



# fundtalk

The quarterly newsletter for members of the Government Employees Pension Fund



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## GEPF invests responsibly

The primary role of GEPF is to protect the wealth of our members and pensioners by safeguarding their retirement benefits through proper administration and prudent investment.

GEPF exists provide and pay benefits when due to public servants who are member as well as retirees. GEPF would like to assure its members and pensioners that their pension benefits are safe. Members and pensioners are reminded that their benefits are paid in terms on the rules of the Fund and are not directly dependent on contributions by themselves and the employer and GEPF's investments. They should therefore not focus inordinately on the ordinary and normal fluctuations of the Fund's investments, which is of greater interest to the Board of Trustees and the Minister of Finance.

In making investment decisions, the Fund's investment manager, the Public Investment Corporation (PIC), is guided by a mandate provided by GEPF that outlines which type of investment can be made, the percentage allocation for each asset class, benchmarks and performance targets, among other guidelines.

To ensure that the Fund keeps its objective of paying benefits to members and beneficiaries, a number of mechanisms are in place to ensure that the PIC acts within its mandate.

GEPF's investment policy and strategy are reviewed and updated regularly in line with GEPF's Asset Liability Model. This review is carried out in consultation with the Minister of Finance in terms of section 6(7) of the GEP Law and Rules.

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In addition, GEPF has a Responsible Investment policy as well as a Developmental Investment policy. The Responsible Investment (RI) policy is an overarching strategy aimed at integrating environmental, social and governance issues into investment decisions and ownership practices. The RI policy underpins all GEPF investments.

The Developmental Investment (DI) policy focuses on targeted investments that contribute to positive economic, social and environmental outcomes for South Africa, while earning good returns for members. The DI policy is the foundation of GEPF's investments in economic infrastructure, social infrastructure, environmental infrastructure and priority sectors that generate job creation.

GEPF is required to invest 90% of its assets in South Africa, and as such remains the single largest investor in the Johannesburg Stock Exchange (JSE). It has an international allocation limit of 5% in the rest of Africa and 5% elsewhere

The PIC makes investments in all asset classes guided by the Fund's investment policies and mandates using robust and rigorous investment analysis based on sound investment philosophy, investment processes executed by qualified and experienced investment professionals.

With regard to the investments such as Sanral and Eskom bonds, the PIC has a mandate from GEPF to invest in the bonds included in the Bond Exchange of South Africa's All Bond Index (ALBI), within specified risk parameters including a minimum rating of BBB. To the extent that these bonds are included in the ALBI, and they meet the minimum rating criteria, they can be included in GEPF's portfolio.

Total exposure to any single bond issuer is subject to restrictions stipulated in the investment mandate. For example, not more than 5% of the total bond portfolio can be invested in bonds issued by an A-rated issuer, and not more than 2% can be invested in bonds issued by a BBB-

These are some of the limits in place to mitigate the portfolio's credit risk. An additional consideration is that investments in Sanral and Eskom are investments in the infrastructure on which the South African economy depends

All investments that the Fund makes individually only constitute a small percentage of GEPF's total investment portfolio. Although GEPF and PIC do not make any

investment expecting to lose money and or not receive a good return, individual investments are therefore not a significant investment.

The Fund's risk management policy and framework provides the necessary processes to ensure the sustainability of the Fund. The mandate and responsibility of GEPF's Board of Trustees is contained in the Government Employees Pension (GEP) Law and rules that set out its fiduciary responsibilities to members, pensioners and beneficiaries, and which calls upon trustees to ensure effective and efficient administration of the Fund.

GEPF is mandated to protect the members' benefits as highlighted by the investment performance of the Fund in the past ten years which shows good standing. The Funds' assets have grown from R416 billion to R1 591 billion from 2005 to 2015.

The Fund's ten-year investment performance is evidence that the Board of Trustees, through a good investment strategy with the PIC, is monitoring and directing the Fund's assets in a professional manner.

It is also important to note that in any investment environment, certain investments will achieve above expectation and others will not reach their targets, but the Fund's overall investment performance over the last few years speaks for itself. While it is the task and responsibility of the PIC to focus on each and every investment to ensure a positive outcome, and for the Board of Trustees to monitor this, members and pensioners need not focus too much on them.

During the past decade the Board of Trustees has granted pension increases which have kept up with inflation resulting in more than 400 000 pensioners' buying power being protected.

These pension increases need to be viewed in the context of the Fund's rules, which state that increases only need to be 75% of the change of the Consumer Price Index. Such adjustments, and the inclusion of additional benefits such as the Funeral Benefit, have only been possible because the necessary investment goals have been reached.

In addition, GEPF is a defined benefit pension fund and therefore has very strict regulations governing the financial liability to its members and pensioners.

**The assets of the Fund have grown from R416 billion to R1 591 billion from 2005 to 2015.**



# GEPF INVESTMENT IN HOUSING SCHEME - A BOOST TO GOVERNMENT EMPLOYEES



GEPF's Board of Trustees has approved a R10.5 billion financial injection in affordable housing for government employees and qualifying members of the public.

The investment aims to provide government employees and qualifying members of the public with end-user home finance and development finance for approved, affordable housing projects.

It is envisaged that this investment will serve as an opportunity for the majority of government employees who are deemed to be earning too much to qualify for an RDP house, but who are earning too little to qualify for commercial bank loans to buy houses, to secure proper housing for themselves.

The investment is part of the developmental investment mandate that the PIC is carrying out on behalf of GEPF. Specifically, this investment addresses the social infrastructure element which has housing as one of its key components.

Abel Sithole, GEPF's Principal Executive Officer, says: "We believe there are many GEPF members who often do not qualify for bank-issued housing loans and housing subsidies offered by the government. We are, therefore, excited about this investment as it will enable many government employees to own their own houses at a much more affordable rate. Most importantly, we believe home ownership can restore people's dignity."

Currently the benefit applies only to national and provincial government employees, and minimum credit scores apply. In addition, there is an online system through which employees can enrol. The system can be accessed through the Government Employees Housing Scheme (GEHS) website: [www.gehs.gov.za](http://www.gehs.gov.za). The system also allows employees to see their credit profile and to apply for home loans.

Members can contact SA Home Loans directly on 0860 246 810, visit any of the SA Home Loans regional offices, or contact their HR department for more information.

# WHO QUALIFIES FOR AN ORPHAN'S PENSION?



Children whose parents pass away while employed by government may qualify for a GEPF orphan's pension benefit. GEPF pays an orphan's monthly pension when the member dies and there is no surviving parents (natural or adoptive) to take care of the member's eligible child or children.

This is dependent on a number of factors such as the deceased member's:

- Actual years of service;
- Unexpired years of service, up to the age of 60;
- The actual service and unexpired service should be more than 10 years of service; and
- There is no surviving parent (natural or adoptive) to take care of the children.

## How do children qualify for orphan's pension?

- The children must be related to the deceased member either naturally or be legally adopted;
- They must be under the age of 18;
- They must be under the age of 22 and full-time students; and / or
- Even over the age of 18 if certifiably disable and dependent on the member financially.

## COMPLETION OF BENEFICIARY NOMINATION FORMS

GEPF members are encouraged to update their nomination forms in order to assist GEPF to speedily pay benefits in the event that the member passes on.

There is no limit to the number of beneficiaries that the member can list on the nomination form. It is up to the member to decide on who can claim his or her exit benefit after the member's death.

It is therefore important for members to always ensure that the correct details of the beneficiaries are captured on the nomination form. Also, members should ensure that the nomination form is regularly updated to enable GEPF to pay benefits on time and to the correct beneficiaries. Both your human resources department and GEPF are bound by strict confidentiality rules and may not tell anyone who your nominees are, so don't be afraid to complete your form and list all of your beneficiaries.



## DO MEMBERS WHO TAKE EARLY RETIREMENT RECEIVE THE SAME BENEFITS AS MEMBERS GOING ON NORMAL RETIREMENT?



Depending on the conditions of service, members can retire before the age of 60 but this might require additional approval from the employer.

However, what determines the benefits the member will receive on early retirement is whether he or she has more or less than 10 years of pensionable service in government.

It is important to note that a member who decides to go on early retirement with less than 10 years of pensionable service will only receive a cash lump sum as a gratuity, without a monthly pension (annuity).

If a member has over 10 years of pensionable service and decides to go on early retirement, he or she will be entitled to a cash lump sum and a monthly pension which will be reduced by 0,33% for each month between the date of retirement and the age of 60. The mentioned reduction is a once-off reduction done at the time of the pension pay-out.

**NO CHARGE TO MEMBERS FOR PROCESSING OF GEPF DOCUMENTS**

**DO THE RIGHT THING. Remember: good ethics prevent fraud!**



## YOU CAN CLAIM GEPF'S FUNERAL BENEFIT

Many members are still not taking advantage of the funeral benefit which is offered to them by the Fund. This is a non-contributory benefit that the Fund offers its members and pensioners to assist with funeral costs in the event that the member, pensioner, spouse, life partners and / or children die.

Members are advised that they can apply for a Funeral Benefit even after the burial, as the benefit does not lapse and can be applied for by completing the following forms:

- Funeral Benefit Claim Form (Z103), and
- Banking Details Form (Z894).

For more information on claiming the Funeral Benefit, please visit our offices or contact us on 0860 117 669.

No member is expected to pay in order to have his or her exit claim forms processed by any employer department or GEPF official.

Members who have experienced this must know that it was fraud and such cases should be reported to GEPF by calling our fraud line on 0800 43 43 73.

Members can also approach the GEPF offices in their provinces to alert the Fund of such fraudulent activities.



## CONTACT DETAILS



Please remember to send us your latest address and contact details, including your cell phone number and email address, so that we can stay in touch with you. This will assist us to communicate with you more effectively and will ensure that you receive your GEPF newsletter and other information regularly.

Please call our call centre or visit our offices to update your details.

**Contact us on 0800 117 669**

### DO YOU KNOW WHERE TO FIND US?

#### CLIENT SERVICE CENTRES

**Gauteng:** 34 Hamilton Street, Arcadia, Pretoria

**Eastern Cape:** No. 12 Global Life Centre, Circular Drive, Bhisho

**Free State:** No. 2 President Brand Street, Mangaung

**KwaZulu-Natal:** 3rd Floor, Brasfort House, 262 Langalibalele Street, Pietermaritzburg

**Limpopo:** 87 (a) Bok Street, Polokwane

**Mpumalanga:** 19 Hope Street, Ciliata Building Block A, Ground Floor, Mbombela

**North West:** Mmabatho Mega City, Office No. 4/17, Ground Floor, Entrance 4, Mahikeng

**Northern Cape:** 11 Old Main Road, Kimberley

**Western Cape:** 21st Floor, No. 1 Thibault Square, Standard Bank Building, Long Street, Cape Town

#### SATELLITE OFFICES

**Johannesburg:** 2nd Floor, Lunga House, 124 Marshall Street (Cnr Marshall & Eloff - Gandhi Square Precinct), Marshalltown

**Port Elizabeth:** Ground Floor, Kwantu Towers, Sivuyile Mini-Square, (next to City Hall)

**Mthatha:** 2nd Floor, PRD Building, Sutherland Street

**Durban:** 8th Floor, Salmon Grove Chambers, 407 Anton Lembede Street

**Phuthaditjhaba:** 712 Public Road, Mandela Park Shopping Centre

**Thohoyandou:** 2010 Centre, Next to Phalafala FM (SABC)

**Rustenburg:** Tlhabane House, Unit A2221, Tlhabane Unit 1

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