

ROBERT J KOCH cc BSc LLB LLD

Fellow of the Faculty of Actuaries in Scotland

VAT 4870191808

CK2000/058266/23

E-mail: rjkactuary@gmail.com

Website: www.robertjkoch.com

1A Chelsea Avenue

Cape Town

Tel: 021-4624160

PO Box 15613

Vlaeberg 8018

Fax: 021-4624109

NEWSLETTER

(Number 83 - September 2011)

Vital statistics:

CAP determination July 2011:	R189017
CPI year-on-year July 2011	5,3%
RSA long bond yield July 2011:	7,9%
Real rate of return (7,9-5,3):	2,6%

Government salary increase for 2011: The Government general salary increase seems set to be 6,8% from May 2011. However, the agreement has not yet been signed. This will be applied retrospectively with backpay. For many years in the past the increase month has been July.

Civil service pension increases: Rule 23 of the Government Employees Pension Fund (GEPF) states that the Board of Trustees is committed to increasing annual pensions by at least 75% of the rate of inflation, subject to affordability. The Board has recently passed a resolution to increase the target increase percentage to 100% of inflation. One may conclude that this has been done after consultation with the Fund actuaries and that the necessary money is available.

Lost inheritance prospects: In *Mariamah v Marine & Trade* 1978 3 SA 480 (A) at 488/9 it was ruled that the calculation for loss of support should include not only what the breadwinner expended on the support of his family, but also extra money which was used for savings. The reasoning of the Court was that allowance should be made for inheritance prospects in years to come.

In *Lambrakis v Santam* 2000 3 SA 1098 (W), 2002 3 SA 710 (SCA) it was ruled that the deduction for an accelerated inheritance by a child should not be reduced for the actuarial value of the chance that the child would have inherited in any event. The practical effect of this ruling is that 100% of the child's inheritance is deducted. The reasoning was that once a child becomes self-supporting the inheritance would no longer be needed for support and was thus not a proper head of damages under a claim for loss of support.

If one attempts to reconcile the two judgments one must conclude that the *Mariamah* ruling is only relevant to the claims of persons who would have been dependent on the deceased breadwinner for their joint lifetimes.

The paper it is written on: Industrial psychologists debate at length whether juvenile accident victims would have achieved a grade 10 or 12 or a diploma or degree. What is seldom discussed is the appallingly poor quality of the education of the "scholars" that are launched from school into the job market. The Economist (June 3 2010) reports that:

page 2...

"South Africa spends 6,1% of its GDP on education, a bigger chunk than most other countries, yet its results are among the worst. In the World Economic Forum's latest Global Competitive Index it ranks bottom (out of 133 countries) in both maths and science education. In the 2006 International Reading and Literacy Study it also came bottom (out of 40 countries), as it did in the 2003 Trends in International Maths and Science Study (out of 48 countries). Humiliated, it (South Africa) withdrew from the next TIMSS in 2007. The difficulty with such studies is that they reflect averages. At the top, South African students do as well as anyone, but the great majority are performing way below their capabilities".

"Mr Zuma plans to bring back the apartheid-era's hated schools inspectors, but in future they will be called "assessors" and will be required to support teachers as well as criticise them. Independently monitored tests are being introduced for pupils aged 9, 12 and 15, doubtless as much to spot the incompetent teachers as the failing pupils".

The image of teachers is low and few capable scholars consider teaching as a career.

Violence is an ongoing problem in many schools. In the USA a police officer is assigned to each school to ensure orderly behaviour.

Formal and informal: Compensation for loss of earnings is for "likely" probable, earnings, not possibilities or earnings potential:

Many industrial psychologists cite the Peromnes/FSA salary survey figures when projecting earnings for a victim. The problem with this approach is that the survey covers only the best paid 25% of the workforce. It is true that there is a significant number of employers who do not subscribe to the survey but who remunerate having regard to the corporate surveys. When assessing damages a Court will be wise to award perhaps 50% of the actuarial value of corporate earnings plus 50% of the value of informal sector earnings. One industrial psychologist of long standing allows 55% of the corporate packages in lieu of the average of corporate and informal. Several others specify that the salary-only figures should be used and not total package.

Career earnings projections for children usually plateau at about age 45 with inflation increases only thereafter. Likely earnings for a persons in their 40's and older should, strictly speaking, be based on the actual earnings of the claimant at the time of the accident projected with inflation increases only.

A properly done report by an industrial psychologist should unambiguously list the earnings levels and timings for the likely career path. Where alternative career paths are proposed an opinion should be expressed as to the percentage chance of each such career path. It is not enough to state a job grading and a salary survey table. It is also vital to state which of the many figures should be used: salary only, or full package, or median, or upper or lower quartile.

Finis