



PowerTalk

DECEMBER 2010



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A Message from the **CHIEF EXECUTIVE**

I would like to take this opportunity to reflect on some of the progress made over the 2009/2010 year towards achieving the Fund's goals as set out by the Board of Trustees.

Administration and systems

The Fund started a project some three years ago to replace the long-standing administration system with the aim of improving efficiencies and to provide the Fund with the capacity to administer a new Defined Contribution scheme. The Fund began the year reviewing the progress with the implementation of a new administrative system and although a lot of resources and effort was dedicated to this project the implementation of the administration system could unfortunately not be finalised for good reasons. After carefully assessing the challenges in implementing the new system, as well as the fact that the Fund has not implemented the defined contribution scheme as yet, management took a decision not to continue with the implementation – deciding instead to go back to the drawing board to look at a new road map to improve the Fund administration.

In the meantime, to maintain an effective current administration system, the Fund has requested an upgrade of the mainframe so as to improve operational efficiencies.

Service delivery

The Fund, as always, continued to focus on providing its stakeholders with quality service in a cost effective manner. This was underpinned by a strong focus on cost management and streamlined operational excellence while not compromising on customer service.

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A MESSAGE FROM THE CHIEF EXECUTIVE

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The monthly pensioner payroll was processed on time throughout the year. We are happy to report that our call centre reported very few complaints about payments not received.

Your Fund's Financial Performance over the past year

Up; Then down; Then up again...

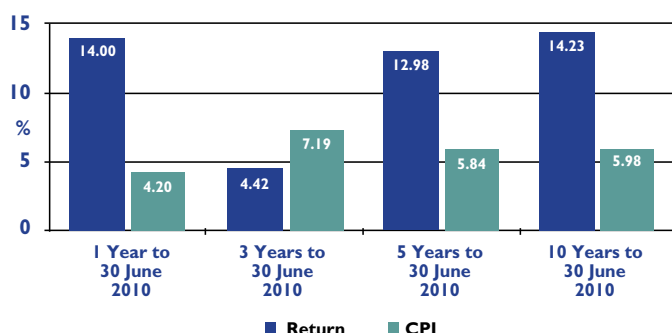
The two-year period from 2007 to 2009 that saw us in the midst of the global financial crisis was an extremely volatile period in the investment markets and the Fund's relatively poor investment returns in that period reflected that risk aversion. We are therefore pleased that during the 2009/2010 financial year the Fund saw investment market conditions recover steadily from the turmoil of the previous years and as a consequence, the Fund has benefited from the recovery. The table below illustrates the annual investment return for the current year, as well as the rolling three-year investment return to 30 June.

	2010	2009
Investment return	14%	(1,7)%
Three year rolling average return	4,42%	8,2%

As the table above shows, investment returns for the year ended 30 June 2010 was 14% (vs. 2009: -1,7%). However, due to the very poor performance in the previous year as a result of poor global conditions, the rolling return over the previous three years went down from 8,2% to 4,42%, reflecting the severity of the downturn in the markets. This return is worse than CPI (inflation) of 7,19% in the same three-year period.

Eskom Pension and Provident Fund

Actual Return vs. CPI (Inflation)



The graph above shows the Fund's short, medium and long-term returns compared to inflation (CPI) as at 30 June 2010.

The graph above shows that over the longer term (up to 10 year rolling return), the Fund returns are still looking

good and that the Fund continues to be in a healthy financial condition over the long term.

The primary investment objective of the Fund is to earn a net real investment return (i.e after inflation) of 4,5% per annum over the long term. It's important to note that real returns have comfortably exceeded the objective of 4,5% over both the 5-year and 10-year periods.

It is the nature of investment markets to be volatile but we must remember that the Fund remains a long-term focused investor that should have the ability to endure short-term setbacks while adhering to its investment strategy and taking advantage of cyclical recoveries.

On behalf of the Fund's Executive Management, I would like to express our thanks and appreciation to our Board of Trustees and Board Committee members, all our stakeholders and all the Fund's staff members who have shown commitment to serving all our members and pensioners.

Following a tenure of 10 years as the Chairman of the Board of Trustees, Mr Kennedy Memani has stepped down as the Fund's Chairman. His immense contribution to the Fund during his tenure is recognised and honoured by all the Fund's stakeholders. Under his stewardship, the Fund's assets grew to R57,8 billion at 30 June 2010, from R20,1 billion in 2001.

The Board's special thanks goes towards his contribution in having ensured the many key strategic issues and challenges faced by the Fund were dealt with prudently.

My personal thanks also goes towards his exemplary leadership and support which has positively contributed towards my transition into the EPPF environment.

Mr. Hlengani Mathebula replaces Mr. Memani as the new Chairperson, and on behalf of the Board of Trustees, we look forward to continue serving and acting in the interest of the Fund, under his fruitful and insightful leadership. We are confident that Mr Mathebula will continue to steer the Fund in the best interest of its main stakeholders, the active Members, Pensioners and Beneficiaries.

Have a safe and joyous festive season and we look forward to a fruitful 2011.

Warmest regards

Sibusiso Luthuli
Chief Executive and Principal Officer

Welcome ... Moira Le Roux

We would like to welcome Moira Le Roux to the EPPF family as our new Communications Practitioner. Her primary function is to manage the Communications function and a team of Consultants, with a focus on building and maintaining client relationships.

Moira brings with her a wealth of knowledge in the retirement fund industry ... over 20 years in fact. Before joining the EPPF Moira was employed by NMG Consultants & Actuaries as a Consultant and Retirement Fund Specialist. At NMG her main focus was to assist corporate clients in Employee Benefits and as support to the Board of Trustees at Trustee meetings.

Besides her many retirement fund industry qualifications Moira also has a Bachelor of Arts degree in Administration. We asked Moira what she has to offer the EPPF ... and this was her reply ...

"The blueprint for my future in the EPPF is to express my creative abilities and initiative in a constructive manner. A further advantage that I bring to this role is that my educational, employment and cultural background have allowed me to develop a well-rounded appreciation of what it takes to maintain effective workgroup relationships within a diverse company.

I intend to work hard and effectively within the EPPF team to find solutions to any challenges that may come our way. I am meticulous in my work and confident that my abilities within the Financial, Administration and Legal framework will add value to the EPPF. I enjoy setting both long and short-term goals for myself and always aim to acquire more



skills to improve my expertise and self-worth in this field. I am definitely excited to be in an organisation like EPPF that presents so many opportunities for growth, and will strive to be an asset to the organisation."

We wish Moira a long, successful and happy career within the EPPF!





On the Agenda today - **Your Trustees**

As you may already know, a Board of Trustees manages your Fund. Now being a Trustee of the Fund is not just about attending meetings ... your Trustees also have the huge responsibility of looking after your benefits in the Fund. Lets look at how they go about doing this on your behalf. The rules of the Fund state that the Board of the Trustees must be made up of 14 Trustees. The Board of Trustees constitutes of the following:

- 7 Trustees appointed by the Principal Employer
- 2 Trustees elected by Pensioners
- 2 Trustees elected by Non-Bargaining Council members
- 3 Trustees elected by Bargaining Council members

Thus the Principal Employer appoints seven Trustees, and the in-service (Bargaining Council and Non-Bargaining Council) members, and the Fund pensioners elect the seven member Trustees to enable equal representation as required by the Pension Funds Act (PFA). The term of office of the Board of Trustees is four years.

Below is a list of your current Fund Trustees. The makeup of the Board of Trustees delivers a powerful mix of both experience and new talent to your Fund.

Good governance

The Board of Trustees must comply with the principles contained in the retirement fund industry guidelines such as, the provisions of the Pension Funds Act, the rules of the Fund, Pension Fund Circulars, the new King III Report on Corporate Governance in South Africa and various other guidelines. Your Trustees continue to strive towards maintaining the highest standard of corporate governance, with the interests of members and pensioners always being their primary concern.

More than just a meeting every quarter

There are many other reasons why you, as a pensioner or member of the Fund, can feel confident that your Fund's Trustees are able to look after your interests.

Employer-Appointed Trustees



Mr X K Memani
(Chairperson of the Board)



Mr A Jeawon



Ms J M Maisela



Ms S M Mamorare



Mr T J Matsau



Ms B Smith



Adv N K Tsholanku

Member-Elected Trustees (includes Pensioner-Elected, Bargaining Council and Non-Bargaining Council Elected Trustees)



Mr M A P Tseki



Mr M N Bailey



Mr B Blignaut



Mr W E Green



Mr G J Kruger



Mr D Macatha



Mr W J Swart

Board Evaluation

All Trustees do a formal internal assessment every second year. These assessments are done to reassure the Board that they are acting effectively according to what is prescribed in pension fund regulations.

Board Committees

A number of Board Committees have been formed to help the Board in fulfilling its many duties. Each Committee has its own specific set of approved responsibilities and scope of operation. The performance and effectiveness of each committee is assessed and reviewed regularly.

The current Committees are:

- **Audit and Risk Committee**

This committee monitors the quality, integrity and reliability of the Fund's compliance with relevant legislation and statutory requirements. It promotes the accuracy, reliability and credibility of the Fund's financial reporting and ensures that an appropriate system of internal control is maintained to protect the Fund.

- **Benefits Committee**

This committee oversees and directs benefits administration and member services matters on behalf of the Board, in terms of Section 37C of the PFA.

- **Human Resources and Remuneration Committee**

This committee is responsible for the approval of human resource policies and strategies and monitors compliance with the Employment Equity legislation. They determine and recommend the Executive Management remuneration and ensure that the remuneration and human resource policies and practices are in accordance with current legislation and best corporate practice.

- **Strategic Investment Committee**

This committee's key responsibility is to ensure that the Fund's investments complied with the relevant legislation and to ensure that the Fund's investment strategy is implemented to meet the Fund's investment objectives and relevant statutory requirements.

FAQ's

This is your Frequently Asked Questions (FAQ) section – where some of the queries we often receive are answered for the benefit of all.

Q: I'm close to retirement age. Does the Fund provide any Pre-Retirement counseling and education?

A: In terms of the FAIS Act. The Fund is neither allowed, nor qualified to provide counseling and advice, but the Fund can provide information on the benefits provided for in terms of the Fund rules. So while we will not give you advice, we will be able to provide you with factual information regarding the benefits and options available in terms of the rules.

What is a Pre-Retirement Information session?

The Fund conducts information sessions targeted at those members within five years of retirement age. These sessions provide information on member benefits, the Fund requirements and the obligations (if any) of the Fund to the members. Please note that this is not an advisory session but an information session. Access to registered financial advisors is provided to members by Eskom Human Resources. These qualified advisors provide financial advice in terms of the FAIS Act (Financial Advisory and Intermediary Act), a governing legislation on financial advice.

What does a Pre-Retirement Information session entail?

A Pre-Retirement information session targets members within five years of retirement. There are set criteria depending on the type of retirement that the member qualifies for, for example:

Normal Retirement

Normal Retirement is the easiest to plan for. In terms of the rules, the Fund allows members who have attained the age of 63 years to go on normal retirement without paying early retirement penalties.



The Fund will inform members within five years of their normal retirement age to attend information sessions that will be given by the Fund's dedicated regional consultants. The Fund also recommends that these sessions be repeated six months prior to the member going on retirement in order to make sure that a member is reminded of his/her benefits and his/her obligations.

Early Retirement

A member may elect to retire at any time after attaining age 55, but it must be noted that a penalty clause will come into effect to reduce the pension calculation by 0,325% for every month retired before age 63. From age 63 there is no penalty. A decision to take early retirement, without penalties is subject to the consent of the employer, which will further determine the category that a member is taking, that is, without employer approval, the member will go on early retirement with penalties.

Note that in the event of retrenchment and subject to certain service period requirements, a member may also qualify for retirement if that member has reached at least age 50.

The Fund normally recommends that HR Practitioners provide a list of members approved for early retirement. It is advisable that this list be made available six months prior to the last day of employment in order for the Fund to prepare for the pre-retirement information sessions.

You are an individual with needs and wants that are unique to you. You know what you want at retirement and you need a plan that best suits you. The Fund recommends that you seek the advice of a credible financial advisor when considering your options at retirement.

The Beneficiary Nomination Form

Making sure that the right people receive your death benefit from the Fund

Every year you are encouraged to complete a Beneficiary Nomination Form. If you die while still a member of the Fund (EPPF), the Trustees have to consider the payment of a lump sum death benefit from the Fund to your dependants and/or beneficiaries. In terms of the Pension Funds Act (Section 37C)* the Trustees must decide who will receive the benefit. According to the law, the Trustees must look at all your dependants/beneficiaries and nominees, to determine the rightful recipients of your benefits, before they make the final decision about how the benefit is to be shared. To guide the Fund in paying your benefits to the right people, you must nominate **dependants** and/or **nominees** to receive your death benefits.

Dependants

The Pension Funds Act defines a Dependant as:

- A person who a member is legally liable for maintenance
- A person, who in the opinion of the Trustees, on the death of the member was in fact dependant on the member for maintenance
- A spouse of the member, including a party to customary union according to Black law and custom or to a union recognized as marriage under the tenets of any Asiatic religion
- A child of a member including a posthumous child, an adopted child and a child born out of wedlock
- A person who the member would have been legally liable for maintenance had the member not died.

Nominees

A person whom the Trustees do not regard as being dependent on you, but whom you wish to nominate to receive a portion of your benefit.

To ensure that the Trustees take into account when deciding on the allocation, of who it is that you want to receive your death benefit from the Fund, you need to please do the following:

- Say who should share in your death benefit by filling in their names on a Beneficiary Nomination form.
- Making sure you include all the people who depend on you financially, and/or people who you wish to share the benefit.
- Fill in and submit a new form whenever your circumstances change (for example when you get married or divorced or when a child is born).

If you do not complete a Beneficiary Nomination Form, or it is not fully completed... the payment of the death benefit to your beneficiaries could be delayed.

Information session to learn more about Beneficiary Nomination Forms

This year, to stress the importance of completing this form, the Fund has started face-to-face education sessions for Fund members to attend. At these sessions the Fund's consultants will guide you on how to complete the form and how to interpret and respond to the questions on the form. Your Human Resources office will be able to advise you where and when these sessions will be held.

You can get the Beneficiary Nomination Form from your Human Resources (HR) department or on the Fund's website, www.eppf.co.za.

* Section 37C of the Pension Funds Act sets out how death benefits from retirement funds have to be allocated to the beneficiaries of Fund members.

KNOW YOUR BENEFITS IN THE FUND - MEMBER ANNUAL BENEFIT STATEMENT

The Fund sends you an official Benefit Statement every year, as prescribed in legislation and/or PF circulars.

Your Benefit Statement shows your contributions paid and the current value of your Fund benefits. Included in your annual benefit statement is an illustration (based on your current pensionable salary), of the projected pension income you might expect at retirement, ill-health early retirement, your current withdrawal benefit, and your death benefit. These benefits are awarded in terms of the rules of the Fund and will be confirmed when benefits become payable. Whilst every effort has been made to ensure the accuracy of the information contained in these statements, it is important to note that is only an estimate, and is subject to confirmation by the Fund actuary.

Attend an information session to learn more about Benefit Statements

The Fund has started face-to-face education sessions for Fund members to attend. At these sessions the Fund's consultants will discuss how to interpret your Benefit Statement as well as how to use the information for your retirement planning. Your Human Resources office will be able to advise you where and when these sessions will be held. Please make an effort to attend a session. After all, it's your Fund and your retirement savings.



ATM Fraud

It's the festive season and that means lots of trips to the automated teller machines (ATM) and waving around of our credit-and debit cards. Unfortunately, this makes us prime targets for thieves wanting to grab our personal banking information. It's vital to be extra vigilant this time of the year as there are many scams out there.

Here are a few examples of some current ATM fraud scams to watch out for:

- **Card swapping** - While using the ATM your card is swapped for another card without your knowledge, or you noticing.
- **Card jamming** - An ATM card reader is tampered with so that the card will not be returned. The criminal removes the card once the customer has left the scene.
- **Card Skimming** - A device is added to ATM machines to capture your card's information, including your account number, balance and PIN number. These devices are difficult to notice unless you specifically look out for them.
- **Phishing** - It is easy for thieves to replicate ATM cards. All they need is a blank card plus your PIN number that they get via an email scam. The thief may for example send you an email that looks just like a real email from your bank asking you to provide information or update your account. When you click on the link provided in the email you then end up on a site that looks just like the real bank site. Thieves then collect your information, replicate your ATM card or simply withdraw your money via online banking. The same applies to online banking via the internet, where it is important to note that due to the potential for fraudulent activities, your bank will never ask you to access your online banking through a link in an email. So always type in the full address on your browser, when using the internet and **never share/divulge your password required to access your online banking account.**

Stay alert and protect yourself against ATM fraud

- Never reveal your PIN number to anyone.
- Never keep your PIN number and card together.
- Wherever possible, use ATM machines inside banks or other secure areas rather than those on the street (where it is easier for thieves to access). Avoid ATM's where the lighting is poor.
- Make sure that you are not being watched when keying in your PIN. Never let anyone distract you while using the ATM. If anyone tries to talk to you and/or distract you, cancel the transaction and walk away.
- Make sure that the card in your possession is in fact yours both before and after a transaction.
- Lower your daily and monthly ATM withdrawal limits to be just enough for what you need.
- Phone your bank immediately if your card is lost, stolen or retained by an ATM.
- Report your lost or stolen cards to your bank and police immediately.
- Never follow a link in a supposed bank email notice. Visit your account and look for update notices directly on your account or bank's website. Rather phone your bank if you are not sure about anything.

We may not be aware of every scam that's out there but it's important to be prepared in case we do get scammed.

EPPF CONTACT DETAILS

Share costs line: 0860 11 4548

Fax number: 011 709 7529

Medical Aid Administration: 011 709 7535

Email: info@eppf.eskom.co.za

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

Moorgate House, Hampton Park South
24 Georgian Crescent East, Bryanston East

Postal Address: Private Bag 50, Bryanston 2021



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.

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