

fundnews

The quarterly newsletter for pensioners of the Government Employees Pension Fund 2nd Edition 2023/2024



DO PENSIONERS HAVE TO NOMINATE A BENEFICIARY OR FILL IN THE NOMINATION FORM?



WHEN DOES THE BOARD OF TRUSTEES REVIEW PENSION BENEFITS, AND DO MEMBERS GET AN OPPORTUNITY TO PARTICIPATE IN THE REVIEW PROCESS?



UNCLAIMED BENEFITS IS MONEY THAT BELONGS TO SOMEONE, PLEASE HELP GEPF TO FIND THEM

TAX DEDUCTIONS FOR DOUBLE INCOME EARNERS



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Government Employees Pension Fund

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In 2022, the South African Revenue Service (SARS) made changes to the revised tax rate in terms of the tax required to be deducted by an employer from an employee's remuneration paid or payable (PAYE).

As a result, the Government Pensions Administration Agency (GPAA) implemented a directive from SARS that provided for the revised tax rate to be deducted from pensioners' monthly pension payment. It is important to note that only pensioners who receive multiple sources of income are affected by the revised changes.

Pensioners have the option to opt out of the revised tax rate provided by SARS and revert to the normal Pay As You Earn (PAYE) rate applicable to their pension. If a pensioner chooses to opt out, the Government Employees Pension Fund will continue to deduct as per the previous tax rate and not in the more accurate effective tax rate as provided by SARS. This may result in pensioners having to settle a tax debt with SARS at the end of the tax year. Enquiries may be directed to the GEPF Call Centre: 0800 117669 or PAYE@GPAA.GOV.ZA

A pensioner can request that the GEPF deduct an additional amount for tax, from the monthly annuity they are receiving. Typically, a pensioner will request this when they have other income sources in addition to the pension they receive from the GEPF. Thus, when all income is declared to SARS, the pensioner may be in a higher tax bracket and has to make additional payment to SARS after assessment.

In such cases the pensioner must specify the amount to be deducted and paid to SARS every month, as well as when the deductions must start and end. If no end date is specified, the deduction of the stipulated amount will continue indefinitely, and the amount paid to SARS will be reflected on the IRP5 issued every year.

Enquiries may be directed to the GEPF Call Centre: 0800 117669 or TAX@GPAA.GOV.ZA

DO PENSIONERS HAVE TO NOMINATE A BENEFICIARY OR FILL IN THE NOMINATION FORM?

Pensioners are not required to submit a Nomination Form or nominate a beneficiary although it is strongly advisable to do so.

The monthly pension (annuities) is guaranteed for a period of five years after a member retires. This means that if a pensioner passes away within five years of retirement, the balance of the monthly pension (annuities) up to five years after retirement is payable as a once-off lump sum to beneficiaries.

It is therefore advisable for pensioners to complete a Nomination Form that may be considered in event of a pensioner passing away within five years of retirement.



WHEN DOES THE BOARD OF TRUSTEES REVIEW PENSION BENEFITS, AND DO MEMBERS GET AN OPPORTUNITY TO PARTICIPATE IN THE REVIEW PROCESS?

The Government Employees Pension Fund is managed by a Board of Trustees who have a legal responsibility to act in the best interests of the Fund and its members, including making sure that the Fund remains financially sound.

The Board of Trustees regularly review the benefit structure of the Fund to consider possible enhancements. It must however always be born in mind that any benefit enhancement must be affordable whilst ensuring the continued prudent financial management of the Fund.

Representation to the Board of Trustees by members and pensioners is through eight representatives who are:

- One Trustee who is elected by pensioners in a postal ballot vote;
- One Trustee who is elected by members of the South African National Defence Force, the National Intelligence Agency and the South African Secret Service;

Six Trustees who are elected/appointed by labour representatives in the Public Service Coordinating Bargaining Council.

UNCLAIMED BENEFITS IS MONEY THAT BELONGS TO SOMEONE, PLEASE HELP GEPF TO FIND THEM

The GEPF continues to have Unclaimed Benefits in instances where the are increasing every year because the Government Employees Pension Fund (GEPF cannot find the rightful beneficiaries of those benefits.

Unclaimed Benefits are defined as benefits that have not been paid to the rightful beneficiary within 24 months from the time of a member's exit and the reason for the member exiting the GEPF and their last day of service are both known.

Although there are several causes that lead to pension benefits being unclaimed, below are the most common causes the Fund has identified:

The employer department did not submit the relevant exit documents (Z102 forms etc.) to the GEPF or the documents submitted contain errors that have not been rectified.

- The GEPF is not able to get a tax directive from South African Revenue Service (SARS) because the member or beneficiary has either not registered as taxpayer or they have outstanding tax matters with SARS
- The pension benefits pay-out is returned to the GEPF due to incorrect banking details or a frozen or closed bank account or incorrect pay points
- The GEPF has insufficient information about the spouse or beneficiary of the deceased member, which results in the GEPF not being able to effect payment of the benefits to the rightful beneficiaries.

Who can claim Unclaimed Benefits?

The following people may be eligible / potential beneficiaries of Unclaimed Benefits:

- Retired GEPF members who have not received their pension benefits;
- Beneficiaries of GEPF members who are no longer in service or who are deceased
- The guardians of GEPF members' beneficiaries.

Requirements to successfully claim Unclaimed Benefits

1. *If the applicant is a member or spouse, the following documents are needed to successfully claim Unclaimed Benefits:*

- A fully completed Z894 form (Banking Details);
- A certified copy of the applicant's ID (not older than six months).

2. *If the applicant is a beneficiary, the following documents are needed to claim Unclaimed Benefits:*

- The member's death certificate.
- A certified copy of the beneficiary's ID (not be older than six months).
- A completed Z894 form (Banking Details).
- A guardian letter in the case of a minor beneficiary; and
- A certified copy of the guardian's ID (not older than six months).

If you know of someone who could be having GEPF Unclaimed Benefit, please do not hesitate to advise them to contact us at the following details:

**Email address: UnclaimedBenefit@gpaa.gov.za
or 012 399 2512, 012 399 2519 or 012 319 1286
during official working hours.**

ACTUARIAL INTEREST FACTORS: WHAT IS IT AND HOW DOES IT WORK?

What is actuarial interest?

GEPF members' pension benefits, that is payable on retirement, increases for each year of pensionable service that they work. This pension benefit is determined, amongst other, by a member's pensionable salary and the years of pensionable service and is only payable when the member retires. However, a member may choose to leave the Fund before they reach retirement age. In such instances, the member would have already earned some form of benefit and it would only be reasonable for them to be paid the fair value of what they would have earned in pension benefits when they leave the Fund.

Actuarial interest represents the fair value of a pension benefit earned when a member leaves the Fund and is an estimate of the amount that needs to be set aside to provide members with the pension that would be due to them in retirement.

What are actuarial factors and why are they needed?

Actuarial factors convert a regular pension benefit payable in the future to an equal lump-sum value of what it amounts to today. In other words, actuarial factors simplify the calculation of the actuarial interest benefit and are needed to determine how much a member should be paid today to compensate them for the future pension they are going to forego if they exit before retirement.

How often does the GEPF update the actuarial factors? The Fund updates actuarial factors after the approval of the statutory actuarial valuation. This could be every two or three years depending on when the statutory actuarial valuation is conducted. However, it must not exceed a period of three (3) years as provided for in the Government Employees Pension (GEP) Law and rules. Regularly changing the Actuarial Interest Factors is important to ensure that members who leave the Fund

receive an appropriate benefit based on the benefits they have built up in the Fund and to ensure that the Fund does not make a profit or a loss based on the actual benefits that are paid to exiting members.

What process is followed before the implementation of the new factors?

The GEPF consults with different labour unions on the proposed factors before implementation. This is a requirement of the GEP Law. Once the consultation process is completed, and a decision is made on the actuarial factors, an instruction is sent to the administrators to update the actuarial factors.

What affects actuarial interest and actuarial interest factors?

Actuarial interest factors are based on a set of financial and demographic assumptions as recommended by the Fund's valuator in the statutory actuarial valuation report. These assumptions are expected to reflect the experience of the GEPF membership and its investments. The assumptions are based on reasonable expectations about future events and are guided by actual experience and statistics. The main driver of the factors is the investment returns above inflation, which the Fund's investments are expected to earn from now until the pension benefits are payable.

Who is affected by the changes in the actuarial interest factors?

The updated actuarial factors are applicable to all active members. However, only benefits where actuarial interest is payable will be affected. This affects mainly resignation benefits and other exits where a member has less than 10 years of pensionable service. Members who retire with at least ten years of pensionable service will be unaffected by changes to actuarial factors