



What you need to know about a defined benefit pension fund

Government Employees Pension Fund (GEPF) is Africa's largest pension fund with more than 1.2 million active members, in excess of 400 000 pensioners and beneficiaries, and assets worth more than R1.6 trillion.

GEPF has very strict rules about the benefits it must pay to its members, pensioners and beneficiaries. These rules are set out in a law called the Government Employees Pension (or GEP) Law. It is important to note that the GEPF is not governed by the Pension Funds Act which governs most other funds in the country.

This law and its rules explain how GEPF must collect money from contributing members and employers, how this money must be invested and how it must be paid out to those who are eligible for benefits.

It is important to note that the GEPF is a defined benefit pension fund and therefore has to adhere to strict regulations governing its financial liability to members and pensioners, as well as its financial soundness.

GEPF as a defined benefit fund is different from the pension funds offered in most of the private sector as they are normally defined contributions funds.

What is a defined benefit fund?

A defined benefit fund is a fund where the benefits are defined in terms of the rules. In this type of fund benefits are generally guaranteed and are not dependent on the investment returns of the fund or on the level of employer contributions.

In GEPF, the benefit is calculated based on the rules and the amount is determined based on the number of years of service and the final average salary over the last two years of your employment.

It is important to note that defined benefit pensions pay out a secure income for life which increases each year. GEPF has been paying pension increases that are inflation related in the last decade and reaffirms that the well-being of all of its pensioners remains a priority, which is why the increase has kept pace with inflation.

What you can lose when you resign

The primary role of the GEPF is to provide its members and pensioners with a lifelong pension through proper administration and prudent investment.

The benefits of retiring with GEPF are numerous and include access to non-contributory benefits such as the funeral benefit, orphan's and spouse/lifetime partner pension, which do not come from the member's pockets.

GEPF has different benefits that one will lose if they resign instead of retiring. If you have more than 10 years of service and you decide to resign rather than retire, you will lose the following benefits offered by GEPF:

- 1. Monthly pension:** you will only receive a once-off lump sum payment, called a gratuity, rather than receiving your lump sum and monthly pension, called an annuity (which is for life). Your spouse or life partner will also not receive anything from GEPF after you pass away, whereas they would have received 50% or 75% of your monthly pension, based on your choice on retirement, for as long as they live.
- 2. Medical aid subsidy:** you will not receive any contribution towards your medical aid from the state if you resign. If you have 15 or more years of service, you may have been eligible to

receive a government subsidy towards your monthly medical aid membership for the rest of your life when you retire.

- 3. Funeral benefit:** GEPF pays a funeral benefit to help its members and pensioners pay the funeral costs when a GEPF member or pensioner dies. These benefits are also paid out on the death of the spouse, life partner or eligible child of a member or pensioner. This benefit is not paid if you resign.

Before you resign, think about all the benefits that you will lose. As a GEPF member you will never receive benefits that are less than you qualify for as per the law and the rules of the fund. Remember your financial future is secure with GEPF.

For more information on GEPF please contact:

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