

## **PENSION INCREASE 2025 FREQUENTLY ASKED QUESTIONS**

### **1. How does GEPF decide on the annual pension increase?**

The GEPF operates under the framework established by the GEP Law of 1996, alongside the GEPF's Pension Increase Policy. These documents collectively outline the guidelines for determining annual pension increases for its members. When considering an annual increase, the GEPF's Board of Trustees, guided by recommendations from the fund's valuator, assesses a variety of critical factors to ensure that any proposed increase is financially sustainable and will not adversely affect the fund's future stability. This assessment includes evaluating the Fund's investment performance, analysing the long-term impact of potential increases on the Fund's financial health, reviewing historical increase patterns, considering current inflation rates, and the potential need for catch-up increases to align pensions with living cost adjustments.

Importantly, the overarching principle is that any pension increase must be underpinned by the Fund's investment returns and is inherently linked to the Fund's affordability.

### **2. What is the pension increase for 2025?**

GEPF has granted an annual pension increase of **2.9%** to its pensioners and beneficiaries with effect from 1 April 2025. Inflation (Consumer Price Index (CPI)) over one year until 30 November 2024 was **2.9%**. The pension increase granted is **100%** of the CPI figure of **2.9%** and is above the **75%** of CPI that is recommended in the GEP Law and Rules. This is in line with the GEPF pension increase policy as provided in terms of the GEP Law and Rules

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### **3. What is the value of the increase?**

The value of your pension increase is calculated based on a percentage of your current monthly pension. This means the actual Rand value of the increase will vary for each pensioner, directly correlating to the size of their existing pension. A pension increase of 2.9% means that for every R1 000 of pension you were receiving in the previous year, you will now get an additional R29.

For example, if your pension is R4 000 a month, effective 1 April 2025, your increased monthly pension will amount to R4 104 as shown below:

Current monthly pension: R4 000

Pension Increase of 2.9%: R 116

New Pension Payable from 1 April 2025: R4 116

### **4. Why is there a proportionate increase for pensioners that went on pension on or after 1 April 2024, and how does it work?**

Pensioners who retired on or after 1 April 2024 typically receive a proportionate increase in their pensions to reflect the partial year of pension payments they received in the fiscal year. This approach ensures fairness and equity in the adjustment of pension benefits, aligning the increase with the actual time during which the pensioner was in receipt of the pension.

The rationale behind a proportionate increase is rooted in the principle that pension increases are designed to counteract inflation and maintain the purchasing power of pensions. For individuals who have not been pensioners for the full year, the inflationary impact on their pensions would be less compared to those who have been receiving pensions for the entire year or longer. Therefore, their pension increase is adjusted accordingly to reflect the shorter duration of their pension receipt.

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This method ensures that pension adjustments are equitable, providing an increase that corresponds to the actual period of pension receipt, thereby avoiding overcompensation for recent retirees. It's a common practice in pension administration to prorate benefits in this way to ensure that all pensioners are treated fairly and consistently, according to the time they have been drawing their pension.

For example, for a pensioner who went on pension on 1 November 2024 and receives a monthly pension of R5 000, they would now receive a pension of R5 060.42 after the pension increase is granted. The increase is not equal to 2.9% because the pensioner retired after **1 April 2024**. They have received five months (November to March) of pension payments and so their increase percentage is 1.21% ( $2.9\% / 12 =$  multiplied by the five months). The increased pension for this pensioner is therefore R5 060.42 and not R5 145 (which would have reflected the 2.9% increase awarded to those who have been on pension for longer than a year).

## 5. When do I get paid my pension?

GEPF pays monthly pensions to different pensioner groups on two different dates: Pensioners who retired on or before 31 December 2002 are paid on the first day of the month (monthly in advance). Pensioners who retired after 31 December 2002 are paid on the last day of the month (monthly in arrears).

All pensioners (regardless of when they are paid) need to be aware of the dates on which their pension will be paid during **2025/2026**. To this end, GEPF has created a calendar of payment dates up to March 2026 (although it is important to remember that these dates can change):

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### **Pensioners who retired on or before 31 December 2002**

<b><i>Calendar Month and Year</i></b>	<b><i>Date Pension Will be Payable</i></b>
Apr-25	01-Apr-25
May-25	30-Apr-25
Jun-25	30-May-25
Jul-25	01-Jul-25
Aug-25	01-Aug-25
Sep-25	01-Sep-25
Oct-25	01-Oct-25
Nov-25	31-Oct-25
Dec-25	01-Dec-25
Jan-26	31-Dec-25
Feb-26	30-Jan-26
Mar-26	27-Feb-26

### **Pensioners who retired after 31 December 2002**

<b><i>Calendar Month and Year</i></b>	<b><i>Date Pension Will be Payable</i></b>
Apr-25	30-Apr-25
May-25	30-May-25
Jun-25	30-Jun-25
Jul-25	31-Jul-25
Aug-25	29-Aug-25
Sep-25	30-Sep-25
Oct-25	31-Oct-25
Nov-25	28-Nov-25
Dec-25	31-Dec-25
Jan-26	30-Jan-26
Feb-26	27-Feb-26
Mar-26	31-Mar-26

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## 6. Why do pensioners not get a bonus in their birthday month?

Different pension funds have different pension payment and increase policies. For example, GEPF has four levels of increases that the Board can declare: the basic increase, a further inflation-related increase, a catch-up increase and a supplementary increase (see the answer to question 3 above). Other pension funds may choose to pay a bonus in a birthday month together with a lower general pension increase or even a lower monthly pension. Whatever the approach taken, the different methods of paying pensions must be affordable for the specific pension fund. Each pension fund will have its own set of rules and policies that govern benefit payments.

## 7. What pension increases have been awarded during the past decade?

Date of increase (1 April)	Increase Granted	Year-on-year increase in CPI (rate of inflation)	Increase as % of inflation
2015	5.80%	5.80%	100.00
2016	5.30%	4.80%	110.42
2017	6.60%	6.60%	100.00
2018	5.50%	4.60%	119.57
2019	5.20%	5.20%	100.00
2020	3.60%	3.60%	100.00
2021	3.20%	3.20%	100.00
2022	5.50%	5.50%	100.00
2023	5.55%	7.40%	75.00
2024	6.00%	5.50%	106.00
2025	2.90%	2.90%	100.00

The above table clearly indicates that GEPF's investments and the returns earned thereon have been sufficient to enable the Fund to grant pension increases that have fully compensated for inflation for most part of the past ten years.

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## **8. Why am I no longer receiving a Life Certificate or is my pension finished?**

GEPF stopped sending manual Life Certificates to pensioners in South Africa from 1 October 2011. This system was replaced with an automatic process that checks a pensioner's life status with the South African Department of Home Affairs. This does not mean that your monthly pension payments will stop. It means that pensioners no longer need to fill in a Life Certificate and physically visit a Commissioner of Oaths to confirm their life status in order to continue receiving their monthly pension payments. The system is more convenient for our pensioners and is a very accurate way of checking their life status.

## **9. Overseas pensioners and Life Certificate requirement?**

GEPF unfortunately cannot do the same for pensioners who do not live in South Africa. These pensioners, as well as those whose status cannot be verified with the Department of Home Affairs, continue to receive the paper-based Life Verification form which needs to be completed and certified by a Commissioner of Oaths. All pensioners who receive the Life Verification form only receive one form per year, regardless of the number of benefits they receive from GEPF.

## **10. Why is my pension payment taxed?**

Pension payments are taxed because they are considered a form of income by the South African Revenue Service (SARS). When you retire and start receiving a pension, SARS treats these payments similarly to salaries earned by working individuals. The principle behind this is that during your working years, contributions made to your pension fund were tax deductible and thus were tax-deferred,

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meaning you did not pay taxes on the contributions. Therefore, when these funds are withdrawn as a pension, they are subject to income tax. The specific rate at which your pension is taxed is determined by SARS.

### **11. Is this all the tax I will pay on my income I receive?**

The tax deducted is specific to the GEPF pension paid and not any other additional income that you receive. If a pensioner or beneficiary is receiving income from more than one source then the tax would need to be paid on such income as well if applicable.

### **12. How is my other income taxed?**

If a pensioner or beneficiary is receiving income from more than one source then each source should be paying the required amount of tax to SARS on your behalf. While tax is typically deducted at source for each income stream you receive, the total tax liability is determined by aggregating all your income.

In South Africa, the tax system consolidates all forms of income to calculate your total taxable income. This total is then subjected to a progressive tax rate, which means higher income levels attract higher marginal tax rates. This system ensures that individuals pay tax proportionate to their ability to pay, with rates escalating as income increases.

It's crucial to be aware that having multiple income sources might place you in a higher tax bracket when your total income is combined. As a result, you may find yourself owing additional tax at the end of the tax year. This typically occurs during your income

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tax assessment, following the submission of your tax return. Therefore, it's advisable for members to prepare for any potential additional tax liabilities that could arise from the aggregation of your income sources under the progressive tax system.

**13. Can I ask the GEPF to deduct more tax for additional tax that I might incur due to additional income which when combined puts me into a higher tax bracket?**

Yes, you can request that the GEPF deduct additional tax to make provision for additional tax due to you being in a higher tax bracket because of additional income. Such a request must be done in writing to the GEPF. The additional tax/voluntary tax deductions will be added to the PAYE on the IRP5 certificate that you receive from the GEPF.

**/End.**

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