



Clean-break principle brings GEPF in line with the Pension Funds Act

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Your spouse will continue to receive pension should you die

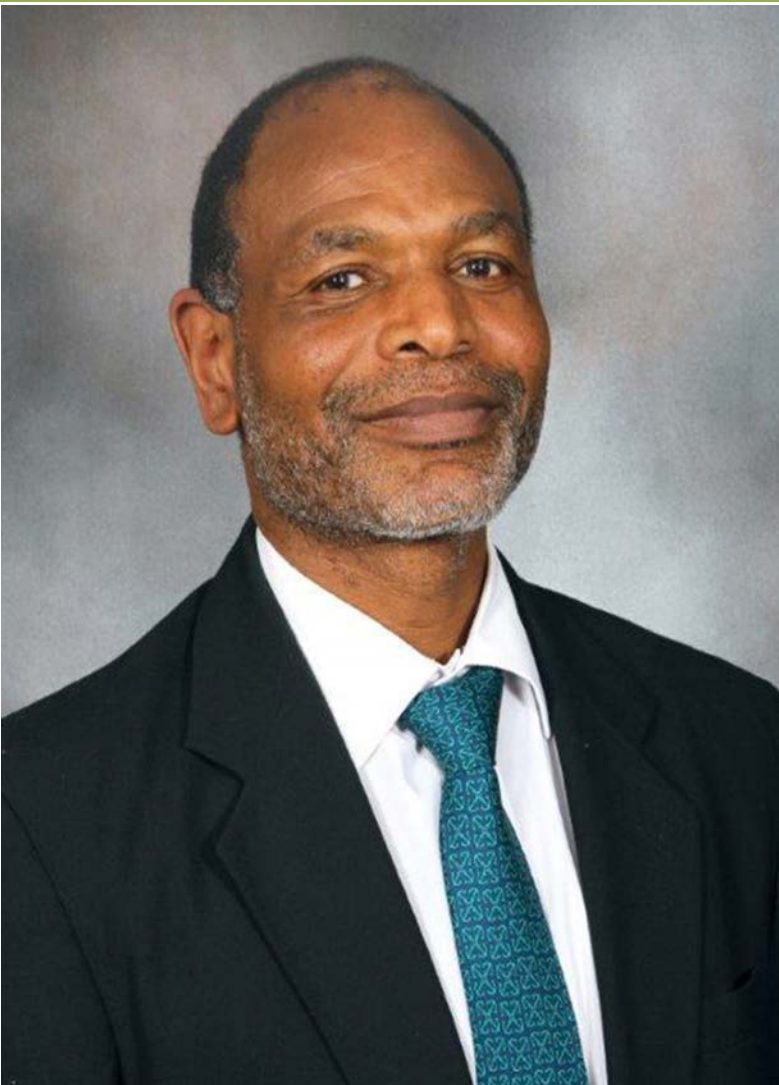
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What is a tax directive?

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## SEASON GREETINGS FROM THE PRINCIPAL EXECUTIVE OFFICER, ABEL SITHOLE



As we reflect on yet another successful year, I would like to extend my sincere gratitude and appreciation for your support during 2015.

The past year, while challenging, was characterised by a continued growth in the assets with the Fund value at the end of the financial year (31 March 2015) reaching an all-time high of R1,6 trillion.

This enabled the Board of Trustees to grant pension increases for the 2014/15 financial year of 5, 8%, effective 1 April 2015. This increase is equal to 100% consumer price index (CPI) and attests to the Fund's endeavour to ensure that pensioners retain their purchasing power.

We continue to remain committed to upholding the rights of our members, pensioners and beneficiaries with regard to their benefits in the Fund and continually strive to identify and implement initiatives that will enhance quality of life. To this end, we have worked closely with the Public Investment Corporation (PIC) to ensure that a portion of its portfolio is invested in companies that can provide products that will benefit our members and pensioners.

Our core focus in 2016 will be to continue building and expanding on the hard work of the past twelve months. Our aim is simple: to safeguard the benefits that the fund provides and the value of the funds that have been entrusted to us for this purpose. We are responsible for the investments and benefits of over 1.2m active members and in excess of 400 000 pensioners, and it's imperative that we ensure that this money is taken care of and that it is paid out accurately and on time when it is due.

Another strategic imperative for 2016 is contributing to the finance of emerging sectors of the South African economy and of promoting economic well-being in Africa generally. GEPF remains committed to playing the dual role of protecting the wealth of our members and pensioners, while contributing meaningfully to the development of the country and the continent.

In our endeavour to enhance our service offerings, the Fund is engaging stakeholders to introduce new products, such as benefit preservation, additional voluntary contributions facilities and orphans pensions that cover those who have lost a single parent.

To deliver the best service to our members and pensioners, we must employ the best people. *Continue on page 2*





For that reason we will continue our efforts to attract and retain the best available resources in the market place.

The success of the past year would not have been possible without the support of our shareholders and valued employees. I would like to express my gratitude and appreciation to the Chairperson, Dr Renosi Mokate and the Board of Trustees for affording me the opportunity to lead the GEPF for the next five years.

Realising GEPF's vision to be a global leader and reputable pension fund delivering quality service to beneficiaries will be our top priority. We will strive to ensure the sustainability of the Fund and the efficient delivery of benefits to you our valued stakeholder.

Most importantly I would like to thank you for your support, patience and understanding, without which we could not have reached the levels of success we have. I am confident that the year ahead will reap even greater rewards and benefits.

On behalf of the GEPF's Board, the Executive Management team and employees may you and your families have a joyous and restful festive Season and a prosperous new year.

Abel Sithole  
Principal Executive Officer

## CLEAN-BREAK PRINCIPLE BRINGS GEPF IN LINE WITH THE PENSION FUNDS ACT



The "clean-break" principle relating to members and their spouses was introduced into the Government Employees Pension Law to bring it in line with global best practices and to provide a more equitable solution in cases of divorce.

Prior to this, when a GEPF member and his or her non-member spouse divorced, the non-member spouse could only claim their portion of the pension interest when the member spouse exited from the fund. This often led to significant delays in payment.

With the adoption of the clean-break principle, the portion of the pension interest assigned to the non-member spouse as determined in the divorce order in terms of the Divorce Act 1979 is now payable on the date the divorce is granted.

The non-member spouse has a choice to either take the benefit in cash or transfer the benefit to another approved fund.

While the Pension Fund Act or its Amendments do not apply to the GEPF, the decision by GEPF's Board of Trustees brought the Fund in line with other pension funds. (GEPF is a pension fund established in terms of the Government Employee's Pension Law, 1996). GEPF's early policy had resulted in many complaints from members, who felt aggrieved that the government had instituted a policy that GEPF did not follow but all other retirement funds were obliged to.

The implementation of the clean break principle was further made necessary by a judgement issued by the High Court of South Africa that ruled that the Government Employees Pension Law is inconsistent with section 9(1) of the Constitution of the Republic of South Africa to the extent that it fails to afford former spouses of members of the Fund the same rights and advantages that are enjoyed by former spouses of members of funds regulated by the Pension Funds Act, 24 of 1956. The GEPF was afforded 12-months to change the GEP Law and Rules to implement the clean break principle.

However, there were a number of implications that needed to be considered in implementing the clean-break principle, including tax issues, the date of accrual, the deemed withdrawal benefit, the reduction in respect of the amount paid to the non-member spouse, and the interest on the amount paid to the non-member spouse. The Board considered reducing the member's service years or creating a debt against the member as the two options that could have been implemented. However, there were a number of complications that made the reduction of the member's benefit (or service) not suitable for GEPF. The Board of Trustees decided to treat the divorce settlement paid to the non-member spouse as a "notional debt" owed to GEPF, which would be deducted against a member's benefit upon their final exit from the Fund.

The reason the settlement is now owed to the Fund is because the Fund would pay the amount due to the non-member spouse on behalf of the member at the date of divorce rather than the non-member spouse receiving it on the member spouse's exit date.

When the Fund pays the non-member spouse (on behalf of the member) interest is levied on the member's exit benefit. This is to achieve cost neutrality between the member and the Fund. If no interest is charged, the member profits at the expense of the

Fund (and other members in the Fund). If the interest charge is higher than the Fund returns, the difference between the interest and the Fund returns will profit the Fund at the expense of the member. To achieve cost neutrality the interest needs to be equal to the Fund returns. The Board decided to apply the REPO rate as the interest on this notional "debt" which is expected to be lower than Fund returns.

The advantage of the creation of the debt approach is that the member's service is not adjusted as a result of the divorce settlement, and therefore the member's benefits and enhancements are not affected.

When the GEPF receives a divorce order it calculates the member's resignation benefit on the date of divorce. The amount due to the spouse is then calculated according to the prescripts of the divorce order and the spouse is requested to indicate if the amount should be paid as a cash amount or transferred to an approved retirement fund. A debt (equal to the amount that was paid to the spouse) is created against the member and interest is levied on that debt. The member is then given a choice to repay the debt owed to the Fund over an agreed period or the debt will be deducted from the member's benefit when he or she exits the Fund.

The GEPF has received various enquiries and complaints from affected members and has therefore embarked on an investigation to review its decision to follow the 'debt' approach. After considering the outcome of the investigation, the Board approved the implementation of adjusting the service period of members instead of creating a debt against the member. In essence, the approach will entail that "foregone" or "divorce" service (that is, the service equivalent of the divorce settlement) is stored in the system and deducted upon the member's exit.

However, this approach requires a Law and Rule change that needs to be negotiated with the relevant stakeholders before it can be submitted to Parliament to allow for the necessary legislative change to be effected. The GEPF has already embarked on this negotiation process and is positive that it will be finalised shortly. The Board has also agreed that all members who have been affected by the divorce debt approach will be given the choice to move to the service adjustment approach. This decision will ensure that no member is negatively impacted by the original decision taken by the Board.

# YOUR SPOUSE WILL CONTINUE TO RECEIVE PENSION SHOULD YOU DIE



If you have a spouse and you die, GEPF will pay your spouse 50% or 75% of the monthly pension you were receiving at the time of your death.

The percentage of the monthly pension that the spouse will receive is determined by the option you chose when you retire.

For the spouse to claim, he or she will need to complete an

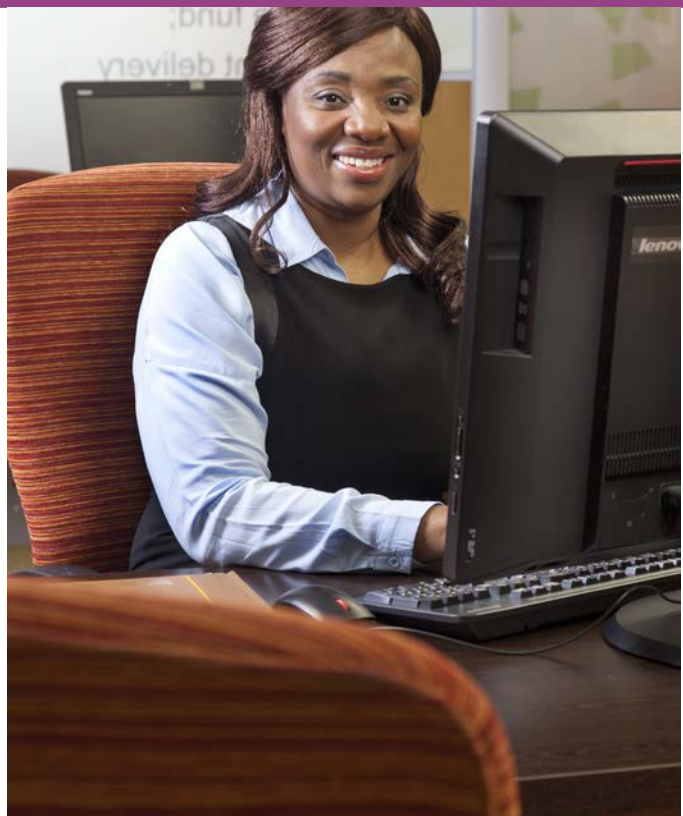
Application for Spouse's Pension form (Z143) and submit it to the GEPF. The following documents must be included in the submission:

- \* A certified copy of your ID
- \* A Banking Details Form (Z894)
- \* A certified copy of the death certificate
- \* A certified copy of the marriage certificate or your customary union certificate/lobola letter/civil union certificate;

OR a certificate confirming your Hindu or Muslim marriage, or marriage in terms of any other religion

It is important to note that the spouse will receive the monthly pension until he or she passes away. Then the pension will stop. No other member of the family qualifies to receive such pension further.

## IT IS IMPORTANT TO VERIFY BANKING DETAILS BEFORE WE PAY YOUR CLAIM



In order for the GEPF to pay any kind of claim to members or beneficiaries, stringent measures have to be taken to ensure that the money is paid to the correct recipient and into the correct bank account.

These measures are in place in order to prevent any form of fraudulent activity that would lead to GEPF paying the money into wrong bank accounts or to fraudsters.

There are two processes involved in verifying account details:

### 1. The 2nd level bank validation process

This is an electronic process undertaken to verify all once-off amounts below R1 million. The process is carried out regardless of how much the benefit amount is.

Payments that are currently excluded from this process include monthly payment (pension) and arrears incurred on monthly payment.

### 2. The manual validation process

This is done for all amounts of R1 million and more.

This process entails sending the personal and banking details of the member or beneficiary to the commercial banks for verification.

The response from the commercial banks will determine whether the GEPF will proceed with payment or not.

# WHAT IS A TAX DIRECTIVE?

Before a member or beneficiary can be paid his or her gratuity (lump sum), a Tax Directive is requested from SARS on behalf of the member.

This is to ensure that a member or beneficiary has no outstanding or unresolved matters with SARS.

It is also done in order to allow SARS to make a tax deduction from the lump sum accordingly.

If the Tax Directive comes back as positive, payment of the gratuity to the member or beneficiary will then proceed.

If the Tax Directive comes back negative, the GEPF will not be able to pay the member until the tax issues with SARS are resolved.



## HAVE YOU UPDATED YOUR NOMINATION FORM LATELY?



Life is too short to delay in updating your nomination form. Think about what will happen to your beneficiaries and dependants if you were to pass on without informing the GEPF on who to give your benefits to.

In order to nominate your beneficiaries, you must complete a Nomination of Beneficiaries form (WP1002) listing the details

of all the people you want to nominate to share in your benefit and what percentage, then hand in the form to your Human Resources department along with supporting documents such as certified id copies and birth certificates. Both your Human Resources department and the GEPF are bound by strict rules of confidentiality and may not divulge who your nominees are.

## UPDATE YOUR DETAILS



**UPDATE**

Please remember to send us your latest address and contact details, including your cell phone number, so that we can stay in touch with you. This will assist us in processing your pension benefits efficiently and effectively, and it will ensure that you receive your GEPF newsletter and other GEPF correspondences accordingly. *Continue on page 6*



You should always update your details each time there is any change in the following:

- \* Employment
- \* Address
- \* Bank details
- \* Contact number

The GEPF relies on you to provide accurate personal details. If you know of any GEPF member who does not receive this newsletter, please urge them to contact GEPF to update their contact details.

## DO YOU KNOW WHERE TO FIND US?

### CONTACT DETAILS

Toll free number:	0800 117 669	Postal Address:	GEPF Private Bag X63
Fax number:	(012) 326 2507		Pretoria
Website:	<a href="http://www.gepf.co.za">www.gepf.co.za</a>		0001
E-mail:	<a href="mailto:enquiries@gepf.co.za">enquiries@gepf.co.za</a>		

#### Client Service Centres

Gauteng:	Kingsley Centre, Cnr Steve Biko and Stanza Bopape Street, Arcadia, Pretoria
Eastern Cape:	No12 Global Life Centre, Circular Drive, Bhisho
Free State:	No2 President Brand Street, Manguang
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:	2nd Floor, South African Post Office, (SAPO) Building
Rustenburg:	Tlhabane House, Unit A2221, Portion 10 of Erf 3582, Tlhabane Unit 1

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