

PowerTalk

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

(Cont'd on page 2)

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EPPF investment performance overview: period to December 2010

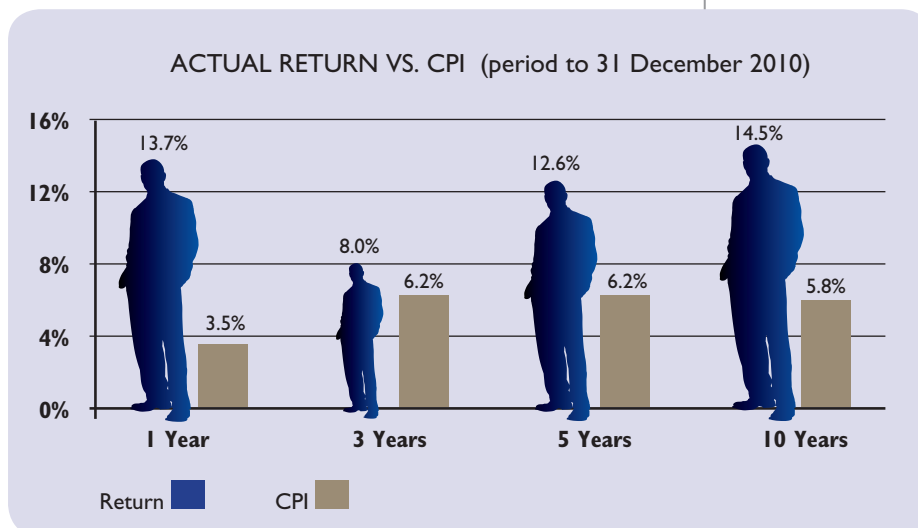
Financial markets overview

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.



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 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.

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 and Principal Officer

EDITORIAL MESSAGE

Welcome to the April Edition of PowerTalk; our newsletter to Fund members 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 highlight changes to the Fund rules to provide for Preservation Funds, new developments on the Fund's website and a time-table providing venues and dates for regional site visits by the mobile Consultants in May 2011. We also cover the budget highlights and important information on unclaimed benefits.

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 bank card and request a new card. Some people however, experience a greater financial loss, and the most important message I can convey to you is to 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.

We hope that you 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 take care and travel safely.

What's New in the Fund

In meeting one of the Fund's objectives to make communication relevant at all times, we have developed the look and the 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:

- You will be able to view your next Benefit statement (at the end of the September 2011) on the web. Thereafter the benefit statement will be updated every 6 months.

- 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 members can still print any application forms required, and access fund related information where needed. The website also provides electronic access to the latest newsletters such as the PowerTalk, the Annual Report, current interest rates, Investment performance of the Fund, and updated information

about the Fund's Board of Trustees. Current trends show that the Fund website would be the preferred channel of communication and information in the future as it is much more efficient, not only in terms of vital cost savings to protect member's benefits, but also in terms of real time access and feedback. Be sure not to miss out on any new developments by logging into the Fund's website on www.eppf.co.za.

We welcome feedback about the website, and also any ideas as to how we can improve on information and service to members.

Unclaimed Benefits

Often members do not claim their benefits when they leave a retirement fund. The EPPF has a number of unclaimed benefits in the Fund. These benefits stay in the Fund until they are eventually claimed.

There are many reasons why the Fund has unclaimed benefits. When you leave and withdraw from the Fund, ensure that we have all your updated contact details to be able to trace you later, should there be any unfinished business:

- Ensure that your tax affairs are in order. The Fund often finds that it cannot pay out the member's benefit because SARS will refuse to issue a tax directive that will allow for payment of the benefit
- Ensure that Withdrawal forms are correctly and fully completed
- Ensure that your Withdrawal forms actually reach the Fund to enable payment of your benefits in a timely fashion
- Ensure that you specify the preferred option to enable the Fund to pay you the correct withdrawal benefit
- Make very sure that your correct banking details are specified (the Fund only makes electronic transfers onto a member's bank account and third party payments are not allowed).
- If you are relocating to another country ensure that measures are in place to have your benefits paid to your bank account.

There are three stages that an unclaimed benefit goes through in the Fund:

Unpaid benefit	Unclaimed benefit
Period: 0 to 6 months	Period: 6 months to 3 years
This happens when a member is not sure what to do with their benefit and is still in the process of making a decision, or if there is still a small amount of information outstanding	During this time a member still has the option to transfer their benefit (tax-free) to a preservation/ annuity or another approved pension or provident fund
During this time a member still has the option to transfer their benefit (tax-free) to a preservation fund / annuity or another approved pension or provident fund.	If after 24 months the member cannot be traced, the benefit becomes a reversion benefit and interest as determined by the Board of Trustees, is applied from this date, to the date the money is claimed.

If you know you are going to leave the service of Eskom or know of a person who has not claimed a withdrawal benefit on leaving Eskom, we encourage you, or your previous colleague to contact the Fund's call centre on the shared call number, (0860 11 45 48) to enquire if there may still be an unpaid benefit due. Should you qualify you will need to submit a claim to the Fund which is available on the Fund's website www.eppf.co.za.

Procedure to claim a benefit

The Fund's withdrawal form has a checklist that has to be completed by the Eskom HR office where a member was previously employed, before the form is sent to the Fund. It is however, the member's responsibility to ensure that the form is fully completed, and that all the required documentation is provided for the withdrawal payment to be processed by the Fund.

To enable the Fund to consider and process a claim, a member must submit the fully completed and signed documentation to the following address:

Eskom Pension and Provident Fund, Private Bag 50, Bryanston, 2021. The claim documentation must include the following:

- A fully completed Benefit application form (Form 3).
- A completed Personal Bank Detail Form, originally certified by the bank
- An originally certified true copy of your Identity Document, same as held by the bank
- Proof that you are registered with the South African Revenue Services (SARS).
- NB. Faxed copies of documents are not accepted.

Tax issues

Before 1 March 2009, all unclaimed benefits were subject to a flat taxation rate of either 30% or 40% as per SARS General Note (GN) 35. However, the Revenue Laws Amendment Act, 2008 has removed the deduction of GN35 tax and as a result unclaimed benefits that accrue on or after 1 March 2009 would only be taxed at the accrual date, (that is when claimed) as a withdrawal, retirement or death benefit.

Any unclaimed benefit that was previously taxed, before 1 March 2009, can still be withdrawn with the tax-free concessions and the amount of tax paid, will be taken into account when the benefit is finally taken as a withdrawal, retirement or in the event of a death.

In the event that outstanding returns/issues with SARS, have not yet been resolved, a member must contact the SARS office before submitting claim forms to the Fund.

Note: Death benefits that are the subject of current investigations and have not yet been distributed by the Fund are not regarded as unclaimed benefits.

RULE CHANGES

The rules of the Fund govern the way that the Fund operates. The following change to the Fund's rules has been approved by the FSB as at January 2011.

Rule Amendment	No. 5
Reason for Rule Amendment	To ensure that members affected by a transfer of business of their employer are able to transfer their benefits to a preservation fund, and clarify the options available to such members.



Budget Highlights

- **Tax relief for individuals**

From March 2011 for taxpayers below 65 years, no tax is payable on income below R59 750 per annum.

The primary rebate for taxpayers below 65 years (a refund on taxes when the tax owed is less than the taxes paid during the financial year) - is now R10 755 per annum.

- **Provisional Tax**

Who qualifies as a Provisional Tax payer?

A provisional tax payer is a person who earns income other than remuneration, or an allowance or advance payable. Individuals below age 65 who do not carry on a business and whose taxable income will not exceed the tax threshold for the year, or whose income from interest, dividends, and rental will be R20 000 or less for the tax year are exempt from the payment of provisional tax.

- **Exemptions**

Interest and Dividends

A maximum of R22 800 of interest earned per annum, by any person below age 65 years 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 under 65 may claim as a deduction, all qualifying medical expenditure where the taxpayer, taxpayer's spouse or child is a person with a disability.

The deduction for contributions to medical schemes has increased and taxpayers under 65 may deduct monthly contributions up to R720 for each of the first two dependants on their medical scheme and R440 for each additional dependant.

- **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 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.

- **Retirement lump sum benefits**

The tax free lump sum benefit on retirement from a pension, pension preservation, provident, provident preservation or retirement fund will increase from R300 000 to R315 000 from 1 March 2011. The tax table below highlights the increase in the tax free amount with no change to the rates for taxable income.

Taxable Income (R)	Rate of Tax (R)
0 – 315 000	0% of taxable income
315 000 – 630 000	18% of taxable income above R315 000
630 001 – 945 000	R56 700 + 27% of taxable income above R630 000
945 001 and above	R141 750 + 36% of taxable income above R945 000

FAQ'S

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

Q: I am a member of the Fund 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

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 substantial numbers of pensioners and members reside.

The program for site visits during March and May 2011 was arranged in consultation with Eskom HR and is detailed below for your information. We urge you to visit these offices on the days specified, to address Fund related issues with the mobile Consultant and /or attend presentations to learn about the benefits the Fund has to offer.

MONTHLY REGIONAL SITE VISITS FOR 2011

Client Relationship Management (CRM)	Regions	Eskom site	Date	Month
Busi Kunene Contact tel no: 011 709 7449 email: busi@eppf.eskom.co.za	Kwazulu Natal	Ladysmith	11	May
	Kwazulu Natal	Newcastle	12	May
	Kwazulu Natal	Mkhondeni	23	May
	Kwazulu Natal	New Germany	24	May
	Kwazulu Natal	Shelley Beach	26	May
Jacqueline Seima Contact tel no: 011 709 7583 email: jacqueline@eppf.eskom.co.za	North West	Klerksdorp	9	May
	North West	Taung	10	May
	North West	Vryburg	11	May
	North West	Mafikeng	12	May
	North West	Rustenburg	13	May
	Orange Free State	Welkom	25	May
	Orange Free State	Bloemfontein	26	May
	Orange Free State	Bethlehem	27	May
	Gauteng-Vaal	Vereeniging	31	May
Sandiso Mgwebi Contact tel no: 011 709 7525 email: sandiso@eppf.eskom.co.za	Eastern Cape	Butterworth Office	16	May
	Eastern Cape	Sunnilaws Office Park		
	Eastern Cape	Beacon Bay	17	May
	Eastern Cape	Mthatha Office	19	May
	Eastern Cape	Queenstown Office	20	May
	Eastern Cape	Uitenhage Office	23	May
Muziwandile Gambu Contact tel no: 011 709 7415 email: muziwandileg@eppf.eskom.co.za	Eastern Cape	Port Elizabeth Office	24	May
	Western Cape	George	9	May
	Western Cape	Worcester	10	May
	Western Cape	Koeberg	11	May
	Western Cape	Bellville	12	May
Bilal Mavundla Contact tel no: 013 639 3918 email: bilal@eppf.eskom.co.za	Western Cape	Brackenfell	13	May
	Mpumulanga	Nelspruit	3	May
	Mpumulanga	Nelspruit	4	May
	Mpumulanga	Acornhoek	5	May
	Mpumulanga	Grobliersdal	6	May
	Limpopo	Phalaborwa	16	May
	Limpopo	Giyani	17	May
	Limpopo	Thohoyandou	19	May
	Limpopo	Polokwane	20	May

Please feel free to Contact Us ...

The Fund has a dedicated call centre in order to make sure that the Fund quickly assists you with any queries. The EPPF Call Centre is there to assist all our members and pensioners with their pension fund related enquiries. If they are not able to answer your questions right away, then they will ensure that your queries are forwarded to the correct department to be processed.

Call Centre contact numbers:

- The share-call number for Members:
0860 11 45 48
- Fax number for Members only:
011 709 7529 & 011 709 7475
- Witbank Office contact:
Tel: 013 693 3240 & 013 693 3918
- Witbank Office fax number: 011 656 1747

Face-to-Face Walk-In Centres

If you prefer face-to-face interaction with the Fund then there are Walk-In-Centre services to assist both members and pensioners with their enquiries. The Walk-in Centre also responds to written enquiries (emails, faxes and post). The EPPF Walk-In-Centre service can be found at the following locations:

- Registered Office of the Fund:
Moorgate House, Hampton Park South
24 Georgian Crescent East, Bryanston East
- The Fund's Witbank Office at Eskom Park

Monday to Friday, 08h00 to 16h45

Email us:

Please feel free to email us. The EPPF Call Centre email address is: info@eppf.eskom.co.za and the email address for comments about the website is comments@eppf.eskom.co.za.

So get in touch with your fund related questions, comments and suggestions

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.

NEW DEVELOPMENTS ON THE TAX TREATMENT OF CONTRIBUTIONS TO RETIREMENT FUNDS

From 1 March 2012, an employer's contribution to a retirement fund on behalf of an employee will be deemed a taxable fringe benefit in the hands of the employee. Individuals will however be allowed to deduct up to 22,5% of their taxable income for contributions to pension, provident and retirement annuity funds. This deduction will have an annual minimum threshold of R12 000 for amounts actually paid and an annual maximum of R200 000.

To protect worker's savings, Government proposes to subject lump sum withdrawals from Provident Funds to the one-third limit that currently applies to pension and retirement annuities.

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 is intended to be for information only and do not constitute; or is 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.