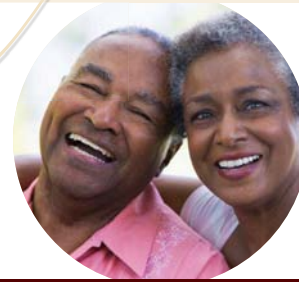
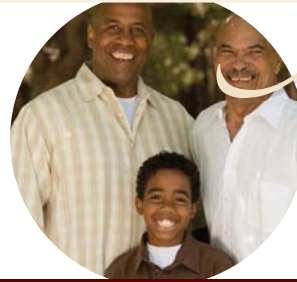


GEPF Today



Newsletter for active members of the Government Employees Pension Fund

JUNE 2010



A note from the Chairperson

Dear Members,

After years of preparation, the Soccer World Cup is finally here and football fever is running high in South Africa. With so much happening around us, the challenge is to keep our eyes on the ball and never lose sight of where we as a pension fund are going. As

Chairperson of the Board of Trustees, I would like to assure you, the members of the GEPF, that your best interests have our full attention at all times.

World Cup or no World Cup, June and July are always among the busiest months of the year for the GEPF. This is because our financial year-end always falls on 31 March, followed almost immediately by the auditing of the Fund's financial statements. Well, the auditing process is now well under way for the financial year ended 31 March 2010. This is a massive task, considering that the GEPF is one of the 10 largest pension funds in the world, and is a duty that the Board of Trustees takes extremely seriously. After all, it is through the annual financial statements that the Board accounts to our members and pensioners for the way in which their retirement savings are invested and safeguarded.

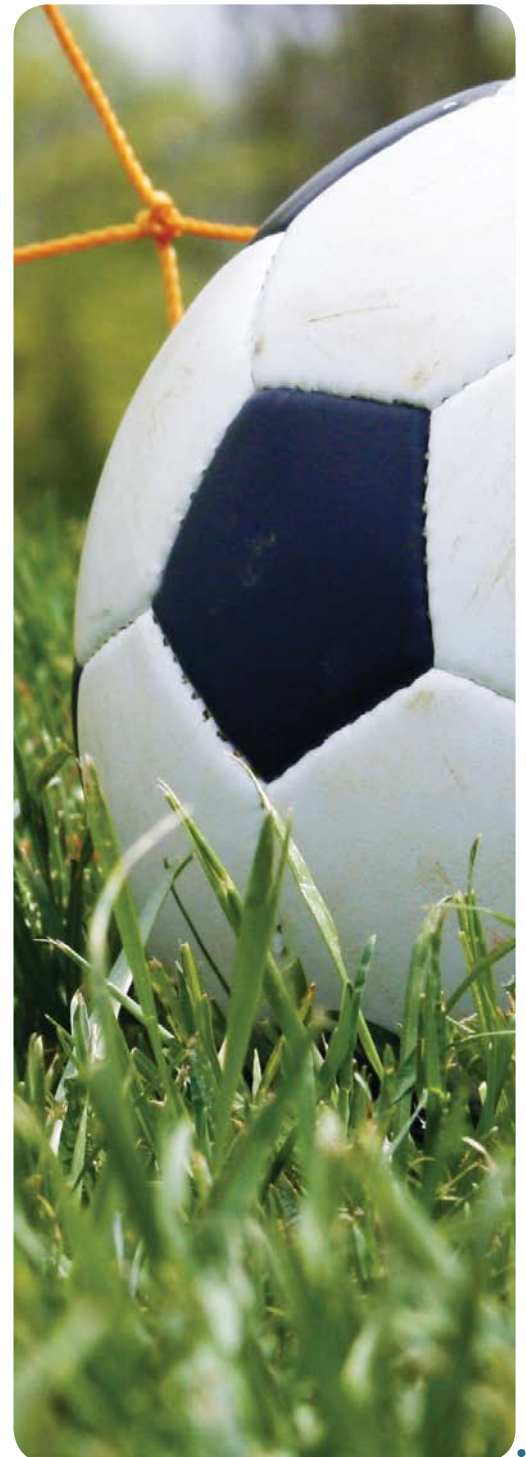
Although it is still too early in the auditing process to provide any specific facts and figures about the GEPF's performance in 2009/10, all indications are that the Fund has done well. Its financial position is stable, its investments are well managed and there are sufficient funds available to meet all liabilities. I look forward to reporting back to you in detail on the GEPF's performance when the financial statements have been fully audited and approved in a few months' time.

Another important development I would like to share with you is the recent launch of the GEPF's Responsible Investment Policy. This policy is designed to ensure that the GEPF's investments do not only produce the expected returns but also make a positive impact on the social, environmental and governance landscape of our country. We want to make sure that the GEPF's investments help create a better society, not just for the present and immediate future but for many generations to come.

On behalf of the GEPF Board of Trustees, I reiterate our commitment to playing our part in making the world a better place for all of us.

Enjoy the Soccer World Cup!

Arthur Moloto
Chairperson



Deducting departmental debt from an employee's pension benefits

When and why?

If a GEPF member owes money to his or her employer, the GEPF has the right in certain circumstances to deduct this debt from the member's pension benefits. In this article, *GEPF Today* explains when and why the GEPF can deduct departmental debt.

What is the basis of the GEPF's right to deduct departmental debt?

This right is contained in the Government Employees Pension Law. Sections 21(3) (a) and (c) of this Law say that the GEPF may, in certain circumstances, deduct money that the member owes to the employer.

Who decides whether or not a member's debt must be deducted? Does the GEPF have an obligation to deduct the money if the employer requests this or does the GEPF have discretion (the right to decide) over these deductions?

According to the GEP Law, the GEPF has discretion to deduct departmental debt. This means the GEPF is not obligated to deduct any debt from an employee's pension benefit at the request of the employer. Before the GEPF can exercise the discretion to deduct the debt, however, it must comply with the rules of "fair administrative action". Specifically it must allow both the employer and the employee an opportunity to give reasons why the debt should, or should not, be deducted.

What requirements must the GEPF comply with before it can deduct departmental debt?

As stated, the GEPF must comply with the requirements of fair administrative action, which means action that is lawful, reasonable and procedurally fair. This right is guaranteed in Section 33 of the Constitution and Section 3 of the Promotion of Administrative Justice Act, 2000.

When departmental debt is deducted, the main requirements for fair administrative action are that:

- The employer must inform the employee about the proposed deduction and the amount to be deducted;
- The employee must be given a reasonable opportunity to make representations to the employer and/or the GEPF about the deduction;
- The employee must be informed of his or her right to make representations directly to the GEPF;
- The employer must give the GEPF all relevant documents motivating its request for the deduction of the debt;
- The employer must submit its own representations and the employee's representations, if any, to the GEPF; and
- The GEPF must apply its mind independently and decide whether or not to deduct the debt.

May departmental debt be deducted from the pension benefit of an employee who resigns?

Yes. Departmental debt may be deducted when an employee resigns, retires or is discharged, for whatever reason.

What types of debt may be deducted?

According to the GEP Law, there are two types of debt that may be deducted. The first type is contract debt, as well as amounts wrongly or mistakenly paid to an employee. This debt is covered in Section

21(3) (a). The second type of debt relates to losses that the employer has suffered because of the employee's negligence, misconduct or criminal behaviour. This type of debt is dealt with in Section 21(3) (c) of the GEP Law.

Can you give more details about the debt dealt with in Section 21(3) (a) of the GEP Law?

These debts include, but are not limited to, the following:

- Contractual debt, for example study loans, housing loans and personal loans.
- Amounts inadvertently or wrongly paid to an employee, such as a salary overpayment where the employee resigns without working his or her full notice period.
- Any other debt which is not a loss suffered by the employer due to the misconduct, intentional criminal conduct or negligent actions (delict) of the employee. (These forms of debt are covered by Section 21(3) (c); please see the next question and answer.)

What types of debt may be deducted under Section 21(3) (c) of the GEP Law?

This section deals with loss suffered by the employer as a result of the intentional criminal conduct of the employee or by his or her negligent actions (delict). It also includes any loss due to the employee's misconduct. Misconduct may either mean criminal conduct or conduct which has an element of dishonesty (for example, theft) or negligence (for example, unintentional damage to employer property).

In other words, any amount of loss suffered by the employer through theft, fraud, negligence or any misconduct on the part of the employee may be deducted as departmental debt under Section 21(3) (c).

However, before such debt can be deducted, the employee must have admitted/acknowledged the loss in writing. Alternatively, the loss must have been proved in a court of law.

In practical terms this means the following:

- The debt must be in the nature of loss suffered by the employer;
- The cause of the loss must have been theft, fraud, negligence or any misconduct on the part of the employee; and/or
- The employee must have admitted or acknowledged the loss in writing or the loss must have been proved in a court of law.

It is extremely important to note that this section does not cover debt based on contract or amounts inadvertently or wrongly paid to an employee. The latter is covered by Section 21(3) (a).

May an employer withhold the employee's exit documentation to force the employee to acknowledge debt for purposes of Section 21(3)(c)?

No. It would be unlawful to try to force an employee to admit debt. Such action would in no way be condoned by the GEPF. The employer must submit exit documentation without delay and as soon as reasonably practicable.

Look out for more information on the deduction of departmental debt in the next issue of *GEPF Today*.

Death benefits

Make sure you don't leave your family or beneficiaries in dire straits



Do you ever worry about how your loved ones would manage financially if you were to pass away? Well, as a contributing GEPF member, you can have peace of mind knowing that the Fund will pay certain death benefits to your family or beneficiaries. All you have to do is check that the GEPF and your employer always have the correct information about you and your beneficiaries.

It is your responsibility as a member of the GEPF to ensure that your personal details are updated regularly. If there is any change in your marital status or address, or in the personal information of your dependants and beneficiaries, you should immediately notify your employer's Human Resources department. Your employer will then make sure that the GEPF has the latest information for our records. In the event of your death, this will enable us to quickly process a death benefit claim, preventing unnecessary hardship for the surviving family members.

Death benefits are payable to the qualifying spouse(s), orphans, dependants and/or nominated beneficiaries of a member who passes away. The benefits payable would be determined, among others, by the years of pensionable service the member has worked, as well as his or her annual salary.

Please note that death benefits are only payable if the person who passes away was a **GEPF member**.

The GEPF also provides for funeral benefits on the death of members and pensioners whose pension commenced on or after 1 December 2002. These benefits are also payable on the death of spouses and eligible children of members and pensioners whose pension commenced after 1 December 2002.

In the event of your death, your employer department must submit an application to the GEPF on an originally completed **Z102** Withdrawal form. The following documents must be attached in order for the GEPF to process the claim and pay the death benefits:

- An originally certified copy of the **death certificate** of the deceased member;
- An originally certified copy of the member's **ID document or passport**;
- A copy of the Nomination of Beneficiaries Form (**WP1002**), if available;
- Originally certified copies of the member's **salary advices/ service records for the last two years**;
- An originally certified copy of the member's **Marriage Certificate**/proof of **customary marriage/s**;
- Duly completed **bank particulars (Z894) forms** for all applicants;
- Scannable copies of the green, bar-coded **ID documents of all applicants**;

- Originally certified copies of **birth certificates** of children of the deceased member; and
- In the case of an application for a spouse's pension, the originally completed **Z143** must be signed by a Commissioner of Oaths.

Please note that certified copies must not be older than six months on the date of receipt of an application for death benefits.

Members need to take the National Credit Act (2006) into account when confirming bank account details. According to this Act, the bank automatically deactivates a bank account that has not seen any activity for more than 24 months. This issue is one of the reasons why payments from the GEPF cannot be made to members who are withdrawing from the fund.

It is also very important for beneficiaries to update the tax records of the deceased member to avoid the deactivation of this number by SARS. Once the tax number is deactivated, SARS will not be able to issue a tax directive, which may delay the payment of benefits.

In the event that there are no beneficiaries, an Estate Late Account will have to be opened by the person appointed as the executor. That person will have to present a letter of appointment to the GEPF. Should you require any further information, you are welcome to visit the GEPF Regional Office in your province. Our trained staff will be more than willing to provide you with the necessary information.

Register your customary marriage

GEPF members who are currently in customary marriages are urged to register their marriages with the Department of Home Affairs. This would assist greatly in ensuring that there is no dispute as to the validity of their marriages. The GEPF deals with many family disputes regarding the validity of customary marriages that usually emerge at the time of a member's death. This dispute usually delays the payment of benefits and the most vulnerable family members suffer while the payment of pension benefits is delayed.

Spouses who have been married to each other according to any of the systems of indigenous African customary law which exist in South Africa are in a customary marriage. The spouses of customary marriages are therefore urged to register their marriages in order for any possible disputes to be minimised in the best interest of the beneficiaries.

Planning to resign?

Let us know sooner rather than later

Members who are resigning are urged to notify their employers of this at least one month in advance. This will ensure that there is enough time for both the employer and the GEFP to process your withdrawal from the Fund.

As the member, you need to submit the following forms to your employer when you resign:

- Make use of either form Z894 (bank form): Your bank must complete this form if you want your resignation benefit paid into your personal bank account; or
- Form Z1525 (Particulars of approved external retirement fund): This must be completed if you want to transfer your resignation benefit to an approved retirement fund. Your financial advisor must complete the form and you must sign it.
- A certified copy of your green, bar-coded ID document. (The certification stamp must not be older than six months and the bank account must be active in terms of the National Credit Act).
- If you are divorced, a copy of the divorce order and the settlement agreement.

When transferring to an approved fund, please note:

- The GEFP will only transfer benefits to an approved fund that is registered with the Financial Services Board (FSB).
- No transfers to provident funds are allowed.
- The full actuarial interest is transferred to the new fund. Depending on the new fund's rules, you can withdraw one-third after reaching the age of 55. (If you have any debt, or owe a divorce gratuity to an ex-spouse, this will be part of the one-third deduction.)
- Two-thirds of the amount transferred will be used to "buy" an annuity which will be payable monthly.

Forms to be completed by your HR department when you resign:

- **Z102** Withdrawal from Fund form.
- Your last **salary pay slip**.
- **Proof of service termination** (a Persal print-out).
- **In case of departmental liability:** A duly completed Departmental Liability Claim Form completed by the employer and signed by both the employer and member.

Members are advised to sort out outstanding debts with the employer before their employment ends. Unsettled debt can be deducted from their pension benefits.

SARS tax directive needed before making exit payments

Every GEFP member earning more than R60 000 a year must be registered with the South African Revenue Services (SARS) as a taxpayer with a valid tax number. Outstanding tax matters should also be settled with SARS before your exit from the Fund.

Members are advised that before the GEFP can make any payment, it is required by law to request a tax directive (IRP 3) from SARS. In this tax directive, SARS will tell the employer and the GEFP how to deduct employees' tax from any payments not covered by the usual income tax tables. This is in line with paragraph 9(1) of the 4th Schedule of the Income Tax Act.

If SARS declines a request for a tax directive, members are advised by the GEFP to contact SARS personally to sort out any tax-related matter. Tax is a private matter, and therefore, the GEFP cannot assist the member.

Submission of forms

The employer has to submit the application forms for resignation benefits to the appropriate GEFP Regional Office one month before the member's exit date. This will give the GEFP enough time to process your pension benefits.

Frequently asked questions

Q *I recently joined the government sector after working in the private sector. My previous employer did not have a pension scheme. Now that I belong to the GEFP, is there any way in which I can buy back service for the years I worked?*

A The GEFP allows members to buy back service from their eighteenth birthday. You have to apply through your Human Resources department. They will submit a written request after completing a Z215 form (application to purchase service) to the GEFP. A quotation of the cost will be sent to you to decide whether you want to accept it or not.

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Q *I have worked for a private company and belonged to a provident fund there. Now that I have joined government, is my credit in the fund transferable to the GEPF?*

A Yes, the rules of the GEPF do allow a person who was a member of an approved retirement fund to transfer into the GEPF. Your previous fund needs to complete the Z1526 form and the Actuary will calculate the amount transferred to the fund and will amend the years of service accordingly.

Q *Assuming I retire or resign, what are the tax implications on my benefits? Am I going to receive my whole gratuity or only part thereof?*

A Tax is payable on your benefits. Annuities are taxed as income. A part of your gratuity will be eligible for tax relief.

Q *Will I also get my UIF contributions when I retire?*

A Unfortunately not. The Unemployment Insurance Fund is completely different from the pension fund. UIF provides for some sort of income if you are unemployed and is similar to an insurance policy.



GEP Law does not provide for loans

The GEP Law does not make any provision for loans within its Rules. No member can withdraw or is allowed to borrow money from the Fund while remaining in service of government.

The Fund's primary aim is to provide members with retirement benefits. Saving money is one of the most important things to do. It is often also one of the most difficult things to do. People save to provide for the future, especially for retirement.

Applying for an orphan's pension the affordable way

Do you know that applying for an orphan's pension is not a costly process if the applicants know exactly where to go for efficient services?

To apply for an orphan's pension, the applicants must obtain foster care documents from the courts. The most costly way to do this is to approach the High Court to issue a guardian affidavit. This is expensive because the applicant has to pay for the services of an advocate.

A more affordable option is to approach the children's court or the magistrates' courts. Applicants who use these courts are never required to pay for the services rendered.

Who qualifies for an orphan's pension?

An eligible child who was orphaned as a result of the death of:

- A member;
- The spouse of a deceased member;
- A pensioner who retired on or after 1 December 2002; and
- The spouse of a pensioner who retired on or after 1 December 2002.

An eligible child is either the natural or legally adopted child of a member or pensioner or a deceased member or pensioner.

An eligible child must be:

- Under the age of 18, or
- Under the age of 22 and a full-time student, or
- Over the age of 18 and disabled and factually dependent.

If both of the orphaned child's parents worked for government, the benefit will be duplicated as the application must be made on behalf of both Government employees.

Update your details

Please remember to send us your latest postal address and contact details, including your cell phone number, so that we can stay in touch with you. This will assist us to process your pension contributions and benefits efficiently and effectively, and ensure that you regularly receive your *GEPF Today* newsletter. Please keep in touch with us by calling 0800 117 669, sending an e-mail to enquiries@gepf.co.za, or visiting any of the GEPF provincial offices nearest you.

Report fraud



The GEPF Fraud Hotline is up and running and members and the community can use it to report any form of pension corruption, fraud or unethical conduct. Calls to the hotline are free and callers do not even have to give their names when reporting a matter.

The hotline number is **0800 43 43 73 (0800 43 GEPF)** and calls are answered 24 hours a day.

Share your views with us

Please help us to make this newsletter even better by sending us your comments and suggestions for improvements. Thank you to all the members who take the time to provide us with comments. Your opinions and inputs are important to us, so please send your suggestions to:

The Editor, GEPF Communication,
Private Bag X63, Pretoria, 0001
Or email: communication@gepf.co.za.

Winners of member data competition

The Quality Client Information Competition has finally closed and has produced about 45 winners in total around the country. As promised in the previous newsletter, here are the names of the remaining winners.

MONTH	WINNERS	PROVINCE
September 2009	Michael Ndhlebe	Lengau, Free State
	Ntsewa Maphuthi	Moletjie Rankhuwe, Limpopo
	Holoway Denzil	Vredenburg, Western Cape
	Agness Van Jaarsveld	Margate, KZN
October 2009	Marlese Viljoen	Paarl, Western Cape
	Nomangesi Jili	Kokstad, KZN
	Martha Dorfling	Uitenhage, Eastern Cape
	Amy Hoal	Lynwoodridge, Gauteng
November 2009	Jacob Williams	Marchand, Northern Cape
	Clifford Mokoma	De Lareyville, North West

Well done to our winners. We encourage all members to update their personal details with the GEPF on a continuous basis.

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0800 117 669

Gauteng

Pretoria (Head Office): 34 Hamilton Street, Arcadia

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

Limpopo

Polokwane: 87 Bok Street

Mpumalanga

Nelspruit: 19 Hope Street, Ciliata Building, Block A, Ground Floor

KwaZulu-Natal

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

Pietermaritzburg: Brasford House, 3rd Floor, 262 Langalibalele Street

North West

Mmabatho: 4/17, Ground Floor, Mega City

Eastern Cape

Bisho: No. 12, Global Life Building, Circular Drive

Port Elizabeth: Ground Floor, Kwantu Towers, Vuyisile Mini-Square, next to City Hall

Mthatha: Office 53, 8th Floor, PRD Building, Sutherland Street

Western Cape

Cape Town: 21st Floor, No 1 Thibault Square, Long Street

Northern Cape

Kimberley: Ground Floor, 11 Old Main Road

Free State

Bloemfontein:
2 President Brand Street

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