

fundtalk

The quarterly newsletter for members of the Government Employees Pension Fund

3rd Edition 2024/2025



PENSION INCREASE



GEPF ANNOUNCES
AN INCREASE TO THE
FUNERAL BENEFITS



PROCESS TO FOLLOW IF YOU ARE UNHAPPY WITH A BENEFIT STATEMENT

The Government Employees Pension Fund (GEPF) sends an Estimation of Benefits statement to its active members once a year.

This initiative aims to keep members abreast of the current standing of their pension funds. The statement provides a summary of the estimated pension benefits based on the available information at a specified date during the member's membership of the Fund. It includes personal and employment details, and the potential pension benefits upon exit. It is important to note that these figures are preliminary estimates that are calculated based on the information available to the GEPF at the time. The estimates will undergo verification at the time of the member's actual exit from the Fund.

Should you not be in agreement with the content of your Estimation of Benefits statement, it is advisable to first gain a comprehensive understanding of the document's purpose and the information it conveys. The statement offers a snapshot of your estimated pension benefits, based on the most recent data the GEPF has. Bear in mind that provisional figures are provided, which will be confirmed when you eventually exit the Fund.

In the event of perceived discrepancies or if you believe that the GEPF or your employer has not adhered to the Fund's rules or the applicable

legislation, you must send a letter to the GEPF or your employer, pointing out what they failed to do and then allow the employer 30 days to address the issues that you identified. If your issues is not addressed you can submit a complaint to Government Employees Pension Ombud(GEPO).

Any complaint submitted to GEPO must be in writing. This means that no complaints may be submitted over the telephone or verbally. However, GEPO will still be able to assist any person over the phone or in-person on how to write and submit a complaint. Complaints can be lodged through the post, via email, on the GEPO website, by fax or in-person at the GEPO offices.

Enquiries may be directed to the GEPO Call Centre: 012 110 4950 or through email to enquiries@gepo.co.za

The GEPF respects the privacy and personal information of its members and pensioners and therefore subscribes to the provisions of the Protection of Personal Information Act 4 of 2013. Visit www.gepf.co.za to view the GEPF Privacy Policy and Privacy Statement.

For more information contact us at:
Government Employees Pension Fund

Government Employees Pension Ombud

☎ 0800 117 669

f Government Employees Pension Fund

✉ enquiries@gepf.co.za

globe gepf.co.za

✕ @GEPF_SA

✉ enquiries@gepo.co.za

globe gepo.co.za

☎ +27 12 110 4950



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TAX DEDUCTIONS FOR DOUBLE INCOME EARNERS (REMINDER TO PENSIONERS TO INDICATE THEIR CHOICE)

The Government Pensions Administration Agency (GPAA) continues to implement a directive from the South African Revenue Services (SARS) to apply revised rates to the monthly pension of some pensioners. This change mainly affects pensioners with multiple income streams.

Pensioners have the option of remaining on the adjusted tax rate or reverting to the standard Pay As You Earn (PAYE) rate applicable to their pension. It's important that pensioners who are considering this option understand that choosing to revert to the standard rate may result in the GEPF applying a previous, potentially less accurate tax rate. This discrepancy could lead to a possible tax debt to SARS at the end of the financial year.

Additionally, pensioners with extra sources of income can request the GEPF to withhold a higher tax amount from their monthly pension. This step could be beneficial to pensioners who find themselves in a higher tax bracket after all income is reported to SARS, which could mean that an additional tax payment has to be made after their assessment. Pensioners who wish

to adjust their tax rate must specify the extra amount to be withheld each month, along with the start and end dates for the deduction. Without a specified end date, the deduction will continue to be made indefinitely. The additional amounts will be shown on the pensioner's annual IRP5 form.

Enquiries may be directed to the GEPF Call Centre: 0800 117669

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INVESTMENT STRATEGY:

HOW THE GEPF GROWS MEMBERS' MONEY

More often than not, members of the GEPF hear half-truths about the state of the pension fund's financial soundness.

GEPF members and pensioners are often told that their pension fund is in the red and could go bankrupt at any time, which may ultimately lead to them not getting their pensions when they retire. The truth is that the GEPF has grown from a **R127 billion** fund in 1996 to a **R2.3 trillion** fund in 2023, which is a clear indication that it is in good health.

The GEPF is a long-term investor that operates according to long term investment objectives. This is considered when formulating the investment strategy of the Fund. The Fund follows a liability driven approach, which means that Asset Liability Management (ALM) must be conducted to determine the optimal assets that will match the Fund's long-term liabilities. The Fund then develops a Strategic Asset Allocation (SAA) plan - not to be confused with the airline. The SAA

indicates which asset classes and limitations exist for the GEPF to achieve its required growth and ensure that its liabilities are met in the long-term. The GEPF must project at least 40 years into the future to make a determination of its long-term objectives.

It must be noted that the Government Employees Pension Law (GEP Law) requires the Fund to conduct an actuarial valuation every three years. Furthermore, the GEP Law requires that the Fund is at least 90% funded. The most recent valuation done was as at 31 March 2021, which revealed that it was 110.1% funded. This means that the Fund has more than enough assets to cover its actuarial liabilities in full. For every R1.00 of liability, we have R1.10 available, thus the Fund meets all its obligations currently.

PENSION INCREASE

The Government Employees Pension Fund (GEPF) operates in terms of the provisions of the Government Employees Pension Law of 1996 (GEP Law) and Rules together with GEPF's own Pension Increase Policy.

These outline the framework for the annual pension adjustments for its pensioners/beneficiaries.

The annual increase in pensions is composed of four distinct elements, as detailed in the GEPF's Pension Increase Policy, i.e:

1. Basic Increase: This is equivalent to 75% of the year-on-year change in the consumer price index (CPI) for pensioners who retired on or before 1 April of the preceding year. Those who retired after this date receive a prorated increase, based on their retirement duration.

2. Further Inflation-Related Increase: This increase (when applicable) exceeds 75% of the CPI change and applies to pensioners who retired on or before 1 April of the previous year. Pensioners who retired after this date receive a proportionate increase.

3. Catch-Up Increase: This is aimed at pensioners who retired before 1 April of the previous year and whose pensions have dipped below their initial retirement amount, when adjusting for inflation. The increase could be up to 100% of the CPI change from the

retirement date to 30 November of the preceding year, subject to affordability by the Fund.

4. Supplementary Increase: This is an additional increase that the Board may award at its discretion. It is not necessarily linked to inflation.

It's important to note that the Board may not implement all four elements every year, and may select only certain ones to grant, based on affordability and other factors.

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WHAT HAPPENS TO YOUR PENSION IF YOU DIE IN SERVICE WITHOUT A SPOUSE OR BENEFICIARIES?

We have no control on what may happen in the future, regardless of how much we plan for it. As a member, it may happen that you pass away while in service without a spouse or beneficiary. Have you ever wondered what happens to your pension in that case?

As stated in the GEP Law, 1996, in the event of a member passing away while in service and not being survived by a spouse or beneficiary, the pension benefit payable will be paid to the estate of the deceased.

The family will be required to register the estate with the Master of the High Court and nominate an executor who will oversee and manage the estate. Members are encouraged to ensure that their nomination forms are always up to date. They can nominate anyone or any organisation as a beneficiary but must be duly completed before submission to the Fund.

FRAUD PREVENTION – OUR SERVICES ARE FREE

What is fraud?

Fraud is a non-violent, financial technique that is used in order to deceive businesses, the government and individuals. It is an illegal misrepresentation of the truth in order to deprive the victim of money/property or to obtain other gains unlawfully. Other words used for fraud are scam, swindle, cheat, con, sting, and confidence trick.

Warning!

Members, pensioners and beneficiaries of the Fund may fall victim to fraud. They must keep in mind that the GEPF will not appoint corporates or individuals to help them complete forms or collect claim forms or update details in the comfort of their homes or at the side of the road. This is only done by GEPF outreach programmes and at the GEPF regional and satellite offices in the provinces. All these services are rendered for free. Claim forms are only submitted to the Fund by the member's departmental Human Resource units.

Fraud line

The GEPF, its members and beneficiaries are often targets of fraudulent and other financial criminal activities. We request that you report any suspicious fraudulent pension fraud, corruption or other unethical behaviour anonymously to our fraud line on 0800 203 900. All calls from a Telkom line are free of charge. Alternatively, you can: send an SMS to 30916; send an email to gepf@thehotline.co.za; send a fax to 086 726 1681; or report the activity on the website (www.thehotline.co.za).

Steps to report fraud at GEPF

- Dial 0800 203 900 toll free from any Telkom telephone. You may remain anonymous, but please give the hotline operator full details of the fraudulent, corrupt or unethical practice that you are reporting. These details may include:
 - *Fraud and corruption.*
 - *Who is involved or doing what?*
 - *What has happened?*
 - *How was it done and how often?*
 - *Where is it done?*
 - *When was the incident observed?*
 - *Value involved – monetary value.*
 - *Any proof available?*
 - *Are there any witnesses?*

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GEPF ANNOUNCES AN INCREASE TO THE FUNERAL BENEFITS

In a significant move to bolster support for members, pensioners, and beneficiaries during times of bereavement, In April this year, the GEPF announced a 25% increase to the funeral benefits for members.

The purpose of GEPF funeral benefit is to help pay the funeral costs when a member or pensioner passes away. Funeral benefits are also paid out on the death of the spouse, life partner or eligible child of a member or pensioner.

The enhanced funeral benefits are as follows:

- Member or pensioner: R20 000
- Spouse of member or pensioner: R20 000
- Eligible child: R8 000 per child; and
- Stillborn child: R8 000 per stillborn.

Previously, the funeral benefit for a member and pensioner were R15 000 and R6 000 for children and stillborn respectively.

The GEPF acknowledges the cultural and social significance of funerals within many South African communities, recognising them as essential rites that allow families to honour their loved ones with dignity. The Fund is aware of the financial strain these ceremonies can place on families, amplified by current economic challenges.

The GEPF is confident that the enhancement of the funeral benefit will contribute to easing the financial and emotional pressure on families, ensuring loved ones are commemorated with the respect and dignity they deserve.

For more information, contact the GEPF on 0800 117 669 or email.enquiries@gepf.co.za

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

Upon retirement, all GEPF members receive a pension benefit, which is determined in terms of the formula set out in the GEPF Rules. This pension benefit is only payable to members who retire in the Fund.

Should a member choose to leave before retirement age, they forfeit this benefit and will only receive a fair value of what they have accumulated in pension benefits, which is then calculated using a formula detailed in the GEP Law. In this context, the term 'fair value' refers to the estimated worth of a pension benefit, which is determined through a transparent and objective actuarial valuation process.

What are actuarial factors and why are they needed?

A regular pension benefit that is payable in the future is converted by actuarial factors into an equivalent lump sum value that represents the pension benefit's current worth. In other words, actuarial factors serve to streamline the calculation of the actuarial interest benefit and are required to establish the amount that a member should receive in the present moment to cover them in the event that they leave the Fund prior to retirement.

How often does the GEPF update the actuarial factors?

The Fund updates actuarial factors after the statutory actuarial valuation is conducted and approved, which must be done every three years maximum, as stated in the GEP Law and rules. It is imperative to frequently consider the actuarial interest factors to guarantee that members who exit the Fund receive a fair and accurate payout according to their contributions to the Fund and to prevent the Fund from experiencing a profit or loss on the amount of benefits actually paid out to departing members.

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

The GEP Law requires the Fund to consult with organised labour about the proposed factors before implementation. The Fund administrators receive an instruction to update the actuarial

factors following the conclusion of the consultation process and decision-making process regarding the actuarial factors.

What affects actuarial interest and actuarial interest factors?

The Fund's valuator recommend a set of financial and demographic assumptions for the Statutory Actuarial Valuation report, which serves as the basis for actuarial interest factors. It is anticipated that these presumptions will be based on the investments and experience of the GEPF membership. The assumptions are supported by data and real experience and are based on reasonable expectations of future occurrences. The investment returns, which are above inflation, that the Fund anticipated to generate from now until the pension payments have been received and are the primary drivers of the variables.

Who is affected by the changes in actuarial interest factors?

All current members of the Fund are covered by the updated actuarial factors, but the only benefits that will be impacted are those for which actuarial interest is due. Changes in actuarial factors have no effect on members who retire with more than ten years of pensionable service.

What you need to know

The retirement benefits are guaranteed by the Fund, but the value of these benefits in current value cannot be guaranteed because it is based on the valuation assumptions. By altering the assumption, it is ensured that members receive their appropriate portion of benefits upon leaving. The long-term sustainability and the financial health of the Fund are thereby reinforced. It is crucial to remember that members are compensated fairly for the benefits they receive, taking into account the state of the economy at the time.