



What are your benefits if you are discharged due to illness?

PAGE 2



Understand Early Retirement

PAGE 3



Student accommodation a solid investment

PAGE 4

## Message from the Principal Executive Officer – Abel Sithole



**Dear Members**

**It's a New Year!**

I would like to take this opportunity to wish all our members well and renewed strength for 2019.

For us at the GEPF, the New Year brings with it the opportunity to continue to improve on our promise of:

- Ensuring the sustainability of the Fund;
- Providing efficient delivery of benefits; and
- Empowering our beneficiaries through effective communication.

The New Year provides us with the opportunity to renew our commitment to serve our members, pensioners and beneficiaries with the excellence and dedication they deserve.

We hope that we meet our aspiration by ensuring we live true to our values of integrity, transparency, client centricity, accountability and innovation.

We go into 2019 knowing that the poor economic climate in South Africa requires of all, including the GEPF, to work even harder to grow our economy and the Fund.

In taking stock of 2018, the GEPF sees 2019 as a year of enhanced and improved service and engagement. To achieve this we ask that you assist us by updating your personal details (email, postal address and cellphone numbers) and those of your beneficiaries so that all

correspondence can reach the correct recipients timely. We believe with your support we can improve our efficiency and effectiveness.

The GEPF will endeavour to continue ensuring that you receive as much information as possible from the Fund.

I thank you for your continued support. We look forward to a year of ongoing improvement in the GEPF's service to you.

I thank you,

Yours sincerely

Abel Sithole – Principal Executive Officer



2

# What happened to contributions made prior to the establishment of GEPF in 1996?



Before GEPF was formed in 1996, many public servants belonged to various pension funds that were established by what was called the central government, independent states and self-governing territories.

Subsequent to the establishment of the GEPF, all the pension funds were merged to allow government to have only one Fund for all government employees in the country, with a few exceptions particularly at local government level.

Contributing members of those various pension funds were given the option to either cash on their pensions or transfer to the newly established GEPF. Those who did not cash on their contributions were transferred to the

GEPF and their contribution periods are now an amalgamation of the periods before and after the formation of the GEPF. This means upon their exit from service, their pensions will be calculated from the date they started contributing to their previous pension funds before GEPF was established.

For those who decided to cash on their pensions, they started a new service contribution period. Meaning upon their exit from service, their pensions will be calculated from the time they started contributing to GEPF instead of the time prior to the establishment of GEPF.

3



## What are your benefits if you are discharged due to illness?

Having severe chronic illness that hampers your ability to do your work effectively is a frustrating and terrible situation that no employee would like to experience.

Employees who find themselves in such a situation have the option to apply for a benefit called discharge due to ill-health or injury. This is in cases where an employee is unable to

work according to the requirements of his/her job as a result of ill-health or injury.

Once the employer is satisfied with the medical reports and can also confirm that the medical condition continuously prevents the official from doing their work effectively, they will be granted permission to be discharged due to ill-health or injury.

The conditions for this benefit are:

- If you have less than 10 years of pensionable service, you will only qualify for a once off lump sum.
- If you have more than 10 years of pensionable service, you will only qualify for a once off lump sum and a monthly payment (annuity).



# Understand Early Retirement

4



GEPF members can go on pension earlier than the normal age of retirement, which is 60 years, and still be allowed to retain their full benefits if their conditions of service allow them to do so. Early Retirement is between 55 and 59 years of age.

However, retiring early can have negative financial implications on the employee. There are penalties that the employee will pay

(deductions on the pension) that those who retire at the age of 60 years or older do not pay. A member has the option of agreeing to pay for these penalties or their employer should agree to pay for those penalties for the remaining number of years prior to reaching normal retirement (60 years) age.

In the event that the employer does not agree to pay the penalties, the employee will be

penalised and forfeit one third (0,33%) for each month between the employee's early retirement date and their 60th birthday. Simply put, if one goes on early retirement at 55 years of age and their employer does not agree to pay for the penalties, they will forfeit  $0,33\% \times 60$  months (five years) which is the period at which they would have reached 60 years of age/normal retirement age. Thus they will receive pension payout calculated at the age they exited the Fund or the public service.

According to the Government Employees Pension Law (GEP Law), those who go on early retirement with less than 10 years of contribution will receive a once-off lump sum. Those who go on early retirement with 10 or more years of contribution will qualify for a once-off lump sum and a monthly pension. Thirdly, those who go on early pension with 15 or more years of contribution period, will receive a lump sum; monthly pension and medical benefit.

5

## GEPF is not allowed to offer loans

The GEPF continues to receive a lot of enquiries and requests from members who want to take loans on their pensions. Members are therefore advised that the GEP Law does not make any provision for loans to members. Therefore it is not allowed for the GEPF to give members loans from their pensions.

Many members argue that other pension funds offer their members loans from their pensions. This may be true, but it is important for members to note that GEPF is not a registered Financial Service Provider, therefore it would be illegal for the Fund to offer loans to members.



# Student accommodation a solid investment



SECURING a spot at a tertiary institution is no longer the most stressful part of enrolling as a student. These days, after financial support, the biggest concern that occupies a student's mind is the acute shortage of affordable student accommodation.

In its report, released in August last year, the Heher Commission of Inquiry into Higher Education and Training found that house-hunting has gradually become a new national sport among young students – and the competition is fierce.

Strong demand has historically outweighed supply. This trend is expected to continue, exacerbating the already chronic national shortage. One University in Johannesburg, for example, accepts 50 000 students per year, but can only accommodate 19 000 through its network of residences and accredited private accommodation providers.

This often leaves young people from less privileged backgrounds scrambling to find

clean, safe and affordable accommodation. In response, the commission recommended that the government adopt an affordable plan to develop more student accommodation.

As student accommodation is not only a rewarding asset class in its own right, but also contributes to the well-being and performance of students, the Government Employees Pension Fund (GEPF) has made substantial investments into student housing over the past three years.

In one investment alone, the largest pension fund in Africa, committed R484 million in 2015 and nearly five times that initial amount again this year.

“Through our investment in South Point Management, we hope to make a difference in alleviating the acute shortage of proper and affordable student accommodation,” says Abel Sithole, Principal Executive Officer of the GEPF. “We believe that South Point’s clean, safe and affordable accommodation offers exactly what students need.”

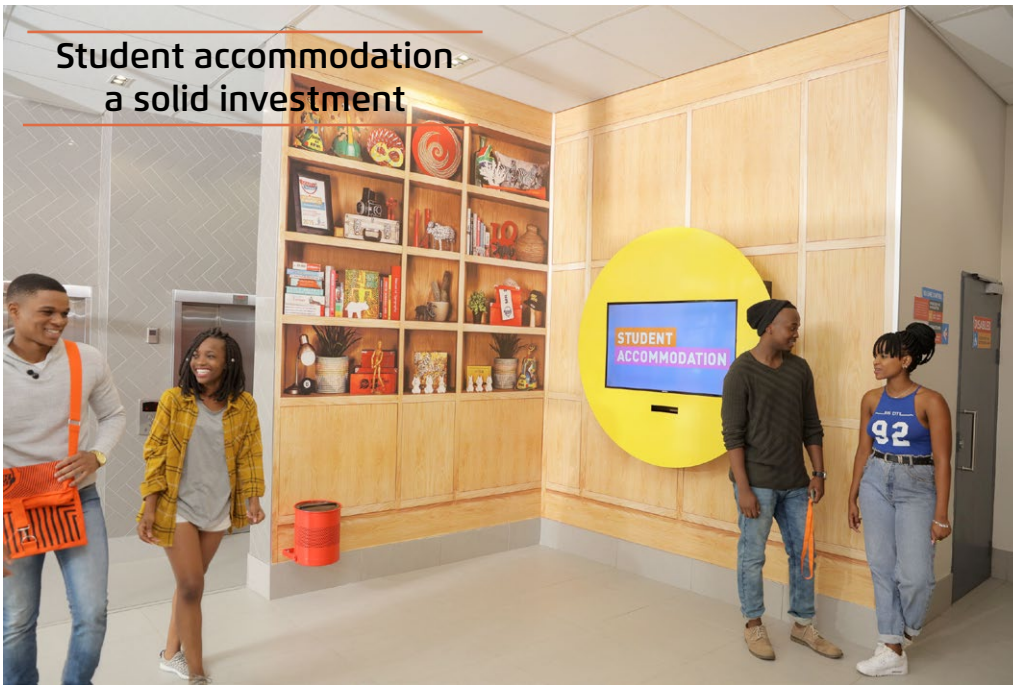
South Point Management has become a market leader in South Africa as an independent owner and manager of student accommodation. Historically, exploitative landlords were the prevailing alternative to on-campus housing, with the majority of students living in poorly-maintained and expensive accommodation.

South Point has since changed all that. The company provides approximately 12 000 beds to undergraduate and postgraduate students largely from low-income households at public and private institutions nationally. This figure is set to reach 29 000 beds within the next five years, thanks to the GEPF.

Besides the positive returns, Sithole believes that the GEPF is responding to a national imperative by supporting universal access to tertiary education. First-generation students from rural areas will appreciate the amenities, conveniently-located buildings in South Africa’s six major metropolises and their families can enjoy peace of mind, knowing that their loved ones are safe. For members and beneficiaries of



## Student accommodation a solid investment



the GEPF, whose children are bursary students and are staying with South Point, it's a double-win.

"We also like the fact that South Point's business model brings top quality accommodation within financial reach of thousands of young people whose families cannot afford to foot the bill for their accommodation," Sithole explains.

"Also the families of students receiving financial support through bursaries and NSFAS can rest assured that they will be staying in safe environment conducive to getting that qualification, making friends and living a

community-driven life to the fullest."

## Student accommodation a sought-after asset class

Worldwide, student accommodation has grown into a well-recognised and sought-after asset class; it provides steady long-term inflation-linked income and is thus likened to other infrastructure investments.

In South Africa, the asset class is still in its

infancy. It is expected to follow the global trend, attract long-term investors (like pension funds) while looking for steady cash flows. Contrary to popular belief, the #FeesMustFall movement did not precipitate the shortage of student accommodation. In fact, the shortage of student accommodation predates the movement by a decade.

The ministerial report on student housing at South African universities, published in 2011, reported a shortfall of approximately 427 402 beds in 2010 and warned that an estimated R100 billion would need to be invested by 2030 to keep up with the growth in demand. Demand is being fuelled by South Africa's population boom, but also by the country's popularity with foreign students.

South Africa is attracting higher numbers of foreign students than other countries in sub-Saharan Africa, where the latest research by investment management company Jones Lang LaSalle has found that the number of young adults aged 18-25 will increase to almost 100 million by 2020, and that the demand for new, purpose-built student accommodation is set to top 500 000 beds in the next five years.

## 7 GEPF investments portfolio grows by 8.3% despite sluggish SA economy



On Wednesday, 05 December 2018, the Government Employees Pension Fund (GEPF) announced its financial results for the year ended 31 March 2018.

Despite the challenging lack of economic growth in South Africa, GEPF's investment portfolio grew by an impressive 8.3% from R 1.6 trillion in 2017 to R1.8 trillion. This was achieved despite the South African economy only growing by 0.8% during the 2017/18 financial year.

The increase on the investment portfolio was as a result of the performance in the domestic assets over the past year, particularly bonds and equities.

Listed equities increased by 10%, domestic bills and bonds by 6%, collective investment scheme (foreign) by 7% due to new investment while unlisted equities (domestic) increased by 37% as a result of a positive fair value adjustment and additions.

During the reporting period, the GEPF investments yielded an average return of 8.5% compared to 4.3% in 2017, based on the net investment income of R153 billion compared to the R72 billion in 2017. This is a 112.76% increase. The GEPF's accumulated funds and reserves have grown at an average rate of 10.21% over the past 10 years. The past year has indeed been one of renewed affirmation for GEPF, as we continue to actively fulfil our mandate to effect meaningful and sustainable change through our investments, said Abel Sithole, the Principal Executive Officer of the GEPF.

The Fund also experienced an increase in member contributions with 7.3% during the reporting period, going from R 65.6 billion in 2017 to R 70.4 billion, mainly due to salary increases given to members during the year despite the decrease in total membership of 0.05%, which went from 1 273 784 in 2017 to 1 273 125 due to resignations from the public service or retirement.

The GEPF also saw an increase in the awarding of benefits to members upon resignation, retirement, death and funeral benefit where applicable. The total benefits paid during the year under review increased by R6.6 billion.

The GEPF will continue evaluating its investment allocations with utmost care in order to achieve

the most growth for its members, pensioners and beneficiaries. With this in mind, we will be considering various options with respect to diversification of investments. This is imperative to ensure that there is a lower correlation between economic growth of the country and the growth of our investment portfolio, said Sithole.

The GEPF expresses its appreciation to its implementing agencies the Public Investment Corporation (PIC) and Government Pensions Administration Agency (GPAA) for the work they do to ensure that the GEPF fulfils its mandate.

The Audited Financial statement can be reviewed on the GEPF website on [www.gepf.co.za](http://www.gepf.co.za)



## Fake officials/ agents targeting GEPF members

The Government Employees Pension Fund (GEPF) has become aware of individuals falsely posing as agents or officials of the Fund and are charging a fee to assist members, pensioners and beneficiaries to claim outstanding funds.

The public and especially members, pensioners and beneficiaries should note that the GEPF deals directly with its clients and does not charge for its services nor does it endorse any third party individuals to act on its behalf. Our benefits are administered through GPAA and no other channel.

Anyone who requests payment for rendering GEPF services is committing fraud and the public is urged to report such

individuals or companies to the South African Police Service.

The GEPF would therefore, like to make its members, pensioners, beneficiaries and their families aware of the following:

- The GEPF services are FREE
- No one is allowed to ask for a fee to assist GEPF current and former members, pensioners, beneficiaries and their families with respect to any GEPF provided services.
- Do not share your personal information such as identity document number and bank account details with anyone who claims that they can help you claim your benefits.

## LET GEPF KNOW WHEN YOU CHANGE YOUR CONTACT DETAILS

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 correspondence accordingly. 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?

#### CLIENT SERVICE CENTRES

**Gauteng:** Trevenna Campus, Building 2A, corner of Meintjes and Francis Baard streets, Sunnyside, Pretoria **Eastern Cape:** No. 12 Global Life Centre, Circular Drive, Bhisho **Free State:** Brandwag Centre, 20 Stapelberg Street, Brandwag, Bloemfontein **KwaZulu-Natal:** 3<sup>rd</sup> Floor, Brasfort House, 262 Langalibalele Street, Pietermaritzburg **Limpopo:** 87 (a) Bok Street, Polokwane **Mpumalanga:** Shop No. 5 Imbizo Place, Samora Machel Street, Mbombela **North West:** Mega City, Office No. 4/17, Ground Floor, Entrance 4, Mmabatho, 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:** 2<sup>nd</sup> Floor, UCB House, 74-78 Marshall Street, Marshalltown **Port Elizabeth:** Ground Floor, Kwantu Towers, Sivuyile Mini-Square, next to City Hall **Mthatha:** Ground floor, Madeira Plaza, Cnr Sutherland & Maderia Street **Durban:** 12th Floor, Salmon Grove Chambers, 407 Anton Lembede Street **Phuthaditjhaba:** 712 Public Road, Mandela Park Shopping Centre **Thohoyandou:** 2010 Centre, next to Phalaphala FM (SABC) **Rustenburg:** 149 Leyds Street

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