

OFFICIAL OPENING : THIRTIETH ANNUAL CONFERENCE,
ASSOCIATION OF PENSION AND PROVIDENT FUNDS OF SOUTH
AFRICA, PORT ELIZABETH, 21 APRIL 1980

MR CHAIRMAN, MR MAYOR, LADIES AND GENTLEMEN, IT WAS WITH A DEEP SENSE OF THE HONOUR YOU HAD BESTOWED UPON ME THAT I ACCEPTED YOUR INVITATION TO ADDRESS YOU THIS AFTERNOON AND TO OPEN YOUR THIRTIETH ANNUAL CONFERENCE. THIS HONOUR IS BESTOWED NOT ONLY UPON ME AS AN INDIVIDUAL BUT ALSO ON THE INSTITUTION AND THE PROFESSION WHICH I REPRESENT. IT IS FURTHERMORE AUSPICIOUS THAT IT SHOULD BE YOUR THIRTIETH CONFERENCE, FOR THIRTY YEARS IS A PERIOD COMMENSURATE WITH THE TIME THE MEMBERS OF YOUR FUNDS PAY IN CONTRIBUTIONS BEFORE

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THEY CAN EXPECT TO START REAPING THE BENEFITS OF THEIR OWN FRUGALITY AND THEIR EMPLOYERS' CONCERN FOR THEIR WELFARE. A PENSION FUND SHOULD THUS BE REACHING A PERIOD OF MATURITY AFTER THE ELAPSE OF SUCH A PERIOD, WITH ITS FUNDS APPROACHING A LEVEL IN REAL TERMS THAT SHOULD IN PRINCIPLE BE ADEQUATE TO COVER THE LONGTERM LEVEL OF DISBURSEMENTS. WHAT CAN BE SAID BY WAY OF THE MATURITY OF AN INDIVIDUAL FUND IS APPLICABLE A FORTIORI TO YOUR ASSOCIATION. I SHOULD LIKE THEREFORE TO EXPRESS MY GOOD WISHES AND CONGRATULATIONS ON THE ATTAINMENT OF THIS MILESTONE IN YOUR CORPORATE LIFE.

BY BETRAGTING VAN DIE VERRIGTINGS-VERSLAË VAN 'N AANTAL VAN U ONLANGSE KONGRESSE, GAAN MY BEWUSTHEID VAN DIE EER WAT MY AANGEDOEN IS STERK GEPAARD MET 'N GEVOEL VAN NEDERIGHEID : EERSTENS VANWEE["] DIE PORTUUR VAN MY VOORGANGERS, EN TWEEDENS OOR MY GEBREK AAN DIEPGAANDE KENNIS VAN U AANGELEENTHEDE. EK IS U WERKLIK DANK VERSKULDIG VIR DIE OPVOEDING WAT EK ONTVANG HET IN DIE LOOP VAN MY VOORBEREIDING VIR HIERDIE TOESPRAAK. DIE DIEP-TASSE["]DE BESPREKINGS WAT EK TEEGEKOM HET OOR BELEGGING ONDER INFLASIE-TOESTANDE, GEBORGDE TEENoor PADLANGSBETAALDE SKEMAS, OORDRAAGBAARHEID VAN VOORDELE OF DIE KONSEP VAN 'N NASIONALE PENSIOENFONDS (WEEREENS BLYKBAAR 'N AKTUELE SAAK), OM MAAR 'N PAAR ONDERWERPE

TE NOEM, WAS ONTEENSEGLIKE BEWYS VAN DIE VOLWASSENHEID VAN U VERENIGING, WAARNA EK REEDS VERWYS HET. DIT WAS DUS GEEN VERRASSING NIE OM IN U VERRIGTINGS AF TE KOM OP GISSING OF DIE VERENIGING DALK AFSTUUR OP 'N TYDSTIP WANNEER HY GEEN AGENDA SAL OORHË NIE. SULKE GISSING KONDIG DIKWELS DIE KOMS AAN VAN 'N TYDPERK VAN UITBUNDIGE SKEPPINGSBEDRYWIGHED["]E. DIE KLASIEKE VOORBEELD IS FISIKA, WAT LAAT IN DIE NEËNTIENDE EEU SKYNBAAR SO 'N PUNT BEREIK HET. ONMIDDELIK DAARNA HET DIE ONTDEKKING GEKOM VAN ELEKTRO-MAGNETIESE GOLWE, RADIO-AKTIWITEIT EN RELATIWITEIT. WAT DAARNA MET DIE WETENSKAP GEBEUR HET VORM 'N HOOF-DEEL VAN DIE VERHAAL VAN DIE TWINTIGSTE EEU.

FROM ALL THE HUNDREDS OF PAGES OF YOUR PROCEEDINGS WHICH I STUDIED WITH GREAT CARE THE FOLLOWING PASSAGE FROM THE 1977 ADDRESS OF MR D F GILLEY IMPRESSED ME THE MOST:-

"AT THE END OF IT ALL, LET ME REMIND YOU JUST WHAT IT IS THAT THE PENSION FUND MOVEMENT IS TRYING TO DO. THIS IS TO MAXIMISE THE PROBABILITY THAT AFTER A MAN HAS CEASED TO CONTRIBUTE TO PRODUCTION BY THE USE OF HIS HANDS AND BRAIN, THOSE WHO ARE STILL PRODUCING WILL LET HIM HAVE A PART OF WHAT THEY PRODUCE. THE PROBLEM IS PRECISELY THAT WHICH, SINCE THE BEGINNING OF TIME,

HAS FACED THE AGEING PARENT CONTEMPLATING THE FIRESIDE OF HIS CHILDREN AND THE APPROACHING TIME WHEN HE WILL BE TOTALLY DEPENDENT ON THEIR CONTINUED GOODWILL.

NAIVELY WE ASSUME THAT AN ABSTENTION FROM CONSUMPTION WHILST WORKING ENABLES GOODS TO BE STORED OR PRODUCTIVE CAPACITY TO BE INCREASED SO THAT THE STANDARD OF LIVING OF OUR SUCCESSORS IS NO LOWER THAN IT WOULD HAVE BEEN IF WE HAD CONSUMED ALL THAT WE PRODUCED AND HAD THEN BEEN

KNOCKED ON THE HEAD AND POSSIBLY EATEN WHEN WE
CEASED TO PRODUCE. WHAT UNDERMINES THE ASSUMPTION
IS THAT MONEY IS NO LONGER A STORE OF VALUE."

IN THIS PASSAGE MR GILLEY GETS RIGHT DOWN TO THE
FUNDAMENTALS, AND AS WE ENTER THE SOMBRE DECADE OF THE
EIGHTIES THAT IS EXACTLY THE GOAL WE SHOULD SET OURSELVES.
IN THE EASYGOING AND EXPANSIVE SIXTIES EVERYTHING SEEMED
TO BE FOR THE BEST IN THE BEST OF ALL POSSIBLE WORLDS.
INFLATION WAS A DISTANT CLOUD ON THE HORIZON NO BIGGER
THAN A MAN'S HAND, ECONOMIC GROWTH SEEMED SET TO CONTINUE
FOR EVER, GOD WAS IN HIS HEAVEN, AND ALL WAS RIGHT WITH
THE WORLD. WE WERE LULLED INTO A FALSE SENSE OF SECURITY,

ONLY TO HAVE BEEN CONTINUALLY JOLTED BY THE NIGHTMARISH
SEVENTIES, OPENING WITH UNIVERSAL STUDENT UNREST, AND
CONTINUING WITH AMERICAN HUMILIATION IN VIETNAM, THE
DEMISE OF THE PORTUGUESE EMPIRE, OPEC INTRANSIGENCE AND
PANDEMIC INFLATION. THE EIGHTIES ARE SET AS A PERIOD
FOR THE REAPPRAISAL OF PRIORITIES AND A RETURN TO
FUNDAMENTALS. THE PARTY ATMOSPHERE OF THE SIXTIES IS
OVER, AND SO IS THE CONSEQUENT HANGOVER OF THE SEVENTIES.
IT IS TIME TO GET BACK TO HARD, SOBER WORK.

WAT BETEKEN DIT ALLES VIR DIE PENSIOEN-INSTELLING?

DIT BETEKEN DAT DIT NIE MEER VAN BELOFTES KAN LEWE NIE, HETSY AMPTELIKE BELOFTES, UITDRUKLIK OF VERSWEE, VAN STAATSEKURITEITE OF STAATSGELD, SOWEL GEDRUK OP PAPIER EN ONVERBONDE AAN ENIGE SIGBARE BATES, OF DIE BELOFTES VAN VERBANDE, OBLIGASIES OF GEWONE AANDELE. ALMAL VAN HULLE IS UITEINDELIK TOG OP EEN OF ANDER WYSE VERBIND AAN DRUKPERS-GELD, WAT NIEMAND EERS MEER VOORGEË OM TE BESKOU AS 'N OPBERGING VAN KOOPKRAG NIE, EN WAT NOULIKS GEDULD WORD AS DIE ENIGSTE BESKIKBARE RUILMIDDEL - MITS DIE RUIL GOU KAN PLAASVIND.

TENSY PENSIOENFONDSE, VIR SOVER DIT IN HUL MAG IS, SKOON WEGBREEK VAN DIE WÊRELD VAN ABSTRAKTE SEKURITEITE VAN WATTER AARD OOKAL, SAL U OPGEGAARDE FONDSE NOOIT BEHOUE KAN BLY EN HUL WAARDE BEHOU NIE - OM NIE EERS TE PRAAT VAN WAARDEVERHOOGING NIE. DIT IS INDERDAAD, ONDER SULKE OMSTANDIGHEDEN, 'N POGING OM TE VERHOED DAT YSBLOKKIES WEGSMELT IN DIE SON - OM DIE BEELD TE GEBRUIK WAT MNR. GILLEY TEKEN IN DIE TOESPRAAK WAARNA EK REEDS VERWYS HET. AL WAT 'N MENS KAN DOEN IS, SOOS HY AAN DIE HAND DOEN, OM 'N YSBLOKKIE TE PROBEER BEKOM WAT GROOT GENOEG IS OM NIE GEHEEL EN AL TE VERDWYN TEEN DIE TYD WAT DIT BENODIG WORD NIE - EN DIT IS VOORWAAR 'N DUISTERE VOORUITSIG.

THE FUNDAMENTAL, AND TO ME OBVIOUS, RECOURSE IS FOR PENSION FUNDS TO GET AS HEAVILY AS POSSIBLE INTO COMMODITIES, THE MORE TANGIBLE, SIMPLE, DURABLE AND USEFUL THE BETTER. THE ONLY REFERENCE TO THIS TOPIC THAT I COULD DISCOVER IN YOUR PREVIOUS DELIBERATIONS WAS A RATHER OBLIQUE ONE BY DR G J HUPKES IN 1975. I WAS DELIGHTED THEREFORE TO NOTE IN THIS YEAR'S AGENDA THAT THE QUESTION OF INVESTING IN GOLD COINS WAS TO COME UNDER DISCUSSION. THIS IS INDEED A STEP IN THE RIGHT DIRECTION.

EVEN IN THE CONTEXT OF THE MODEST TRANSACTIONS OF AN INDIVIDUAL'S PRIVATE LIFE IT IS OBVIOUS THAT THE

DEPLOYMENT OF SURPLUS INCOME, FOR THOSE OF US WHO ARE STILL ABLE TO COMMAND SUCH A RARITY, IN USEFUL COMMODITIES IS A DECISION THAT CAN HARDLY BE BETTERED. IT IS AN INVESTMENT VIRTUALLY RISK-FREE AND CAPABLE OF RETAINING ITS VALUE BETTER THAN ANYTHING OTHER THAN THE MOST ASTUTE STOCK EXCHANGE PURCHASE. IT FURTHERMORE ATTRACTS NO ATTENTION FROM THE RECEIVER OF REVENUE. TAKE A SIMPLE EXAMPLE. ABOUT FIVE YEARS AGO I BOUGHT SIX SUITS ALL AT THE SAME TIME. I AM NO SLAVE TO FASHION : PERHAPS THAT IS RATHER AN OBVIOUS STATEMENT AS I STAND BEFORE YOU. THE CONSEQUENCE IS THAT I HAVE

SAVED A GREAT DEAL OF MONEY ON MY CLOTHING BUDGET. SIMILARLY I HAVE NOTICED THAT THE CHEMICALS NEEDED FOR MY SWIMMING POOL NOW COST TWICE AS MUCH AS THEY DID FOUR YEARS AGO. I SHOULD HAVE BEEN WELL ADVISED FOUR YEARS AGO TO HAVE ACQUIRED A TEN YEAR SUPPLY.

ONE OF THE MOST EFFECTIVE SUCH PRIVATE PURCHASES THAT HAS COME TO MY ATTENTION IS THAT OF THE THEN CARDINAL ARCHBISHOP OF NEW YORK, WHO CONTRACTED FOR A SUBSCRIPTION IN PERPETUITY TO THE NEWLY LAUNCHED TIME MAGAZINE. IN HIS WILL HE LEFT HIS RIGHTS TO HIS SUCCESSORS IN OFFICE, WHO HAVE CONTINUED TO ENJOY READING TIME. PRESUMABLY THIS ARRANGEMENT WILL BE HONOURED UNTIL THE DEMISE OF

EITHER TIME OR THE CATHOLIC CHURCH, WHICHEVER TAKES PLACE FIRST. AVID READER OF TIME THOUGH I AM I SUGGEST THAT YOU WOULD BE WELL ADVISED TO PUT YOUR MONEY ON THE CATHOLIC CHURCH IN THAT PARTICULAR STAKE.

THIS CONCEPT IS EASILY TRANSLATABLE TO THE SCALE ON WHICH YOUR FUNDS OPERATE. SUPPOSE FOR EXAMPLE THAT A PENSION FUND WERE TO ACQUIRE A FEW HECTARES RIGHT ALONGSIDE A BRICKFIELD AND STACK IT WITH BRICKS PURCHASED FROM THE FIELD. IN ORDER TO SPREAD THE RISK IT WOULD BE UNWISE TO RELY ON ONE COMMODITY. ONE COULD

REPEAT THE EXERCISE WITH OTHER BASIC, NONPERISHABLE COMMODITIES ALWAYS LIKELY TO BE IN DEMAND SUCH AS COAL, BUILDING SAND AND STONE, STEEL AND OTHER KEY METALS, ASBESTOS OR SALT, TO NAME A FEW. EACH INDIVIDUAL MEMBER'S SHARE OF THE PENSION FUND COULD THEN BE COMPUTED IN TERMS OF A BASKET OF SUCH RAW MATERIALS. WHEN HE WENT ON PENSION AN ACTUARIALLY COMPUTED YEARLY SHARE OF SUCH COMMODITIES COULD BE SOLD AND THE PROCEEDS MADE OVER TO HIM. IN THIS WAY HIS PENSION WOULD BE VIRTUALLY INFLATION PROOF, AND HIS CONTRIBUTION TO THE COMMODITY POOL DURING HIS WORKING DAYS WOULD NOT BE SUBJECT TO THE VAGARIES AND VICISSITUDES OF PAPER CURRENCIES AND SECURITIES. IN THE CASE OF A MATURE

FUND THERE WOULD BE NO ACTUAL NEED OF COURSE TO SELL THE COMMODITIES, BUT THEIR MONEY VALUE WOULD BE COMPUTED, AND THE SUM PAID OVER TO THE PENSIONER FROM THE AMOUNTS RECEIVED FROM CONTRIBUTING MEMBERS.

OBJECTIONS TO SUCH AN APPARENTLY SIMPLE-MINDED SCHEME COME READILY TO MIND. LET US DEAL WITH A FEW.

- (1) IF THE COMMODITIES ARE NEVER TO BE SOLD WHY BOTHER TO ASSEMBLE THEM IN THE FIRST PLACE? WHY NOT OPERATE A SIMPLE PAY-AS-YOU-GO SCHEME WITH PENSION

PAYMENTS INDEXED TO THE COST OF A PUTATIVE BASKET OF COMMODITIES? IF WE SUCCUMB TO THIS SEDUCTIVE ARGUMENT WE HAVE MADE THE FIRST FATEFUL AND IRREVOCABLE STEP THAT PLACES THE DEFENCELESS PENSIONER AT THE MERCY OF UNSCRUPULOUS GOVERNMENTS AND RAPACIOUS PRESENT-DAY PRODUCERS WHO ARGUE THAT THE PENSIONER HAS BEEN PROMISED TOO MUCH AND THAT HE IS LIVING A LIFE OF EASE OFF THE SWEAT OF THEIR BROWS. THE PHYSICAL, MEASURABLE AND TANGIBLE EXISTENCE OF THE ASSETS GUARANTEES HIS PENSION, FOR WHICH HE HAS WORKED, IN THE SAME WAY AS A GOLD COIN CURRENCY CANNOT BE MANIPULATED BY WEAK-KNEED POLITICIANS. THE WHOLE POINT OF THE PHYSICAL ASSETS

IS THAT A DETERMINABLE PROPORTION HAS BEEN DEMONSTRABLY ASSEMBLED MONTH BY MONTH BY THE PENSIONER HIMSELF. IT IS INDISPUTABLY HIS. THE FUNDAMENTAL REASONS WHY WE WANT PENSION FUNDS RATHER THAN EVERY MAN ASSEMBLING HIS OWN STOCKPILE ARE CONVENIENCE AND THE FACT THAT EACH MAN IS NOT THE ACTUARIALLY AVERAGE MAN. A CAREFULLY CALCULATED PORTION OF THE STOCKPILE MUST BE REGARDED AS AN INSURANCE POLICY TO GUARD AGAINST THE INDIVIDUAL DYING TOO SOON, THUS LEAVING HIS DEPENDENTS DESTITUTE, OR LIVING TOO LONG, AND THUS SEEING HIS PRIVATE STOCKPILE RUN OUT TOO SOON.

- (2) IF RAW MATERIAL STOCKPILES ARE A GOOD INVESTMENT WHY DO NOT RAW MATERIAL PRODUCERS ASSEMBLE THEM THEMSELVES? SINCE SUCH PRODUCERS DO NOT INVEST IN HUGE STOCKPILES IT WOULD SURELY BE ARGUED THAT A PENSION FUND WOULD BE FOOLISH TO DO SO.

THIS PARADOX IS RESOLVABLE ONCE WE APPRECIATE THE DIFFERENCE IN VIEWPOINT BETWEEN THE PRODUCER AND THE CONSCIENTIOUS PENSION FUND MANAGER. THE PRODUCER MUST WATCH HIS CASH FLOW AND THUS IS LOATH TO TIE UP HIS WORKING CAPITAL IN STOCKPILES, WHEREAS THE PENSION ADMINISTRATOR IS PRIMARILY INTERESTED IN PRESERVING THE REAL VALUE OF HIS FUND.

STOCKPILES ARE IDEAL FOR THIS PURPOSE.

- (3) IT IS ARGUED THAT STOCKPILES ARE AN INVESTMENT THAT PRODUCES NO RETURN. THIS SEEMS TO ME A VERY FACILE AND SHALLOW ARGUMENT, COMING AS IT OFTEN DOES FROM PEOPLE WHO INVEST IN FIXED INTEREST-BEARING SECURITIES, NEARLY ALL OF WHICH ARE TO-DAY PRODUCING A NEGATIVE RETURN IN REAL TERMS, OR ELSE IN EQUITIES, MANY OF WHOSE RATE OF INCREASE IN DIVIDEND YIELD DOES NOT KEEP PACE WITH INFLATION.

A MUCH MORE POWERFUL COUNTER-ARGUMENT IS THAT STOCKPILES CAN BE MADE TO PRODUCE A YIELD. ONCE WE HAVE OUR BRICK STOCKPILE, FOR EXAMPLE, WE CAN SAY TO THE PRODUCER THAT HE CAN DRAW AT WILL FROM OUR STOCKPILE FOR A MODEST FEE OF SAY 2% P.A., PAYABLE NOT IN CASH BUT IN BRICKS, PROVIDED HE REPLACES THE BRICKS IN DUE COURSE WITH NEW PRODUCTION OF IDENTICAL QUALITY. WE CHARGE A VERY MODEST REAL COMMODITY INTEREST RATE, BECAUSE WE KNOW THAT NO NON-FICTITIOUS INTEREST RATE GREATER THAN THE REAL RATE OF INCREASE OF THE GNP CAN BE SUSTAINED IN THE LONG TERM. THE PRODUCER IS THEN RELIEVED OF THE NECESSITY OF KEEPING HIS OWN

PRODUCTION STOCKPILE. AS AN ADDED BONUS HE HAS AN EFFECTIVE INSURANCE AGAINST PRODUCTION BREAKDOWNS. FURTHERMORE, AS HIS STAFF CONTEMPLATE PERHAPS A YEAR'S PRODUCTION RIGHT ALONGSIDE THEM THEY WILL BE ONLY TOO AWARE THAT ANY STRIKE ATTEMPT WILL BE DOOMED FROM THE START.

FURTHERMORE, ONCE A REPLENISHABLE RATHER THAN A STATIC STOCKPILE IS INTRODUCED THE RANGE OF COMMODITIES THAT LEND THEMSELVES TO STOCKPILING IS EXTENDED TO INCLUDE ALL GOODS WHOSE "SHELF-LIFE" IS NOT INDEFINITE BUT IS MEASURABLE IN YEARS OR EVEN

MONTHS. UNDER THESE CONDITIONS OF OPERATION IT WOULD BE SAFE TO INVEST IN SUCH ITEMS AS MAIZE, WHEAT, SUGAR OR EVEN CERTAIN LINES OF GROCERIES OR OFFICE SUPPLIES.

ANOTHER WAY OF GAINING A YIELD IS TO BUILD THE STOCKPILE BY PURCHASING NOT FOR IMMEDIATE DELIVERY, BUT ON A FUTURES BASIS. THE PRICE TO BE PAID FOR FUTURE DELIVERY HAS A PRESENT-VALUE DISCOUNT FACTOR BUILT INTO IT, WHICH OF COURSE IS EQUIVALENT TO THE PREVAILING RATE OF INTEREST.

THE CONCEPT OF FUTURES IS AT ONCE EXPANDABLE INTO

TRADING IN COMMODITIES, WHICH PROVIDED THE MANAGER IS ADEPT, SHOULD RETURN A REASONABLE PROFIT. WHEN DEMAND FOR A COMMODITY IS WEAK ONE ADDS HEAVILY TO THE STOCKPILE IN THAT COMMODITY AND THEN REDUCES THE QUANTITY HELD WHEN DEMAND IS STRONG. APART FROM THE PROFIT YIELDED, THERE IS A VALUABLE SOCIAL SPINOFF IN THAT FLUCTUATIONS IN PRODUCTION CAN BE SMOOTHED. A CLASSIC EXAMPLE IS PLATINUM. BECAUSE OF FLUCTUATIONS IN DEMAND RUSTENBURG HAS OFTEN BEEN EITHER A BOOM-TOWN OR A GHOST-TOWN, WITH UNDESIRABLE SOCIAL CONSEQUENCES IN EITHER EVENT. PENSION FUND HOLDINGS IN A PLATINUM STOCKPILE COULD ALLEVIATE THIS SITUATION CONSIDERABLY.

- (4) A MUCH MORE POWERFUL OBJECTION TO STOCKPILING IS THAT PENSION FUNDS, WHICH ARE A PRINCIPAL SOURCE OF NEW INVESTMENT MONEY, WILL NOW BE LOCKED UP IN A STERILE INVESTMENT AND THAT FUNDS FOR DEVELOPMENT, EITHER IN THE PUBLIC OR THE PRIVATE SECTOR, WOULD BE CORRESPONDINGLY SCARCER.

THIS ARGUMENT CAN BE MET BY APPLYING A NEW CAPITAL FUNDING DEVICE RECENTLY INTRODUCED IN THE UNITED STATES. A SILVER MINE WISHING TO EXPAND ITS PRODUCTION HAS DECIDED TO FUND THE OPERATION BY ISSUING BONDS IN DENOMINATIONS OF \$1000. As COMPENSATION FOR THE MODEST INTEREST RATE (ABOUT 5%)

THE BONDS WILL BE REDEEMABLE EITHER IN CASH OR IN A QUANTITY OF SILVER, CALCULATED TO BE EQUIVALENT TO \$1000 AT TO-DAY'S PRICE. THE NECESSARY CAPITAL IS IN EFFECT BEING RAISED BY SELLING CLAIMS TO PART OF THE INCREASED PRODUCTION ARISING IN CONSEQUENCE OF THE INVESTMENT.

VIEWED IN THIS LIGHT INVESTMENT IN COMMODITIES TO BE DELIVERED AT A FUTURE DATE IS FAR FROM A STERILE INVESTMENT. THE SCHEME HAS ENORMOUS POSSIBILITIES FOR SOUTH AFRICA'S NEED TO EXPAND ITS MINERAL AND AGRICULTURAL PRODUCTION. THE RISK ELEMENT COULD BE

REDUCED TO A VERY LOW LEVEL BY CONFINING INVESTMENT TO FIELDS WHERE EXPANSION IS TAKING PLACE IN AN ALREADY PROVEN MINING OR AGRICULTURAL REGIME.

EVEN PORTION OF THE 52% REQUIRED TO BE INVESTED IN GOVERNMENT SECURITIES COULD BE CONSIDERED IN THIS LIGHT. ONE IS NOT REVEALING ANY INFORMATION INIMICAL TO OUR SECURITY IF ONE SPECULATES THAT HUNDREDS OR EVEN THOUSANDS OF MILLIONS OF RANDS ARE LOCKED UP IN STRATEGIC STOCKPILES OF OIL. THE GOVERNMENT COULD OBTAIN A SUBSTITUTE FOR LOAN MONEY AT ZERO INTEREST, IF IT SOLD PART OF THIS OIL TO

PENSION FUNDS FOR DELIVERY AT SOME FUTURE DATE, PERHAPS THE YEAR 2020, WHEN THE DANGER OF AN OIL BOYCOTT IS LONG SINCE PAST. A CONDITION OF THE SALE WOULD BE THAT THE STATE RETAINS FULL CONTROL AND USE OF THE OIL IN THE INTERIM, TOGETHER WITH THE RIGHT TO REPAY IN CASH AT THE THEN RULING PRICE IF IT WISHED TO RETAIN THE OIL. IN THIS WAY THE GOVERNMENT WOULD HAVE ACCESS TO EVEN CHEAPER INFRASTRUCTURE MONEY THAN IT HAS TODAY AND THE FUNDS WOULD BE INVESTING IN A REAL, NONWASTING ASSET. EXTENSIONS TO STOCKPILES OF ESSENTIAL RAILWAY AND POST OFFICE COMMODITIES, EVEN PORTION OF THE GOLD RESERVE WOULD BE INTERESTING POSSIBILITIES.

AFTER HAVING DEALT WITH SOME OF THE OBVIOUS OBJECTIONS
LET US CONSIDER SOME OF THE POSITIVE VIRTUES OF MY
PROPOSAL.

- (A) IT POTENTIALLY SOLVES AT ONE STROKE THE VEXED
PROBLEM OF TRANSFER OF PENSION RIGHTS. THE
TRANSFeree SIMPLY TAKES WITH HIM HIS PROPORTIONATE
SHARE OF THE ACCUMULATED STOCKPILE, WHICH CAN EITHER
RESULT IN A TRANSFER OF THE ACTUAL GOODS, OR ELSE
MORE SIMPLY THEIR PRESENT VALUE IN CASH. IF THE
SCHEME IS TO BE EQUITABLE, AND IS TO AVOID THE
IMPOSITION OF A COMPULSORY NATIONAL PENSION FUND
THE EMPLOYER'S CONTRIBUTION MUST GO WITH THE TRANSFeree.

- (B) WE AVOID THE NECESSITY OF EXPRESSING PENSIONS AS A
FRACTION OF FINAL OR AVERAGE SALARY. THE PENSION IS
SIMPLY THE PENSIONER'S EARNED SHARE OF THE STOCKPILE,
NETT OF THE INSURANCE ELEMENT, SPREAD EVENLY OVER THE
NUMBER OF YEARS HE IS EXPECTED TO LIVE, WITH THE
APPROPRIATE PORTION FOR A SURVIVING SPOUSE. THOSE
WHO LIVE LONGER THAN EXPECTED WILL BE EVENED OUT BY
THOSE WHO DIE EARLIER. WE EMPLOY ACTUARIES TO
INSURE THAT THIS HAPPENS.

- (C) SINCE THE PENSION RETAINS ITS VALUE IN REAL TERMS
THERE IS NO NECESSITY FOR AUGMENTED PENSIONS.

- (D) NO UNFULFILLABLE PROMISES CAN BE MADE TO FUTURE PENSIONERS, SINCE THE BENEFITS THAT CAN ACCRUE ARE STRICTLY LIMITED BY THE PORTION OF THE STOCKPILE OF ACTUALLY EXISTING GOODS TO WHICH THE INDIVIDUAL IS ENTITLED.
- (E) WE HAVE A PRESTIGIOUS EXAMPLE OF SUCH A SCHEME, ADMITTEDLY A BLUE-RIBBON ONE WITH A VERY EXCLUSIVE MEMBERSHIP. I AM REFERRING TO THE LEGENDARY HUNT BROTHERS OF TEXAS WHOSE INFORMAL PENSION FUND HAS A MAJOR ASSET IN THE FORM OF A HOARD OF SILVER, REPUTEDLY WORTH FIVE BILLION DOLLARS AND STILL CURRENTLY BEING AUGMENTED. IF IT WORKS FOR SOME OF

THE SHREWDEST MONEYMEN IN THE WORLD SURELY IT MUST WORK FOR ORDINARY MORTALS.

REAL ESTATE IS CLEARLY A VERY SPECIALISED FORM OF STOCKPILING, WHEREIN THE RAW MATERIALS ARE BROUGHT TOGETHER IN ORGANISED STRUCTURES RATHER THAN REMAINING IN UNSTRUCTURED HEAPS. MOST OF THE ARGUMENTS THAT I HAVE USED CAN BE APPLIED TO REAL ESTATE, WHICH IS ALREADY A FAVOURED FORM OF PENSION FUND INVESTMENT. I SAID AT THE BEGINNING OF MY ADDRESS, HOWEVER, THAT THE EIGHTIES ARE A TIME FOR

RETURNING TO FUNDAMENTALS, AND THE FUNDAMENTALS IN OUR CASE ARE TO PUT THE INTERESTS OF PENSIONERS FIRST. IT IS A SOURCE OF SOME SURPRISE, THEREFORE, THAT WE CAN HAVE A SURFEIT OF OFFICE SPACE IN THE LARGE CITIES ALONGSIDE A CHRONIC SHORTAGE OF SUITABLE ACCOMMODATION FOR ELDERLY PEOPLE, THE VERY PEOPLE IN WHOSE INTERESTS PENSION FUNDS WERE INAUGURATED IN THE FIRST PLACE. SURELY IT IS A STANDING REPROACH TO US ALL THAT MOST SUITABLE ACCOMMODATION FOR SENIOR CITIZENS, SUCH AS FOR EXAMPLE THE VILLAGE OF HAPPINESS IN MARGATE, HAS BEEN DEVELOPED THROUGH THE HEROIC EFFECTS OF PUBLIC

SPIRITED INDIVIDUAL CITIZENS. WHAT MORE APPROPRIATE REAL ESTATE INVESTMENT COULD THERE BE FOR PENSION FUNDS THAN THE ERECTION OF SUCH ESTABLISHMENTS? THE FACT THAT THE RETURN ON OFFICE RENTALS MAY BE HIGHER IS IMMATERIAL, EVEN COUNTERPRODUCTIVE. EVERY PENSIONER NEEDS A ROOF OVER HIS HEAD, AND WHAT MORE EFFECTIVE ARRANGEMENT COULD THERE BE THAN OFFERING THE NEW PENSIONER SUITABLE RETIREMENT ACCOMMODATION AT A RENTAL CALCULATED TO BE ECONOMICAL AT THE TIME OF HIS RETIREMENT, AND HELD FIXED UNTIL THE TIME EITHER OF HIS DECISION TO VACATE IT OR ELSE OF HIS DEATH?

THIS POINT PROVIDES A FITTING INTRODUCTION TO THE SECOND MAJOR THEME I WISH TO EXPLORE THIS AFTERNOON, ONCE AGAIN A RETURN TO FUNDAMENTALS, THIS TIME THE QUESTION OF THE WELFARE OF THE PENSIONERS AS A CLASS. IT COULD BE ARGUED, AND IT HAS BEEN ARGUED IN EARLIER CONFERENCES, THAT THE BUSINESS OF PENSION FUND MANAGERS IS TO MANAGE SUCH FUNDS, NO MORE, AND NO LESS. TO ARGUE THUS IS IN MY VIEW TO MISS THE SPIRIT OF THE UNDERLYING ORIGINAL RATIONALE FOR THE EXISTENCE OF PENSION FUNDS. IF A WIDER MANDATE THAN THE MERE MONETARY WELFARE OF YOUR MEMBERS AND PENSIONERS, PRESENT AND FUTURE, HAS NOT BEEN VOUCHSAFED TO YOU BY THE EMPLOYERS WHOM YOU REPRESENT, THEN I BELIEVE THAT SUCH A MANDATE SHOULD BE SOUGHT. EMPLOYERS ARE

BEGINNING TO HAVE A CONSCIENCE ABOUT SUCH ISSUES. THEY CAN EITHER PURSUE THEIR EMERGING INTEREST BY CREATING OTHER MECHANISMS, BUT SURELY IT WOULD BE MORE EFFECTIVE FOR THIS ASSOCIATION, BY REASON OF ITS THIRTY YEAR HISTORY AND PROVEN RECORD TO BE CHARGED WITH THIS OBLIGATION. SOME OF THE ITEMS ON YOUR PRESENT AGENDA, SUCH AS RETIREMENT DUE TO ILL-HEALTH AND WIDOWS' BENEFITS DEMONSTRATE YOUR CONCERN FOR THE OVERALL WELFARE OF PENSIONERS.

A NUMBER OF WAYS IN WHICH PENSIONERS' WIDER INTERESTS COULD BE SERVED AT COMPARATIVELY MODEST COST, COME READILY

TO MIND. SUCH COSTS COULD BE RAISED BY LEVYING A SMALL CHARGE ON FUNDS, PRO RATA TO THEIR MEMBERSHIP, AND APPLIED TO MAINTAIN THE NECESSARY INFRASTRUCTURE. IF YOU DISCLAIM THIS RESPONSIBILITY IT WILL EVENTUALLY BE TAKEN OVER BY OTHERS, WHO MAY NOT NECESSARILY BE IN HARMONY WITH YOUR AIMS AND OBJECTIVES.

LET US CONSIDER SOME POSSIBILITIES. A GENERAL OMBUDSMAN TO PRESS THE INTERESTS OF PENSIONERS, WHETHER MEMBERS OF YOUR FUNDS OR NOT, COULD PLAY AN INVALUABLE ROLE, AND GAIN FOR THIS ASSOCIATION A GREAT DEAL OF PUBLIC ESTEEM. THE MAN WHO UNTIL RECENTLY HAS PLAYED THIS ROLE SINGLE-HANDEDLY HAS BEEN THE WELL-KNOWN MAJOR K UECKERMANN OF GEORGE.

IN A RECENT TELEVISION INTERVIEW HE ANNOUNCED THAT OWING TO ILL-HEALTH HE WAS UNABLE TO CONTINUE, AND OBSERVED VERY SADLY THAT NO ONE ELSE WAS AVAILABLE TO TAKE OVER THE MANTLE.

MANY OVERSEAS COMMUNITIES RENDER GREAT ASSISTANCE TO PENSIONERS BY ENABLING THEM TO TRAVEL FREE, OR AT LEAST AT GREATLY REDUCED RATES, ON PUBLIC TRANSPORT AT OFF-PEAK TIMES, OR TO HAVE FAVOURABLE ACCESS TO MOST PUBLIC AMENITIES SUCH AS ZOOS, ART GALLERIES AND ENTERTAINMENTS. WE IN SOUTH AFRICA ARE FAR LESS CONSIDERATE NOT, I BELIEVE, THROUGH ANY INHERENT MEANNESS OF SPIRIT, BUT

THROUGH LACK OF AN ORGANISED STIMULUS TO PRESS THESE ISSUES.

CERTAIN COMMUNITIES, PORT ELIZABETH AND GRAHAMSTOWN AMONGST OTHERS, HAVE A MUCH HIGHER THAN AVERAGE PROPORTION OF RETIRED PEOPLE LIVING AMONGST THEM. THESE COMMUNITIES TEND TO BE THE VERY ONES WHOSE PROPORTION OF RATEABLE PROPERTY IS LOW.

I HAVE NOTED RECENT CORRESPONDENCE IN THE LOCAL PRESS RESENTFUL OF THE PRESENCE OF THESE RETIRED FOLK, BECAUSE SO MANY OF THE HOMES IN WHICH THEY LIVE ARE NOT RATED.

THIS IS INDICATIVE OF THE VERY PROBLEM ALLUDED TO BY MR GILLEY, FROM WHOM I QUOTED AT THE BEGINNING OF MY ADDRESS. AS SUCH IT IS OF CONCERN TO THIS ASSOCIATION. MY PROPOSED OMBUDSMAN COULD LOOK INTO THESE MATTERS. FURTHERMORE YOUR ASSOCIATION SHOULD BE ACTIVELY ENCOURAGING MUNICIPALITIES WHO WELCOME THE PRESENCE OF LARGE NUMBERS OF RETIRED PEOPLE. ONE WAY OF DOING SO WOULD BE TO TREAT THIS FACTOR AS A POSITIVE ONE WITH REGARD TO YOUR DECISIONS AS TO WHERE TO LOCATE PROPERTY INVESTMENTS. OTHER FACTORS BEING EQUAL, OR PERHAPS NEARLY EQUAL, SUCH COMMUNITIES SHOULD BE GIVEN PREFERENCE INSOFAR AS THE DECISIONS OF YOUR MEMBERS CAN ADD TO THEIR TOTAL RATEABLE PROPERTY BASE.

THE WHOLE QUESTION OF COMMUNICATION IN RELATION TO PENSIONERS IS ONE OF VITAL CONCERN. IN THIS CONNECTION I NOTE THAT MRS VAL MICKLEBURGH WILL BE ADDRESSING YOU ON EMPLOYEE BENEFIT COMMUNICATIONS. I AM THINKING, HOWEVER, OF COMMUNICATION IN A MUCH WIDER SENSE. AMONGST OUR WHITE SENIOR CITIZENS ALONE WE HAVE A POTENTIAL READERSHIP OF ABOUT 400 000 PEOPLE, SURELY ADEQUATE TO ENSURE THE SUCCESS OF A SPECIALIST MAGAZINE CATERING TO THEIR PARTICULAR INTERESTS. MANY CLEARLY IDENTIFIED CLIENTELES ENJOY SUCH A SERVICE, FREQUENTLY PUBLISHED BY AN ASSOCIATION SERVING THEIR INTERESTS. THE MOTORING PUBLICATION PUT OUT BY THE AUTOMOBILE ASSOCIATION IS AN OBVIOUS EXAMPLE. I AM CONVINCED THAT IF YOUR ASSOCIATION

WERE TO PUBLISH, OR AT LEAST TO SPONSOR THE PUBLICATION OF SUCH A JOURNAL, INITIALLY PERHAPS TO BE CIRCULATED ONLY AMONG YOUR OWN PENSIONERS, IT WOULD FULFIL A REAL NEED. IT WOULD BE A READY MADE VEHICLE FOR COMMUNICATING ON A CONTINUOUS BASIS WITH THE PEOPLE WHOSE WELFARE IS YOUR ULTIMATE RAISON D'ÊTRE. THROUGH THE EDITORIAL COLUMNS YOU WOULD BE ABLE TO INFLUENCE PUBLIC OPINION, WHILE ARTICLES ON HOBBIES, PART-TIME JOBS, TRAVEL HEALTH ISSUES, SPECIALIST CUISINE FOR THE ELDERLY, HOUSING AND THE LIKE WOULD PROMOTE A LIVELY INTEREST.

IT HAS ONLY BEEN IN RECENT YEARS THAT THE PROBLEMS OF ELDERLY PEOPLE HAVE BECOME THE OBJECT OF SERIOUS ACADEMIC STUDY AND RESEARCH. THIS ASSOCIATION, I BELIEVE, HAS AN OBLIGATION TO GIVE CONSIDERATION TO THE SUPPORT AND PROMOTION OF SUCH STUDIES. I AM THINKING HERE IN VERY PRACTICAL TERMS, LADIES AND GENTLEMEN. IN THESE INDUSTRIAL DAYS OF THE JEALOUSLY GUARDED NUCLEAR FAMILY UNIT THE SOCIOLOGY OF THE ELDERLY IS A QUESTION THAT DESERVES CLOSER ATTENTION. WHAT IN DETAIL ARE THE PRACTICAL CIRCUMSTANCES OF EVERYDAY LIVING FOR SUCH PEOPLE? SUCH GLIMPSES BEHIND THE VEIL AS WE DO POSSESS CAN BE VERY DISCONCERTING. SURELY THE TIME IS OVERDUE FOR A CONCERTED AND COMPREHENSIVE SCIENTIFIC INVESTIGATION,

TO GATHER TOGETHER THE DISCONNECTED FACTS AND PRESENT A SYNOPTIC VIEW. WHO BETTER THAN YOURSELVES TO CONSIDER SPONSORING SUCH A STUDY AT ONE OF OUR UNIVERSITIES?

A SECOND EVEN MORE OBVIOUS EXAMPLE IS GERIATRIC MEDICINE. OUR MEDICAL SCHOOLS HAVE LATTERLY RECOGNISED THE NEED, BUT THEY CLEARLY REQUIRE MORE RESOURCES AND ARE DESERVING OF YOUR SUPPORT.

IN MY VOORDRAG AAN U VANMIDDAG, HET EK DIE GEDAGTE IN U MIDDE GEWERP DAT DIE TAGTIGER-DEKADE SAL ONTPLOOI AS 'N TYDPERK VAN TERUGKEER NA GRONDBEGINSELS, VAN HERBETRAGTING VAN ONS WARE DOELWITTE, EN UITSKAKELING VAN DAARDIE NIE-PRODUKTIEWE FAKTORE EN HOUDINGS WAT DIKWELS UITVLOEISELS IS VAN ONOPSETLIKE GEWOONTE EERDER AS BEREDENEERDE DENKE. DIT GELD EWENEENS VIR ONS NASIONALE POLITIEKE EN OPVOEDKUNDIGE BEDRYWIGHED AS VIR U WERKSGBIED. DIE PENSIOENFONDS-BEWEGING HET SY ONTKIEMING GEVIND IN ONS GESAMENTLIKE MAATSKAPLIKE GEWETE EN SKULDGEVOEL OOR DIE WYSE WAAROP MENSE "UITGEWERP" WORD SODRA HULLE NIE MEER EKONOMIES-PRODUKTIEF IS NIE. EEN MANIER, MISKIEN DIE VERNAAMSTE MANIER EN GESKIEDKUNDIG STELLIG DIE VROEGSTE,

OM 'N OPLOSSING TE VIND, WAS DIE STIGTING VAN GESONDE PENSIOEN-SKEMAS GEBORG DEUR FONDSE WAT BESTUUR WORD MET MAKSIMUM BEHOUD VAN WAARDE AS OOGMERK. EK HET SEKERE VOORSTELLE IN DAARDIE RIGTING AAN DIE HAND GEDOEN. EK HET U OOK GEVRA OM STAPPE TE OORWEEG, BUITE DIE BLOOT TEGNIESE ASPEKTE VAN GESONDE GELDELIKE BEHEER, WAARDEUR U KERN-VERPLIGTINGS IN 'N BREËR OMVANG NAGEKOM KAN WORD.

PORT ELIZABETH IS DESERVEDLY KNOWN AS THE FRIENDLY CITY, WHEREAS GRAHAMSTOWN IS PROUD OF ITS SOBRIQUET AS THE CITY OF SAINTS. I HOPE THEREFORE THAT YOU WILL NOT DISMISS MY REMARKS AS THE IMPRACTICAL DREAMS OF AN AMBASSADOR FROM THE CELESTIAL REALMS, BUT RATHER THAT YOU WILL OFFER THEM A FRIENDLY RECEPTION BEFITTING THE CITY WHEREIN WE ARE GATHERED.

MR CHAIRMAN, MR MAYOR, LADIES AND GENTLEMEN, IT IS WITH REAL PLEASURE AND ANTICIPATION THAT I DECLARE THIS THIRTIETH CONFERENCE OF YOUR ASSOCIATION OPEN.

D S HENDERSON
RHODES UNIVERSITY, GRAHAMSTOWN
21 APRIL 1980