

# PensionerTalk

APRIL 2011



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## A MESSAGE from the Chief Executive

In this first edition for 2011, I would like to give you some feedback on changes to Regulation 28, how the Fund has continued to grow it's assets under management to the end of December 2010, and feedback on the proposed DB/DC project.

### Regulation 28

For the protection of fund members and pensioners, pension funds are regulated by the Financial Service Board (FSB) and Regulation 28 has been established in terms of the Pension Funds Act to set out prudential guidelines that must be followed by pension funds when investing on behalf of their members. These guidelines include the type of assets a pension fund is allowed to invest in, and the maximum a fund can invest in these asset classes.

Regulation 28 recently came under review and in February 2011 National Treasury issued the revised Regulation 28 to the Pension Funds Act, 1956. The revised Regulation 28 now accommodates and sets limits for some of the new generation investments, that were previously not regulated, such as hedge funds and private equity investments.

Pension funds are also required to have an investment policy statement which sets out how it will invest it's assets, and how it intends to achieve the fund's benchmark to achieve its long term investment target. The Regulation further emphasizes the importance of exercising due care and responsibility when pension funds appoint service providers. This has to be done taking into account important factors such as Broad Based Black Economic Empowerment (BBBEE) and good governance requirements. *(Cont'd on page 2)*

## MESSAGE...

*Cont'd from page 1*

I'm pleased to confirm that the EPPF already has in place most of what the revised Regulation requires.

### **EPPF investment performance overview: period to December 2010**

#### **Financial markets overview**

2010 was an improved year for financial markets despite the sovereign debt concerns in Europe. In the second half of the year, equity markets posted solid returns and investor sentiment improved in early November when the U.S. government improved liquidity into the market.

The South African equity market earned solid returns in both the third and fourth quarters, gaining total returns of 13.9% and 11.4% respectively. South African bonds produced stronger returns in the second half of the year compared to the first half. The main factors underpinning the bonds' performance were: Declining domestic inflation, global yields at record lows, a strong Rand and decisions by the South African Reserve Bank to lower the repo rate to levels last seen 30 years ago.

#### **EPPF Investment Performance: Returns vs. inflation**

The following graph shows the Fund's investment performances over various measurement periods.

negative returns obtained during the financial markets crisis of 2008, the Fund still remains short of its three-year target of CPI+4.5%, although it has outperformed inflation over the same three-year period.

Pension funds have a long investment horizon, and therefore it is instructive to assess the longer-term performance. In this regard, the Fund has earned returns reasonably above its investment targets over the five-year and the ten-year periods ending 31 December 2010.

#### **Allocation of Asset Classes**

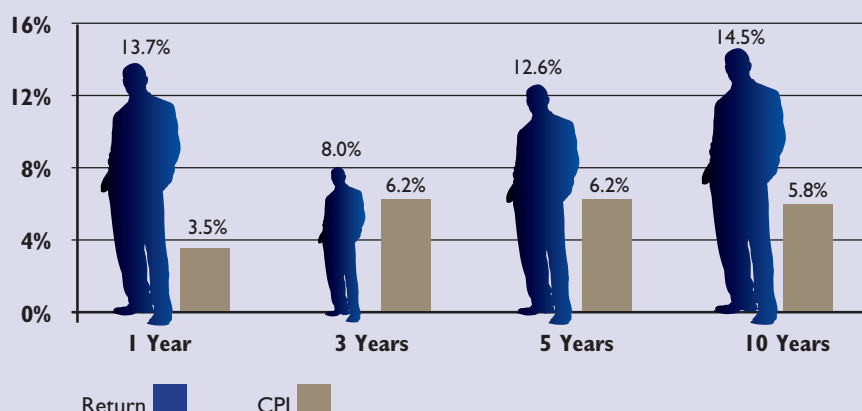
All the major asset classes showed positive returns for the second half of 2010, which was beneficial for the Fund's performance. For those of our readers who require more detailed information, the asset allocation of the Fund at 31 December 2010 compared to 30 June 2010 is available on the Fund's website.

#### **The current Investment outlook**

It is expected that global economic growth will continue to recover and that returns from equities will be positive. Growth in emerging markets, which outperformed developed markets in 2010, is expected to decline in the face of higher inflation which is expected to be higher as a result of increases in food and fuel prices.

We expect the South African economic recovery to gain momentum from growth in consumer spending. However, inflation and unemployment remain significant threats to economic growth, and the consensus view is that there will be no further interest rate cuts from the South African Reserve Bank. The Rand, which was strong against the US Dollar in 2010, is expected to weaken in 2011. The Fund's portfolio is well diversified, and we expect it to continue to withstand any short-term fluctuations of the financial markets over the long term.

**ACTUAL RETURN VS. CPI (period to 31 December 2010)**



As inflation remained relatively low and the local economy benefited from rising commodity export prices and increased net capital inflows, the South African equity market rallied in the second half of 2010. The Fund has thus continued to outperform inflation over a one-year period to December 2010. However, as a result of the

#### **The Evidence of Survival (EOS) Process**

It is my pleasure to inform you that the verification process on the life of each pensioner who is in receipt of a monthly pension was largely finalised by the end of January 2011. With the exception of 3 099 pensioners who either did not return their forms to the Fund at all, or where they



did,... some important information required by the Fund was outstanding. The Fund has continued to follow-up with these pensioners.

I wish to take this opportunity to remind you of the importance of submitting your EOS on time. The importance does not only lie with the requirement that the Fund should verify your existence, but goes beyond that, because, should you have any insurance and medical arrangements in place, these premiums are

automatically cancelled when your records are suspended by the Fund. In the case of medical-aid arrangements, please note these might be cancelled by the medical-aid company, which in turn means that you may lose your subsidy.

You are therefore encouraged to return your Evidence of Survival form as soon as possible. Please note if we have not received your EOS form by 1 April 2011 your pension will be suspended.

### **DB/DC Project**

The Fund, in cooperation with Eskom as the Principal Employer, remains committed to seeking a solution whereby a Defined Contribution (DC) retirement fund option can be offered to those members who are still in Eskom's active employment. This is no simple or straightforward matter and you may be aware that talks around the provision of a DC option for members have been on-going for a considerable time. From the Fund's side, we are comfortable that any changes to the structure of the Fund cannot be rushed through without proper consideration of all the issues and the interests of the Fund's stakeholders. Both the Fund and Eskom are serious about making sure that the interests of every stakeholder will be carefully considered.

In the latest development a new Joint Task Team has been formed to assist with making progress towards a DC option for in-service members and this Task Team has already started its work. This Task Team is comprised of designated Fund Trustees, assisted by senior Fund management and Eskom representatives.

As far as the Pensioner group of the Fund's members is concerned, this DC Options project will not affect the benefits that pensioners have been receiving and will not bring any changes to pensioners. The important message to pensioners is that, while at this point the DC Options project is focused on the in-service member group only, the Fund will ensure that pensioner interests are totally preserved and protected.

Warmest regards  
Sibusiso Luthuli  
Chief Executive

### **EDITORIAL MESSAGE**

Welcome to the April edition of PensionerTalk, our newsletter for pensioners and deferred pensioners across the land! Foremost in this edition we have included a message from the Chief Executive, Mr Sibusiso Luthuli.

In other important articles in this edition, we include an important reminder that the EOS forms were due at latest on 1 April 2011. We also highlight special offers available to pensioners that we know of; budget highlights; new developments regarding the Fund's website; and a reminder of regional site visits by the Fund Consultants in May 2011.

In our previous edition we provided information on ATM fraud and even with my heightened awareness, I almost fell victim to ATM fraud this month. Lucky for me I just had to cancel my card and request the bank to issue a new card. The most important message I can convey to you is never accept help from a stranger, as this is one of the methods used by fraud syndicates. Rather remove your card and walk away from the ATM.

Last but not least, we have included a list of former colleagues who have recently passed away.

We hope that you will find this edition interesting and informative and encourage you to write, email, or login to the Fund's website and share with us your thoughts and comments about the Fund.

For those of you who are travelling during the forthcoming Easter weekend, please travel safely.



## Budget highlights

How does the 2011 budget affect you?

Tax relief for individuals - From March 2011, for taxpayers 65 and older no tax is payable on income below R93 150 p.a. Taxpayers aged 75 and older only pay tax if their income is over R104 261 p.a.

Tax rebates (a refund on taxes when the tax owed is less than the taxes paid during the financial year) - The primary rebate is R10 755 per annum, and the secondary rebate for persons aged 65 and older has increased to R6 012 per annum. Those taxpayers aged 75 and older will enjoy a completely new additional rebate of R2 000 per annum.

### Who qualifies as a Provisional Taxpayer?

A provisional taxpayer is a person who earns income other than remuneration, or an allowance or advance payable. Individuals aged 65 and older are exempt from the payment of provisional tax if their taxable income for the tax year:

- 1) Consist exclusively of remuneration and interest, dividends or rent from letting properties, and is
- 2) R120 000 or less.

### Interest and Dividends

A maximum of R33 000 of interest earned per annum, by any person 65 years and older is exempt from tax. Foreign interest and foreign dividends are only exempt up to R3 700 out

of the total exemption. Interest is exempt where earned by non-residents who are physically absent from South Africa for 183 days or more per annum and who are not carrying on business in South Africa.

### Medical and disability expenses

Taxpayers 65 and older may claim as a deduction, all qualifying expenditure.

### Capital Gains tax exclusion

From 1 March 2011, the capital gains tax exclusions for individuals and special trusts increases from R17 500 to R20 000 per annum. The exclusion on death of a person increases from R120 000 to R200 000. While the exclusion on disposal of a small business, when the seller is 55 years and older, increases from R750 000 to R900 000.

## What's New in the Fund

In meeting one of the Fund's objective to make communication relevant at all times, we have developed the look and feel of the Fund website. This entails not only a new, fresh look and feel of the website but also includes some new features such as:

- Access to Pensioners to view monthly payslips.
- A link to provide latest news, encourage feedback, and/or enquiries to the Fund back office.

All the other distinctive features from the old website remain, and as such pensioners can still print any required application forms and information where needed. The website also provides electronic access to the latest newsletters such as the Pensioner Talk, the Annual Report, current interest rates, Investment performance of the Fund, and updated information about the Fund's Board of Trustees.

We encourage you to register by accessing the website via [www.eppf.co.za](http://www.eppf.co.za), and following the instructions to insert your date of birth and an email address. Once you have registered you will receive an email to say you

have registered successfully and you can then access the website a second time to login to the Fund. The unique email address is required in order to protect your personal details such as your payslip, so that only you, the pensioner, can access this. We welcome feedback about the website, and also any ideas as to how we can improve on information and service to pensioners.

Current trends show that there is a movement towards electronic communication media such as cell phones, email and the internet as a future preferred channel of communication as it is much more efficient, not only in terms of costs, but also in terms of real time access and feedback. For the Fund to improve on communication channels, we require pensioners who have access to electronic communication media to provide us with their email addresses and updated cell phone numbers by simply calling the Fund's toll free number.

We have recently started sending 'SMS' messages to pensioners, who have informed the Fund of their cell phone numbers ... and you can also share in this new development, by simply providing your updated contact details, and /or email address.



## Married for 55 years Love ever after

“Success in marriage does not come merely through finding the right mate, but through being the right mate. ~Barnett R. Brickner”

It was our privilege to talk to an EPPF couple from Alberton who subscribe to the above saying. Brian (aged 79) and Elma Mulligan (aged 77) have recently celebrated their 55th wedding anniversary. In this day and age being married for 55 years is a triumph for the combination of love and marriage. I could hear it in their voices - still as happy and in love as I'm sure they were on the first day ... We asked them a few questions about their marriage and they also shared some insight into how to stay happily married for so long.

### When was your wedding anniversary?

Elma and Brian were married in 1955 and celebrated their 55th anniversary on 29 October 2010. They didn't have a big celebration as their daughter had just lost her husband and they didn't feel that it was an appropriate time for a big celebration.

### How they met:

They were pen friends from a young age. Brian's brother was going out with Elma's sister – who eventually got married. Elma and Brian would see each other when they visited with their brother and sister and that's when they too fell in love. When Elma was 21, Brian asked her parents for her hand in marriage, even though she had become of legal age, “Not like the young people today, is it?” laughs Elma.

### Their children:

The Mulligans had four children – three sons and a daughter. Unfortunately, their eldest son was killed tragically in an accident. One of their sons is a Medical Doctor living in the UK and their other son is an Asset Manager working for a Sheik in Abu Dhabi. They currently live with their daughter in a granny cottage assisting her, since 1994, with the care of their handicapped grandson. Altogether, they have four beautiful grandchildren. “We have fantastic children that we are very proud of and who have always been good to us”, they said.

### Challenges faced in their marriage:

One of their biggest challenges was ensuring that their children were well educated. They say that they were able to do this with the help of Eskom and the scholarships that they received from Eskom to assist with their children's education.

Of course, life isn't always sunny, through the years they have been faced with many ups and downs but they worked hard to sort out all their problems and stayed together through thick and thin.

### Their secrets to a long & happy marriage:

The Mulligan's mostly accept each other as they are and as equals – no one is dominant over the other. They are able to talk through all their problems and always find a solution. They believe in the power of prayer. The couple believes that what you do to others they'll do back to you – so they always treat each other and others with respect. Over the years they have always been surrounded by wonderful people – friends and work colleagues. Brian says that his career began at Eskom Hex River Powerstation in Worcester, and thereafter he transferred to Witbank while his wife worked at the Eskom Club. Brian enjoyed Witbank as he grew up in this area and the atmosphere was very pleasant.

We would like to congratulate Mr & Mrs Mulligan on achieving 55 years ... and would like to thank them for sharing their inspiring story.

*If you have an interesting story that you'd like to share with your fellow pensioners please send it through to the Fund. Contact details on page 8.*

# FAQ'S

This is your Frequently Asked Questions (FAQ) section – This edition's FAQ came through as a query from a concerned pensioner and is being answered for the benefit of all.

**Q: I am a pensioner and have been living with my life partner (Common Law Wife/Partner) for quite some time. If I pass away before my Life partner, would my Common Law Wife/Partner qualify for the same death benefits as if we were legally married?**

**A:** The Fund regularly receives claims for payment of death benefits from a person who had a relationship with a deceased member of the Fund but was not married to the deceased. To consider these claims, the Fund must look at various legal requirements that dictates when a person could be recognized as a "spouse".

## **Amendments to the Pension Funds Act, 1956**

The Pension Funds Act, 1956 has recently been amended by including the definition of spouse in the Act to give clarity as to what legal requirements should be met for a person who was in a relationship with a deceased member of the Fund but was not married to the deceased. A spouse is defined to include a permanent life partner of the deceased member.

## **How to determine if a person is a permanent life partner**

As the Act provides no definition of a permanent life partnership, the trustees of a fund have to conduct an investigation to determine if the circumstances around the deceased and the person who claims to be a life partner, in fact constitutes a permanent life partnership. In this regard, the Pension Funds Adjudicator had indicated in a previous determination, (refer to the case of Firmani v Printing Industry Pension Fund for SATU Members), that "the mere fact that the parties were living together is not sufficient to fall within the rule... The Complainant and his spouse need to demonstrate that their relationship exhibited characteristics of persons living together as man and wife.

It is therefore essential to be able to determine whether the intention or factual situation was for a partnership to be a permanent one, and a fund must investigate the existence of, among others, the following factors in order to determine the intention to, or factuality of

the life partnership:

1. The nature and length of the relationship;
2. Whether the relationship was known to persons other than close friends;
3. Whether the couple lived together and if so, for how long;
4. Whether the couple had joint bank accounts or shared joint responsibilities for household expenses;
5. Whether there was joint ownership of property and other assets;
6. Whether the couple had children together;
7. Whether there was a public declaration of the relationship in the form of, for example, citation of a partner as-
  - A dependant of the other for medical aid purposes;
  - A nominee for the purposes of distribution of death benefits of a member of a retirement fund in terms of Section 37C;
  - A beneficiary of the proceeds of a life policy;
  - Nomination as a beneficiary in a will.

## **Documents required by the Fund to determine whether a person is a permanent life partner**

When making an application as a permanent life partner; for payment of death benefits from the Fund, the applicant must furnish the Fund with as many documents and sworn statements as would be required in order for the Fund to determine the existence of a permanent life partnership.

ARTICLE WRITTEN BY J. BUTHANE –  
LEGAL AND COMPLIANCE

# Annual Pensioner Functions

In our efforts to continuously reach out to our pensioners, and keep them informed about important matters relating to the Fund, and/or legislation and tax issues, we invite pensioners to attend pensioner functions arranged annually, on a rotational basis in the various provinces.



We have included a few pictures taken at previous functions held in Sebokeng and Nelspruit during October 2010.

Five pensioner functions have been held in March and April 2011, in Lesotho, Worcester, Bellville, Polokwane and Kamhlutshwa near Komatipoort.

A great number of pensioners attended these functions and we were delighted by the expression of positive views by many, saying that they thought that the Fund had taken considerable care to ensure that the functions were professionally conducted with timely and relevant messages about the Fund.

Many pensioners who attended took the time to socialize and enjoy the food and refreshments provided in the company of past acquaintances.



A further five functions are to be held during May and June in Estcourt, Newcastle, Port Shepstone, King Williamstown and Mthatha. The rotation of functions will continue in the latter half of 2011. Pensioners should keep an eye out for invitations and return the RSVP to us to confirm attendance as soon as possible. If you live in any of these areas and do not receive an invitation, please make enquiries to the Fund using the toll free number.

## REGIONAL SERVICE CENTERS

We are pleased to announce that we have re-embarked on the EPPF client service initiative (introduced in 2009) to bring the Fund's services closer to members and pensioners and participating employers. The face to face service initiative by five mobile Consultants who render services at certain Eskom offices commenced in March 2011 in all the major centers where a substantial numbers of pensioners and members reside.

The program for site visits during March and May 2011 was confirmed on the 1 March pensioner payslip. We urge you to visit these offices on the specified days, to address Fund related issues with the mobile Consultant. Please call the toll free number if you wish to verify the dates.

## REMINDER Evidence of Survival Forms Process

### The Evidence of Survival (EOS) process:

- September 2010 – You should have received the yellow EOS form in the post
- December 2010 – If you had not returned the EOS form to the Fund by then, then you would have received a reminder with the January 2011 payslip
- April 2011 – If the Fund did not receive your EOS by this date, your monthly pension would be suspended.

### Please avoid having your pension suspended

Your pension will remain suspended until you return your fully completed, signed and certified EOS form to the Fund. We urge you not to wait until the last moment, as forms do sometimes get lost.

If you are not sure, and wish to determine whether your EOS has been received by the Fund, please phone the call centre on the toll free number (0800 11 45 48) to confirm.

**Making the most of your money ...**

## Special Deals & Discounts for Seniors

Although this is not one of our primary responsibilities, the Fund becomes aware of special offers to pensioners from time to time and would like to keep you informed about any potential savings.



The SABC gives a rebate to pensioners aged 70 and over on the annual TV Licence Fee. Provided that no persons younger than the specified age are sharing the house and benefit from watching. Mail an affidavit with a copy of your ID confirming your account number and ask for the concession, to Private Bag X60, Auckland Park 2006, Freepost JHZ153K, or you can fax to them directly on 011 330-9560/1.



GAME stores across the country offer senior citizens aged 65 and over a 10% discount on all purchases made on a Wednesday, excluding items already discounted as special offers. The procedure is to go to a Game store show your ID and ask for a senior citizens card. You can then use this to purchase goods.

### Starlight Cruises

Starlight cruises offers the following to all Senior Citizens: 20% discount on cruises from 2 to 4 nights. 10% discount on cruises 5 nights and longer. Not applicable to peak season and deluxe suites on the Melody and excludes premier and deluxe suites on the Rhapsody. Specials cannot be combined with any other discounts being offered.



Telkom gives pensioners aged 70 and over a 1/3 reduction on the line rental charge. This means R76.76 for line rental. For social pensioners the line rental is R54.21. The procedure is to look up your nearest Telkom service centre in the front pages of your telephone directory. Pay them a visit, produce your ID and ask for a concession.

## ADMINISTRATIVELY SPEAKING

### EPPF CONTACT DETAILS

Toll free line: 0800 11 4548

Fax number: 011 709 7529

Medical Aid Administration:

011 709 7535

Email: [info@eppf.eskom.co.za](mailto:info@eppf.eskom.co.za)

<http://www.eppf.co.za>

Moorgate House, Hampton Park South  
24 Georgian Crescent East Bryanston

Postal Address:

Private Bag 50, Bryanston 2021



## A FEW GOLDEN RULES FOR BEATING THE BLUES WITHOUT PILLS

- Think more about other people, and less about yourself. When we're suffering hardships, it's all too easy to overlook the effect we're having on those around us. Just imagine what the people in Japan are going through and be thankful that we are safe and not in the same situation.
- Do all you can to help yourself. Don't rely on others when you don't have to. They have their own responsibilities. Besides, you are better equipped to deal with you than anyone else (unless there's a need for surgery!). Even then, you can make sure you get the best care from the best people.
- Make the rest of your life useful to others. Being upbeat is a deliberate choice that can become a habit. But it takes work, and I believe a sense of community can help us all over some of the rough spots.
- Learn something new. Doing something new and succeeding at it is uplifting. Besides, it keeps your mind off your other problems.
- Don't do anything you don't have to do unless it's fun. If you enjoy doing something you will do it well, it will not be a chore, it will be satisfying.
- Joke about being old, if you wish. But don't admit, even to yourself, you feel old. Keep the mind young by keeping it active. Associate with people younger than yourself.

While every effort has been made to ensure the accuracy of the information in this newsletter, if any discrepancy occurs between the provisions of the Rules of the Fund and any information or statement in this publication, the Rules of the Fund will prevail.

The articles and topics discussed in this issue are for information only and do not constitute; or are intended to be; or should not be construed as financial advice. Before taking a decision on whether to choose one option or product over the other; or embarking on a particular course, it is strongly recommended that a member consult a financial advisor for advice before taking any decision.