and over the last week the Parliamentary Joint Standing Committee on Finance heard yet more proposals for a "quick fix". The committee was considering the recommendations of the Smith Committee report into pension funds.

The National Labour and Economic Development Institute (Naledi) told the committee: "Allocating even part of the R25-billion annual contribution income of the industry to development projects would contribute substantially to financing employment and infrastructural creation."

Fears that such projects would not provide a good return had been disproven by the experience of the Community Growth Fund, which is now the "fourth best unit trust in the country".

Naledi suggested a code of investment for pension funds to ensure that they invested in socially responsible projects and a moderate prescribed asset rate of between 5 and 10%.

Congress of South African Trade Unions' pension fund and investment co-ordinator Irene Charnley suggested a "reconstruction bond" be launched into which pension funds should invest at least 10% of their assets.

Charnley said this could raise about R50-billion for development and job creation programmes and would have to "go hand-in-hand with a clear, efficient delivery programme by the government".

These suggestions were shot down by Smith Commission member Jan Graaf, who told the committee that although pension fund assets totalled about R500-billion, "they consist entirely of bits of paper".

"It requires an enormous leap of the imagination to see how these bits of paper could suddenly be transformed into projects for the Reconstruction and Development Programme (RDP)."

About 60% of pension fund assets are invested in the Johannesburg Stock Exchange.

Graaf said that in the past prescribed assets had done "very little" to develop the country "and had simply become part of state finances. I think that it would be a little bit naive to think that ... those assets could assist in the hard work of creating real capital" for development projects.

Pension fund assets were aimed at taking money from working people and distributing it to people drawing pensions and "can't really be used for anything else".

Old Mutual economist Dave Mohr said the assumption appeared to be that investing in RDP projects would yield the same returns as other investments, but this was not certain.

If, however, pension fund members wanted their funds to invest a certain proportion of their funds in such projects, "we will oblige".

In view of the general move towards economic liberalisation, "any move back to prescribed assets would be a move back to more control while government policy, as I read it, is to liberalise," Mohr said.

The committee is to finalise its report, and reactions to views, next week.

SOUTH AFRICAN PENSION INDUSTRY STATISTICS

	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Number of pension funds	15 185	16 024	16 201	15 325	14 610	13 906	12 973	12 022	11 994	12 035
Number of members of pension funds	11 636 970	9 309 339	9 495 251	9 784 963	7 878 555	7 560 747	6 925 305	6 629 131	6 519 125	7 251 486
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Benefits paid by pension funds	29 608	27 975	17 233	13 833	10 092	8 685	7 424	5 937	4 386	4 004
Contributions received from pension funds	26 768	23 652	21 452	23 202	16 601	13 585	11 621	9 872	7 528	7 246
Aggregate assets of pension funds	352 881	279 810	228 637	181 177	157 790	117 055	99 142	84 750	67 683	53 901

NOTES :

1 Reduction of pension funds due to deregistration of underwritten funds that ceased to exist. About 2 000 self-administered funds and 13 185 underwritten in 1994.

2 Some people are members of more than one pension fund, therefore these figures are not a true reflection of the number of people who are members of pension funds. Member includes active members, deferred members and pensioners.

3 Thirty four funds have assets in excess of R1 billion in 1994 at balance sheet values.

Source: Institute of retirement funds.

(300) CT (BR) 28/5/96

South Africans should increase their savings

What came first: the chicken or the egg? Or put another way, what comes first, savings or economic growth?

This question has been raised by organised labour research body, the National Labour and Economic Development Institute (Naledi), in evidence to the parliamentary committee hearings on the Smith Committee Inquiry report on the retirement industry.

Naledi said initially the Smith Committee had taken the view that more pension fund savings meant cheaper investment capital causing growth.

"Then it was pointed out that more savings can mean less consumption leading to less production and growth.

"Therefore the question is: Do savings cause growth or does growth cause savings?"

The conclusion was that savings do not cause growth but are caused by growth.

Naledi argued that on this basis "the need for the retirement industry's tax-free basis falls away."

Chris Stals, the governor of the Reserve Bank, has another view. He told the annual conference of the Institute of Retirement Funds that it was the reduction of consumer spending that counted. If people reduced spending that would mean greater savings and greater savings were the answer to economic growth.

At the moment South Africans were spending money they did not have.

And, he said, South Africans should not only save more when they earned more, they should save a greater percentage of current income.

Africa looks to 'able' SA for leadership

The South African retirement industry had to start taking a lead on the African continent so that it did not remain an island of prosperity in a sea of poverty.

This is the view of Walter Cingo, manager of pension funds at the Financial Services Board.

Speaking at the annual conference of the Institute of Retirement Funds in Cape Town, Cingo said South Africa had been received and honoured by the wide world as a new and respected partner in the business and political sphere.

"Everyone in our industry should commit themselves to leading the continent in providing creative leadership at this time of rapid change.

"Africa is looking in our direction for leadership in business."

Cingo said the days when Britain and overseas companies provided the leadership in the insurance and retirement industry were now over.

"Our industry has come of age and South Africa must now take the lead in taking education and training to the rest of the continent."

He said over the past year more and more governments from neighbouring states had requested assistance in basic training to enable them to establish models to regulate their national retirement funds.

South Africa's goal should be to occupy the centre of the retirement industry in promoting the goals of regulation. These goals were:

- Investor protection;
- Stability of markets; and
- Efficiency in the market place.

He said South Africans needed to empower neighbouring countries and the continent with skills and expertise to show them the way to prosperity.

If this did not happen "we shall remain an island of prosperity in a sea of poverty. The island will forever be shrinking."

A BUSINESS REPORT REVIEW OF THE ANNUAL CONFERENCE OF THE INSTITUTE OF RETIREMENT FUNDS.

EDITORIAL: BRUCE CAMERON

EDITING AND DESIGN: CAROL GEY VAN PITTIUS

ADVERTISING: CHARON DISHEY

Forum for retirement supported – Marcus

ARG 28/5/96 (300)

Business Editor

THE government supports proposals for a National Retirement Provision Forum, Deputy-Minister of Finance Gill Marcus has said.

The forum should have clear targets and deadlines and should include representatives from all key players in the retirement industry, she told the annual conference of the Institute of Retirement Funds in Cape Town.

The government would take such a Forum's proposals "very seriously", Ms Marcus said.

The Joint Standing Committee on Finance would report on the findings of the Smith Committee on Retirement Provision within a week or 10 days and was expected to make recommendations on proposals for a National Forum.

The report of the Smith Committee was the start of a process aimed at old age programmes which were an instrument for economic growth, met the needs of society and were affordable.

Ms Marcus said discussions about the future of the retirement industry were taking place in the context of critical changes in the economy in the last three months.

"It can't be business as usual", she said, referring to the 20 percent depreciation in the value of the rand since February.

"We must minimise the costs and maximise the benefits of this," said Ms Marcus.

She called on business and labour to "step back from the confrontations of the last three months".

"Obviously we all have responsibilities and nobody can run away from their responsibilities.

"The challenge is to harmonise these.

"Fiscal discipline is not purely a government function.

"Business, labour and government all need to look at what we can do to contain costs and maximise benefits, she said."

Ms Marcus said decisions which were taken now would affect the next upswing in the economic cycle.

Eastern Cape probes tender board's pensions contract

(300)

Amanda Vermeulen

BD 28/5/96

THE Eastern Cape legislature has ordered its standing committee on finance to investigate allegations of irregularity in the provincial tender board's allocation of a R400m pensions payment contract.

This follows threats last week by Heath commission head Judge Willem Heath that he would issue an interdict preventing the contract from being implemented. The finance committee would hear submissions from interested parties tomorrow.

The contract, for the payment of about R2,1bn a year in pensions to 600 000 elderly people in the Eastern Cape, was awarded in March to a consortium consisting of Umtata-based company Balraz and Pensecure, a joint venture between the Post Office and Coin Securities.

Two health and welfare committees evaluated several tender submissions over an eight-month period, and on both occasions recommended a joint venture between Standard Bank and Fidelity Guards.

Task team to look at state pensions

CAPE TOWN — The parliamentary joint standing committee on finance has recommended the establishment of a small task team to investigate the future provision of pensions in SA. (300)

Supporting the main recommendations of the Smith committee report on pension funds — aimed at reducing the pensions burden on the state — it said this should be followed by the formation of a pensions forum representing main stakeholders.

The two bodies should map out the basics of a government policy paper on future retirement provision and report back by December this year so that key recommendations could be considered in the 1997/98 budget.

The parliamentary committee held extensive hearings on the Smith report a week ago and finalised its report yesterday.

It said that while there was some support for introducing tax incentives to encourage people to provide their own pensions, there had been some resistance as this would mainly benefit the rich and not encourage savings. — Reuter.

BD 29/5/96

CT 30/5/96

300

FIRESIDE CHATS

Sam Shilowa, left, the general secretary of Cosatu, and Tito Mboweni, the labour minister

PHOTO: JOHN WOODROOF

Pensioning off

(500) ...

Bruce Cameron

Organised labour has signalled its intention to demand greater control of the R500 billion or so tied up in South Africa's retirement funds.

Its main intention is to change investment strategies so that they become more directed towards social responsibility.

In documents submitted to the recent hearing of the parliamentary standing committee on finance, organised labour was emphatic that the funds' wealth should contribute more directly to the social development of the country as well as improving the lot of individuals. The reconstruction and development programme was cited as a vehicle for change.

Cosatu and the National Labour and Economic Development Institute (Naledi), the organised labour research body, submitted evidence to the parliamentary committee hearings on the Smith inquiry into the retirement industry.

They said fundamental changes would have to be made to the existing system, which was still rooted in the old, defined benefit schemes.

They said it did not reach far enough into South Africa's populace, especially the poor, and that the investment policies of private funds were driven purely by returns. The influence of individual members on their investment savings was also limited by this system.

Labour has questioned major issues, such as allowing continued tax incentives for pension funds through making contributions tax deductible. It suggested the reintroduction of prescribed assets for funds, with the funds being compelled by legislation to invest between 5 and 10 percent of their assets in reconstruction projects, through a special RDP bond issue.

Naledi said in its document that retirement policy was of crucial importance both to individuals and the nation, with three main priorities.

Firstly, adequate pension provision had to enable individuals to afford a decent life after they were no longer able, or willing, to work. Secondly, progressive retirement policy could improve income distribution to the poor by giving them "especially good retirement incomes".

Thirdly, retirement-fund assets of R500 billion and the annual income from contributions of about R25 billion could, "and must, be a tremendous tool for reconstruction and development".

Organised labour senses that it has been historically frozen out of the retirement fund industry and has not been included sufficiently in investigations such as the Smith committee inquiry, the pensions task team looking at public-sector retirement funds, and the recent amendments to pension fund legislation.

"There are many local government funds doing whatever they want," it said.

The labour groups supported the Smith committee proposal for a small task team leading to a national forum on retirement funding.

Retirement funds 'must be a tool for reconstruction and development'

Not only do they want the forum, but Irene Charnley, the Cosatu representative at the hearings, also said that labour federations should have six places on the 14-member forum.

Naledi said the forum could lead to much of the work done by Smith being redone, and there were significant shortcomings in the vision and detail of the Smith committee's recommendations.

Naledi said Smith's underlying vision that only encouragement was needed to stimulate retirement saving, with the state old-age pension acting as a stopgap measure by providing cover for the the very poor, was "a comforting notion but clearly not satisfactory".

What was needed was a blend of incentive-based encouragement and compulsion, it said.

Naledi has recommended wide-ranging changes. These recommendations cover the existing state pension and private- and public-sector provision.

For state pensions, Naledi recommended the retention and extension of the system as the only significant tool inherited by the government for redistribution and as the largest source of income for the rural poor.

It supported the Smith recommendations for easing the means test and improving administration to reduce fraud, but did not accept other recommendations for increasing the qualifying age by offering incentives to delay taking a pension and to limit total benefits to 1,7 percent of gross domestic product.

For retirement provision in the private sector, Naledi recommended compulsory retirement provision by all companies employing more then two people, with the companies either choosing their own independent provision or joining a national umbrella fund for small and medium-size enterprises, which would have lower contribution levels combined with incentives.

Naledi argued that social investment did not necessarily mean poor returns

It also recommended that informal, micro and small business entrepreneurs should be given real incentives to provide for the retirement of their workforce and themselves, with investment and development finance linked to retirement provision in a way that would strongly motivate them. Part of the development finance would come from the funds themselves.

Naledi also recommended ensuring higher levels of contractual savings, which would make more capital available for investment.

It said that jobs should be created through positive investment strategies because it was no good saying the unemployed must find a job to provide for retirement when job creation was inadequate.

Another suggestion was that all funds should have a trustee board, no matter how small, with worker representatives having a minimum of 50 percent representation on the boards.

Naledi said it had to be recognised that pension and provident funds belonged to the members and were a form of deferred payment.

It also said the Pension Fund Act should promote industry funds. Among other things, this would cut down on the proliferation of funds, now about 20 000. Many of the funds had been created because of unscrupulous marketing exercises that had no economies of scale and had high administration costs.

Naledi said this had resulted in poorly informed workers losing out through unnecessarily high premiums.

It said workers should have full vesting rights, with access given to both their own and their employers' contributions on leaving employment. Workers should also be able to transfer their funds from one fund to another if they were not happy with a certain fund.

A code for investment should be established, with all funds having two investment lists: one for financial returns and the other for nationally agreed social responsibility investment. This should be backed by prescribed investments of 5 to 10 percent of the assets and steps to ensure all funds were placed on the same footing.

Naledi argued that social investment did not necessarily mean poor returns and cited the performance of its Community Growth unit trust as an example.

It also suggested a major shake-up of the Financial Services Board, the retirement industry regulator, which Naledi said was dominated by employer and life office interests and "is therefore unable and unwilling to protect member interests".

For the public-sector retirement funds, Naledi recommended that a pay-as-you-go system be implemented, as opposed to a fully or partially funded option. A pay-as-you-go system would wipe out the R60 billion the government owed to the fund.

Naledi said the main reason the public service funds have opposed this option is because they were dominated by a conservative, white, public-service trade union.

It recommended measures to neutralise abuses of past public-service funds, including buybacks to the age of 16, and people being retired and re-employed at higher salaries.

A halt to calculating pensions on last-day salaries, which had resulted in many civil servants receiving promotion to higher salary grades on retirement, was also called for. It supported the Smith committee recommendation that the figure should be calculated on the average pay over the last 24 months before retirement.

Naledi recommended stiff measures to stop other over-generous early retirement benefits.

It also called for the removal of racial discrimination by categorising many permanently employed black workers as temporaries and excluding them from fund membership.

GOVERNMENT PENSION BENEFITS

CUTTING THEM DOWN TO SIZE

FM 24/5/96 (300)

Parliament is considering a complete overhaul of the State pension system, which would bring to an end the excessive retirement and retrenchment packages cultivated under apartheid.

The Smith Committee, appointed in June 1995 by former Finance Minister Chris Liebenberg to investigate SA's retirement system, believes that government pension benefits should be knocked down to more market-related levels.

It finds that:

❑ Government pension benefits are about 20% better than those of large private sector companies;

❑ It takes government five years to recoup the cost of retrenching an employee with more than 10 years' service, compared to about 18 months in the private sector;

❑ Most civil servants receive a tax-free gratuity on retirement in addition to their pension;

❑ The public sector staff turnover rate is an unhealthy 5% per annum, compared to about 12,5% in the private sector;

❑ The Finance Department's pensions directorate lacks the managerial, technical and legal expertise and computer technology to administer government's pension funds effectively; and

❑ There are insufficient financial controls in place.

In its report, now under consideration by parliament's Joint Standing Committee on Finance, the Smith Committee recommends that government decrease its pension contribution from 20,3% of members' salaries to the guideline figure of 13%, which is still above the private sector average of 11,5%.

It calls for an end to the "financially unsound" practice whereby government pension benefits are calculated on a member's salary on the date of retirement, and proposes that the average salary over the last two years of service be used instead.

Also recommended is that lump sum benefits be paid in lieu of, and not in addition to, annuities upon retirement and that they be taxed.

The committee wants "reasonable and affordable" retrenchment packages to be renegotiated between the State and civil servants. It finds that on being retrenched, members with 10 or more years' service qualify for a life-long pension and a gratuity as if they had retired. The capitalised value of the retrenchment benefit of such a member is about five times his or her annual salary.

National Party MP and former Public Service Minister Sam de Beer warns that if the ANC backs down on the World Trade Centre agreement which guarantees the pensions of civil servants under the new dispensation, "they will have a revolt on their hands."

According to the Constitution civil servants are entitled to a "fair pension," and De Beer is adamant that any move that would effect the vested rights of civil servants retroactively cannot be deemed fair.

The Smith Committee's Leon de Wit agrees and says it is not the intention to take away the accrued rights of people. He believes that all existing staff should be brought into the new system while retaining the benefits they have accrued up to the change-over date.

DP pensions spokesman Brian Goodall welcomes the recommendations, but thinks it would be wrong to deprive a person say five years from retirement of the tax-free gratuity he has been expecting to be based on his 25 years' service, not on only 20 years.

Government's pension funds have a membership of 1,3m people. The total pensioner payroll is R4,15bn per annum, meaning that the average pensioner receives an annual pension of about R18 000. The funds' combined assets total about R70bn compared to total liabilities of about R120bn.

If accepted, the Smith Committee recommendations would result in substantial savings for the funds. However, the committee suggests that some of the savings be re-routed into salary increases, "especially at the lower end of the salary spectrum."

It also argues for the creation of a new administration unit to manage the funds, possibly a statutory body, which would offer the competitive salaries necessary to attract highly skilled staff.

But the most costly recommendation is likely to be that government redress the "reasonable expectations" of State employees who were deprived of fund membership under apartheid. It found that many civil servants, especially blacks and coloureds, were classified as temporary workers and had to undergo lengthy waiting periods during which they were denied membership although they were treated as permanent staff in all other respects.

The Department of Finance says the recommendations are reasonable and present "a clear description of the pension plan for public servants and of recent developments in this field."

Some of the Smith recommendations will be implemented on July 1, following recent agreements with labour, including changing the final salary definition to two years and reducing the State's pension contribution rate to 17%.

Issues still unresolved include the possibility of adopting the Pay-As-You-Go method of meeting government's pension obligations and changing from a defined benefit to a defined contribution pension plan.

❑ Public Service & Administration Minister Zola Skweyiya announced this week that about 100 000 public service posts

P.T.O.

will be cut by June 1997 by offering severance packages. Government plans to shed at least 300 000 jobs over the next three years to bring the total public service work force down to 900 000. ■

CRIME PREVENTION

TOTAL ONSLAUGHT 2

Government is recreating strategies and structures to fight crime that are strikingly similar to those which its defunct old enemy — P W Botha's State Security Council — used to wage total onslaught against the ANC and its allies.

Cabinet was this week expected to approve the long-delayed national crime prevention strategy that seeks to involve all the State departments, provincial and local governments and the private sector in a long-term campaign against crime at every level and all spheres of society.


Sydney Mufamadi

Independent analysts generally applauded the strategy — the first comprehensive approach to crime-fighting here — but warned that its greatest challenges would lie in implementation, in mobilising an historically fragmented government service to rid itself of outdated mindsets and implement a strategy based on interdepartmental co-operation.

Business Against Crime MD André Fourie says that a concerted strategy is a major step forward but government will have to beware of bureaucratic inertia. "We have seen time and again that interdepartmental committees alone are not very effective in driving government priorities. A co-ordinating body or mechanism is vital to give the process strategic direction."

He proposes the appointment of a body such as New Zealand's crime prevention council, which is attached to the Prime Minister's office.

SA's 88-page strategy document identifies seven priority crimes: those involving firearms, organised crime, white collar crime, gender violence and crimes against children, violence associated with "intergroup conflict," vehicle theft and hijacking and corruption in the criminal justice system.

It proposes a series of steps to tighten vehicle licensing and intends to make identity documents more resistant to fraud, institute a crackdown on private- and public-sector fraud, improve border controls to combat smuggling and illegal immigration and provide "meaningful alternatives to prison sentences" for minors. The criminal justice system's data processing will also be beefed up to speed up prosecutions and raise levels of convictions.

However, "a comprehensive strategy must go beyond effective policing," says the strategy team, which comprised representatives from the departments of Safety & Security, Justice, Correctional Services, Defence, Intelligence and Welfare. The strategy "must also provide for mobilisation and participation of civil society at all levels and assistance for all levels of government to address crime where it originates — at local level."

At first glance, the concept and methods of the new strategy appear similar to the National Security Management System (NSMS) which the Botha government used to strike at and destabilise the anti-apartheid movements of the Eighties. For example, as with the NSMS, the new strategy sets up co-ordinating committees at ministerial and director-general levels and establishes an interdepartmental secretariat to co-ordinate and devise ways of transforming government and tailoring development strategies, education and welfare programmes to reduce crime.

But that's where the similarity ends. For the ANC's strategy has not evolved from the old security system. It developed, says Janine Rauch, adviser to Safety & Security Minister Sydney Mufamadi, from the realisation that crime is not a monolithic but a varied phenomenon that requires many different solutions and the involvement of a broad spectrum of society.

ANC MP and parliamentary committee member on safety and security Jenny Schreiner dismisses equating government's new anticrime strategy with the Botha government's one.

The Botha strategy may have developed interdepartmental co-operation in security matters, says Schreiner, but it did little or nothing to improve interdepartmental co-operation to co-ordinate road construction to tie in with rural development, building health clinics or providing water.

Government's new strategy would endeavour to achieve this kind of co-operation to help improve overall efficiency and an improvement in the State's ability to tackle crime.

Sceptics, however, abound in the police service, says a former senior policeman still closely involved with anticrime work in the private sector.

"The strategy itself is basically sound," he says, " but it's quite another question to expect the other departments to co-operate with Safety & Security. If they don't, this will just turn into another paper proposal."

He supports his contention by saying that it took departments such as Welfare, Correctional Services and Justice up to three months to appoint representatives to the team that formulated the strategy. Even then, they contributed little and the document was almost entirely drafted by Safety & Security department members — with significant input from organised business. ■

UNIVERSITY TRANSFORMATION

POPULIST MAYHEM

FM 24/5/96

Tertiary education in SA is teetering on the brink of chaos as students at various campuses go on the rampage in support of demands for instant transformation.

The problems are compounded by the need for swift action by the authorities, limited funding and a leadership crisis within student bodies.

While the problems at Pretoria Technikon this week appeared to take on directly racial overtones, the targets in Durban, Maritzburg and Free State are generally the administrations, which are being called on to speed up changes aimed at making the universities more demographically representative.

But the overall effect is the same. The students are doing themselves few favours by running rampant through the institutions leaving a trail of damage behind them. The same applies to the authorities who are discovering that a lack of decisive action leads to an escalation in student demands. At worst effective control could be surrendered to the students — that is what is now being demanded at Durban-Westville.

However, Education Minister Sibusiso Bengu is to institute a judicial inquiry into the problems at the university. He

Continued on page 65

Gauteng to have automated pension payout

By Patrick Phosa

The Gauteng government has invited tenders to convert its "over-the-table" system of pension payments – which costs the government millions in fraud – into a fully automated payout system.

Speaking yesterday at a press conference in Johannesburg, Gauteng Sports, Recreation and Welfare MEC Peter Skosana said the challenge facing the welfare department was "getting the right money to the right person at the right time".

He said his department could not live with seeing pensioners standing in long queues that often began at the crack of dawn. The pensioners were often exposed to robbers while waiting in queues.

At the moment Gauteng has 178 000 pensioners who receive monthly payments at 122 paypoints. If the payments were automated, civil servants would be relieved of payout duties to focus on their departmental administrative duties.

Skosana said the current system of cash payment would be phased out in the long term..

"The Gauteng government considers cash payments an interim measure and a far more sophisticated system must be introduced within the next three years," he said.

(300) Star 3/6/96

Public servants' pension deals to change

BD 5/6/96 (300)

Greta Steyn

GOVERNMENT would save R400m a year from a major overhaul of public servants' pensions benefits, a spokesman for Public Service and Administration Minister Zola Skweyiya said yesterday.

The savings form part of government's plan to fund large salary increases for public servants by cutting down on staff and changing pension benefits. Agreement had been reached with the public service and education unions, but a similar agreement had not yet been signed with the police.

One of the major changes to pension benefits was that they would be calculated on a member's average salary over the last two years of service and not on the salary prevailing on the last day, as was presently the case. The tax-free gratuity paid to public servants would also be affected.

The spokesman also said the contributions of the state, as employer, would be reduced from 18% to 17% of a member's pensionable salary.

Death and disability benefits had also been restructured, with the main difference being that pensionable service would only be increased up to the age of 60 years, instead of the present 65.

The spokesman also indicated that steps had been taken to make it easier for public servants to maintain their pension benefits when they resigned. The cash benefit on resignation had been enhanced, depending on the period of employment. People who left the state's employ would also be able to transfer accrued pension benefits to another pension fund.

The "sticking point" in negotiations with unions at the moment was on benefits payable on future forced retrenchments. Negotiations were continuing with the various sectors in the public sector, but once the Labour Relations Act came into force, there would be a single negotiating body for public sector workers.

Pensions tender leak claim

BD 11/6/96 (300)

BISHO — The Eastern Cape health and welfare department leaked the name of a government contract winner to the Press before the tender was completed, it was disclosed yesterday.

Umtata-based Balraz told a Bisho legislature committee, probing the deal to pay 600 000 social provincial pensions in the next three years, that it found the department's behaviour "unsavoury".

Balraz advocate Boris Savvas told the committee: "Newspapers were able to discover, before the state tender board, that Fidelity Guards had been chosen by a welfare technical committee when Balraz had not even been looked at."

A Standard Bank-Fidelity Guards consortium — with its R235m price tag — won the support of two department technical committees which weighed up the six bidders.

The provincial tender board, however, ignored the recommendations of the technical committees and split the contract between Balraz and Pretoria-based Pensecure with a combined R400m price. The board based its decision on the two companies' commitment to affirmative action.

Provincial health and welfare MEC Trudi Thomas called on the board to explain its decision. She claimed still not to have had an adequate response.

The DP's Eddie Trent referred the deal to the Heath probe of irregular government deals and the legislature referred the deal to the parliamentary finance committee for investigation.

It was before this finance committee that Savvas yesterday accused the first welfare technical committee of "distorting the truth" by claiming Balraz did not have an upfront agreement with Standard Bank. He denied reports that Balraz was not a registered company at the time the tender closed, and that some company founders were employed by government. — Ecna.

Pensions tender meets 'demands of RDP'

(300) CT 11/6/96

KING WILLIAM'S TOWN: The Eastern Cape Tender Board had not been under pressure or influence when it awarded the tender for payment of social pensions, board chairman Mr Bongani Finca said yesterday.

Various factors had been taken into account and the tender had been awarded to Balraz and Pensecure, Finca told the standing committee on social pensions in Bisho.

These factors had included affirmative action, the promotion of small and medium enterprises and job-creation.

"Every company that applied for the tender had to show its commitment to the principles of the Reconstruction and Development Programme," Finca said.

Balraz, which had four blacks on its board of directors, had won the tender because of its affirmative action policies, he said.

The technical committee appointed by the department of health and welfare had been under pressure to finalise the matter.

The technical committee's report had cast a negative light, in terms of commitment to the RDP, on some of the companies that had tendered.

"In the whole process the board is not aware of any fraud, corruption or irregularities," Finca said.

Balraz board member Mr Stone Sizani said the company had been awarded the contract as its tender had taken into account the province's "depressed" economy and the interests of its people.

He said Pensecure had postal outlets in the form of spaza shops and that these could be used as pension pay points. — Sapa

Transnet pension fund rules change

(300)

Robyn Chalmers

BD 20/6/96

THE public enterprises office has published a range of amendments to Transnet's pension fund rules, while stressing that they will not have an impact on the restructuring of the fund which was stopped earlier this year.

A public enterprises spokesman said the amendment would not have a big impact on the pension fund, nor would it affect the pension fund deficit which currently stands at about R4,2bn against R17bn five years ago.

A Transnet spokesman said the amendments were largely to do with finetuning the rules and ensuring that pension fund members understood their benefits.

Transnet chairman Louise Tager announced in February that restructuring of the fund — to allow workers to choose between pension fund and provident fund payouts — would be put on hold.

Pensions versus privatisation

(300) (~~[illegible]~~) M+G (BM) 5-11/7/96

Targeting state pension funds rather than state assets would be a more efficient way of addressing the Budget deficit, writes Ravi Naidoo

Moving with the times: Flexibility on state pensions is the key to fiscal policy PHOTOGRAPH: HENNER FRANKENFELD

THE direction of macro-economics policy reflects the political agenda being pursued by the government. So the government's belated unveiling of its macro-economic plan is indeed a defining moment. However, judging by the cheers and "hallelujahs" of business, it seems safe to assume that the government's plan has strayed too far across the fence.

But the government is under immense pressure. Foreign capital (and undiluted domestic power blocs) are putting pressure on it to follow conservative macro-economic policies as a precondition for new investment. The failure of current conservative macro-economic policies means less economic growth in 1996/97 — and less government revenue and a higher interest bill — squeezing the fiscus.

Furthermore, the failure of delivery policies seems to have frustrated the government into at least offering reasons for the failure. "Slow" consultative processes are a suitable target, even if the government is the one late with a plan.

The macro-economic plan is based on the assumption that a market-driven, state-assisted growth strategy is suitable for South Africa. The counter-argument for a stronger government role through expansionary policies is summarily dismissed in one paragraph stating the deficit must be reduced.

However, while the overall stategy is likely to be revisited through negotiation of some form, there are two points worth exploring here.

How serious is the debt "problem"? The government debt, most of it interest-bearing, stands at R287-billion, 55% of gross domestic product (GDP). The interest payments on this debt are essentially the cause of the Budget deficit (government expenditure exceeding revenue). This deficit is now 5% of GDP.

First, and mostly because of sanctions, government's debt is not high by international standards. The Organisation for Economic Co-operation and Development (OECD) average debt-to-GDP ratio is 72%, for example. However, real interest rates in South Africa are 15% (against 4% in the OECD), making debt expensive.

Second, deficits are neither inherently good nor bad. The difference is the ability to direct the expenditure to ensure higher future returns so that you can repay the debt. Directing expenditure means putting it mostly into capital goods and not consumption. At the moment, government capital expenditure is low — about 8% of the Budget, and much of that in "fixing thatched roofs". Therefore the government probably does need to redirect its spending before it can increase the deficit.

Third, if a quick deficit increase can be dangerous, a deficit reduction could be worse. Deficits, calculated as a percentage of GDP, tend to be counter-cyclical. They increase when the economy slows down but decrease when it grows. Therefore, the best way to reduce the deficit may be to increase GDP. Accordingly, in an economy with excess capacity (manufacturing capacity utilisation is around 80%) such as South Africa, the fiscally prudent policy is to target the growth rate, not the deficit itself.

This policy is suggested in the International Labour Organisation report on South Africa. Also Malaysia (a "tiger") disregarded International Monetary Fund advice and ran a deficit of over 20% — with good results.

Predictably, the business community claims that privatisation proceeds can be used to pay off debt. However, privatisation of even most state assets will not dent the national debt, nor the R30-billion annual interest payment.

HOW PAY-AS-YOU-GO PAYS OFF

FISCAL YEAR	ACTUAL DEFICIT (with fully-funded system), % GDP	SIMULATED DEFICIT (with pay-as-you-go)
1985	3,5%	2%
1990	1,5%	-0,6%
1994	6,4%	2,9%
Avg 1985-94	4,3%	2%

SOURCE: SMITH COMMITTEE, 1995

In fact, assets of most of the largest parastatals (including Transnet and Eskom), once you have subtracted their debts, are not much more than one year's interest payments. Moreover, most of the larger parastatals are showing positive net incomes. In sum, privatising to cut the debt is a poor idea.

A better example of unnecessary debt is the government employees pension fund — and its mythical "fully-fundedness". Research has shown that changes to the way the massive R120-billion government pension arrangement is funded can make a big difference both to government debt and the deficit.

In short, there are two ways to fund public servant pensions — and the government is using the wrong one. Fully-funded (pre-funded) systems are usually used by private firms, where a separate fund full of assets guarantees workers' pensions even if the firm is liquidated. Governments, which theoretically cannot be liquidated, usually have pay-as-you-go systems (where pensions are paid out of general revenue). While most countries use a pay-as-you-go system to pay their public servants, South Africa uses an expensive fully-funded plan.

Apart from being out of step internationally, the South African government has been filling its 'fully-funded' system with R70-billion of interest-bearing government stocks (basically government promises to pay) — making up a large part of the national debt and deficit. Importantly, the difference for the government between promising to pay pensions out of its annual Budget (pay-as-you-go) or a fund full of promises to pay (the 'fully-funded' system) is huge — amounting to an extra R14-billion every year.

That is what the government paid last year as interest (R8-billion) on unnecesssary bonds in its pension fund and its normal contributions as employer (R6-billion). Most of this R14-billion (roughly the value of Telkom) is what the government could put aside each year for infrastructural spending if it just changes its funding arrangement.

Moreover, it makes no difference to future taxpayers whether an obligation to pay pensions is thrust on them through redeemable government bonds in a trust fund — or an unfunded contractual promise.

To confirm this fact, the Smith Committee, appointed by the Minister of Finance to examine pension provision, concluded that "South Africa's Budget deficit before borrowing would have been much smaller had our civil service pension funds been managed on a pay-as-you-go basis — as the majority of our overseas counterparts seem to do."

As the table shows, changing to a pay-as-you-go system will halve the deficit — even without resorting to desperate measures such as privatisation or social spending cuts.

However, standing in the way of a pay-as-you-go systems are conservative public servant unions, which are reluctant to give up their influence over the present indebted fund. As for their members, a separate fund (even an indebted one) is psychologically more comforting than being paid out of an African National Congress Budget. No doubt, these are difficult issues for the government.

But the government is likely to find changing the pension fund much easier, and more justifiable, than privatisation or cutbacks in social spending. Moreover, in the former option, the government is likely to have the support of progressive public servant unions. And even a small fraction of the billions in annual pension savings could be translated into better pay and conditions, winning the support of most concerned public servants.

In sum, amid all the noise about cutting the deficit, it seems to have been overlooked that privatising and cutting social spending are not the only options. Using the pension fund as an example, there are clearly some ways to accommodate an increased role for the government even within a tight fiscal framework. "Flexibility" needs to be extended to fiscal policy.

Ravi Naidoo is head of the National Labour and Economic Development Institute (Naledi)

Pensioner dies while queueing for late payout

(300)

Thousands of elderly people have had to wait for up to three days in the cold

By Priscilla Singh

Star 17/7/96

An Orange Farm pensioner died on Monday and several others have fallen ill while waiting for three days in freezing weather in a pension queue because officials feared to go to the settlement following two robberies there in recent weeks.

Thousands of pensioners queued at the Orange Farm paypoint south of Johannesburg on Friday to receive their grants, but the paypoint personnel did not turn up and the pensioners refused to leave the spot until they had received their money.

Instead, the paypoint in the Sebokeng administration building, which pays up to R2,7-million a month to about 6 743 pensioners, paid those who travelled there from other areas.

The pensioner who died had been waiting in the chilly Highveld weather in the line with other pensioners since Thursday night.

Samantha Johnson of the Gauteng department of welfare and population development said she had heard about the death yesterday morning and investigations into the matter had already begun.

She said the department had ensured that all the Orange Farm pensioners had been paid out on Monday morning after a payout team from Heidelberg had agreed to go there.

"The department is looking at viable ways to end delays at paypoints and prevent another situation where pensioners have to wait an additional three days for their pension," said Johnson.

The dead pensioner's identity has not been released.

Bid to address Orange Farm pension problems

(300) Star 18/7/96

BY PRISCILLA SINGH

Officials of the Gauteng department of welfare and population development met the Sebokeng pension payout team yesterday to discuss the delay in the payment of pensions in Orange Farm.

A pensioner died and several others became ill last week as they waited in the cold for the payout teams, who refused to go to Orange Farm because they feared for their lives following two robberies in recent weeks.

Over the next two weeks, the department will meet the Sebokeng payout teams as well as police and defence force officials to discuss ways of addressing the problems with payments.

The department will also consult the Gauteng department of safety and security as well as community structures in Orange Farm.

In the meeting yesterday, attended by Welfare MEC Ignatius Jacobs, chief director of social security Louis du Toit and director of social security Gerry Rees, the payout team set out their reasons for withdrawing from the Orange Farm payout point.

A list of grievances, including a request for increased security, was handed to Jacobs.

A department spokesman said investigations into the death of the still unnamed pensioner were continuing.

Task team mooted to probe parastatal pension liabilities

(300) BD 30/7/96

Robyn Chalmers

THE finance ministry was considering setting up a separate task team to look into parastatals' pension fund liabilities, linked mainly to large actuarial deficits, a ministry source said yesterday.

He said it was imperative to determine the extent of parastatals' pension fund liabilities.

The liabilities would be a key question during any negotiations on the possible sale of parastatals, and could affect the price they could command.

The task team would also consider how the liabilities arose.

"This is still a proposal which is being considered by Finance Minister Trevor Manuel, so there is no timetable yet," said the source.

"If the setting up of a task team is approved, however, its work will be done as soon as possible."

A Public Enterprises spokesman said the outcome of any investigation into pension fund liabilities would have an effect on restructuring negotiations.

However, it was premature to say that restructuring would be further delayed.

The spokesman said part of the task of the various sectoral task teams was to consider how pension fund liabilities would affect the restructuring of particular parastatals, as well as the asset base of each parastatal.

A report by the Public Enterprises Department released earlier this year showed that total assets for public corporations amounted to roughly R137,2bn, but liabilities came to R72bn.

This was, however, a preliminary report and further investigation was recommended to ascertain exact figures.

The document showed that the state-owned enterprises had a combined annual turnover of R48bn on which they had a taxed profit of R6bn.

The liabilities were linked mainly to large actuarial deficits on parastatal's pension funds.

Telkom, which is currently at the forefront of government's restructuring drive, is seeking to raise up to R10bn from a strategic equity partner.

The report showed, however, that Telkom had assets of R16,5bn with R11,4bn in liabilities of which R8,3bn was interest-bearing debt.

Eskom, where negotiations are under way with union, government and Eskom officials on the best way forward for restructuring, has liabilities of more than R30bn against total assets of almost R50bn.

SOCIAL SECURITY — PENSIONS & CARE OF THE AGED

1996

AUG. — DEC.

There's no place like home

INDEPENDENT: Miss Caroline Adriaanse, 70 (left), and Mrs Sarah Simons, 73, in the kitchen of their new Noah project old-age house in Woodstock, which was opened last night.

PICTURE: THEMBINKOSI DWAYISA

Noah project provides an ark for the elderly

(300) CT 2/8/96

EUNICE RIDER
STAFF WRITER

HEAVY subsidy cuts to old-age homes and increasingly violent attacks on pensioners have led to the elderly finding innovative ways to provide safe accommodation for themselves.

One such way is the Neighbourhood Old Age Homes (Noah) project, a community housing project affiliated to the Catholic Welfare and Development Office.

The project opened its sixth old-age home last night in Woodstock and has other such houses in various Peninsula suburbs.

The house in Fairview Avenue has seven pensioners, some of whom were forced to move from District Six in the 1960s and 1970s.

The pensioners said yesterday they were very happy to have been placed in the new house, where they will be able to retain their independence and their dignity.

Noah project co-ordinator Mrs Margaret Dobson said that until last year care of the healthy elderly had been very institutionalised, with the government providing enough old-age homes in certain — mostly white — communities.

But the government has since cut back on funding and is only prepared to take responsibility for seriously ill and frail elderly people.

Dobson said Noah aimed to solve the problem of housing for the rapidly growing population of elderly people and to provide safe, affordable accommodation in houses for pensioners in the areas in which they wished to live.

Noah can be contacted at 47-6334.

(300) Sowetan 2/8/96

Unique move by SA labour

By Abdul Milazi
Labour Reporter

THE Municipal Education, State Health and Allied Workers Union (Meshawu) is to establish its own provident fund tailored to suit the needs of its members.

The decision, which has been agreed to by the Municipal Employers Organisation, is the first such move by workers in the history of labour in South Africa.

Meshawu president Lucas Matshoane said the new fund would be administered by Metropolitan Life.

"The investments will be in Metropolitan Life's Guaranteed Fund which has produced excellent returns. Our members have been waiting for a long time for the better benefits we promised them and we wish to thank them for their patience."

Matshoane said the purpose of a separate fund was to meet the needs of its members. It had to provide:

- Improved eligibility conditions for membership;
- Better retirement benefits;
- Improved death and disability benefits;
- Retrenchment and funeral benefits;
- Provision for home loans; and
- A transparent and accessible administration.

"Although we were bound by the Industrial Council to implement a fund for our members only, we had intended to expand it to benefit all municipal workers," said Matshoane.

Spokesman for the Municipal Employers Union Peet Roodt said the agreement to establish such a fund had already been published in the *Government Gazette*.

BUTHELEZI DEALS FROM NEW DECK

(300) FM 9/8/96

Home Affairs Minister Mangosuthu Buthelezi plans to overhaul government's identification system by replacing all green ID books with electronic smart-cards over the next eight years.

Pensioners will be first in line for the new cards in a bid to help the Department of Health & Welfare ensure that only those entitled to them draw social benefits. Abuse of government's pension scheme through forged ID books is believed to be widespread — Buthelezi claims more than R1bn a year could be saved by detecting fraudulent payments.

Besides carrying the ID document mug shot, the new cards will electronically store copies of their holder's fingerprints. This will be coupled to Home Affairs' Automated Fingerprint Identification System (Afis) project which will archive digital copies of all SA residents' fingerprints.

The card-based system has several advantages. People will no longer have to apply for new ID books when they marry or buy a firearm. Instead, government officials will be able to instantly add (or remove) these licences by updating computer records referenced by the cards. Home Affairs say the cards are also more convenient for citizens to carry because they are smaller and more durable than books.

Tougher measures to keep unlicensed drivers off the roads and to clamp down on social pensions fraud are to be welcomed. But the public has grounds for calling for guarantees from Buthelezi's department that its proposed ID card system and Afis won't cause a "Big Brother" erosion of privacy.

Though Cabinet has decided there will be no linkage between Afis and the automated fingerprint system the SA Police Services hopes to build, other issues need to be debated. For instance, government-maintained lists including the voters' roll have been sold to direct marketing firms by State departments in the past — and Home Affairs hasn't promised to discontinue this practice.

Another area of concern is Home Affairs' track record with IT systems. Though it's not responsible for installing the system used in SA's last elections — singled out as the culprit for delays in counting results — PCs and computer peripherals handed to it by the Independent Electoral Commission after the election "disappeared."

Home Affairs says consultation has taken place and though no firm date has been set, the intention is to publish the tender this year.

The department has tended to award recent IT related contracts to businesses within the State-owned computer group Denel Informatics. This raised the ire of German supplier Maurer Electronics which claimed Denel was awarded the contract after acting as Home Affairs' consultant for its passport photo tender, enabling it to examine the other players' prices and technology before making its own bid.

The new tenders shouldn't be a repeat performance of Home Affairs' passport photo tender. SA is considered a world leader in electronic fingerprint identification systems. A locally developed system used by First National Bank to pay pensioners in KwaZulu-Natal recently won a World Smithsonian Award. The bank's partner in developing the system, Datakor, beat other vendors to a card-based welfare payment system for the Mexican government.

But despite the successful application of fingerprint-based identification in KwaZulu-Natal, a bid to introduce a similar system in the Eastern Cape appears to have run aground. The tender board now has to defend its decision to award the R400m contract to Pensecure — a consortium comprising the Post Office, Coin Securities and Balraz Technologies — to prevent the Eastern Cape administration cancelling the project.

According to a committee investigating irregularities in the tender process, Pensecure won the contract because the tender board gave a 50% weighting to consortia with black-representation instead of the 13%-17% recommended by the province.

Tender board members say they did not understand the technology or call on a technical team for assistance.

No response was received from Home Affairs to the *FM*'s request for more information about how it intends avoiding similar pitfalls in its tender. ■

Abuse of government's pension scheme through forged ID books is believed to be widespread — Home Affairs Minister Mangosuthu Buthelezi claims more than R1bn a year could be saved by detecting fraudulent payments.

Eastern Cape govt finds tender irregularities

R400m deal on pensions may be cancelled

(300)

BD 5/8/96

David Greybe

CAPE TOWN — The Eastern Cape government is expected to cancel a controversial R400m pension contract, following the uncovering of irregularities in the tender process.

The latest twist in the months-long pension tender saga is set to play itself out on Thursday, when the provincial legislature will debate a report by its finance committee expected to raise serious questions over the province's state tender board.

The contract, to pay out R2,1bn a year in pensions, was awarded jointly to Pensecure, a consortium involving the Post Office, Coin Securities and Balraz Technologies.

An ANC member and senior official in the provincial administration said yesterday lawyers acting on behalf of the government were currently studying the matter, with a view to cancelling the contract.

The administration is understood to be more keen now on making use of a new national fingerprint identification system crucial to the payment of pensions, being set up at present.

The inquiry by the finance committee was set up after the province's health and welfare department asked the tender board in April to justify its award of the R400m contract, after two adjudication committees recommended another bid that was R165m lower.

The committee report, not yet released, was expected to raise "serious questions" around the legality of the tender process, sources close to the inquiry said yesterday. One said the committee "found more questions than answers". These included:

□ Discrepancies over the affirmative action weighting used in the tender award. Provincial tender board chairman Rev Bongani Finca admitted that a 50% weighting was allocated. However, the provincial administration's own affirmative action "10-point plan" provides for weighting of 13%-17%. The tender board was unable to produce any evidence that an objective assessment was done, or that the affirmative action programmes of all the companies which tendered were properly discussed;

□ The committee heard that the tender board's discussions took place, one source said, in a "highly unstructured manner". Transcripts of the board's proceedings showed members repeatedly acknowledged they did not understand the technology involved. At no time though did they call in members of the relevant technical team to assist them, and;

□ The committee heard evidence that the tender board did not allocate suf-

Continued on Page 2

Tender

(300)

Continued from Page 1

BD 5/8/96

ficient time to discuss such a complex matter. It transpired from the transcripts that the board spent only about five hours debating the issue.

The tender board appeared to have placed secondary importance on cost and reliability in the light of the fact that all the tenderers scored more or less equally. In the end it was the 50% affirmative action weighting which was the deciding factor.

"It was abundantly clear that not all of the companies were assessed equally," one source said.

Concerns were raised after the tender board ignored the advice of the two adjudication committees which, after it had spent eight months between them analysing the bids, recommended Standard Bank's consortium with Fidelity Guards.

However, the board gave no justification for its controversial contract allocation, nor what it found in its assessment to overrule the adjudication committees' findings at the end of March. This led to several bidders writing to Eastern Cape premier Raymond Mhlaba for an explanation.

Commune for the aged is a real hit

(300) ARG 5/8/96

ANDREW SMITH
Staff Reporter

FOR seven pensioners, a dream came true when they were offered places in the the National Old Age Home's (Noah) newest home in Upper Woodstock.

Unlike traditional homes for the elderly, the Noah homes offer the pensioners a room in an ordinary house with all the responsibilities that go with running a home.

The women are provided with safe, affordable accommodation in ordinary houses in areas in which they want to live. The only requirements are that the residents are older than 60 and fit enough to shop, cook and clean for themselves.

Funded by the private sector, the Fairview Avenue home marks the first time an entire house has been donated by a company. Murray and Roberts bought the house, renovated it and donated it to Noah.

Appropriately, the company with its roots as Murray and Stewart had its first office in a yard in Woodstock early this century.

Dave Orton, of Murray and Roberts, said he was delighted with the success of the self-contained project. "What is so good about the Noah concept is that social pensioners are able to remain living in the areas in which they want to live. By running each house as an autonomous unit, the residents can remain in control of their own lives."

Margaret Dobson, of Noah, said although the organisation was affiliated to Catholic Welfare and Development, it was certainly multi-denominational. With the home receiving the blessing of the Catholic Archbishop of Cape Town, Lawrence Henry, the residents should be in good hands.

The seven women who occupy the house all share rooms.

Elizabeth Phillips says living in the house "is like something she never expected". Sarah Simons, another of the new inmates, said they all work as a team to keep the house spick and span. "We all get on very well," she said. Mona Tjieda agreed with all her housemates that they would welcome a man into their midst.

The residents also have the benefit of the Noah centre in Woodstock, which provides them with an activities room, hairdressing salon and a clinic. Noah's homes have also been declared a teaching site by the Department of Geriatrics at UCT. In return for offering practical facilities for medical students and allied professionals, the Geriatric Unit runs a weekly health surveillance clinic at the Noah centre.

Picture: HANNES THIART, The Argus.

SSED WATERS: Catholic Archbishop of Cape Town, Lawrence Henry, blesses the newest of the NOAH homes in Woodstock. With him Dave Orton of Murray and Roberts the residents of the new home.

Draft report on pension contract 'tampered with'

BD 7/8/96 (300)

David Greybe

CAPE TOWN — The chairman of the finance committee in the Eastern Cape legislature denied yesterday a claim that his committee planned to "water down" a draft report critical of a controversial R400m pension contract.

The committee, chaired by Sam Mazosiwe of the ANC, is to meet today to finalise its report, which will be debated in the legislature tomorrow. However, sources close to the committee expressed concern this week that the original draft report had been "tampered with" in the past week.

Mazosiwe yesterday dismissed the claim as "not true". His committee had reviewed the matter as requested and had "come up with recommendations". He declined to comment further until the report was made public.

According to the sources, the first draft was more specific — and therefore damning — about irregularities in the pension tender process uncovered by the finance committee. The report was expected to raise "serious questions" about the legality of the pension tender process.

The province's state tender board appeared to have placed secondary importance on cost and reliability in the light of the fact that all the tenderers scored more or less equally. In the end, a 50% affirmative action weighting given to one of the bids appeared to have been the deciding factor.

The contract, to pay out R2,1bn a year in pensions, was awarded jointly to Pensecure, a consortium involving the Post Office and Coin Securities, and Balraz Technologies.

Certain ANC members of the provincial government had hoped to use the original report to argue for the cancellation of the controversial contract. Lawyers acting on behalf of the provincial government had also looked into the matter.

However, one source said the latest draft, when compared to the original, had been "tampered with quite considerably". The report's emphasis had shifted away from the R400m pension tender to more general recommendations about the way the tender board operated. The new draft placed greater emphasis on the future operations of the board.

The finance committee's report is due to be officially released tomorrow morning, before the debate in the legislature.

The committee inquiry was set up after the province's health and welfare department in April asked the tender board to justify its award of the R400m contract, after two adjudication committees recommended another bid that was R165m lower.

After spending eight months analysing the bids the two committees recommended Standard Bank's consortium with Fidelity Guards.

However, the board gave no justification for its contract allocation nor what it found in its assessment to overrule the adjudication committee's findings at the end of March.

Star 8/8/96

Former members of liberation movements to receive pensions

(300)

By Jovial Rantao
Political Correspondent

The Cabinet yesterday approved the Special Pensions Bill, which provides for the compensation of members of liberation movements and political activists who were once banned, detained and imprisoned.

The bill gives effect to section 189 of the constitution, which stipulates that provision must be made for people "who made sacrifices or served the public interest in establishing a democratic order".

The legislation is to be tabled in Parliament during the session which starts next week. Once approved, the law would enable thousands of former Umkhonto weSizwe and Azanian People's Liberation Army cadres to claim substantial pensions. An amount of R450-million for the payment of special pensions during the 1996-97 financial year has been provided for in the budget of the Department of Finance.

People who suffered permanent and total disability before February 2 1990 arising out of being engaged full-time in the service of a political organisation as defined in the bill also stand to benefit.

A special pensions board (SPB) and a review board will be established by Finance Minister Trevor Manuel in consultation with the president.

The SPB, which will have a chairman and four members, will adjudicate applications. The review board will be chaired by a Supreme Court judge who will work with two other members, one of them an actuary.

In order to be considered for a special pension, a person will have to submit a prescribed application form, certified by a commissioner of oaths, to the SPB within one year of the act coming into force.

The SPB will award pensions in accordance with the age of the beneficiary and the years of service rendered to a political organisation.

The special pensions will not preclude beneficiaries from receiving a social or military pension.

■ The Cabinet also decided to appoint a special envoy – believed to be Deputy Foreign Affairs Minister Aziz Pahad – to work with representatives of other countries in a bid to restore democracy in strife-torn Burundi.

■ The Cabinet also approved a South African Development Community protocol on transport, communications and meteorology as well as the country's contribution towards the eleventh replenishment of the resources of the International Development Agency. South Africa will contribute more than R40-million.

The establishment of a national commission on special needs in education and training was also approved.

(i)(aa)	(i)(bb)	(ii)(aa)	(ii)(bb)	(iii)
(1)(b) Consultants:				
Coopers & Lybrand	Certified Network Engineers	Maintenance of Local Area Network	October 1995 to September 1996	R180 p/h
A Claase	CNE Certificate	Wide Area Network Support	Nine months	R11 750 p/m
R Willemse	CNE Certificate	Wide Area Network Support	Nine months	R11 750 p/m
Ms Kakana	Hon. Journalism	Assisted the Directorate of Animal Health in facilitating a Strategic Planning Workshop	Eight hours	R2 750
Ms Ndlovu	B.A. Pd. Sc. B.Sc. Pub.Admin. MA. Council Phsy. and Diploma in consulting	Assisted the Directorate of Animal Health in facilitating a Strategic Planning Workshop	Eight hours	R2 750
Dr Faill	BVSC	Contracted to finalise a protocol of export of horses to the EU	Three months	R12 000 p/m
L R Kluever	B.A.	Consultancy service rendered to the Advice Committee to advice the Ministry of Agriculture of suitable candidates for the filling of advertised posts	34 hours	R250 p/h
G Gopane	Administration Diploma	Consultancy service rendered to the Advice Committee to advice the Ministry of Agriculture of suitable candidates for the filling of advertised posts	Five days	R2 750 p/d
B Sibiya	M.B.A. B.Com.	Consultancy service rendered to the Advice Committee to advice the Ministry of Agriculture of suitable candidates for the filling of advertised posts	19 days	R2 750 p/d
H S Hattingh	—	Consultancy service rendered to the Advice Committee to advise the Ministry of Agriculture of suitable candidates for the filling of advertised posts.	Two days	R150 p/h

(i)(aa)	(i)(bb)	(ii)(aa)	(ii)(bb)	(iii)
J R Kotsokoane	B.Sc. Natural Science B.Sc. Hon. Botany	Consultancy service rendered to the Advice Committee to advise the Ministry of Agriculture of suitable candidates for the filling of advertised posts.	23 days	R250 p/h
J R Kotsokoane	B.Sc. Natural Science B.Sc. Hon. Botany	Consultancy service rendered to the Advice Committee to advise the Ministry of Agriculture of suitable candidates for the filling of advertised posts.	Two days	R250 p/h
J I Bothma	St. 10	Finalising the letting and transfer of all Agricultural Research Council's moveable and immovable assets, such as experimental farms to the ARC. Train an official during this period to take over the service.	Nine months	R61,67 p/h
J van Wyk	B.Sc. Agric	Assisting IFAD Congress in Cape Town	271 hours 23 January 96 to 29 February 96	R150 p/h
J van Wyk	B.Sc. Agric	Assist with arrangements for the SA/USA. Bi-National meeting of delegates in Washington DC, USA	230 hours 1 March to 5 April 96	R150 p/h

(2) (a) No.

(b) No.

(c) No.

(d) (i) No.

(ii) No.

(e) No.

(f) No.

(g) No.

(3) (a) No.

(b) No.

(c) Payment made from Departmental Budget.

State-funded old age homes (300)

241. Sen W F MNISI asked the Minister for Welfare and Population Development:

(a) How many persons were resident in partially or fully State-funded old age homes in (i) 1990 and (ii) 1995 and (b) how many partially or fully State-funded old age homes were (i) built and (ii) closed down during the latest specified period of five years for which information is available? S386E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

(a) *Gauteng*

(i) Statistics for 1990 are not available for Gauteng Province separately.

(ii) 1995:	Financed	10 487
	State run	180
	Contracted	650

Northern Province

(i) 1990: State run + financed	220
(ii) 1995: State run + financed	289

Northern Cape

(i) 1990: Statistics for 1990 are not available for the Northern Province separately.

(ii) 1995: State run + financed	1 412

Eastern Cape

(i) 1990: 3 587

(ii) 1995: 3 601

KwaZulu-Natal

(i) 1990: 4 839

(ii) 1995: 5 217

Mpumalanga

(i) 1990: Statistics for 1990 are not available for Mpumalanga separately.

(ii) 1995: 1 522

(b) *Gauteng*

(i) Two financed homes

(ii) Three

Northern Province

(i) None

(ii) None

Northern Cape

(i) None

(ii) None

Eastern Cape

(i) 1990: None

(ii) 1995: None

KwaZulu-Natal

(i) 1990: 1

(ii) 1995: None

Mpumalanga

(i) 1990: 1

(ii) 1995: None

The Department could not get any information from the remaining three provinces.

Attorneys struck off the roll/admitted to practise

244. Sen R J RADUE asked the Minister of Justice:†

In respect of (a) 1995 and (b) the first four months of 1996 how many attorneys in each province were (i) struck off the roll and (ii) admitted to practise as attorneys?

S398E

The MINISTER OF JUSTICE:

Statistics are only available regarding the former provinces in the former Republic of South Africa.

(a)	(i)	Orange Free State	0
		Northern Cape	0
		Western Cape	4
		Eastern Cape	1
		Natal	15
		Transvaal	2
	(ii)	Orange Free State	69
		Northern Cape	13
		Western Cape	229
		Eastern Cape	41
		Natal	233
		Transvaal	611
(b)	(i)	Orange Free State	0
		Northern Cape	0
		Western Cape	2
		Eastern Cape	0
		Natal	6
		Transvaal	1
	(ii)	Orange Free State	24
		Northern Cape	5
		Western Cape	83
		Eastern Cape	24
		Natal	107
		Transvaal	290

Tygerberg/Groote Schuur Hospitals: budget/income

245. Sen C R REDCLIFFE asked the Minister of Health:†

(a) What amount was budgeted for 1995 in respect of the (i) Tygerberg and (ii) Groote Schuur Hospitals for each category of expenditure and (b) what (i) was the income of each of these hospitals in that year and (ii) were the sources of such income?

S399E

The MINISTER OF HEALTH:

(a) (i) R423 366 927

Personnel Expenditure	R299 067 106
Administrative Expenditure:	R3 948 107
Stores and Livestock:	R97 959 121
Equipment:	R7 000 000
Professional and Special Services:	R11 091 000
Miscellaneous Expenditure:	R4 301 593

(ii) R461 908 112

Personnel Expenditure	R323 357 848
Administrative Expenditure:	R4 344 619
Stores and Livestock:	R108 215 012
Equipment:	R7 149 500
Professional and Special Services:	R14 279 788
Miscellaneous Expenditure:	R4 561 345

(b) (i) Tygerberg:	R18 293 993,04
Groote Schuur:	R27 391 490,77

(ii) *Tygerberg:*	*R*
Recovery: Interest	11 236,91
Recovery: Other Contract Cap	13 552,49
Hospital Fees: Mechanised Accounts	12 632 981,14
Hospital Fees: In-Pat Acc HO	253 068,81
Hospital Fees: Out-Pat General	1 802 522,38
Prosthesis/Aids	89 448,30
Medical Reports	103 331,77
Academic Hospitals Prof Fees	1 625 276,88
Letting of Immovable Property	138 543,51
Parking	69 742,00
Water/Electricity/Sanitation	38 614,54
Accommodation: Staff	569 482,24
Accommodation: Private	49 095,90
Meals	1 171,28
Day-care Fees	309 147,32
Cremation/Mortuary Fees	2 998,00
Unclaimed Patient Fees	136,00
Contributions UCT/US	131 200,00
Commission on Insurance	224 415,00
Reprographic Services	2 046,00
Sales	139 677,61
Investigations/Debt Receipts	600,00
Transport	5 476,69
Class Fees	5 685,00
Course Fees	346,35
Repayments: Previous Year	251 144,57
Other	336 711,49

Groote Schuur:	*R*
Recovery: Interest	23 080,06
Hospital Fees: Mechanised Accounts	17 911 936,92
Hospital Fees: In-Pat Acc HI	268 393,95
Hospital Fees: Out-Pat General	2 511 645,60
Prosthesis/Aids:	85 904,83
Medical Reports	95 510,79
Academic Hospital Prof Fees	460 297,25
Sale of Movable Property	562,50
Letting of Immovable Property	515,00
Parking	83 354,00
Water/Electricity/Sanitation	92,40
Accommodation: Staff	922 977,84
Meals	145 145,85
Day-care Fees	283 517,52
Cremation/Mortuary Fees	14 590,59
Unclaimed Patient Fees	110,00
Contributions UCT/US	2 888 024,30
Commission on Insurance	250 738,00
Sales	131 489,56
Cash Surplus/Unclaimed Salaries	377,88
Investigations/Debt Receipts	189,39
Transport	4 941,01
Class Fees	28 860,50
Repayments: Previous Year	38 227,52
Other	1 318 492,55

Source: Provincial Department of Health, Western Cape Province.

Purchasing of textbooks: amount spent

249. Sen A J WILLIAMS asked the Minister of Education:†

(1) What was the total amount spent by his Department in purchasing textbooks in (a) 1995 and (b) the first four months of 1996;

(2) whether any schools have not yet received textbooks; if so, (a) what are the names of such schools, (b) in which province is each of these schools situated and (c) when will these schools receive textbooks;

Feeding frenzy at the pension payout

ARG 16/8/96 (300)

CHENÉ BLIGNAUT
Staff Reporter

THE monthly payout point for pensions and other social grants, at the civic hall in the debt-ridden community of Bonteheuwel, is the perfect opportunity for loan sharks to prey on the poorest of the poor.

The handing over of grants to needy beneficiaries is only the first in a chain of payouts that take place on the scene.

From there, the money goes directly into the hands of the money lenders, leaving the pensioners with too little on which to live for the rest of the month.

This leads to more borrowing and eventually the beneficiaries become trapped in a vicious cycle of debt from which they never escape. Persistent complaints by community members that money lenders and debt collectors control the payout of social grants in Bonteheuwel were personally confirmed by Minister of Health Ebrahim Rasool and the department's forensic auditor Tim Steele during a surprise visit this week.

Mr Steele is heading an investigation into charges of fraud and corruption in the social security system. The moneylenders allegedly often "take over" pension payout books and collect the money on behalf of their "clients" to make sure the loans get repaid.

Other debt collectors hang around outside the hall, ready to prevent their "clients" from fleeing without settling their debts.

The interest on these loans is believed to be as high as 50 percent.

In some cases, this means that a pensioner, who gets a monthly payout of R450, often ends up with less than R60 on which to live for that month.

This necessitates further loans, often from more than one loan shark at a time, and at the end of the month the vicious circle starts again.

Debt collectors hang around outside the hall, ready to prevent their "clients" from fleeing without settling their debts.

At 7,30am, when the ministerial delegation arrived on the scene, the atmosphere at the community hall was akin to that of a bustling marketplace, with some traders even doing business inside the hall.

Within a few minutes the minister had verified most of the allegations of irregularities which had been made by beneficiaries during the past few weeks.

Corroborating complaints from beneficiaries, a post official admitted they often paid out pensions to people who could not produce identity documents or on altered power-of-attorney forms.

He also told the minister they often paid out more than one grant to the same person.

None of the officials who were questioned seemed to be aware of a new regulation which limited the number of relatives or friends on whose behalf money could be accepted.

The minister's investigation further confirmed that some of the people assisting in the payout were prominent members of a political party. This was significant because there had been allegations of political intimidation of beneficiaries. Tygerberg councillor Mary Jafthа, a member of the National Party, was one of the officials at the payout this week.

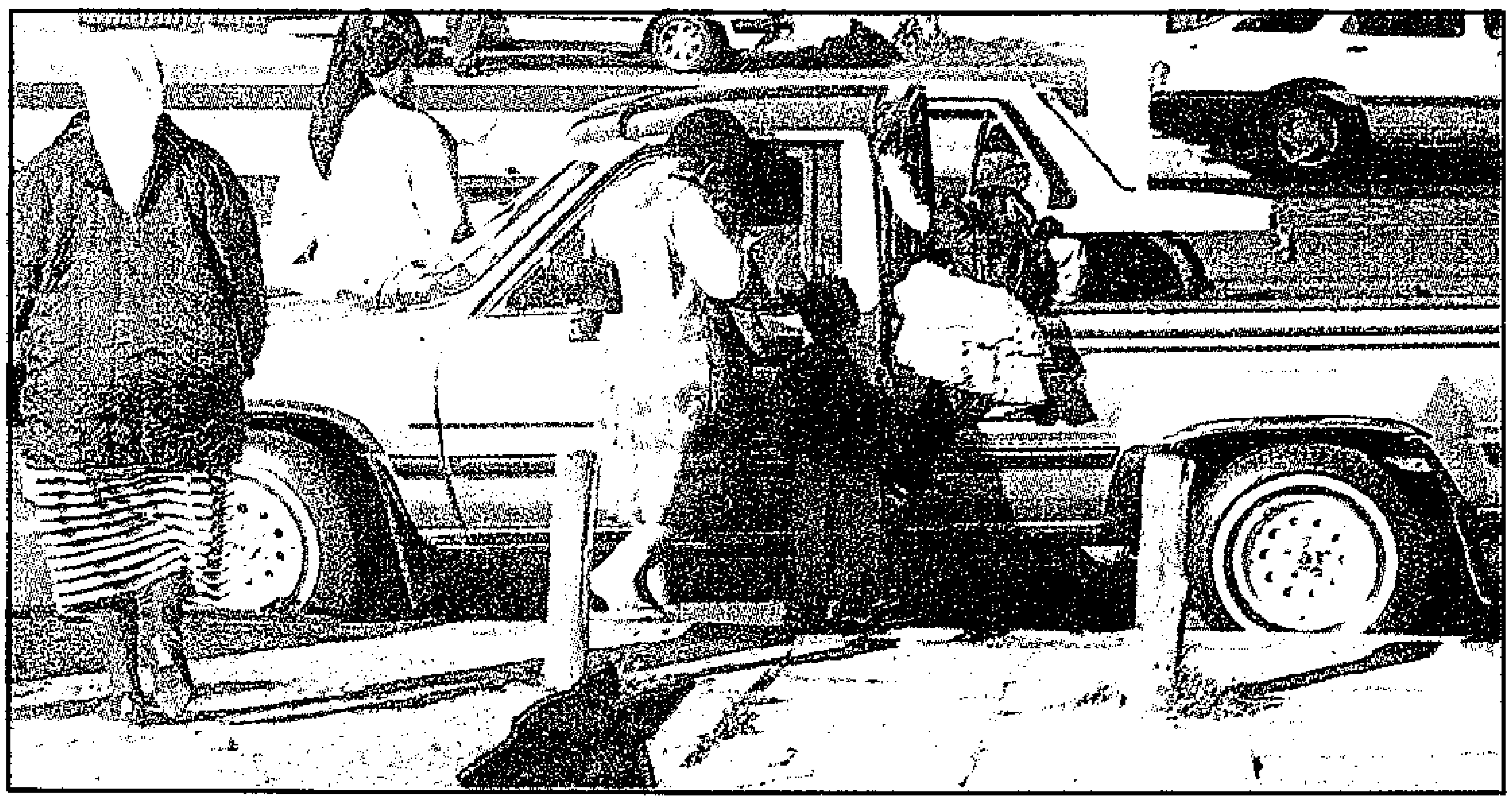
The security situation at the hall also left much to be desired. There were about four guards in the hall, but it was difficult to determine which of them had been appointed by the post office and which were acting as guards for moneylenders. The inspector noted with concern that the back door of the room where a large amount of cash was being kept, was bolted, but unguarded. And in the hall, where people were queueing behind various tables, stacks of cash were lying around openly on the tables.

This was particularly worrying in the light of the fact that huge amounts of pension money had been stolen during armed robberies in Bonteheuwel on two previous occasions.

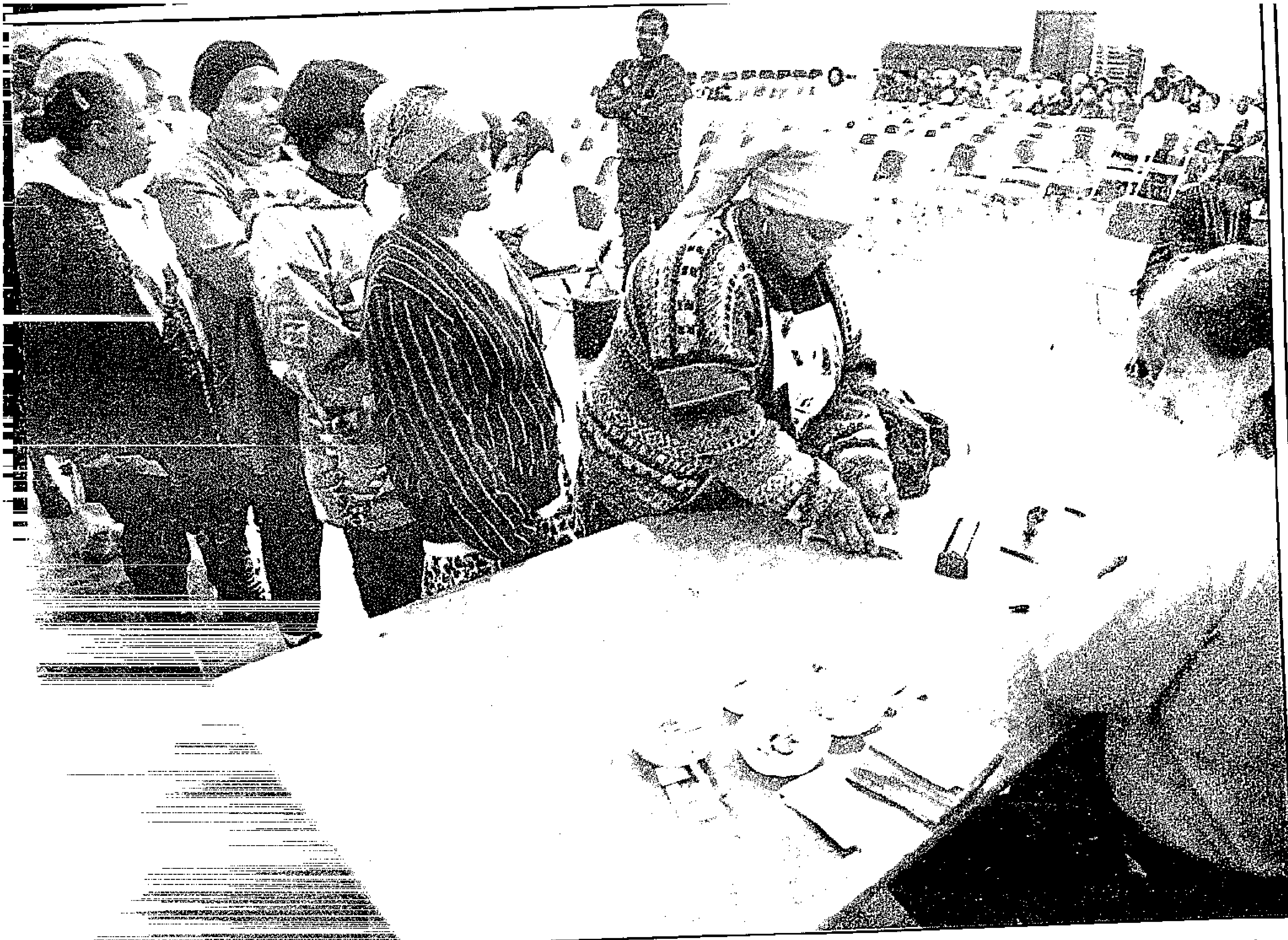
"It is very difficult to determine just who is who and who is doing what in this set-up," said Mr Rasool, who described his visit as "witnessing the underworld of of pension payouts".

He said his department would focus on Bonteheuwel as a pilot project to overcome corruption, fraud and irregularities which appeared to be rife in the social security system.

Short-term measures would include a campaign to inform beneficiaries of the regulations pertaining to payouts, and interviews with community members to find out more about their experiences.



IN DEBT: Women gather around the car of an alleged money lender after getting their monthly maintenance pay-outs in Bonteheuwel.



CASH OUT: A beneficiary gets her monthly maintenance money from an official in the Bonteheuwel community hall. Piles of cash lying around openly on the table were a cause for concern for a forensic auditor from the Department of Health and Social Services.

PATIENT: A group of Bonteheuwel women wait patiently for their turn during the monthly pay-out of maintenance money and other social grants.

Pictures: ANDREW INGRAM, The Argus.

Argus

16/8/96

300

ON GUARD: Two guards keep watch during the monthly pay-out of maintenance money and other social grants at the Bonteheuwel community hall.

Flood of applications for 'struggle' pensions

(300)

20 000 anti-apartheid activists are expected to apply

ARGT 4/9/96

CLIVE SAWYER
Political Correspondent

MORE than 12 000 people have applied for special pensions to be paid to those actively involved in the anti-apartheid struggle, and the figure is expected to rise to about 20 000.

But these figures could be revised because eligibility for payments in terms of the Special Pensions Bill is narrowly defined.

The pensions will cost an initial R450-million, which includes the cost of backdating them to April last year, and will cost about R270-million next year.

This was disclosed when the bill was discussed at a meeting of Parliament's joint standing committee on defence yesterday.

Trevor Wentzel, who is co-ordinating compilation of the list of those eligible, said about 3 000 of the 12 500 people who had applied already were younger than 35.

The bill sets out three categories of people who will be eligible for benefits.

The first category, 35 to 45, will get R6 000 plus R1 200 for each year of service exceeding five years but less than or equal to 20 years, with a maximum amount of R24 000.

But those younger than 35 when the bill is passed – the starting date for benefits – will not be eligible for pensions.

Barbara Hogan, an African National Congress member of the committee, said it was important to note that people would get benefits only under specific circumstances.

In general, the crucial qualification is that a person must have been deployed full-time by an organisation working to create a non-racial democracy. Mere membership will not be enough to qualify.

People would have had to be banned or imprisoned, or a combination of both, for political offences to qualify.

Another category for eligibility is people who were permanently disabled: "Not just injured," Ms Hogan said.

The final category was people who were survivors of those who had died while deployed full-time in the freedom struggle, or who had gone missing while working for a liberation organisation.

The cut-off date for eligibility is February 2 1990, the date of the announcement of the unbanning of liberation organisations.

However, an exception would be made for those who continued to work overseas for some time afterwards for liberation movements.

If an applicant does not qualify for a benefit, details of the applicant may be sent to the Truth Commission for help.

sowetan 6/9/96

Bill 'is not for all'

It does not provide for former activists who are under 35 years

(300)

By Waghied Misbach
Political Reporter

THE SPECIAL PENSIONS BILL does not provide for everyone who was involved in the anti-apartheid struggle, but only for those who meet strict criteria of being at least 35 years of age and who served a minimum of five years of fulltime service with a former banned organisation.

The Parliamentary portfolio committee on finance heard this week that the Bill stipulates that people will only qualify if they served an organisation before the cut-off date of February 2 1990 – the day of the unbanning of all liberation organisations.

The person should have fought for the "establishment of a democratic constitutional order, made sacrifices or served the public interest".

The committee also heard that the Government only had R450 million – backdated to April 1 1995 – for this year's pension payouts, and will only have R270 million available for next year.

About 21 000 people are expected to apply for the pension benefits but this is an interim figure.

Only 12 000 people have applied for the benefits so far, with 4 000 between the ages of 35 and 50 and some 5 000 over the age of 50.

The finance committee has also received about 3 000 applications from people who are under the age of 30 but were rejected because they did not qualify.

The pension payouts will be as follows: for a 35-year-old with five years service, the pension payout is R6 000 a year with a maximum of R24 000 a year for a person with 25 years service or more.

(3044) ARG 7/9/96

'We'll thrash out changes to constitution on time'

CLIVE SAWYER
POLITICAL STAFF

Cyril Ramaphosa, the chairperson of the Constitutional Assembly, is confident the changes needed to the constitutional draft can be negotiated within the three-month deadline set by the Constitutional Court.

The court yesterday declined to certify the text passed by the Constitutional Assembly in May as complying with the principles entrenched in the interim constitution. Among significant flaws noted by the court were the diminution of provincial powers.

Mr Ramaphosa welcomed the decision, saying the court's ruling that revisions were required would ensure a better finished product.

"I am confident we will be able to effect the necessary changes to the constitution speedily, using the clear and thorough judgment which has been handed down by the court."

The African National Congress said it welcomed the "rigorous and generally positive" ruling of the court. That most of the more than 2 000 sub-clauses were within the requirements of the constitutional principles was a tremendous tribute to all the political parties that co-operated to produce a constitution which would launch a fully democratic future, the party said.

The ANC said it would be counter-productive and retrogressive to re-open debate on the parts of the constitution which had passed the test of the court.

The Democratic Party said the court's ruling was a landmark along South Africa's road to constitutionalism.

Colin Eglin, chief negotiator for the DP, said all the objections raised by his party in its submission to the court had been addressed in the court's findings.

These included the diminution of provincial powers, lack of adequate protection for the impartiality and independence of the public protector and auditor-general, inadequate retrenchment of the bill of rights and defects in labour relations clauses. Mr Eglin said the DP would limit its inputs to those issues addressed by the court.

The National Party has also promised to take this approach.

Its leader, F W de Klerk, said previously the party would not use the court's ruling to have a second bite at the cherry on issues on which it had had to concede during negotiations.

Corne Mulder, Freedom Front spokesman on constitutional affairs, noted that the court had not referred back the provisions the FF had negotiated on the right to self-determination.

The court wanted more detail on the structure, fiscal powers, competency and functions of local government. The FF would use the opportunity of fresh negotiations to make inputs on these issues.

It is expected that the Constitutional Assembly's management committee will meet soon to plan the way forward.

Court veto may prompt IFP involvement

PRAKASH NAIDOO
POLITICAL STAFF

The Inkatha Freedom Party may return to the negotiating table after the decision by the Constitutional Court not to certify South Africa's new constitution.

Although IFP leaders have refused to comment on the issue, saying the matter can only be decided by the party's national council which meets today, sources have revealed that there is a strong lobby by some party members to return to the Constitutional Assembly (CA).

Earlier this week there was already speculation in parliamentary circles that if the court refused certification – with provincial powers as one of the reasons – this would open a clear way to the IFP to return to the negotiations.

In yesterday's Constitutional Court ruling, one of the major reservations for refusing to certify the new text was that it did not meet all the interim constitution's demands on provincial government.

On the issue of provincial powers, which takes up virtually half the judgment, the court found that provisions relating to the powers and functions were substantially less than and inferior to the powers and functions of the provinces in the interim constitution.

Still on the issue of provinces, the court also found that the relevant sections did not provide a framework for the structures of local government, nor for appropriate fiscal powers and functions for local government.

Further, the court found that the new constitution did not provide for appropriate fiscal powers and functions for the "different categories of local government".

According to the court's finding, the latter provisions were inconsistent with a concession principle added as an amendment to the interim constitution in 1993 at Kempton Park to allow the IFP to enter the negotiations.

"There are some of us within the IFP who believe there is some merit in this that allows us to re-enter the negotiations," said one party source.

He added that there was an equally vocal group who were opposed to the IFP returning to the CA and said this was something the party would have to thrash out at the National Council meeting.

But, should the IFP choose to return to the CA, it is unlikely that the entire text would be opened for negotiation.

Although yesterday's non-certification of the constitution means that the entire document could now be open for renegotiation, all of the major political parties in the CA said they were committed to only addressing those issues raised by the court.

The other problematic areas were:

■ The right of individual employers to engage in collective bargaining is not recognised and protected.

■ The immunisation clauses of both the Labour Relations Act and the Truth and Reconciliation Act shield an ordinary statute from constitutional review.

■ That amendments of the new text of the constitution do not require "special procedures involving special majorities" and that the fundamental rights, freedoms and civil liberties protected in the new text are not "entrenched".

■ That the independence and impartiality of the public protector and auditor-general are not adequately safeguarded.

■ The failure to specify the powers and functions of the Public Service Commission renders it impossible to certify that legitimate provincial autonomy has been recognised and promoted.

However, in his concluding remarks, court judge president Arthur Chaskalson emphasised that the basic structure of the new text was sound and the "overwhelming majority" of the requirements of the constitutional principles had been satisfied.

He added that the instances of non-compliance, although important, should present no "significant obstacle to the formulation of a text which complies fully with those requirements".

Welcoming yesterday's "rigorous and generally positive judgement", the ANC said parties should focus their minds on the matter referred to them by the court.

"It is our view that it would be counter-productive and retrogressive to begin to open for debate on those provisions of the constitution that have passed the test of the court," the ANC said.

Secretary-General of the National Party, Roelf Meyer, said the NP did not favour reopening the entire document to negotiations when the CA reconvened.

Meanwhile Cosatu leader Sam Shilowa, expressed overall satisfaction with yesterday's ruling, especially on the lock-out clause and appealed to opposing parties not to argue the matter further.

Mr Shilowa, however, added that there was some concern at the implications of the court's ruling in respect of collective bargaining and warned employers not to undermine "hard-won" structures.

Civil servants board pensions gravy train

(300) ~~[illegible]~~) Star 7/9/96

BY WILLEM STEENKAMP

A pension "buy-back" scheme, under which civil servants applying for voluntary retrenchment packages can earn profits of hundreds of thousands of rands without effectively laying out one cent, could leave the Government with a huge financial bill.

The *Saturday Star* can now disclose that loopholes in the Pension Act are set to force the Government to pay out hundreds of thousands of rands more as civil servants – opting for voluntary retrenchments – flock to "buy back" service years to the age of 18.

Senior civil servants with more than 20 years' experience are looking to receive retrenchment packages of more than R1-million – amounts that could be substantially higher if they buy back a further 10 to 30 years of service. Even if they do buy back these service years, it does not mean they have to actually lay out any money.

If they have, for example, bought back 20 service years, they get paid out a pension calculated on their new extended service period.

The amount they would have had to pay to buy back extended years of service is simply deducted from their increased pension payout – but the substantial growth benefits coupled to their longer years of service lands up in their pockets.

In many cases these growth benefits can amount to close on R200 000 per individual – based on a simple paper transaction.

But the huge financial deficit that the Government faces through the payout of voluntary retrenchment packages and the buy-back options does not end there. Contrary to rules laid down that civil servants who have opted for voluntary retrenchments may not be re-employed in the civil service, this is indeed what is happening.

Some retrenched civil servants get immediate re-employment as so-called consultants at hugely inflated salaries, in some cases nearly double their previous earnings.

Although Casper van Rensburg, chief executive of the Association for Civil Servants, warned that civil servants who took voluntary retrenchment were prohibited from being re-employed in government service, a senior civil servant listed several examples of immediate re-employment of voluntary retrenched civil servants as "consultants".

He said these former civil servants simply registered themselves as close corporations and then "bounced back" to do the same job at substantially higher salaries.

Instead of Joe Soap coming back to the same job, Joe Soap close corporation would be re-employed. The senior civil servant – who asked not to be identified, for obvious reasons – said government departments were forced to re-employ these people as consultants because many departments were hovering on the brink of disaster after the mass acceptance of severance packages by civil servants.

A spokesman for the Department of Finance reacted with shock to disclosures that civil servants could in fact buy back service years under loopholes in the act to increase their pension payouts.

The spokesman said the issue would be fully investigated. Van Rensburg confirmed that, under current legislation, civil servants could buy back service years until the year in which they had turned 18.

Frans Faber, deputy director of the directorate: pension administration of the Department of Finance, said he was aware that civil servants could buy back service years, but he said that, ultimately, the fact that these people would leave the civil service would save the state huge amounts of money in salaries and allowances. At this stage the department did not have figures on how many civil servants had opted for voluntary retrenchments, he added.

How to retire a millionaire

A typical example of how a civil servant can benefit under a buy-back scheme of service years:

Civil servant: **Joe Soap**
Title: **Deputy director-general**
Age: **48**
Number of service years: **20**
Voluntary retrenchment package payout due: **R1 542 055**
Joe buys back another 10 years to age of 18.
Package payout after deduction of buy-back: **R1 731 046**
Profit: **R188 991**

Court ruling may alter IFP stance

(301A)

ET 9/9/96

POLITICAL STAFF

THE Inkatha Freedom Party could consider a return to the Constitutional Assembly at a regular national council meeting later this month following a Constitutional Court ruling at the weekend that the Constitution is flawed.

IFP insiders said many members believed they achieved more outside the constitutional process than within it, but that they could be influenced by the court's finding that provincial powers had been diminished.

IFP secretary-general Dr Ziba Jiyane said at the weekend that the final Constitution did not give the provinces sufficient powers. The IFP council would consider the options.

Asked if this meant ending an 18-month boycott of the constitution-making process, Jiyane said: "Your guess is as good as mine."

The national council meeting is to be held in Ulundi on September 21 and 22.

The constitutional assembly must meet to redraft sections of the document before it is resubmitted to the court within three months.

IFP insiders as well as commentators in the ANC, NP and DP believe Inkatha is heading back to full participation in the assembly.

Jiyane said the party was obviously pleased by the court's ruling. "We were not surprised by it. The powers were obviously insufficient in terms of the constitutional principles in the interim constitution."

In terms of the Kempton Park agreement, the final Constitution had to comply with the constitutional principles entrenched in the interim constitution. In terms of these the powers of provinces cannot be substantially reduced.

Jiyane said the party was disappointed that the KwaZulu-Natal provincial constitution had also been sent back to the drawing board "as it had been given unanimous support by all the political parties (in the provincial legislature)".

In a statement, IFP national chairman and provincial Premier Frank Mdlalose, acknowledged that the court had referred the provincial constitution back "for further deliberations".

(2) No. There is no evidence of serious maladministration and misuse of public funds in the Butterworth municipality. The Department of Local Government and Housing of the Eastern Cape seconded one of its officials to act as town clerk and to ensure proper financial systems and sound administration. This official was seconded as a replacement of the previous town clerk who was suspended for reasons not related to maladministration or the misuse of public funds.

National Youth Development Forum: investigation of activities

*24. Mr J C N WAUGH asked the Minister without Portfolio:†

Whether a commission of inquiry has been or will be appointed to investigate the activities of the National Youth Development Forum; if not, why not; if so, who are the members of the commission or who will they be? N1231E

The MINISTER WITHOUT PORTFOLIO:

As the National Youth Development Forum falls within the Portfolio of the Minister of Welfare it is suggested that the member addresses the question to the Honourable Minister of Welfare.

My Office has not addressed this issue as it falls outside the scope of my functions. The NYDF is an NGO and has not received any funding from my Department.

Hansard 13/9/95

For written reply:

Subsidising of old-age homes by Government

432. Mr M J ELLIS asked the Minister for Welfare and Population Development:

(1) whether the Government subsidises old-age homes; if so, (a) what is the total amount of the subsidy and (b) how many homes are being subsidised (i) in full and (ii) in part;

(2) whether the subsidy was reduced during the latest specified period of five years for which information is available; if so, (a) by how much and (b) why;

(3) whether such reductions in the subsidy caused any old-age homes to close down; if so, how many;

(4) whether the Government plans to review the situation in regard to subsidies for old-age homes; if not, why not; if so, what changes are envisaged? N916E

300

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

(1) Yes, through the Welfare Departments in the nine provinces,

(a) R395 291 513 and

(b) 522

Hansard 13/9/95

(i) and (ii) not available. This is determined by the various categories of the aged on an individual basis according to income and state of health;

(2) no,

(a) falls away,

(b) as a savings measure, the formula for subsidisation for homes for the aged was adjusted as from 1 April 1994 in that 75% of resident's income is taken into account when calculating the subsidy payable instead of 66,7% as in the past. Within the new budget process it is also expected that there will be a shift in the rendering of services specially those targeted at homes for the aged for this is a very costly service in the form in which it is presently being rendered.

Each province as well as welfare organisations will have to prioritise their services. Indications are that some provinces will implement possible reductions due to reprioritisation within the current financial year;

(3) No such closing down actions had occured yet. Should the reprioritisation of services result in any reduction of subsidies it will have to be negotiated between the Provincial Welfare Department and the specific organisation;

(4) yes, an inclusive discussion Group on Ageing was constituted on 29 September 1994, under chairmanship of Dr Sam Motsuenyane. The major national welfare organisations, formal and informal institutions, as well as older persons are involved in the Discussion Group. The Co-

ordinating Committee of the Discussion Group released a Discussion Document on Ageing based on the inputs of various work groups. The aim with the new dispensation is to provide accessible, equitable and cost-effective services to older persons, to empower them to continue to make a meaningful and constructive contribution towards society and to create a climate in which older persons are recognised as a source of potential, knowlede and expertise.

Note:
Attached annexure indicates the subsidisation per province for the 1995/96 financial year.

Province	*Number of homes for the aged which are receiving a subsidy*	*Amount of subsidies per year*
Northern Cape	35	R 10 276 106
Western Cape	125	R142 060 824
Eastern Cape	70	R 19 914 000
Gauteng	119	R108 799 000
Mpumalanga	21	R 78 259 369
Northern Province	9	R 2 718 408
North West	27	R 14 569 536
KwaZulu-Natal	67	R 62 866 109
Free State	49	R 16 828 161
TOTAL	522	R395 291 513

Board of directors of Development Bank of SA: decision/investigation

452. Dr F P JACOBZ asked the Minister of Finance:†

(1) Whether the Government has taken any decision in respect of the (a) continued existence and/or (b) composition of the board of directors of the Development Bank of South Africa; if not, what is the position in this regard; if so, what was this decision;

(2) whether any committee investigated this matter; if so, (a) what is the name of this committee, (b) who are the members of this committee and (c) what recommendations were made by the said committee;

(3) whether he has received a report from this committee; if not, what is the position in this regard; if so,

(4) whether this report will be tabled; if not, why not; if so, what are the relevant details;

(5) whether the Government has taken any decision arising from the recommendations of the committee; if not, what is the position in this regard; if so, what was the decision?

N942E

The MINISTER OF FINANCE:

(1) (a) Yes;

(b) Yes;

(2) Yes;

(a) the Transformation Task Team;

(b) composed of

(i) Mr Chris Ball — SA Housing Trust

(ii) Ms Ann Bernstein — Urban Foundation

(iii) Mr Div Geering—Standard Merchant Bank

(iv) Ms Wendy Luhabe — Bridging the Gap

(v) Mr J B Magwaza — Tongaat-Hulett Group

(vi) Dr John Maree — ESKOM

(vii) Mr Eric Molobi — Kagiso Trust

(viii) Prof Bax Nomvete — Africa Institute for Policy and Economic Integration (AIPA)

(ix) Mr Sizwe Nxasana—STN Sizwe & Company

(x) Ms Lucy Nyembe — Gauteng Provincial Government

(xi) Mr Willie Ramoshaba — Portfolio Business Holdings

(xii) Mr Tim Sewell — UAL Merchant Bank

(xiii) Prof Wiseman Nkuhlu — Chairperson

IFP is back – but just looking for now

ARG 12/9/96 (304A)

CLIVE SAWYER
POLITICAL CORRESPONDENT

The Inkatha Freedom Party has returned to the constitution-writing process, albeit only as an observer for the moment.

At a meeting of the Constitutional Assembly management committee today, IFP representative Peter Smith said the party's national council would decide next week whether to return to the process.

The IFP boycotted the Constitutional Assembly from February last year because of failure by the African National Congress and the National Party to honour a pre-election agreement on international mediation on issues left unresolved by the 1993 interim constitution.

The assembly management committee met today to decide the way forward to resolve the eight flaws identified by the Constitutional Court last week in its decision not to certify the new constitution.

The full Constitutional Assembly will meet next Wednesday.

Cyril Ramaphosa, chairman of the Constitutional Assembly, warned that unless negotiators could have a new text ready for the Constitutional Court by October, certification of the constitution could be delayed into the middle of next year.

Parties agreed to structure the schedule for negotiations to accommodate the IFP's formal decision at next week's national council on whether to participate.

Mr Smith emphasised he was there purely as an observer, enabling the party to have its finger on the pulse of the talks while awaiting the council's decision.

All parties welcomed the conditional return of the IFP.

Inkatha poised to re-enter the constitutional fold

(448) (304A) ST 15/9/96

By CYRIL MADLALA
Parliamentary Correspondent

AN IMPORTANT concession won by the Inkatha Freedom Party from the management committee of the Constitutional Assembly this week has virtually secured the party's return to the constitution-making process.

A formal decision will be taken by the party's national council in Ulundi at the weekend.

The IFP attended a management committee meeting this week — for the first time since it boycotted the talks last year in protest against the ANC's failure to honour an agreement that international mediators be involved in the negotiations.

Although IFP MP Peter Smith stressed that he was present as an observer, the multi-party committee acceded to his request that political parties be allowed to submit their own legal opinions on what needs to be done to rectify the Constitution.

This clears the way for a meaningful participation by the IFP in negotiations on the few, but crucial, outstanding issues that have not been passed by the Constitutional Court.

Of these, provincial powers and local government are the most important for the IFP.

Participation will at least allow the party to influence constitutional developments at national level, an important gain considering the dim view that the Constitutional Court has taken of the IFP-driven constitution for Kwazulu Natal.

Refusing to certify the text of the national Constitution last week, the Constitutional Court said certain clauses did not comply with the constitutional principles, and needed to be redrafted. IFP chief negotiator Walter Felgate, who also attended this week's meeting, said conflicting legal opinions had been submitted to the Constitutional Court by those parties which opposed certification and by those which argued that the text complied with the principles.

"Interpreting the judgment will determine how you remedy the matter. It is essential that we have a common understanding of the problem," he said.

NP chief negotiator Roelf Meyer said his party would not restrict itself to a narrow interpretation of the judgment, and would engage the other parties on matters such as provincial police powers which the court said had been reduced in the new Constitution.

The Constitutional Assembly will meet on Wednesday to be briefed by the management committee about the judgment. Negotiations will begin when sub-committees meet next Tuesday.

The chairman of the Constitutional Assembly, Cyril Ramaphosa, said the management committee would need to report to the assembly by October 11, or the Constitutional Court would not be able to consider the amendments this year.

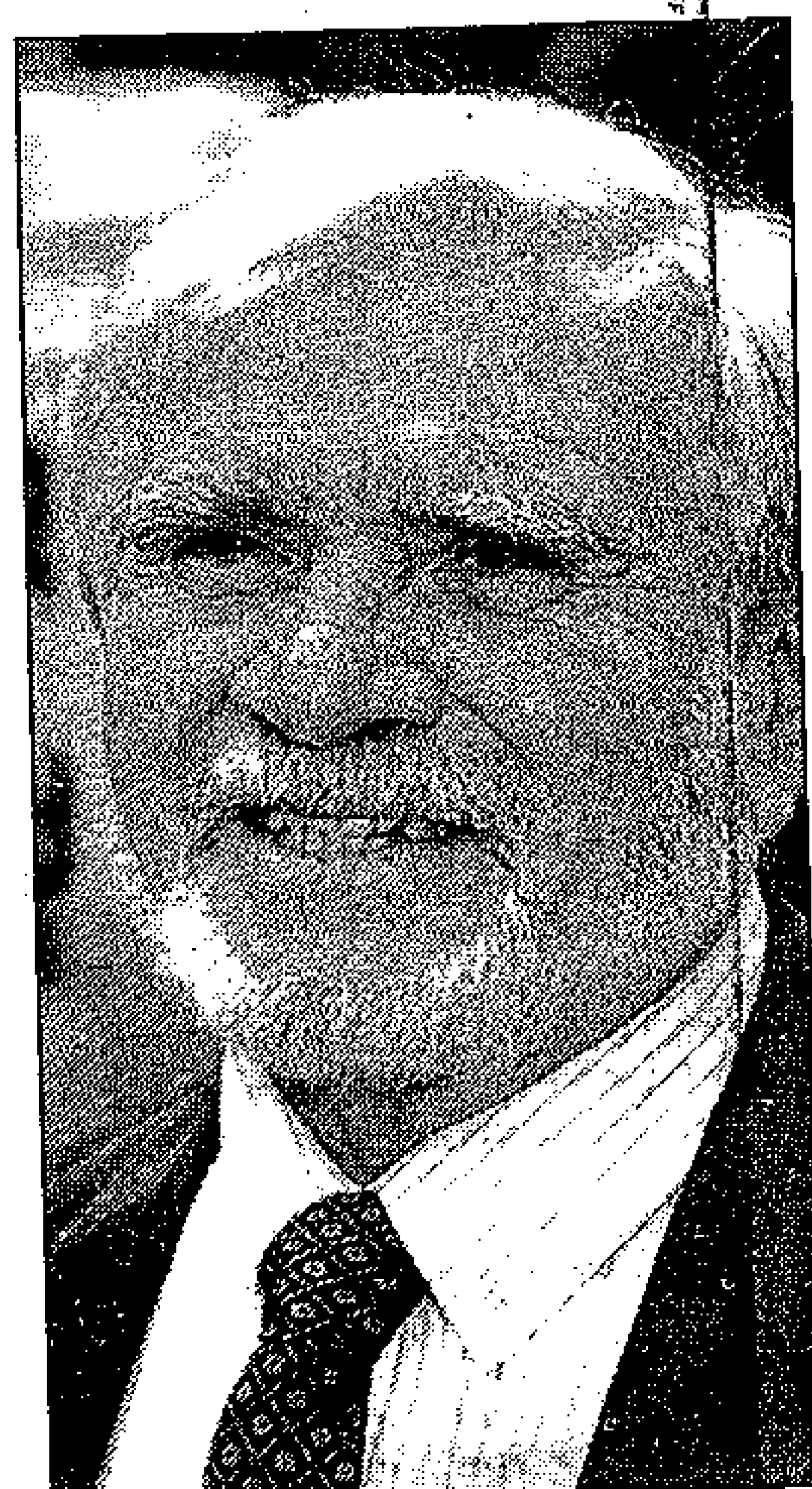
This would mean that the new Constitution would not be implemented in January as envisaged.

"We need to ask ourselves if we have the luxury of time," Ramaphosa said.

Provincial Affairs and Constitutional Development Minister Valli Moosa said failure to have the Constitution certified this year would cause enormous problems from a legislative point of view.

A number of laws had to be passed to give effect to the Constitution, and these had to be fitted into an already tight parliamentary schedule.

Freedom Front leader General Constand Viljoen said he would oppose attempts to rush to finalise the negotiations, and suggested that next year be targeted for certification.



REMEDY . . . Walter Felgate says a common understanding of the problem is essential

Committee backs bid to drop retirement age to 55

David Greybe

CAPE TOWN — Parliament's public service committee voted unanimously yesterday to give public servants the right to retire from the age of 55.

The Public Service Secondment Amendment Bill would be put to the National Assembly for adoption in the second week of October, committee chairman Salie Manie said. Government officials were quick, however, to dispel any speculation that the move would result in a rush for early retirement. Public service department director for conditions of service Jan van Pletzen said less than 5% (about 60 000) of the estimated 1,2-million public servants were expected to exercise the right to early retirement.

Manie said the move would also help to redress the "representivity imbalance" at managerial level in the public service "if and where a position is not frozen or abolished". It could also help to right-size the public service.

At present, public servants retire at 60 or 65, depending on their posting. For example, the retirement age in the former TBVC states is 60, but in general in the rest of SA it is 65. The current mandatory retirement age of 60 or 65 will continue to apply where a public servant does not request early retirement under the new regulation.

Van Pletzen said public servants opting for early retirement faced a "pension penalty" of up to 20% — 4% for every year between the ages of 55 and 60. For example, a 57-year-old official would be liable for a 12% penalty (three years at 4% a year). He said government estimated that the new pension package deal agreed with labour would result in a saving of R410m a year for the state. Most savings would result from an agreement that public servants' pensions would in future be calculated on the average salary over the last 24 months before retirement, not only the last month's salary.

Savings would also be made because of a deal to reduce service benefits linked to ill health and death.

The deal has taken government and labour negotiators in the Public Service Bargaining Council central chamber most of this year to put together.

Meanwhile, Public Service Minister Zola Skweyiya said in Rustenburg yesterday the achievement of a rationalised single pension fund — part of the pension package — was a breakthrough. Transformation of the pension provision system was a key aspect of transforming the public service.

The rationalisation of the 10 former government pension funds and their benefit structures into a single pension fund with a uniform benefit structure was finalised "without any additional costs to the state", he said. "Labour tensions that existed with regard to inequalities should now be eased, as both sides have made formidable concessions to reach this point."

(300) (~~250~~) BD 17/9/96

Nat racial divide yawns under leadership contest

(304A) ARG 21/9/96

CLIVE SAWYER
POLITICAL CORRESPONDENT

The surprise resignation this week of Dawie de Villiers as leader of the National Party in the Western Cape has kindled two powerful forces in the region: the ever-growing power of Hernus Kriel and deep racial tension within the party.

Next week the Western Cape Nats gather in Pacaltsdorp, near George, for their annual congress, and in their leadership election will take up what many see as a challenge thrown by Dr De Villiers.

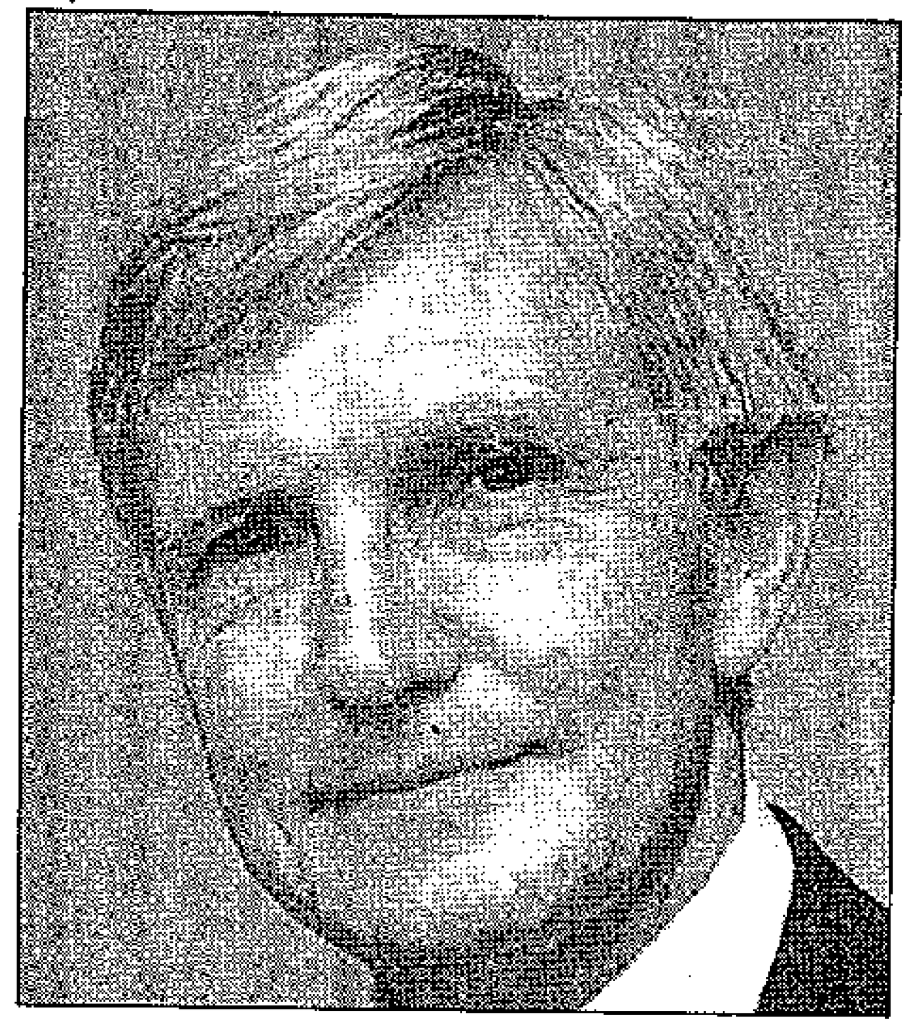
One NP MP described Dr De Villiers's departure as an act of statesmanship, clearing the way in advance for the person who will lead the party in the province into the 1999 election. There has been speculation about Dr De Villiers's reasons for leaving, not least the oft-repeated – and as frequently denied – speculation that he is to be given an ambassadorship. Dr De Villiers himself and other top sources repeated denials of this speculation in the wake of his announcement this week.

There are those who see ominous signs in his departure from the leadership, because of his known closeness to F W de Klerk and Roelf Meyer, with Hernus Kriel being perceived as being on the right wing of the party. Talk switches quickly to the future, and in particular to that of Mr Kriel, who for some time in the public mind has been seen as symbolising the NP in the Western Cape.

Some NP sources were quick to point out that any bid by Mr Kriel for the leadership would be likely to go unchallenged.

Marais: MEC in the provincial legislature

Kriel: leadership bid likely to go unchallenged



De Villiers: resignation an act of statesmanship?

Mackenzie: not a provincial politician

With most speculation about challengers revolving around figures in the provincial legislature, and police MEC Gerald Morkel's name cited frequently, the implication was grave: should Mr Kriel lose a leadership election to one of his own provincial cabinet, he would be in the invidious position of being politically crippled, unable to fire a member of his own executive because of the implication of a lack of confidence in party leadership.

The consensus among most NP national and provincial MPs was that Mr Kriel should and would be elected unchallenged, a move which would strengthen his already considerable power within the party. Being both premier and leader of the NP in its flagship province, he would have more effective power than even F W de Klerk, who for the moment is officially no more than an opposition MP. The other side of this political coin is that the burden on Mr Kriel would be greater, with twin obligations on him to show that his party can deliver, particularly to those from disadvantaged communities in the Western Cape which swept it to power in provincial and local government.

Interestingly, there are those who do not see Mr Kriel as being quite as right-wing as his popular image. A source close to the provincial government argued that Mr Kriel had changed since his days as minister of law and order in the last NP government, noting that even then he had been the first to move on affirmative action by instituting it in the police.

A key factor in any analysis of Mr Kriel, and a fundamental reason for his popularity within the party, is that as premier of the sole NP province he is in a unique position to fight for the interests of the province – thus taking up the cudgels for federalism, the core of his party's policy.

But Monday's election in the Pacaltsdorp Civic Hall may prove more than just a show of adulation for Mr Kriel. His elevation to leadership will leave one of the three deputy-leaderships open. The other two are occupied by Gerald Morkel and Marietta Badenhorst. It is in filling this post that the Western Cape NP runs into several dilemmas. Electing someone from the provincial legislature, for example MEC Peter Marais, could cause concern that the executive is too dominated by provincial-level politicians. Failing to fill it with someone from local government – because the third tier of government, in spite of its importance, is not represented in regional NP leadership – could aggravate tensions about lack of upward mobility of local politicians.

There is a strong feeling among supporters from the community which delivered the province to the Nats that a person of colour should be elected. Putting these factors together would tend to lend weight to the cause of those who approached Patrick McKenzie, a member of the National Assembly, to stand. He is both a person of colour and not a provincial politician.

But strong moves were afoot to put forward Frik van Deventer for the deputy-leadership. Mr Van Deventer was MP for Durbanville in the now-defunct House of Assembly and was an MEC for local government in the former Cape Provincial Administration.

The backing for Mr Van Deventer this week caused some resentment among coloured Nats, who felt that the NP would miss a vital opportunity to demonstrate its commitment to those who voted for it. There was despair that the party was not truly ready for change, a feeling which echoed the sentiments of former National Assembly Deputy-Speaker Bhadra Ranchod, who resigned from the NP in the middle of this year citing continuing racism in its ranks.

Sources noted that when House of Representatives members joined the NP, extra vice-chairmanships were created for the sake of additional leadership positions in which to slot "brown Nats". Installing another white as leader would continue the perception that the highest a person of colour could rise in the Western Cape NP was to a second-class spot.

A telling factor in Monday's election will be the composition of the voting delegates. With the formula for voting strength calculated according to branch membership, the Cape Peninsula has far greater power than rural branches. How this bloc will behave is a matter of conjecture.

Voters in SA are less satisfied

(304A) CP 22/9/96

By BENISON MAKELE

THE AVERAGE support levels of the various South African political parties remain unchanged since the 1994 general elections, a Human Sciences Research Council survey has found.

While a survey soon after the general election had found that 76 percent of respondents were generally satisfied with political developments, by July 1996 this positive response had fallen to 45 percent.

Researchers attribute the decline in general satisfaction to factors such as:

- The replacement of post-election euphoria by a larger degree of realism about issues that the country still has to grapple with;
- The change in mood within government from co-operation to conflict that culminated in the National Party walking out on the GNU;
- The rand's fall, coupled with difficulties in implementing the RDP; and
- A wide range of unfulfilled election promises by the ruling ANC government.

"It is therefore likely that the current trend of dissatisfaction will continue for some time and time will only tell whether it will have a major influence on the outcome of the 1999 elections," says the report.

Regarding racial tolerance, the report ominously states that attitudes have not changed much since South Africa's debut general elections.

In all three surveys conducted by the HSRC since November 1995, an average of 49 percent of black, coloured and Asian respondents said racial attitudes had remained the same, 34 percent indicated an improvement and 12 percent indicated a deterioration.

Testing attitudes to black people, all three surveys recorded an average of 49 percent of coloured, white and Asian respondents as having unchanged attitudes, 36 percent noted an improvement and 10 percent noted a deterioration in attitudes.

While there has been growing criticism of government policies and the lack of delivery in key RDP areas, this does not seem to have had any significant impact on the preferences of ANC supporters, the report says.

Although the ANC's support levels may have fallen, there is no empirical indication to suggest that this has benefitted opposition parties.

"This may be an early indication that dissatisfied ANC supporters may decide not to vote rather than vote against the ANC."

The PAC has not been able to assert itself as a national political force, even though it might have been expected to benefit from the disenchantment of some ANC voters, the report says.

There is no indication that critical ANC supporters propose to shift their support to the PAC.

Asked whether they had considered voting for another party in the forthcoming general election, 72 percent of respondents said no and 14 percent said yes – which, read together, means the outcome of the 1999 election might be much the same as the previous one.

On the new role of the National Party since quitting the GNU, 25 percent of respondents felt positive about the idea and 31 percent were negative.

Asked how they felt about the new NP's vision, 31 percent were positive and 26 percent were negative.

On the question of the NP going into an alliance with the right wing, 21 percent were positive and 46 percent negative.

Aged fear for future as home faces closure

(300)

Star 25/9/96

Air of dejection at Hillbrow old-age centre as some residents face a return to the streets

By Melanie-Ann Feris

A handful of pensioners sit around a large colour television set blaring rock music; some stare blankly at the screen while others fall asleep in their chairs.

There is an air of dejection at the El Kero old-age home, situated in the heart of Hillbrow, whose residents were on Friday informed of the likely closure of the home unless a miracle happens and someone makes a multi-million-rand donation.

The news was a shock for most residents, since El Kero is the only home they have known for many years – the final home before they die.

> There is no tomorrow for these people

While some face a return to the streets from which they have been rescued, others are adamant they will not become a burden to their relatives who have placed them there.

Doreen Beaumont (73) has been a resident at El Kero since 1989.

Her husband died two years after they moved into the home and since then she has found her "family" within the walls of El Kero.

"I have been here for eight years and I always thought I would die here. Now I don't know what will happen ... I'm frightened, I have nowhere to go to.

"I don't think the Government cares about us at all," she said.

The matron of the home, Colleen Cooper, said they had been preparing residents for the cut in income to the home for some time, but had been forced to tell them of a possible closure of El Kero before staff or residents read the news in the papers.

State subsidies, which are to be slashed, make up 48% of the Johannesburg Association for the Aged (Jafta) budget.

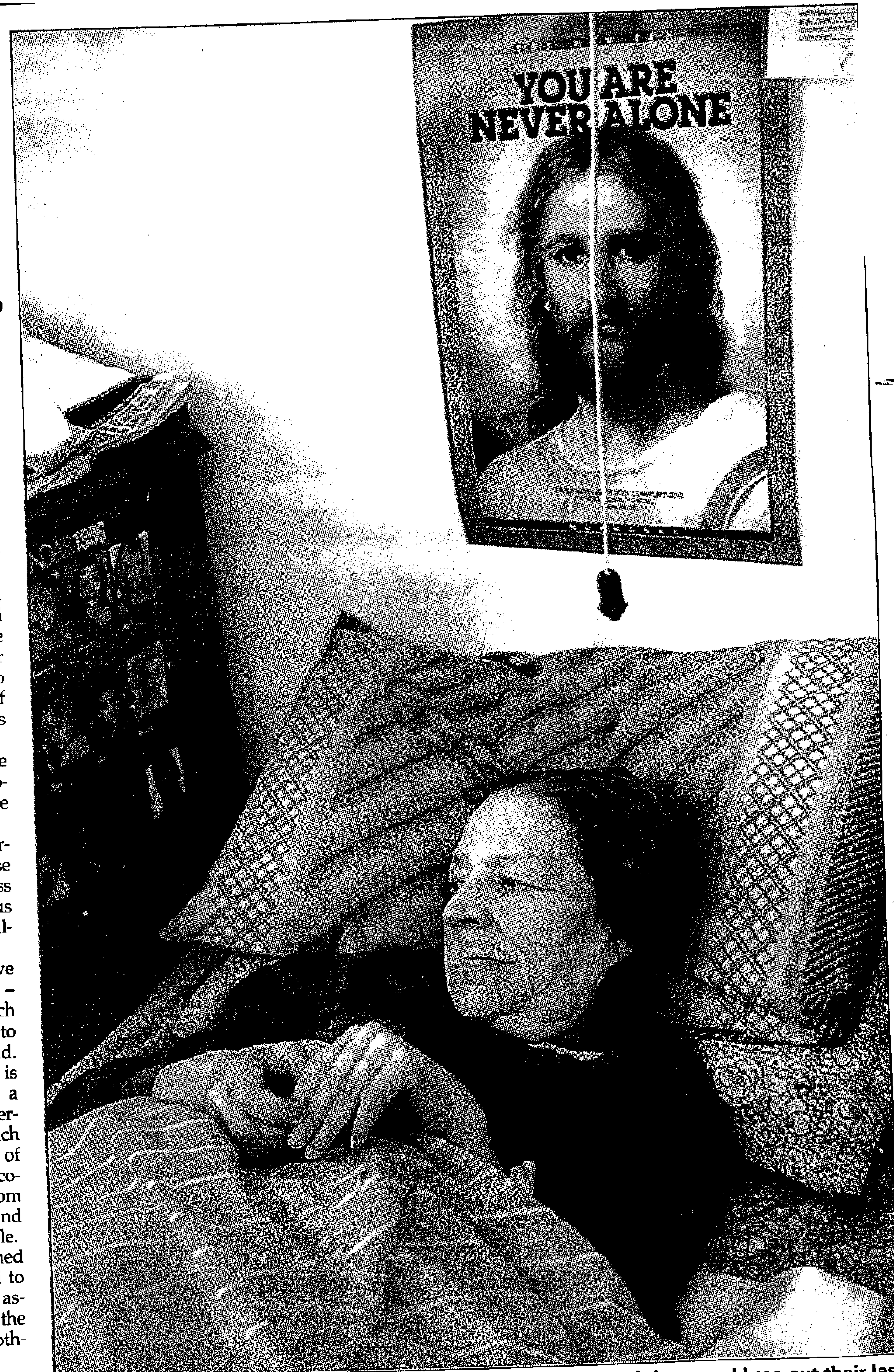
"There seems to be no tomorrow for these people, unless someone gives us a couple of million rands.

They have nowhere to go – it seems like such a cruel thing to do," Cooper said.

El Kero is only one of a number of services provided by Jafta, which faces collapse before the end of the year. It is home to 185 sub-economic residents – some of whom need 24-hour nursing care – and offers employment to 118 people.

The home is self-contained and residents are encouraged to help out as much as possible, assisting in the garden, manning the reception and serving in a clothing boutique for residents.

El Kero is one of only a few homes registered with the Nursing Council, which allows nurses to do their practical training there.



When funds dry up ... residents of El Kero old-age home believed they would see out their last days with their adopted family, but now their home is closing down, and they have been told to find alternative accommodation.

GOVERNMENT COMMISSIONS

JOBS FOR PALS

FM 27/9/96

SA will spend almost R320m this year on 38 government-appointed commissions and task groups, according to an investigation by the SA Institute of Race Relations reported in the latest edition of *Fast Facts*.

The institute's parliamentary affairs manager, Colin Douglas, says the findings raise questions about the efficiency and cost-effectiveness of several of the organisations.

He cites as an example the Pan SA Language Board, which has an R11,27m budget for the current financial year.

The board must make policy recommendations, investigate alleged violations of language rights, and make funds available for language planning activities. It falls under the Department of Arts & Culture which has as yet failed to disclose what the R11,27m is to be spent on or how much the board's 13 members are paid.

PROBING AWAY

Government-appointed bodies whose budgets have been disclosed

	Rm
1 Truth & Reconciliation Commission	[illegible]5,00
2 Commission on Gender Equity	[illegible],00
3 Human Rights Commission	[illegible],44
4 Pan SA Language Board	[illegible],27
5 Volkstaat Council	[illegible],62
6 Council of Traditional Leaders	[illegible],27
7 Independent Broadcasting Authority	[illegible]1,50
8 Language Plan Task Group	0,81
9 Public Service Commission*	[illegible]1,90
10 Provincial Government Commission	[illegible],44
11 White Commission of Inquiry into Irregularities in the Public Service	[illegible],33
12 Judicial Service Commission	[illegible],39
13 Magistrates Commission	[illegible],51
14 SA Law Commission	[illegible],45
15 National Economic Development & Labour Council (Nedlac)*	[illegible]6,50
16 National Housing Board	[illegible],75
17 Immigrants Selection Board	0,08
18 Refugee Appeal Board	0,08
19 Directorate of Publications	2,50
20 Financial & Fiscal Commission	4,10
21 Tax Advisory Committee	0,34
22 National Advisory Council on Correctional Services	0,18
23 Correctional Services Board	0,10
24 Commission of Inquiry into the Financial Affairs & Administration of the SA Football Association & the National Soccer League	0,75
25 Commission on Restitution of Land Rights	[illegible]4,05
26 Drug Advisory Board	0,06
27 National Commission on Higher Education	[illegible]2,60
28 National Research & Technology Foresight Exercise*	2,00
29 National Research & Technology Audit	[illegible]1,50
** Bodies whose budgets have not been disclosed (est minimum)	[illegible]8,00
Total	[illegible]17,36

Source: SA Institute of Race Relations

*Figure supplied by FM

** Lund Committee for Child & Family Support; Research Committee, Dept of Health; NGO Funding Committee, Dept of Health; AIDS Advisory Committee; Commission of Inquiry into Taxation in SA; Presidential Review Commission; Commission on Remuneration of Representatives; Task Group on Government Communication; Youth Commission

In contrast, the Tax Advisory Committee, which advises the Department of Finance, is conducting an investigation into 22 aspects of tax policy. It has a 1996-1997 budget of only R338 000. The 14 members do not receive salaries but claim R466 for each meeting which they attend.

Says Douglas: "Unlike elected institutions, government-appointed bodies cannot easily be held accountable even though they are funded by taxpayers and, unlike normal civil servants, their members are seldom expected to be non-partisan. Consequently, there is significant potential for some of these bodies to abuse the powers that they have."

The Human Rights Commission has been criticised on this score. "Some of its members have publicly accused private citizens and institutions of violating human rights, apparently without full investigation, procedural fairness or proper consideration of the law," says Douglas.

"The institute is still waiting for the commission to furnish it with information about its investigations. This was requested three months ago. Despite being allocated a 1996-1997 budget of R6,4m, the commission does not appear to be fully operational a year after its appointment.

Also in the pipeline are special investigation units, special tribunals and an electoral commission which could cost the country an additional R15m a year.

Government seems to be ignoring Justice Minister Dullah Omar's warning against "the tendency to create structures and commissions on every conceivable subject."

Omar said issues could get lost and commissions might show "few concrete results." ■

Mbeki demands reasons for probe into Comtask

(3649)

'Nothing sinister' in travel arrangements

GLYNNIS UNDERHILL
CHIEF REPORTER

ARG 28/9/96

The office of Deputy President Thabo Mbeki is still waiting for a formal explanation from auditor-general Henri Kluever on the nature of his investigation into the special government-appointed task force set up to investigate government communications.

Mr Mbeki's spokesman Thami Ntenteni said there was nothing "sinister" which could be dug up during an investigation into the task force, Comtask, which falls under the office of the deputy president.

Mr Kluever said the auditor-general's investigation into Comtask followed a complaint of alleged wasteful expenditure and possible irregularities. The investigation was at a preliminary stage but part of the investigation would concentrate on whether the 10-member Comtask team had followed correct travel procedures.

However, Mr Ntenteni said "proper procedures" were not followed when Mr Kluever's office requested documents from the office of the deputy president.

Mr Ntenteni said Mr Mbeki had not received received formal notification from the auditor-general.

"As far as we are concerned at the Office of the Deputy President, the auditor-general's office came and asked us for documents, which they were given. But we cannot comment further as there was no formal request. This just came out of the blue," he said.

The need for a task group to investigate government communications had emerged during a conference in Arniston and it had been decided that it should fall under the Office of the Deputy President, said Mr Ntenteni. The investigation into Comtask had come as a surprise.

The office was still "not clear" as to what the auditor-general was investigating and had gone back to the Mr Kluever on the matter, he said.

"We need to get a formal request outlining what the investigation is about and who has requested that investigation," said Mr Ntenteni. "The auditor-general may have his reasons, but we are not aware of them."

Comtask member Steve Godfrey said all international trips were funded by the United Nations and travel had formed a relatively small part of its budget.

There have been allegations that members of Comtask visited several countries in Europe and Africa since its formation in January and ran up a bill of more than R3-million on salaries, fees and travel.

Comtask, headed by well-known author Mandla Langa, emerged in response to widespread government dissatisfaction over difficulties in conveying its transformation message.

COMMENT & ANALYSIS

A good government is one that works

What SA needs more than anything else, says **Steven Friedman**, is a national prevention strategy

BD 30/9/96 (300)

IF WE want a yardstick to judge a democratic government's first five years, how about asking what happened in the pension queues?

At first glance, the idea seems absurd. Given the scale of our problems, why spend time fretting about pensions? Certainly, those who shape public debate see it as absurd — problems in pension queues hardly rate a mention amid the clamour about crime, "transformation" and "standards".

But that may say more about our public debate than it does about the importance of pensions.

Just about all our politicians and commentators no doubt see pensions purely as something the old and poor receive to keep body and soul together. But this merely shows how out of touch both are.

For many black people — particularly in rural areas — pensions do far more than that: they keep mini-economies afloat since they are used for many purposes including, in some cases, paying the school principal. A few years ago, some University of Natal researchers found that, contrary to what most anti-apartheid politicians thought, black rural incomes had risen. The reason was increased black pensions.

This shows that pensions are important in themselves. But they are also a useful measure of many other things which tell us where our new government is going.

The issue is not whether pensions increase dramatically: it is whether the government is able to pay people the pensions to which they are already entitled.

The last government was not. While payouts were, in some cases, fairly efficient, the system was dogged by corruption, inefficiency, indifference and political meddling. Pensioners were forced to queue in the sun (where some died) only, in many cases, to find unsympathetic officials who sometimes did not pay them the amount due. And some, even if they received their pensions, were robbed of them afterwards.

A recent report suggests that things have not improved that much — if at all. If the new government changes this, it will have made a difference to many peoples' lives. But it can do this only if it — and those who comment on it — change their mindset.

One reason pensions enjoy low priority is that they are about grassroots citizens, not the elites who dominate our public debate. At present, despite all our talk of a new democracy, grassroots citizens hardly get a look in while the elites debate their concerns.

It is about flesh-and-blood individuals rather than abstract beings such as "communities" or "the disadvantaged". Few people who drive our debate, in government or out, worry much about real individuals: they prefer concepts.

Secondly, getting pensions right requires a willingness to respond to what people really need rather than what those who make decisions think they need. Seeing that most of our citizens are much talked about but listened to hardly at all, that, too, requires a shift.

Tackling pensions would force politicians to try to understand grassroots citizens and to realise that most do not demand the re-engineering of society in five years — merely that their lives improve. And that getting existing systems to work may be as good a way of doing this as inventing new ones.

Thirdly, making the pensions system work requires not grand plans for "transformation" but a willingness to make public administration work better for citizens.

The government is awash with intellectuals willing to generate "strategies" at the drop of a hat. These look great on paper — but societies are not run on paper.

What we need, perhaps, is a National Prevention Strategy — a willingness to solve the concrete problems which most of our citizens face rather than to theorise about them.

Facing the pensions issue would force people in government — and the rest of society — to do that. It would mean finding ways of reducing corruption, of ensuring the public service is there to serve people rather than to meet the needs of officials, of delivering to citizens, and of reducing crime.

All of these are goals, just about everyone agrees, which our society needs to meet. If we measure progress towards them by what is done about pensions, we would be able to apply them to a concrete problem — a very good way of concentrating the minds of our elite.

If we made the pension system work, we might, for the first time, show many citizens that government can work for them. That might make them more willing to pay their dues to a society willing to pay its dues to them.

Taking pensions seriously may also enable us to snap out of a sterile public debate which owes more to an apartheid past than a democratic future. If we look beyond the rhetoric, very few of our preoccupations now are about how to make our society work better.

On the one hand, civil service "transformation" has little to do with making the service serve a new democracy, far more to do with who is to occupy which jobs.

On the other hand, concern for "maintaining standards" usually betrays a desire by those who benefited from the old order to continue to benefit.

By far the majority of pensioners are black. A concern to ensure they receive high standards of public service can hardly be dismissed as a desire to cling to white privilege.

If politicians and public servants besotted with abstracts such as "transformation" and attempts to blame every problem on the prejudices of the old elite were forced to explain what they are doing to sort out the pension system, they would be obliged to confront some important truths.

One is that an ineffective public service disadvantages those the new order is meant to serve. Another is that corruption takes bread out of the mouths of the poor as well as the rich. Yet another is that failure to attend to the hard details of making the country work betrays millions who voted the government into office as much, if not more, as those in the suburbs waiting for it to fail.

It would also highlight the reality that, if we do not reach across our divides to pool our expertise to tackle common problems, the prime losers will be those who suffered under apartheid.

In other words, it would take us out of a debate in which "standards" are code for privilege and "transformation" is a code for who is going to occupy office.

It would also highlight a neglected reality. We are, to be sure, divided into black and white and are discovering that the 1994 election did not magically dissolve the divide.

But black and white are not our only divides: even if a mainly black government neutralised the criticism of white newspapers and interest groups, it would still have to face the challenge of making the society work for black citizens.

It can do that only if it recognises that we face common problems — how to maintain defensible standards for all, how to get government working, how to turn a system which once served only a fifth of our people into one which works tolerably for all.

An attempt to do that for our most disadvantaged citizens by sorting out the pension system would measure just how serious we are about building a working non-racial society.

☐ Friedman is director of the Centre for Policy Studies.


The issue is whether government is able to pay people the pensions to which they are already entitled.

QUESTIONS (300)

†Indicates translated version.

For written reply:

State pension schemes

574. Mrs E J CHAIT 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?

N1025

The MINISTER OF FINANCE:

(a) State pension schemes refer to pension benefits payable out of state income and are non-contributing and no assets are accumulated to defray the payments.

(b) and (c) (i) (ii) The relevant information was provided in answer to Question 325 with regard to the pension funds administered by the Department of Finance. A copy of Question 325 is attached. Updated total asset values where available as at 31 March 1996 are provided in the attached schedule below.

State Pension Funds	*Total value*	*State's Contributions*	*Extraordinary Government Contributions*
Government Service Fund	71 718 651 010,40	4 018 412 922,78	687 237 276,63
Temporary Employees Pension Fund	3 999 796 678,21	141 323 187,78	10 130 000,00
Associated Institutions Pension Fund	4 829 000 585,81	42 863 022,90	
Pension Fund for Persons in Authorities' Service	12 148 935 754,06	660 720 819,66	
Superannuation Fund for Persons in Authorities' Service	548 047 889,00	21 726 015,48	

FINANCIAL POSITION FOR PUBLIC SERVICE PENSION FUNDS

FUND	*GSPF*	*TEPF*	*ASPF*	*ASSF*	*VGSPF*	*VGSSF*	*CCSPF*	*TGSPF*	*TGEPF*	*BGSPF*
Date	31/3/95	31/3/95	31/3/95	31/3/95	31/3/95	31/3/95	1/3/93	1/3/92	31/3/96	31/3/93
Total Value of Assets (Rand)	67 750 719 971	4 079 748 807	10 099 920 564	474 812 422	524 734 134		1 537 868 000	1 788 667 000	*4 700 000 000	2 009 000 000
Contributions: Employer *Male* *Female*	21,99% 16,49%	13,74% 13,74%	15,89% 11,92%	6,50% 6,50%	16,88% 12,66%	6,50% 6,50%	21,99% 21,99%	21,99% 16,49%	12,60% 9,16%	6,00% 6,00%

FUND	*GSPF*	*TEPF*	*ASPF*	*ASSF*	*VGSPF*	*VGSSF*	*CCSPF*	*TGSPF*	*TGEPF*	*BGSPF*
Members: *Male* *Female*	8% 6%	5% 5%	8% 6%	5% 5%	8% 6%	5% 5%	8% 8%	8% 6%	5,5% 4%	8% 8%

GSPF : Government Service Pension Fund
TEPF : Temporary Employee Pension Fund
ASPF : Authority Service Pension Fund
ASSF : Authorities Service Superannuation Fund
VGSPF : Venda Government Service Pension Fund
VGSSF : Venda Government Service Superannuation Fund
CCPF : Ciskeian Civil Servants Pension Fund
TGSPF : Transkeian Government Service Pension Fund
TGEPF : Transkeian Government Employees Pension Fund
BGSPF : Bophuthatswana Government Service Pension Fund

*Unaudited figure

Pornographic material: persons found guilty/ convicted

714. Mr R H GROENEWALD asked the Minister of Justice:

How many persons were (a) found guilty and (b) convicted of being in possession of pornographic material in each of the provinces (i) in (aa) 1994 and (bb) 1995 and (ii) during the period 1 January 1996 to 30 June 1996?

N1287E

The MINISTER OF JUSTICE:

(i) Number of persons convicted being in possession of indecent or pornographic publications, drawings, etc. and the forwarding of indecent documents by post, in each of the provinces (excluding the former TBVC states) are shown in the table below.

Province	*(aa) during the period July 1993 to June 1994*	*(bb) during the period July 1994 to June 1995*
Western Cape	49	34
Eastern Cape	23	14
Northern Cape	14	16
Free State	24	26
KwaZulu-Natal	54	32
North West	6	9
Gauteng	174	82
Mpumalanga	7	12
Northern Province	4	4
RSA	355	229

(ii) Statistics on convictions for the period, 1 January 1996 to 30 June 1996 are still being processed and are unfortunately not yet available.

Contraventions of Explosives Act

717. Mr R H GROENEWALD asked the Minister of Justice:

Pension misery across Gauteng

(300

Star 2/10/96

Chaos reigns as staff, swamped and despairing, battle with mountains of files, new systems and alleged fraud

By Troye Lund

Thousands of new pensioners in Gauteng are destitute, and there are allegations of major fraud and an exodus of staff due to the shambolic state of affairs at payout offices whose systems are being unified after the apartheid era.

Staff at the Jeppe Street pension office in Johannesburg, which is the biggest in Gauteng, has 200 000 registered pensioners but have not yet processed about 10 000 new applications received since February.

That R410 needed just to exist ...

They have also not been able to deal with pensioners' queries because they cannot find the files among the piles that make working in their offices difficult.

The chaos in Greater Johannesburg is blamed on attempts to integrate the 14 social welfare departments set up during the apartheid era for different races and the homelands.

This has made it necessary to load vast amounts of data on a new computer system which the staff has not yet mastered.

The amalgamation began eight months ago, but none of the pension offices have the new system up and running yet.

"The old and disabled can't survive, not even buy bread, without this monthly R410 payment," said a disgruntled senior employee.

Another staffer said: "Food parcels are given to the very needy, but the cost of these will be deducted from their pensions when they do finally get them. Our present working conditions are shocking, and we have given up on promises made to move us."

He added, "We cannot even answer inquiries because we don't know where the files are. And we are expecting about 50 000 more to come from other offices that now fall under us."

Desks at the Jeppe Street offices are hidden by stacks of brown file folders that reach up to the ceilings.

And fraud among employees is allegedly "a well-known fact". Staff say the R2-million and more, taken out daily in cash to paypoints in Greater Johannesburg during the first 10 days of each month has often gone missing.

Pensioners report that for paying officials R50 they are moved to the front of payout queues.

The officials also took advantage of the illiteracy among pensioners.

Gauteng social security chief director Louis du Toit said the "headaches" were being made worse by experienced staff leaving in "flocks" after applying for severance packages that are being offered to reduce staff numbers.

Du Toit said the new computer system could possibly be installed by the end of the month when training would begin.

Rasool seeks to nix Nisec pension deal

~~299~~ (300)

CHRIS BATEMAN

CT 4/10/96

THE Western Cape government is to ask the provincial Tender Board to cancel its five-year R149-million welfare payout contract with Nisec — casting doubt on the way the tender was granted and questioning Nisec's compliance — and setting the scene for a lengthy legal battle.

Last night, Health and Welfare MEC Mr Ebrahim Rasool said the crux of the matter lay in the awarding of the tender, its terms and whether Nisec — a Denel subsidiary — was complying.

An Office for Serious Economic Offences (OSEO) probe of Nisec early this year led to raids of the Port Elizabeth premises of former Nisec director Mr Michau Huisamen and two homes of Health and Welfare Minister Mr Abe Williams — and to Williams' subsequent resignation.

Williams resigned within hours of being raided, admitting he received money but claiming it was unrelated to the hugely lucrative tender.

Nisec's automated mobile pension and grant payout system — designed by the Armscor-born Denel — has been in operation, mainly in the black Western Cape townships, for two years.

Rasool, keen to rehabilitate the apartheid-ravaged welfare system, signed tender papers within two

❑ Turn to PAGE TWO

Probe promised to 'cut to bone'

❑ From Page 1

CT 4/10/96 (300) ~~299~~

months of taking office, only to see 17 of his top welfare officials "jump ship" to join Nisec, denuding the province of its entire social security middle management.

On September 19 last year, 3D ID, a rival for the payout tender, was liquidated after losing a court battle against Nisec. It wanted an interdict to halt the contract, pending a review of tender procedures.

In October last year Rasool asked the legislature's finance committee to probe allegations of fraud and the Nisec tender victory, and "cut to the bone".

The committee appointed a team of forensic auditors whose report was handed to OSEO.

Several former CPA officials were then either charged or disciplined.

Rasool said that a legal memorandum drawn up by the state attorney's office and advocates Mr Jeremy Gauntlett SC and Mr Ashton Schippers, and handed to Finance MEC Mr Kobus Meiring and himself yesterday left him "no alternative but to ask the Tender Board to cancel the contract".

Fool-proof pension pay-outs 'a flop'

(300) ST (CM) 6/10/96

By NORMAN WEST, Political Reporter

THE provincial Welfare Department was "sold a lemon" by Nisec company, which claimed it had a foolproof technique for paying pensions and grants totalling some R150-million a month.

Instead the contracted scheme was a total flop, complained Western Cape Welfare Department officials.

Nisec got the contract after demonstrating its "fool-proof" thumbprint identification technique for issuing pensions.

But this week two senior Western Cape Cabinet ministers said they had taken legal opinion on the system and called on the Tender Board to cancel the contract, awarded to Nisec earlier this year.

Nisec was to operate an automated mobile pensions and grants pay-out system, mainly in black areas in the Western Cape where there were no facilities like post offices and banks.

Coloureds, Indians and whites continued to be serviced by post offices acting as agents for the Welfare Department.

Earlier this year Abe Williams resigned as national Welfare Minister after raids on his homes and offices by investigators attached to the Office for Serious Economic Offences, who were conducting a probe into the awarding of the Nisec contract. This investigation is continuing.

This week Western Cape Health and Welfare Minister Ebrahim Rasool said the issue of the welfare payments contract to Nisec had led to "dramatic developments in the past two years". These included the raids conducted by the Office for Serious Economic Offences on Williams' homes and offices in Pretoria and Cape Town, disciplinary and criminal investigations against some officials in the Welfare Department and forensic audits conducted by the firm Ernst and Young.

Termination of the contract was called for after legal opinion that the department had been sold a system that fell far short of expectations, said a reliable source.

"In other words, we were sold a lemon.

"The whole process turned out to be so unsatisfactory that even if an attempt were made to rectify the flaws in the system, the costs would be so exorbitant that it would undermine the whole object of the exercise."

A source said the Welfare Department would now have to urgently investigate an alternative way to make the payouts so as not to disrupt the payment of pensions and grants — "even if we have to resort to the old, cumbersome long-queue system."

Computer problems affect 80 000 pensioners

(300) Star 7|10|96

Thousands will have to get by without state grants until a more efficient, fraud-resistant system is worked out

STAFF REPORTERS

About 80 000 new pensioners nationwide, many of whom have not received a cent for eight months, will have to survive without their grants until a new fraud-proof, efficient computer system comes on line.

The Ministry of Welfare and Population Development said it had lost 10% of its budget to fraud, and needed to ensure the new system was efficient, fraud-free and of benefit to pensioners.

The department said it was doing its best to get the new system up and running.

Staff cannot find relevant files

Gauteng Welfare MEC Ignatius Jacobs admitted at the weekend that the strategy to bring about a single system was "very difficult" but, he added, it was necessary.

This follows an outcry from staff at Greater Johannesburg's pension office who have been unable to process around 10 000 new claims they have received since February.

Demoralised staff are also unable to answer queries because they cannot find relevant files among the ceiling-high heaps lying in the offices.

Welfare and Population Development spokesman Brian Sokutu said amalgamating the apartheid era's 14 home affairs offices had been the root cause of the trouble and proved more difficult than expected. Teething problems were being experienced nationwide.

Jacobs said all the provinces had been ordered by Welfare Minister Geraldine Fraser-Moleketi to "sort out" the bulk of their problems by the end of this month.

Installing the computer system had become a priority, Jacobs said. Although elderly people going without money was "not acceptable", Jacobs said there was no point in installing a system that was as easy to defraud and as unreliable as the previous one.

He was unable to say when Gauteng pension offices would be put on the new system to address backlogs, but assured pensioners the new system would ensure they received a quality service that was regular, efficient and "anxiety-free".

Jacobs said those applicants left without payouts in the waiting period were "entitled to temporary financial assistance".

He added that all successful applicants would receive a back-payment of the grant to cover the period from the date of their application.

(212)

ANC blocks IFP bid for special pensions

(300) Star 9/10/96

Inkatha members 'do not qualify' for R42 000 grant as their organisation was never banned

Reuters
Cape Town

The Inkatha Freedom Party sought yesterday to win special pensions for members who opposed apartheid but the ANC said they did not qualify.

IFP legislator Gavin Woods complained during a meeting of Parliament's powerful finance committee about provisions in the Special Pensions Bill that excluded Inkatha members because the party had never been banned.

The bill proposes modest pensions of up to R42 000 a year for former permanent staff of outlawed political movements such as the ANC, the PAC and the SACP.

Woods said allies of Chief Mangosuthu Buthelezi's fight against white rule should be treated in the same way as veterans of the ANC.

"The IFP is concerned about fairness. It is a very topical issue within the party," Woods told the multiparty committee.

He said that though the IFP was never banned, its members suffered more than ANC members because it did not have the foreign support given to the ANC in exile.

Barbara Hogan said the ANC would oppose the IFP's request "with regret".

She said the draft law was intended to help those who had not been able to accumulate pension rights due to their organisations being banned.

"This is not a struggle pension, much as we wish it was. It is a compensation for people who were marginalised under apartheid and prevented from earning a pension," she said.

Woods said the IFP would oppose the bill when Parliament votes on it later this year.

"Part of the animosity between us and the ANC has been because they refuse to recognise the IFP as a liberation movement, which made a significant contribution against apartheid," he said.

Hogan said the Government estimated that up to 22 000 people might qualify for a pension, which would be payable from the age of 60. She said attempts to extend the scheme to people who fought apartheid legally would cost far too much.

Changing pension age 'will save state R400m'

(300) BD 9/10/96

Wyndham Hartley

CAPE TOWN — Public Service Minister Zola Skweyiya yesterday assured Parliament that changes to the pensionable age of public servants would not cost the state more, nor would it affect the pension benefits of existing state employees.

Skweyiya, speaking on the Public Service Second Amendment Bill in the National Assembly, also claimed that lowering the possible retirement age of public servants to 55 would save the state R400m.

The Bill passed its second reading debate in the Assembly without dissension from opposition parties. It must still pass through the Senate.

Skweyiya said there would be savings if public servants exercised the right to retire early because government contributions to the pension funds would be smaller.

His ANC colleague Salie Manie said that allowing earlier retirement would make it possible to effect plans to reduce the size of the public service.

The Star .... Thursday October 10 1996

Crippling rates could close doors on old-age home

Star 10/10/96 (300)

Jabula House hit by 1 322% increase, owner says raising bed rates by R333 a month not affordable for most residents

SAPA

A privately owned Rivonia old-age home north of Johannesburg has been hit by a 1 322% rates increase which threatens to cripple the business, owner Robert Reid said yesterday.

"Is this rates increase an error or does somebody wish to close us down?", he wrote to Eastern Metro Council chief executive officer Cansi Lisa on October 1.

But like numerous other callers to the council, he has had no reply.

"I've been to the council offices and they won't give me an explanation. They just tell me to pay up," he said.

In his letter to Lisa he said the old-age home, Jabula House, was founded by his mother 36 years ago.

The licence was granted by the Peri-Urban Areas Health Board and the land zoned special residential, which meant residential rates applied to the property.

This continued when the Sandton town council took over administration of Rivonia.

In July the council increased his property rates from R550 to R7 800 a month.

Reid said he had so far refused to pay the full increase, paying instead the old rate plus 20%.

If he was forced to pay the full rate, it meant increasing bed rates at the home by R333 a month, which most residents could not afford.

The rates increase, inflation and staff wage demands were threatening to cripple the business, Reid said.

"For the first time since we opened in 1960 we have empty beds. People just cannot afford to stay at an old-age home. This has all happened in the past year.

"If you had to see my financial records, you would wonder what the hell we were doing in business."

He said his predicament was not unique.

"Many small businesses are in a similar position. If the economic environment does not improve, soon thousands of jobs will be lost, totally undermining the ANC's good intentions," Reid said.

NE

TENDER RIGGED, BOARD HEARS

CPA payout fraud alleged

(300) CT 14/10/96

POLICE raids have produced documents indicating serious irregularities in a CPA payout contract, writes **CHRIS BATEMAN**.

FRAUD was behind the award of a five-year, R250-million welfare payout contract to the Armscor-born Nisec company by the Western Cape administration, the provincial Tender Board was told behind closed doors last week.

The Cape Times has obtained a copy of legally prepared submissions to the Tender Board aimed at cancelling the contract and saving the taxpayer R22m a year. The documents claim:

- Officials employed by the former Cape Provincial Administration's welfare department and now employed by Nisec made "material misrepresentations" about Nisec's status and its ability to carry out the terms of the pensions payout contract,
- The Nisec tender price was artificially reduced and its competitors' prices inflated to present the CPA as unable to carry out the task any cheaper itself,
- The Tender Board would be justified in forming an opinion that the contract award to Nisec was induced by "fraud, bribery or corruption" on the part of officials formerly employed by the CPA.

The managing director of Nisec in the Western Cape, Mr Alec Cilliers, said he was not allowed to speak to the press, and he referred the Cape Times to Mr Paul Holtzhausen, executive manager of Denel. Nisec is a unit of Denel Informatics, which is a division of Denel (Pty) Ltd.

Holtzhausen said Denel had not yet received any official communication about the moves to cancel the contract. "For that reason, I don't want to comment now."

Included in the submission to the Tender Board is a letter written by Mr Danie Bisschoff of Community Pension Informatics (Pty) Ltd on June 8 last year, supplied to Welfare Department lawyers by the office for Serious Economic Offenses (OSEO) after raids on the homes of Nisec officials.

Bisschoff writes to Cilliers: "... Meanwhile we sit on a time bomb with technology which does not do what it is supposed to do, which we have to continuously use and tell everyone what a success it is."

Bisschoff adds: "Remember, if we are caught out at this stage, we can forget about any other business in any other province".

When questioned about this letter, Cilliers indicated that he had never received or seen it. He could not believe that Bisschoff would write him such a letter. He also did not accept that the technology did not work. "We did a lot of demonstrations," he said.

He had heard that Western Cape Health and Welfare MEC Mr Ebrahim Rasool wanted to cancel the Nisec contract, and that an approach had been made to the Tender Board. The board had not yet contacted him. He had taken some legal advice, and was now "waiting to see what happens".

Touted as the answer to the nation's apartheid-ravaged welfare system, Nisec's mobile automatic teller and fingerprint identification system were given the final go-ahead locally by Rasool two months after he took office.

Irregularities — several first reported by the Cape Times — led to national Health and Welfare Minister Mr Abe Williams' resignation hours after his homes and office had been raided by the OSEO.

Williams admitted receiving money, but claimed it was unrelated to the Nisec tender.

Other claims to the Tender Board by Rasool's legal advisers include that the R130m disbursed monthly to Nisec for payout to pensioners and welfare beneficiaries is only insured while being transferred into Nisec's mobile payout tellers. The insurance allegedly excludes liability for any money disappearing once in the machines.

A top French computer company that analysed Nisec's automated fingerprint identification technology said the system failed to solve duplicate registration search problems (a major fraud risk) — one of the major reasons for awarding the contract.

In a letter to Denel Informatics on March 7 last year, Bisschoff admits that the French computer analysis "confirms what we already suspected (and knew)".

He adds that it was "a foregone conclusion that we could not prevent all possible fraud in this manner. In essence we don't meet all the conditions of the contract".

The Tender Board declined to make a ruling last week, saying the OSEO probe had not been finalised. To cancel a contract the board needs only to find that there may have been corruption.

Should the contract be cancelled, a 12-month contingency plan will hand over Nisec's 41 159 beneficiaries (mainly in black townships) to the Post Office, which already pays out 223 754 beneficiaries.

Welfare lawyers claim this will save taxpayers R1 849 651 a month.

The Star ... Tuesday October 22 1996

Private company takes over Gauteng pension payouts

(300) Star 22/10/96

By Justice Malala
Provincial Correspondent

Gauteng's pension payout system, long plagued by problems and corruption which have led to marches and other action by pensioners and communities, has been turned over to a private company for the next three years to alleviate the problems and improve delivery.

Addressing the media yesterday, Gauteng Welfare and Population Development MEC Ignatius Jacobs said Cash Payment Services (CPS), a company owned jointly by a subsidiary of the SA National Civic Organisation in Gauteng and First National Bank, had been granted the R120-million tender.

"It is envisaged that CPS will not only take over the payment of pensions but improve the physical infrastructure in the area, as well as ensure that other members of the community and small black enterprises also benefit from the awarding of the contract.

"However, policy matters will remain the responsibility of the department and therefore CPS will provide support, but not determine the rules and regulations," he said.

Jacobs said his department and the company would now engage in a strategic planning phase during which the vision and mission of the department, together with the fraud problem, would be addressed.

He said emphasis would be placed on the service being efficient and effective, but also friendly.

Emphasis will be on efficient, friendly service

According to Jacobs, pensioners are exposed to bad elements, are harassed and sometimes robbed when they go to collect their money.

Other problems with the system were that it was being defrauded, paypoints were not secure and some pensioners had to wait in queues for long periods of time.

"The challenge is to ensure that pensions day becomes a day in the monthly calendar that pensioners look forward to as a happy event and not an insecure, fearful one as is currently the case.

"The service must therefore be improved and the safety of the beneficiaries must be of paramount importance," Jacobs said.

Pensions will be paid — Rasool

CT 23/10/96 (300)

STAFF WRITER

PENSIONERS marched yesterday in support of the retention of a pension pay-out contract awarded to a Denel subsidiary, Nisec, which may be cancelled because of alleged irregularities.

However, MEC for Health and Social Services Mr Ebrahim Rasool assured pensioners that no pension or grant beneficiaries need fear they would not receive their monthly pension or grant.

Should the contract with Nisec be cancelled, pay-outs would continue as before and the department did not envisage any disruption.

Pensioners complained that applications for grants and pensions took too long, staff were not co-operative, grants were rejected on medical grounds without the grantee being examined; pensioners and grantees were forced to travel from the townships to Goodwood to make applications and inquiries.

Rasool said the department had launched an aggressive plan to transform services to communities. Last week it opened its first office for social security at the Catholic Welfare Development Society at NY 22, Guguletu.

Within the next month the department would open its first local office in Khayelitsha to deal with social security administration.

Social security staff were being trained to deal with applications and reviews and in remote areas mobile teams would deal with the grievances of pensioners and grantees.

All these measures formed part of the department's decentralisation of services to create and promote community-based services.

The department recognised that its services should be accessible to local communities, Rasool said.

He said the decision to apply for the Nisec contract to be cancelled had been taken in the interests of clean and transparent administration.

The cancellation was being sought on the basis that Nisec had falsely claimed it possessed computerised fingerprint-reading hard and software, that insurance taken out by Nisec for monies paid to it was inadequate and that the state had lost about R30 million.

Cash payouts to soldiers

OWN CORRESPONDENT

CT 24/10/96

The cabinet yesterday approved a draft law providing for cash payouts to members of the non-statutory forces — Umkhonto weSizwe and the Azanian People's Liberation Army.

(300)

The payouts are in recognition of the soldiers' contribution to the establishment of a democratic order.

The Demobilisation Bill provides for once-off payouts of up to R40 000 for the most senior soldiers, who are either too old or unwilling to pursue a military career in an integrated South African National Defence Force.

A defence ministry spokesman could not say how many soldiers were expected to take advantage of the offer, but said only those soldiers whose names appear on a certified personnel register may apply to be demobilised.

Former Nisec boss sues MEC, papers

(300) (2??)

Linda Ensor

BD 24/10/96

CAPE TOWN — A former boss of Nisec, a subsidiary of Denel which undertook welfare payments for the Western Cape provincial administration, has issued a summons for damages against provincial health MEC Ebrahim Rasool, leading newspapers and newspaper editors.

Michau Malan Huisamen's claims for R500 000 in damages against Rasool in both his private and personal capacities and R2,5m against the newspapers and editors were based on allegations of defamation.

They related to statements and events surrounding the award of a contract to Nisec by the former Cape provincial administration for the payout of pensions and other grants.

The Office for Serious Economic Offences raided the offices of former welfare minister Abe Williams in connection with allegations of fraud surrounding the contract. The office has continued to investigate fraud and other irregularities by staff.

Also summonsed as co-defendants were Cape Newspapers Ltd, Independent Newspaper Holdings, Nasionale Pers, Cape Times editor Moegsien Williams, The Star editor Peter Sullivan, Pretoria News editor Allan Dunn, Die Burger editor Ebby Dommisse and Sowetan editor Aggrey Klaaste.

Rasool said yesterday Huisamen's summons came at a time when the health department, on the advice of senior counsel, had approached the Western Cape provincial tender board to cancel the Nisec contract.

The department based its argument in favour of cancellation on the fact that the state would lose an additional R70m in addition to the R30m already lost from having the contract.

Also, Rasool said, Nisec had "fraudulently represented to the former Cape provincial administration that it possessed computerised fingerprinting hardware and software as specified in the invitation to tender, and that this technology would eliminate social security fraud".

Nisec fighting allegations

(300)

CT 30/10/96

CHRIS BATEMAN

THE controversy-wracked pension pay-out company Nisec — facing allegations of fraud in being awarded a five-year, R149 million contract — is contacting unidentified overseas witnesses in a bid to counter the province's attempted cancellation of its contract.

This was learnt yesterday as the Western Cape Tender Board considers a potentially damning memorandum prepared by advocates for Western Cape Health and Welfare MEC Mr Ebrahim Rasool.

The board reconvenes early next month to hear Nisec's response — behind closed doors.

Rasool's lawyers have urged the Tender Board to act quickly, claiming that each month some R135 million in pension and welfare payouts is being handled by Nisec without adequate insurance cover.

Nisec deny their operation is under-insured.

Rasool's lawyers allege Nisec obtained the tender fraudulently and question Nisec's compliance with the contract.

An Office for Serious Economic Offences probe of Nisec earlier this year led to raids on the Port Elizabeth premises of former Nisec director, Mr Michau Huisamen and two homes of former health and welfare minister Mr Abe Williams.

RESIGNED: Abe Williams

MEMORANDUM: Ebrahim Rasool

Williams resigned within hours of being raided, admitting he had received money but claiming it was unrelated to the tender.

Huisamen has issued defamation summonses totalling R3 million against five newspaper editors, their managements and Rasool.

It is believed Nisec's search for witnesses is in connection with a French computer company which audited Nisec's automated finger-imaging system in February 1995.

The French report found Nisec technology was unable to perform to the standards claimed.

Nisec's automated mobile pension and grant payout system, designed by Denel, has been in operation, mainly in black Western Cape townships, for two years.

Rasool signed the tender within two months of taking office only to see 17 of his top officials join Nisec.

Nisec delays reply to claim of fraud

(300)

CHRIS BATEMAN

CT 7/11/96

LAWYERS for the Western Cape Tender Board, which is hearing an application to scrap Nisec's R350-million pension payout contract, are holding talks with Nisec lawyers over what is a "reasonable" period for Nisec to respond to claims of fraud.

This emerged yesterday when Tender Board chairman Mr Barry van der Vyfer was asked why hearings had been held behind closed doors when R350m of taxpayers money was at stake.

Van der Vyfer said "all tender matters are treated as confidential discussions".

When it was put to him that the contract cancellation bid was highly unusual and that the matter was being widely discussed in the media, Van der Vyfer said he would put the Cape Times request to attend possible further hearings to his board members.

Nisec was due to reply on October 30 to claims by the province that it deliberately misrepresented its technological capacity to eliminate payout duplication with its fingerprint recognition system when it tendered for the lucrative five-year contract.

A French computer firm that visited Cape Town found that the Nisec payout technology did not match the claims made by its owners, and letters confiscated during raids by the Office for Serious Economic Offences raids indicate that senior Nisec officials knew this.

Two months after Health and Welfare MEC Mr Ebrahim Rasool signed the contract, 17 of his social security officials "jumped ship" to join the newly formed Nisec.

Van der Vyfer conceded that the board found the evidence in a memorandum by senior counsel Mr Jeremy Gauntlett "very strong" and that the board could cancel a contract on suspicion alone, but it wanted to hear both sides before deciding.

Welfare groups 'sell state homes'

(300)

Council for Aged in protest

ARG 9/11/96

GLYNNIS UNDERHILL
Chief Reporter

Facilities built with taxpayers' money to accommodate the poor and aged are allegedly being sold at a profit by certain welfare and church organisations in a move described by the South African Council for the Aged as "scandalous."

The council will refer the issue to the Constitutional Court next week.

Around 407 housing schemes, intended to accommodate more than 26 000 old people at a cost of more than R800 million, have been undertaken around the country with government loans.

But the council believes that more than 50 percent of these units are no longer available for "sub-economic" old people.

"It is alleged that organisations have sold the facilities or rented them to people who can pay high rents in order to fund shortfalls on subsidies," said Syd Eckley, executive director of South African Council for the Aged.

"Attempts to obtain details of transactions have been fruitless. An urgent investigation is warranted," he said.

While most of the facilities were built to accommodate elderly whites under the apartheid laws, these would now be available to all races, said Mr Eckley.

The council wants the Public Protector to investigate the use of government property and whether the facilities are available to the people they were built to serve.

Legal opinions obtained by the council are that these organisations were not entitled to sell the properties, which were built after government loans were given them at discounted pay-off rates, some as low as 15 percent.

Most organisations serving old people from previously disadvantaged communities, as well as those serving primarily lower-income people, are facing bankruptcy and closure of facilities. Subsidy cuts being implemented in some provinces have been described by the council as "transformation death-traps".

"A number of organisations have publicly stated they cannot afford to accommodate sub-economic frail elderly," said Mr Eckley.

The impact of present subsidy cuts for old-age homes needed to be urgently investigated, he said.

"The council is of the opinion that certain provinces have not applied the national norms correctly, threatening the survival of mainly facilities serving the poorest people. In terms of government policy, government funds should be targeting at the poor and frail elderly.

"Subsidy cuts of up to 40 percent did not take into account the inability of people on social grants and their families to contribute to the shortfalls; the precarious financial position of organisations serving the poorest people; and that previously disadvantaged organisations have little capital reserves to fund the present deficits," he said.

Mr Eckley has given evidence at the parliamentary public hearing on the White Paper on Social Welfare.

He believes that unless the welfare budget is substantially increased, the new policy will fail with "devastating consequences" for the poor and disadvantaged.

"It is considered very unlikely that there will be any fundamental change, specifically to improve the lot of millions of disadvantaged citizens with a budget which attempts to maintain existing infrastructures and services while at the same time attempting to introduce a shift to developmental social welfare," he said.

Parliament should not sanction decisions that place poor and frail elderly, as well as organisations serving them, at risk, said Mr Eckley.

"It is the council's opinion that welfare organisations will soon be forced to turn frail old people, who cannot make an additional contribution, over to their families or close down facilities unless more realistic subsidies can be paid."

Efforts to obtain comment from organisations which are alleged to have sold properties funded by the taxpayer proved fruitless.

Nisec's response to claims of fraud to be considered today

CT 19/11/96 (300)

CHRIS BATEMAN

A DECISION on whether Nisec will keep or lose its R240 million five-year contract to pay out the Western Cape's 290 000 pension and welfare recipients may come today when the local Tender Board convenes to consider the company's response to fraud claims.

This follows the Supreme Court's refusing (with costs) Nisec's application for an extension to March next year to reply to far-reaching claims of fraud and negligence put before the Tender Board by Mr Jeremy Gauntlett, SC, (for the province).

Nisec is earning an average of R3,7m a month for paying out 42 000 welfare recipients — with the Post Office paying out the remaining 248 000 recipients for Nisec on an agency basis. The Western Cape pays out R1,8m more a month than it would if the Post Office was not locked into acting as an agent for Nisec — doing the same job it had in the past.

Nisec claims its fingerprint comparison technology (being used on the 42 000 recipients) is now among the best in the world — but the Welfare Department says Nisec misrepresented its capabilities and committed fraud in originally securing the lucrative tender.

Senior former welfare officials, now under investigation, exaggerated and misrepresented Nisec's capabilities before resigning to join Nisec, Gauntlett claims.

Papers before the court included a letter by Mr Danie Bisschoff, of CPI (Pty) Ltd, dated June 8, 1995, telling Nisec regional chief, Mr Alec Cilliers: "... we sit on a time bomb with technology which does not do what it is supposed to do, which we have to continuously use and tell everyone what a success it is".

Bisschoff adds: "Remember if we are caught out at this stage, we can forget about any other business in any other provinces and the Western Cape operation could just as well close its doors!"

An Office for Serious Economic Offences probe of Nisec early this year led to raids of the Port Elizabeth premises of former Nisec director Mr Michau Huisamen and two homes of Health and Welfare Minister Mr Abe Williams — and to Williams' resignation within hours of being raided.

Late last night speculation arose that the Tender Board may defer a decision for two weeks to pre-empt further Nisec challenges on grounds of insufficient time to prepare a reply.

Huisamen has issued defamation summonses of R3m against five newspaper editors, their managements and Welfare MEC Mr Ebrahim Rasool.

Special Pensions Bill approved

(300) Sowetan 20/11/96

By Josias Charle

PEOPLE who believe that they qualify for special pensions or "veterans of the struggle pensions" have been advised to start applying for their grants.

Last month the Senate approved the Special Pensions Bill, thus clearing the way for the payment of pensions to people who made sacrifices and served the public interest in the establishment of a new constitutional order.

According to Mr Sam Jooste of the Department of Finance, the pension scheme is there to make provision for a person's retirement.

Applicants who qualify will only receive their pensions once they reach the age of 60.

The Act established the criteria to apply for a special pension. According to Jooste these include:

- South African citizens who were in full time service of a banned organisation;
- People jailed for five years or banned or banished because of political convictions;
- People who suffered a permanent and total disability while in the full-time service of political organisations;
- Dependents of people who died while in full-time service of a political organisation will be entitled to a lump sum payment; and
- People who are 35 years or older on the date the Act came into operation (October 23).

People who believe they qualify have been asked to send their applications to Private Box X63 Pretoria, 0001.

Applications

"Applications will be submitted to a board of five members which will determine whether a person qualifies and, if so, for how much. The board will be appointed by the Minister of Finance Mr Trevor Manuel," Jooste said.

Hundreds of people, mostly those who are members of the African National Congress and the Pan Africanist Congress who fled the country and went into exile, are expected to file their claims soon.

Press to be excluded from Nisec hearing

(300)

CHRIS BATEMAN

CT 20/11/96

THE Western Cape Tender Board will decide behind closed doors whether Nisec keeps or loses its R240 million, five-year contract to pay the province's 290 000 welfare recipients and pensioners, its chairman, Mr Barry van der Vyver, ruled yesterday.

He was responding to a Cape Times request to attend hearings at which Nisec is expected to reply to allegations of fraud and negligence — including that its employees misrepresented tender documents.

Van der Vyver said his board's "consensus" was that "the press can unfortunately not be allowed to attend meetings due to the confidential nature of the discussions".

The board had discussed Nisec "briefly" yesterday but decided to grant them an extension of reply until November 29 when a decision was "again unlikely".

"We must first go through all the documents." He expected a decision before Christmas.

Van der Vyver's ruling follows the Supreme Court dismissal (with costs) of Nisec's application for an extension till March next year to respond to the Welfare Department's fraud allegations.

Nisec is earning an average of R3,7m a month for paying out 42 000 welfare recipients — with the Post Office paying out the remaining 248 000 payees on an agency basis. The Western Cape pays out R1,8m more a month than it would if the Post Office was not acting as Nisec's agent.

MOVE TO CHECK GRAVY TRAIN

MPs' pension plan 'profligate'

CT 22/11/96

THE existing pension scheme for MPs is "indefensibly generous", says the Steyn Commission. Political Writer **BARRY STREEK** reports.

(300)

THE gravy train pension scheme voted by MPs under the old dispensation shortly before the April 1994 elections — and which will cost taxpayers R800 million over 10 years — was strongly criticised yesterday by the Steyn Commission.

It said the pension scheme was "indefensibly generous" and that it would be "manifestly wrong" to perpetuate the structures in place under the previous dispensation.

The Commission on Remuneration of Representatives, chaired by former judge Mr Jan Steyn, also said it could find "no valid reason" that justified the privileges of former ministers and political office-bearers being granted free tickets on domestic flights.

"They were granted by way of a cabinet decision and can therefore be terminated by a decision of the cabinet to that effect, provided the rules of natural justice are adhered to. We advise accordingly."

The parliamentary pension scheme introduced before the 1994 elections cost the government R440m to pay off capital and interest. During the 1996/7 financial year, taxpayers paid R70m for the scheme, including R37m in capital and the rest in interest.

By the end of the 10-year period, the scheme would have cost about R800m, a Ministry of Finance spokesperson said yesterday.

The commission said that if the approach in the previous pension scheme were continued it would cost the state an additional amount of about 75% of the salary bill for legislators.

However, it had been advised that the old pension scheme had been legislatively entrenched and that it would be extraordinarily difficult to reverse.

But the commission would try "to ensure that there is no opportunity for this kind of profligacy in any fund established for elected representatives."

It had advised pension provisions which were "economically defensible and do not expose the taxpayer to the risk of meeting the open-ended, generous commitments incurred by the previous dispensation".

It recommended a defined contribution pension fund, in which the employer contribution was 15% and the employee rate 7,5, and said this should be accepted "as a fair, reasonable and economically defensible base for a pension structure".

This would limit the state's contribution to the parameters defined in the rules of the fund.

The commission said the air, rail and transport privileges for former political office-bearers varied from free unlimited domestic travel privileges, paid for by Transnet, to 48 single tickets for former ministers, such as those who had two years of continuous service as minister before November 22, 1989.

Provision was also made for 48 single domestic tickets a year for former ministers appointed after November 22, 1989, who had four years' continuous service. Half of these privileges could be utilised by a spouse, and the widow/widower qualified for six single domestic travel privileges.

For former deputy ministers with four years' continuous service 36 single domestic travel privileges were available of which a spouse could use half.

The commission said it was also aware that these travel privileges were extended to the same magnitude or to a lesser extent to ex-political office-bearers in Parliament, the Senate and the four previous provincial governments.

PROPOSED GRADES AND SALARY INCREASES AS AMENDED BY THE COMMISSION

Grade	Position	Recommended Packages	Past Packages	Present Packages	Increases		
		Total Package	Total Package (ex. "financial relief")	Total Package (inc. "financial relief")	Increases	Total Increases	Real Increases
Grade G	Executive Deputy President	R343 920	R480 000	R480 000	R65 920	14%	14%
Grade F	Cabinet ministers Chairperson: Constitutional Assembly Premiers President of Senate Speaker: National Assembly	R343 920 13% R474 713	13% R423 360	R423 360	R51 353	12%	12%
Grade E	Deputy President of the Senate Deputy minister Deputy Speaker of National Assembly Executive council members Leaders of official opposition Speaker of provincial legislature	13% R385 946	23% R344 100	R344 100	R41 846	12%	12%
Grade D1	Deputy chairperson of the Constitutional Assembly Deputy Speaker of provincial legislature	10% R318 964	20% R287 280	R287 280	R63 580	22%	22%
Grade D2	Chief whip of majority party Parliamentary councillor: office of the President	10% R318 964	9% R264 480	R264 480	R54 484	21%	21%
Grade C	Chairperson of committee of any legislature Chairperson of any standing committee Chief Whip of official opposition Parliamentary councillor: office of the Deputy President	10% R289 967	8% R245 886	R245 886	R44 081	18%	18%
Grade D	Leader of any legislature Leader of other minority parties Whip of any legislature	10% R263 606	13% R218 400	R246 011	R45 206	21%	7%
Grade A1	Member of National Assembly Member of Senate	10% R239 642	13% R193 200	R221 861	R46 442	24%	8%
Grade A2	Member of provincial legislature	10% R217 856	3% R184 000	R213 811	R33 856	18%	2%

Sale of prestige state residences endorsed

BARRY STREEK
POLITICAL WRITER

THE proposal to sell off the government's R57,4-million portfolio of prestige residences — except those for the president and deputy president — and the three parliamentary villages in Cape Town was endorsed yesterday by the Steyn Commission.

It also supported the move to drastically reduce the government's car pool and encourage ministers and officials to use their own cars.

The government owns 61 prestige residences, with an estimated value of R57 408m, but seven are unoccupied.

The sale of prestige residences and the parliamentary villages in Cape Town could have a profound impact on the property market.

It costs R9,3m to maintain and administer the occupied prestige residences and R972 000 to maintain and administer the unoccupied residences.

Excluding the presidential residences, the average cost of maintenance for each residence is R168 000, but if the cost of financing is added, the average cost per dwelling is around R243 713.

But the income from rent during the 1995/6 financial year was estimated to be R754 959.

The cost of maintaining ministerial residences in Cape Town in the 1995/6 financial year was R4,932m, and the cost of administering the parliamentary villages was R8,867 million.

The commission said there were persuasive arguments for reducing substantial expenses to the state by removing hidden benefits in the form of state housing and vehicles for political office-bearers.

Public Works Minister Mr Jeff Radebe had testified that the considerable costs of maintaining and servicing homes owned by the state was not a cost-efficient way of managing the housing needs of ministers, premiers and other high-level office-bearers.

The commission said: "In our approach to create appropriate remuneration packages at the higher grades, we took into account these expenses.

"As a result, we ensured that such allowances would be built into individual packages thus removing a need to provide state support for these items. By doing so, there is a further move towards transparent remuneration."

The commission said Transport Minister Mr Mac Maharaj had advocated a similar approach to state-owned vehicles.

"This testimony painted a picture of an ongoing nightmare of administrative hassles, abuse and demands on scarce manpower resources in order to manage the car pool.

"Even with a fairly substantial increase in the kilometre tariff payable to political office-bearers for using their own vehicles for official purposes in lieu of state-owned vehicles, the state will save several million rand per annum.

"While there are undoubtedly certain state-owned properties — including those occupied by the president and deputy president — that should not and cannot be alienated (Groote Schuur Estate would be one example), and while a small pool of state-owned vehicles will always be required, the commission strongly supports the approach advocated by the ministers concerned," the commission said.

Pay commission wants cuts in politicians' pensions

~~[illegible]~~ (300) ~~(250)~~ CT (PR) 25/11/96

Christo Volschenk
ECONOMICS EDITOR

Cape Town — The Commission on Remuneration of Representatives urged the government last week to scale down on the "overly generous and economically indefensible" pensions paid to the politicians of the old order.

The commission proposed handsome rises to elected representatives' paychecks but it also said the pension benefits accruing to politicians elected to national, provincial and local governments after April 1994 should be scaled down to the level of a typical private sector fund.

The typical private sector fund employs a much less generous formula for calculating pensions payable than the state.

In a report presented to President Nelson Mandela the commission said legal experts had agreed that a scale-down of pension benefits of old order politicians would require an amendment to section 246 of the interim constitution, which protected the pension benefits offered to parliamentarians by the Closed Pension Fund Act of 1993.

"However, the state has an obligation to revisit this matter and investigate whether steps can be taken to redress the issue of the benefits promised the members of the Closed Fund," the commission said.

Regarding the pension regime in place since April 1994 the commission said "it would be manifestly wrong to perpetuate the indefensibly generous pension structures which were in place under the previous dispensation".

It proposed the less generous pension benefits be backdated to April 27 1994 and that dependants of politicians who died after that date be paid the less generous benefits.

The commission proposed the government's contribution to the pension fund be increased from 14 percent to 15 percent of an employee's pensionable salary. Employees should contribute 7,5 percent of pensionable salaries.

The commission said pensions should be calculated by the less generous formula, where the number of years' service would be multiplied by the average basic salary over the past two years and divided by 50. At present, pensions are calculated by multiplying the number of years of service with the last basic salary and dividing by 15.

The commission softened the blow by suggesting the housing subsidy and car allowance be included in the definition of basic salary.

The new fund should be a defined contribution fund and not a defined benefits fund, as is presently the case. It should be fully funded and not operate on a pay-as-you-go basis, the commission said.

Elderly need own bill of rights, commission told

(300) Star 2/12/96

Cape Town – The Government needs to make basic human rights for the aged a priority, the national Human Rights Commission was told last week.

Marilyn Lilley, chairman of the Concerned Friends of the Abused Frail and Aged, told the commission that legislation did not provide adequate protection for the elderly against neglect and abuse in institutions.

"We need a bill of rights for the elderly, like they have in the United States," she said.

She said that because of the absence of proper legislation, many elderly people in old-age homes countrywide were being neglected and abused emotionally, physically and financially.

She said though some old-age homes were run very well, her organisation had received more than 800 reports – mainly from families and residents – of neglect and abuse in other institutions.

However, abuse of the elderly was fairly common and occurred in private homes as well as institutions, she said.

Residents and families complained that staff at some of the old-age homes were stealing their pensions, money and belongings.

Management irregularities in other institutions were also reported.

"Often, complaints by the aged are greeted with gross intimidation and revictimisation," Lilley said.

"Complaints are greeted with gross intimidation"

She said the Department of Welfare had endorsed both the International Federation on Ageing's Declaration on the Rights and Responsibilities of the Aged and the United Nation's Declaration of the Rights of the Elderly.

The declarations stated that the elderly had the right to live in dignity and security, and to be free of exploitation and physical and mental abuse. However, without suitable legislation, the rights could not be enforced.

"Our country will be judged not only by the social and material progress but also on the provision made for the weakest in our midst.

"At the moment, we feel there is not much provision for the frail and aged," she said.

The commission said it was trying to create a culture of human rights and address all human rights abuses and violations. It acknowledged the importance of improving the rights of the elderly who had served their country well. – Own Correspondent

Basic rights for aged a priority, says HRC

(300)

ANDREA BOTHA
STAFF REPORTER

ARG 3/1/97

The National Human Rights Commission has been told there are no basic human rights for the aged and that the Government urgently needs to make them a priority.

The commission recently made a three-day visit to the Western Cape to try to create a culture of human rights and address human rights abuses and violations.

Marilyn Lilley, chairman of the Concerned Friends of the Abused Frail and Aged, said legislation did not provide adequate protection for the elderly against neglect and abuse in institutions.

"We need a bill of rights for the elderly," she said.

Her organisation had received more than 800 reports of neglect and abuse, mainly from families and residents about other institutions in which abuse was rife.

Common complaints were the theft of pensions, money and property by staff at some homes.

She said the Department of Welfare had endorsed the International Federation on Aging's Declaration on the Rights and Responsibilities of the Aged as well as the United Nations Declaration of the Rights of the Elderly. But without suitable legislation, this could not be enforced.

The commission acknowledged it was important something be done about the rights of the elderly who had served their country well.

Investigation into theft of pensions 'to be evaluated'

(300)

Political Staff

BD 11/12/96

BISHO — A team of top detectives from police headquarters will be sent to the Eastern Cape to "evaluate the manner" in which investigations into the theft of millions of rands in pension money were conducted.

The team will also ensure that further investigations are conducted in "as proficient a manner as possible".

The announcement of the special police task team came after a meeting between Eastern Cape premier Ray Mhlaba, Safety and Security Minister Sidney Mufamadi, national police commissioner George Fivaz and safety and security MEC Dennis Neer.

The team will report directly to the commissioner and could fly to the Eastern Cape today.

Fivaz said he was "very concerned about the large amounts of money involved and ... about certain indications that police officers could be involved in some of these robberies. We would like to have a proper evaluation, to make sure if it is not necessary perhaps to add capacity to the investigating teams and to assist as far as possible on the basis of logistical support from the side of national office."

After the evaluation, Fivaz said, "we will be in a position to say whether we are satisfied or not — that is exactly what we want to hear from the team".

He said the team would consist of between two and six experienced detectives who would investigate "in conjunction with the detective structures in this area" and Neer.

Fivaz said the investigation would also involve departments, such as welfare, which were concerned about the large amount of the funds being stolen.

On taxi violence, Mhlaba and Mufamadi said the national crime intelligence task team had been working on the problem, and "we are confident that government will now be in a better position to contain the problem".

They said short- and long-term measures to deal with taxi violence were being formulated and additional security personnel were being deployed to deal with the situation in Port Elizabeth and other areas.

"The murders which are being committed by those involved in taxi violence are orchestrated by well organised syndicates."

Fivaz said quite a number of the "mafia style hit men" were being arrested and "for the first time we are making breakthroughs as a result of proper crime intelligence. Our crime intelligence is more in place than ever before." He said the Eastern Cape was in a "favourable position" compared with some other provinces.

Mufamadi hinted that an increase in the police budget was under discussion. "The issue is whether we will have sufficient resources to meet all the priorities we have identified as a department," he said.

Staff 'must wash cars for time off'

(300)

HEALTH REPORTER

ARG 19/12/98

Workers who say they are forced to wash bakkies and trailers to get time off have declared a dispute with pension payout company Nisec.

The National Education, Health and Allied Workers Union (Nehawu) said Nisec workers employed as enrolment clerks and paymasters were being forced to wash vehicles as a condition for getting two weeks' paid time off.

Social pension and grant pay-outs were done in the first two weeks of each month, and for the rest of the month there was no work.

Workers who refused to wash vehicles because it was not part of their job description were being "punished" by not being given this time off, and were victimised and harassed by Nisec management, said Nehawu.

Nisec denied the allegations, saying that washing vehicles was voluntary and not tied to time off.

The company also said that time off allowed was "a few days", not two weeks.

A Nisec spokesman said only five of the 28 staff were involved in the dispute.

PENSION PAYOUT CONTRACT MAY BE CANCELLED

Tender Board looks at Nisec deal

(300) CT 18/12/96

IT APPEARS likely the Western Cape will cancel its pension payout contract with Nisec, but no one will confirm or deny this, **PETER DENNEHY** reports.

THE Western Cape provincial tender board met yesterday to decide on whether or not to cancel Nisec's controversial multi-million rand five-year contract to administer computerised pension and social welfare payouts.

Health and Welfare MEC Mr Ebrahim Rasool has applied to the Tender Board to cancel the contract, which he says earns Nisec R1,8 million a month.

Rasool says he believes the service the company provides for that money is "deficient" — a claim Nisec denies. Nisec claims its mobile fingerprint-reading automated pension and grant payout system, designed by Denel Informatics, is now among the best in the world.

Nisec pays out just over 40 000 welfare recipients a month and the Post Office pays out the remaining 248 000 in the province as an agent for Nisec, which won the contract in mid-1994 to handle the entire job.

Rasool himself gave the go-ahead to the Nisec contract just two months after he came into office.

Lawyers acting for his department have argued before the tender board that "material misrepresentations" were made when the company submitted its winning tender about its ability to meet all the terms of the contract.

The department of welfare wanted a computer system that could trace duplicate registrations, which are a major fraud risk.

Yesterday the Tender Board did make a decision at its all-day meeting, from which the public and the media were excluded.

But its chairman, Mr Barry van der Vyver, and several board members refused to say what that decision was.

"We have taken a decision, but it can't be conveyed at this stage. There are certain formalities that must be attended to," said Van der Vyver.

It is reliably understood that these formalities include sending the decision to the board's lawyers, to have it properly worded.

From this it would appear likely that the decision was to cancel the contract — but nobody would confirm this, even off the record.

Two men from Nisec, one from Denel Informatics, and two lawyers spent most of the morning from 10am to lunchtime yesterday behind closed doors with the board, apparently being grilled about the background to the contract.

Rasool, who was not present yesterday, has said he wants to know if Nisec office-bearers or people who subsequently became office-bearers had misled his department about the company's technological capability when Nisec applied for the contract, and whether the company had since fulfilled all its terms.

Two years ago 17 officials in the provincial welfare department resigned within a few months of each other to join Nisec.

It is understood Nisec claims there is "no factual basis" for the allegations against it and no legal basis upon which the Tender Board can cancel the contract.

● Former Nisec director Mr Michau Huisamen and two Nisec employees have started four court actions against Rasool. Huisamen has also issued defamation summonses against five newspapers.

HAD THEIR SAY: Denel Informatics' Mr J J van Rensburg emerges from a meeting of the provincial Tender Board yesterday with a woman, said to be an attorney, who would not give her name. They had been given an opportunity to argue against the cancellation of related-company Nisec's multi-million-rand contract to administer Western Cape pension and welfare payouts. ***PICTURE: ALAN TAYLOR***

Nisec loses contract worth R22-m a year

HEALTH REPORTER (300)

ARG 20/12/96

The Western Cape Tender Board has cancelled Nisec's lucrative R22-million-a-year, five-year contract to pay out 290 000 welfare and pension grants in the province – after finding its service was not in line with contractual requirements.

Chairman Barry van der Vyver said the board had thoroughly scrutinised documentation and listened to various parties before making its decision.

Nisec managing-director Alec Cilliers said his lawyers were studying the decision. "This is not the end of the story. We'll probably appeal," he said.

The Department of Social Services, assisted by the Post Office, will take over Nisec's service from February 1. The Post Office already pays out 248 000 welfare grants on an agency basis.

Western Cape Health and Welfare Minister Ebrahim Rasool signed the tender with Nisec within two months of taking office in 1994.

Nisec's lucrative pensions payout contract cancelled

CT 20/12/96 (300)

STAFF WRITER

THE Provincial Administration has axed the company that pays out pensions in the Western Cape.

Nisec has had its multi-million rand contract with the province cancelled with effect from February 1 owing to "material misrepresentations" about its ability to carry out the terms of its contract.

The company has denied these claims.

Nisec was awarded a five-year contract worth R22 million a year by the province in 1994 to pay out pensions on its behalf.

Ms Virginia Petersen, of the Department of Social Services, said yesterday her department would oversee the payouts next year, and pensions and grants would still be distributed at the same venues.

Health and Welfare MEC Mr Ebrahim Rasool described the cancellation as "a victory for clean governance and the taxpayers".

Nisec managing director Mr Alec Celliers said yesterday: "We are studying the decision ... (particularly) the grounds for cancellation, and we are considering what our next steps should be."

● See Page 3

FRIDAY
DECEMBER 20, 1996 ★

W CAPE TENDER BOARD ACTS

Nisec's pensions contract cancelled

CT 20/12/96 (300)

THE CANCELLATION of a Western Cape pensions payout contract has been lauded as "a victory for clean governance and the taxpayers". **PETER DENNEHY** reports.

THE multi-million rand contract Nisec had with the Provincial Administration of the Western Cape has been cancelled with effect from February1, next year.

From that date pension and other grants will be overseen by the provincial administration, with the assistance of the Post Office.

Mr Barry van der Vyver, chairperson of the provincial Tender Board, announced the cancellation of the contract yesterday.

Head of the Department of Social Services, Ms Virginia Petersen, said the province's 290 000 pension and grant recipients would still get their payouts at the same venues as before.

Petersen said her department would oversee the payouts for the next year while the task was put out to tender.

Provincial Welfare Minister Mr Ebrahim Rasool lauded the cancellation of the contract as "a victory for clean governance and the taxpayers".

Nisec, a wholly-owned subsidiary of Denel Informatics, won a R22m-a-year, five-year contract in 1994. In terms of this contract, it had to administer the billion-rand-a-year payouts to pensioners and other welfare recipients in the Western Cape.

Touted as the answer to the nation's apartheid-ravaged welfare system, Nisec's mobile automatic teller and fingerprint identification system were given the final go-ahead locally by Rasool two months after he took office.

The provincial tender board said yesterday it "was satisfied that the service rendered by this contractor was not in compliance with the contractual requirements".

According to a Cape Times investigation earlier this year, legally prepared submissions to the Tender Board claimed that:

- Officials employed by the former Cape Provincial Administration's (CPA) welfare department, and later employed by Nisec, made "material misrepresentations" about Nisec's status and its ability to carry out the terms of the pensions payout contract.
- The Nisec tender price was artificially reduced and its competitors' prices inflated, to present the CPA as unable to carry out the task any more cheaply itself.
- The Tender Board would be justified in forming an opinion that the contract award to Nisec was induced by "fraud, bribery or corruption" on the part of officials formerly employed by the CPA.

Nisec denied this and said there was an agreement that the successful tenderer would be able to approach expert CPA pensions staff, with a view to appointing them to jobs in the company. As a result several former CPA officials left to join Nisec.

The Office for Serious Economic Offences (OSEO) raided Nisec offices in Cape Town, Port Elizabeth and Pretoria after allegations surfaced that something was amiss.

Managing director of Nisec Mr Alec Celliers said yesterday: "We are studying the decision of the Tender Board ... (particularly) the grounds for cancellation, and we are considering what our next steps should be."

Nisec's R125m pensions payout contract cancelled

(300)

Linda Ensor

BD 20/12/96

CAPE TOWN — After a prolonged investigation the Western Cape provincial tender board yesterday cancelled its multimillion-rand contract with Denel subsidiary Nisec for the payout of monthly pension and welfare grants.

"The board was satisfied that the service rendered by this contractor was not in compliance with the contractual requirements," board chairman Barry van der Vyver said yesterday. The contract would be cancelled on February 1.

As an interim measure the social services department would take over payment of R1,5bn in pensions and grants to 260 000 people, with the assistance of the post office, in February.

Health and social services MEC Ebrahim Rasool had lobbied for the cancellation of the contract, worth R125m over five years, alleging that contrary to the claims Nisec made to the board in its tender, its high-tech payout equipment did not work satisfactorily.

Rasool claimed the company had been awarded the contract under suspicious circumstances. These allegedly involved former national welfare services minister Abe Williams, who resigned from the cabinet in February after an investigation by the Office for Serious Economic Offences.

Williams was accused of corruption and fraud, which he denied.

R1,5bn payout contract was based on lies

(300)

ST (CM) 22/12/96

By NORMAN WEST

CONFIDENTIAL documents seized from the offices of Nisec, the company that had won a contract worth R1,8-million a month to pay out pensions in the Western Cape, revealed the company knew their system was incapable of doing the job they claimed it could.

Damning evidence against the Denel-owned company was discovered in the internal memos, in which the company admitted deficiencies in the high-tech fingerprint scanning equipment it claimed to have — and which tilted the scales in their favour when they won the tender worth R1,5-billion.

At a hearing in Cape Town this week the Tender Board cancelled Nisec's contract, with effect from February 1.

Nisec had been contracted to pay out grants and pensions to 290 000 welfare recipients, and its high-tech equipment was supposed to eradicate fraud and prevent pay-outs to non-existent people.

One of the memos seized during the 1995 raid on Nisec revealed that they were aware of the deficiencies of their technology, the hearing was told.

The memo read: " . . . Meanwhile we sit on a time-bomb with technology which does not do what it is supposed to do, which we have to continuously use and tell everyone what a success it is. Remember if we are caught out at this stage we can forget about any other business in other provinces and the Western Cape operation could just as well close its doors . . .

"It is an absolute fact that we would not be able to contain all the possible fraud. In essence we do not comply with all the requirements of the contract. The only solution would once again be to consider other technology."

At the hearing the Tender Board decided to cancel the contract, for which the Department of Social Welfare Services was paying Nisec R1,8-million a month.

Barry van der Vyver, chairperson of the Tender Board, said the board "was satisfied that the service rendered by this contractor (Nisec) was not in compliance with contractual requirements".

Virginia Petersen, head of the Department of Social Services, told the board another reason for urging cancellation of the contract was that Nisec had failed to provide security for public funds to the value of R100-million per month for the payment of pensions.

The MD of Nisec, Alec Cilliers, said the company was studying the decision of the board and the grounds for the cancellation before it decided upon its next step.

Yesterday advocate Tommy Prins, who heads the Cape Town branch of the Office for Serious Economic Offences, said the police investigation into the awarding of the contract — as well as the alleged role of former Minister of Welfare Abe Williams — could be completed by April.

Call to restructure 'over-generous' pension scheme

(300)

Samantha Sharpe BD 24/12/96

CAPE TOWN — The Steyn commission yesterday called for an urgent restructuring of the municipal councillors' pension fund to reduce an excessive burden on taxpayers.

The commission, investigating elected government officials' salaries, found a R90m surplus in the fund which it said could be used in the restructuring.

Releasing its latest report, commission chairman Jan Steyn said the commission believed the fund, which enjoyed a 33,25% contribution from local councils, was "overgenerous".

While supporting the existence of a national pension fund for councillors, he said the assets of the existing fund would have to be distributed in a way that would balance the protection of fund members with the interests of taxpayers, "whose generous contributions to the funds have contributed substantially to the surplus".

The fund, established in May 1988, had only 1 936 active members and 735 deferred pensioner and pensioner members as a result of many councillors' belief that it was "immoral" for local councils — and ratepayers — to pay the 33,25% contribution.

As most councillors could join the fund only if the cost of the pension fund arrangement was less than 0,33% of the local authority's total annual revenue budget, it precluded councillors from the poorer and smaller councils from joining.

Steyn recommended that 29% of the surplus be distributed to members through an enhancement of their actuarial reserve.

Such a move would be accompanied by a change in the fund from being a defined benefit fund to a defined contribution fund.

The accompanying change to the rules of the fund should then allow the councils to cut their contributions and use the surplus to subsidise these contributions.

The issues should be settled through negotiations led by the finance ministry.