

# fundtalk

The quarterly newsletter for members of the Government Employees Pension Fund

2<sup>nd</sup> Edition 2022



I AM A GOVERNMENT EMPLOYEE. DOES THAT MAKE ME A GEPF MEMBER?



DID THE COVID-19 PANDEMIC AFFECT MY GEPF BENEFITS?



IS THERE AN AGE LIMIT TO QUALIFY FOR A CHILD PENSION?

## I HEARD

THAT I COULD CLAIM A PORTION OF MY PENSION BENEFITS,

## IS THIS TRUE??



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Undoubtedly the rising cost of living in a struggling economy and the adverse impact of the Covid-19 pandemic coupled with indebtedness have worsened the financial situation of many households across the country. As a result, many individuals find themselves under severe financial constraints.

Unfortunately, the Government Employees Pension (GEP) Law which governs the administration of the GEPF, does not currently have provisions to allow members to withdraw their pension benefits earlier than the pre-set retirement age.

Based on the above explanation, some public servants are making the unwise choice of resigning from employment to access their pensions. Needless to say, such a choice is not advisable as it puts the long-run financial well-being of your retirement savings at risk. In addition, cashing in on your pension savings on resignation is not tax efficient as you get charged tax at a higher rate than at retirement.

### **Implication of proposed two-pot retirement system**

The National Treasury (NT) has, however, begun engaging of the possibility of a reform to the retirement funds industry that will allow members to access their retirement savings without having to exit their Fund. The recently proposed draft amendments to the taxation laws allow for retirement funds to set up a vested pot, savings pot and a retirement pot. The vested pot will be made up of the benefits accrued by members as at

the implementation date. Members will be able to contribute at most 1/3 of all future contributions to the savings pot with the remainder being allocated to the retirement pot from the implementation date.

Under the proposed structure, members would be able to access funds from the savings pot, without having to leave their Fund. This would however be subject to the balance in the pot being at least R2 000. Members will also be limited to one withdrawal each year. There is currently no limit set on the maximum amount that can be withdrawn from this pot

Funds accessed from the savings pot would be treated as additional income and would be taxed at a member's marginal tax rate. Funds in the retirement pot will only be accessible at retirement or if a member passes on. These funds would be taxed according to the retirement tax tables. Under this "two-pot" system, members would only be able to access the vested and savings pot on resignation. The retirement pot will not be accessible on resignation.

There have been further calls for National Treasury to allow for some form of early access to the vested pot. It is expected that the next draft of amendments will provide further information on how much will be allowed to be accessed and as from when such access would be granted.

As things stand, the proposed implementation has been extended to cover the GEPF. The amendments have not been finalised and are still at a draft stage. Further changes to the amendments are possible and are expected to be made. The GEPF will continue monitoring the developments and will keep you updated on this matter.

# I AM A GOVERNMENT EMPLOYEE. DOES THAT MAKE ME A GEPF MEMBER?

Lesiba just got permanent employment as a teacher at Makgakgapatje High School, a public school located in the Limpopo province. On his first day at work, he is required to sign an employment contract.

Amongst the documents that Lesiba must complete are two GEPF forms – the WP1002 (Nomination of Beneficiaries) form and the Z864 (Personal Particulars) form. He somehow feels nervous and suspicious while completing the GEPF forms and decides to ask the school's Human Resource (HR) official who was assisting him about GEPF and why he needs to join the Fund.

The HR official explains to him that unlike other insurance products, especially those that are offered in the private sector, as a permanently employed government employee in SA, one automatically becomes a member of the GEPF.

The HR official at the school further explains to Lesiba that his completion of the Nomination of Beneficiaries Form (WP1002) will assist the GEPF to identify and locate his beneficiaries should he passes away while he still works for government. **The Z864** form on the other hand will ensure that he is able to receive important correspondence about the Fund and his membership such as **Benefit Statements and the GEPF member newsletters**.



Lesiba is relieved upon hearing the explanation and takes the opportunity to ask the HR official about the benefits of being a GEPF member. The HR official explains to Lesiba that becoming a GEPF member comes with many benefits such as the retirement benefits which will be applicable if he works **for ten (10) or more years**. He is also advised that as a GEPF member, he qualifies for a **Funeral Benefit** should he, his spouse or his children under the age of 22 years pass on.

As a new, young employee, Lesiba is further surprised to learn that in case he passes away his children will also qualify for the **Child Pension** until the age of 18 and up to the age of 22 if they are still in school. This benefit will be received for life if the child in question lives with a disability and is unable to take care of themselves. Not only that, but his wife will receive a **non-transferrable Spouse Pension** for the rest of her life.

With this new information at hand, Lesiba could not wait to inform his family about the benefits that come with being a GEPF member.



# YOUR LIFE PARTNER MAY QUALIFY FOR THE FOLLOWING BENEFITS IF YOU PASS ON

Katlego has been working as a teacher in a public school for more than twenty years. He has been a member of the GEFP all these years and has made his contributions every month without fail. He has been living with his partner, Lydia for over ten (10) years, however, they are not legally married. They are blessed with three (3) children.

He plans to pay lobola for his partner in the near future. Katlego has not registered Lydia with the GEFP as a life partner because he did not know that he could do that even if they are not married. He always thought one could only register their life partner if they were married and officially registered, which in his case may take a long time to happen as he wants to pay lobola first.

According to the rules of the Fund, although Katlego and Lydia are not legally married, if Katlego registers her as his life partner the GEFP will ensure that she qualifies for a Spouse Pension in case he dies while still in the public service or as a pensioner. To register her, Katlego will need to complete the Life Partner Application form and attach the supporting documents (his ID copy and his life partner's ID copy). He can then submit the documents at the nearest GEFP office or the Human Resource Department at his workplace. It is that easy!

Sadly, before Katlego could do any of the paperwork he is involved in a car accident and sustains serious injuries. After a few days, the inevitable happens. Lydia receives a call from the hospital, informing her that Katlego has unfortunately passed on. She is shattered and devastated. Katlego was the only

source of income for the family. In her grief, she is thinking about the children and how she will support them without their father as she has no income at all.

Whilst mourning her partner and facing the uncertain future with three children, a Human Resource official from Katlego's workplace visits the family and informs Lydia that she may still qualify for the Spouse Pension and Funeral Benefit. He further informs her that her children may also qualify for the Child Pension. The official assists her to complete the required forms to lodge a claim. He advises her to obtain affidavits from her family members and those of her deceased partner, her neighbours

and friends. Lydia can also get a letter from the tribal office confirming the cohabitation. These documents will serve as testimony that indeed Katlego was her life partner and that they were living together for more than three (3) months at the time of his untimely death.

Had Katlego completed the Life Partner Application form before his death, his surviving partner and children would not have had to go through this tedious process. Do not be like Katlego. Complete the Life Partner Application form and register your life partner with GEPF.

# HOW DOES A DEFINED BENEFIT FUND WORK?

The GEPF is a defined pension benefit fund. In this type of fund, your benefits are guaranteed. This means that you will not receive fewer benefits than what you qualify for. More importantly, your benefits do not depend on the amount that both you and your employer are contributing to the GEPF, but the benefits are already defined in the Government Employees Pension (GEP) Law – which governs the administration of the Fund.

As a member, you are strongly advised to familiarise yourself with the GEP Law from the onset as this will ensure that you are aware of the rights and responsibilities of both you and your employer.

The biggest advantage of belonging to a defined benefit fund is that your benefits are

guaranteed. Moreover, as an active member, your benefits increase annually and are protected against inflation. The Fund prides itself on a solid track record in safeguarding the value of your retirement wealth and protecting its pensioners against inflation.

The GEPF is structured to offer different benefits to members, pensioners and beneficiaries such as resignation benefits, retirement benefits, ill-health or disability benefits and death benefits. The amount payable is calculated based on the period of pensionable service as well as the final average salary over the last two years of employment of a member.

The GEPF is duty-bound to pay you a certain amount when you retire and is thus responsible for ensuring that there are enough funds to eventually pay the benefits out as required irrespective of its investment performance.



# DID THE COVID-19 PANDEMIC AFFECT MY GEPF BENEFITS?

Since the outbreak of Covid-19, life as we know it has changed significantly. The virus, which was declared a global pandemic by the World Health Organisation (WHO) wreaked havoc on our lives – claiming lives, destroying livelihoods and decimating economies the world over. Our country was not spared the wrath, and as a result, the nation is still reeling from the impact and aftershocks of the gruesome pandemic.

Despite the immeasurable devastation to the economy, the (GEPF has remained resolute in the face of potential gloom. Members, pensioners and beneficiaries of the Fund can rest assured that their pension benefits are safe and secure since they were not affected in any way.

The GEPF is a defined pension benefit fund. This means that members' benefits are guaranteed and as such they will never receive less than what they are supposed to. In addition, the benefits are not dependent on the Fund's investment performance and are protected against inflation.

To put your mind at ease, based on the valuation report for the financial year ending 31 March 2021, the Fund reflected a healthy financial position. A healthy financial position is when assets and investments are worth more than its obligations. As of 31 March 2021, the Fund's net assets were approximately R2.041 trillion compared to total liabilities of R1.854 trillion reflecting a surplus of around R187 million. This reflects a minimum funding level of 110.1% which is an improvement from the previous funding level of 108.3%. The funding level of 110.1% means that the Fund has R110.10% set aside as assets for every R100 that it owes to members.

This valuation is informed by an increased membership of 1 270 444 active members and 485 633 pensioners and beneficiaries. The pensionable salaries of members who contributed to the Fund throughout the valuation period increased by an average of 6.2% per annum. Annual pensions increased by an average of 4.0% per annum during the valuation period. The employer contributions were at 16% and 13% of pensionable salaries for services and other members respectively. Given the positive outlook as reflected in the valuation report, you can count on our assurance that your hard-earned benefits are in safe hands.

# IS THERE AN AGE LIMIT TO QUALIFY FOR A CHILD PENSION?

An eligible child qualifies for the Child Pension benefit until they are eighteen (18) years of age and only until twenty-two (22) years if the child pensioner is still at school or an institution of higher learning. In a case of a child who is still at school, proof of registration will be required. In instances of a child who is living with a disability and was fully dependent on the deceased member or pensioner, the affected child could qualify for the Child Pension benefit for as long as they live. The application in this respect will be subject to approval by the GEPF.

For a child to be considered for the Child Pension benefit, they **MUST** be a biological or legally adopted child of the deceased member or pensioner. Stepchildren or other children that were in the care of the member or pensioner at their time of death **DO NOT**

automatically qualify for this benefit. These children will therefore be required to prove that they were legally adopted or are the biological children of the deceased member or pensioner.

If the child is still a minor or below eighteen (18) years, the benefit is paid to their guardian until the beneficiary/ child pensioner turns eighteen (18) years old. As soon as the beneficiary reaches eighteen (18) years, they are required to open a bank account in their name and submit the banking details to the GEPF. It is against the Government Employees Pension (GEP) Law – which governs the Fund and its operations – for the GEPF to pay this benefit into the bank account of another person after the child has turned 18. The benefit payment will be suspended until such a time the beneficiary's banking details are submitted to the GEPF.

If a child qualifies for this benefit but fails to furnish the GEPF with their banking details after turning 18, the process of paying the due benefit will be temporarily suspended until the details are received by the Fund.

# HOW DOES THE FIVE-YEAR

## BALANCE WORK?

Members of the GEPF may be entitled to receive a monthly pension after they have retired. The conditions of this retirement benefit depend on the number of pensionable years of service a member has accumulated while in the public service.

If a member has ten (10) years or more of pensionable service when they retire from the public service, they will receive a once-off payment called a gratuity and a monthly pension called an annuity for as long as they live.

It is important to emphasise that retirement or discharge annuities are guaranteed for ONLY five (5) years after a GEPF member goes on retirement. Should the pensioner die within the first five (5) years of their retirement period, the remaining annuities, excluding the annual supplement, will be paid to their nominated beneficiaries as a once-off cash lump sum.

If a member, for instance, retires and within a year passes away, GEPF will pay the remaining pension, which is equivalent to four years' worth of pension, to the deceased's eligible spouse and/or beneficiaries. Members are therefore advised to complete and regularly update their Nomination of Beneficiaries form (WP1002) while they are still in service and specify who should get the benefits in case they pass away while in service or within five (5) years of their retirement.

However, if a member lives past the first five years of retirement, there will be no five (5) year balance payable to the beneficiaries. This is because all the pensioner's annuity would have been fully paid. Many members and pensioners are confused by the fact that the GEPF continues to pay pensioners beyond five years of retirement. This is done through the GEPF's own money, not the pensioner's money. The GEPF is able to do so because of the investments it continually makes. This is the GEPF's way of showing gratitude to its members for remaining in their jobs until their retirement age.

The following documents are required for the processing of a five-year balance:

- Certified copy of the green barcoded Identity Document or card
- Certified copy of the death certificate of the pensioner
- Certified copy of a green bar-coded identity document or passport of the pensioner and confirmation of death by the Department of Home Affairs; and
- Certified copy of a marriage certificate, religious, customary union, or civil, as issued by the Department of Home Affairs. All certified copies must not be older than six months.



# THE BENEFITS

## OF RETIRING WITH GEPF

To resign or to retire with the GEPF? This is one of the most frequently asked questions among public servants – particularly those who are members of the GEPF. There are several critical factors to consider when you contemplate resigning from the public service.

The decision to resign or to remain in public service until retirement lies solely with you as an individual employee. However, it is the GEPF's responsibility to bring to your attention the financial implications that your decision could have in the immediate future but more importantly in the long term. It is for this reason that the GEPF chooses to equip you with the necessary information for you to make an informed decision.

There may be a variety of compelling reasons prompting you to decide however without fully understanding the consequences of that decision you may in hindsight regret taking such a drastic step. GEPF benefits should you opt to remain a contributing member of the Fund until your retirement.

Some of the benefits that you are guaranteed to receive when you opt to remain with the GEPF until retirement include the following:

### **1. Death Benefits**

#### **1.1 Death while in service**

The benefit amount that is paid out is dependent on the duration of your pensionable service. It is payable to your nominated beneficiaries. In the unlikely event that there are no beneficiaries, then the benefits will be paid into your estate.

#### **1.2 Death while in retirement**

Retirement or discharge annuities are guaranteed for five years after your retirement. If you pass on within this period, your nominated beneficiaries receive the balance of the five (5) year annuity payments as a once-off cash lump sum.

## 2. Spouse Pension

A qualifying spouse or an eligible life partner is entitled to a percentage of the annuity paid to you at the time of your death. The same applies if the member dies while in service and had a full potential period of at least ten (10) years – that is pensionable service years plus unexpired years until normal retirement.

In contrast, if you decide to resign, you forfeit the monthly pension (annuities) that you would have received if you had 10 or more years of pensionable service. You also lose out on the Funeral Benefit and Post-retirement Medical Benefit. Your spouse/life partner or children will also lose every benefit (Spouse Pension, Child Pension, Funeral Benefit) that they qualified for, had you remained with the Fund until the time of your death.

In addition, if you have 15 or more years of pensionable service, you are also eligible to receive a subsidy towards your monthly medical aid membership for the rest of your life, **ONLY** if you choose to retire with the GEPF. If you have less than 15 years of pensionable service, you may qualify for a once-off medical benefit (the amount payable depends on whether a member has less than 5 years of pensionable service, less than 10 years of pensionable service, or less than 15 years of pensionable service). This Post-retirement Medical Benefit also falls away if you resign.

As a GEPF member, you are encouraged to familiarise yourself with the rules and regulations of the Fund. This will give you a better understanding of what you stand to lose or gain when choosing between resignation and staying on until the appropriate retirement time.

# GEPF increases its footprint in clean energy

21 May 2022 marked another milestone day for the GEPF as the Fund launched one more renewable energy project, the Roggeveld Wind Project on the border of the Western and Northern Cape.

This project comes at an important time in our country's efforts to ensure sustainable electricity noting Eskom's inability to guarantee sufficient power to the grid. More importantly, the world's climate change and its effects have not slowed down with 2021 reporting some alarming numbers. Greenhouse gas concentrations, sea level rises, ocean heat levels, and acidification, floodings all set new records during 2021 while some glaciers reached the point of no return, according to the latest flagship report from the World Meteorological Organisation (WMO).

Addressing the attendees, which include both the Western Cape and Northern Cape provincial governments officials as well as the Department of Minerals and Energy, the Fund's Principal Executive Officer, Musa Mabeza declared that "The Roggeveld Wind Project is a testament of our commitment to a more sustainable future through the utilisation of wind turbines to generate electricity which will be fed into the National Power Grid. Due to the crucial role that reliable power supply plays in our economy, the GEPF has interest in the energy sector, and this is evident in our portfolio which is managed by the PIC."

The GEPF's total investment in the Roggeveld Project is R281 million which includes equity and 15% contingency for currency movements. The GEPF through the PIC holds 23.25% in equity while the balance is held

by the developer, other South African institutional investors, a BEE party, and the local community trust.

The direct and indirect benefits that this project has brought to the communities around that area are worth noting. This farm will generate approximately 613 GWh (gigawatt hours) per year. The energy generated will satisfy the energy needs of roughly 49 200 households every year while avoiding about 502 900 tons of carbon emissions. Some of the positive socio-economic impacts include the creation of job opportunities, transfer of skills, and contributions to the local, regional and national economies.

Approximately **386** jobs have been created during the construction and 33 jobs concerning the operation phases. The project has committed a local spend during construction of no less than **48%** of project costs, which equates to about **R2.1 billion**.

The local communities also stand to benefit from this project as a result of the dividends that are paid into the Building Energy Opportunity Trust. This will promote community-based projects such as the provision of training, the promotion of micro-enterprises, the building and equipping of educational facilities, the provision of scholarships, and other community-based initiatives.

This investment in Roggeveld as well as most of the GEPF's energy Fund investments are part of the Department of Energy's Renewable Energy Independent Power Producers Procurement program (REIPPP program). The REIPPP program has awarded generation licenses to 91 projects that are located in the rural communities of Limpopo, Free State, Eastern Cape, Northern Cape and Western Cape.

To date, GEPF investment in renewable energy has grown to over R10 billion; with investments in solar PV; wind energy, and concentrated solar power plants.



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# Do you know where to find us?

GEPF has a national toll free Call Centre number, **0800 117 669**.  
Calls to this number are free from any Telkom line.  
We also have regional Client Service Centres in all nine provinces of South Africa.

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Sunnyside, Pretoria

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### Northern Cape

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### Western Cape

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## Satellite Offices

### Durban

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### Johannesburg

UCB House, 2nd Floor,  
78 - 74 Marshall Street, Marshalltown

### Thohoyandou

2010 Centre, next to Phalaphala FM (SABC)

### Mthatha

Manpower Building, Ground Floor,  
Corner Elliot & Madeira streets,

### Phuthaditjhaba

Mandela Park Shopping Centre,  
712 Public Road

### Gqeberha (formerly Port Elizabeth)

1<sup>st</sup> Floor, Regus House  
Fairview Office Park, 66 Ring Road  
Greenacres

### Rustenburg

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