

The quarterly newsletter for members of the Government Employees Pension Fund



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## Have you UPDATED your nomination form?

One of the questions the GEPP often gets from members is what happens to their retirement benefits if they die before retirement.

### Who has a claim to those benefits?

As a member of the Government Employees Pension Fund (GEPP) one of the most important documents you need to keep up-to-date is your Nomination of Beneficiaries form. This will inform the trustees as to who your legal and financial dependents are,

and how the Fund can contact them. It is important to note that while your Nomination form can assist the trustees in identifying and contacting possible beneficiaries, the trustees are still obliged to identify all legal or financial dependents and ensure that the due benefits are distributed equitably amongst the dependents.



The Fund will consider the level of dependence of the surviving legal dependents. Legal dependents may include a spouse, parents, children, etc. However, anyone who can prove that they were financially dependent on the deceased has a rightful claim on some of the proceeds. This could include a child from another relationship, a parent or even another partner that was financially supported by the member.

Once the trustees have identified all the dependents, they distribute the benefits according to the level of dependence. For example, if a member of the Fund was married and had only one adult child who is fully independent, then the lawful spouse would receive the full benefit.

However, if the child was still living at home, or studying, and therefore dependent on the deceased, the child will also be taken into consideration in the distribution of the benefit, assuming that there were no other dependents.

Minor children from other marriages or relationships will also be considered in the dependency assessment and distribution of benefits.

Pension benefits depend on how long the member was in service at the time of death. If a member dies with less than ten years' service the lump sum which will be distributed

is based on either the member's final salary (average of last two years per definition) or the value of the member's pension in the fund at that time. The one with the greater value will be used.

If a member passes away with more than ten years' service a lump sum (death-in-service gratuity) is payable to the beneficiaries, as well as a monthly pension to the lawful spouse or life partner.

### **What does a Nomination of Beneficiaries form do?**

The Nomination form is filled in to identify potential dependents. It is completed while you are still alive and can only be changed by the member of the Fund.

The Nomination form does not, however, supersede the responsibility of the trustees to provide for financial dependents. This means that if the nominated beneficiaries are not financially dependent on the deceased and there are other financial dependents not included on the form, the nominated beneficiaries may receive no money.

Only in cases where there are no other beneficiaries will the Fund distribute the due death benefits in line with the Nomination form without making reference to financial dependence. It is therefore important that you include all your legal and financial dependents on your Nomination form and update it regularly as this will speed up the process and assist the Fund to distribute your benefits accurately and timeously. Make sure that the total percentage provided for each beneficiary adds up to 100%. You cannot, for example, nominate three beneficiaries and give them each 50%.

### **How do you prove financial dependence?**

In cases of both a lawful spouse and minor children of the deceased, financial dependency is assumed. Financial dependence can also be proved by a divorce order or by supplying bank statements that show that the deceased paid for certain expenses.

**Tuition fees, bond repayments, medical aid and any other expenses that were paid by the deceased can be used to prove financial dependence.**

It is important to understand who **does not** qualify as a financial dependent as this can become a contested issue, especially if there were relationships outside the marriage.

### **A financial dependent includes:**

- A lawful spouse;
- A child under the age of 18, or a child who is still receiving financial support such as tuition;
- A parent who is receiving financial support; and
- All valid spouses in the case of customary marriages.

### **A financial dependent does not include:**

- An adult child who is not receiving financial support from the member; and
- A former spouse or partner who has not received any financial support under a divorce agreement.

## Scenario 1:

A member has adult children from a previous relationship who are not receiving financial support.

The member is married and has young children.

**Likely outcome:** The Fund will only consider the current lawful spouse and minor children as beneficiaries for distribution.

## Scenario 2:

**A member has adult children from a previous relationship and is paying their tuition.**

The member is married and has young children.

**Likely outcome:** The Fund will distribute the benefit between the current lawful spouse, the minor children and the adult children in relation to the level of dependency. As each case is treated individually, it depends on how many adult children there are. **Adult children are usually given a percentage not exceeding 20% if still studying.** The age of children is taken into consideration when distribution of the benefits are considered. The gratuity will be divided amongst all dependents and the lawful spouse will also be entitled to a spouse pension.

## Scenario 3:

The member has adult children from a previous relationship who are not receiving financial support.

**The member is not legally married but living with a long-term partner.**

**Likely outcome:** The long-term partner needs to apply to be recognized as the life partner of the deceased in order to have a claim. If the life partner application is approved he/she will be considered for a share of the gratuity and the spouse pension. In a case where the life partner is not approved but the partner can prove financial dependency on the deceased, the gratuity will be distributed among all such qualifying beneficiaries, however, the partner will not receive the spouse pension.

## Where can members get the Nomination of Beneficiaries form?

Members can get the Nomination form from:

- The GPAA Regional Offices
- Their respective HR departments
- The GEPF website as per the following steps:
  - Scroll down to "BENEFITS", and click on benefits.
  - On top you will find "FORMS". Click on it.
  - You will then be directed to the Nomination form.

Process to follow on completion of the Nomination form:

- Forms can be submitted at the various Regional Offices
- Forms can be submitted at the respective HR departments.
- Forms can be sent electronically to the GEPF enquiries mailbox.







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# early access for GEPF members

The GEPF has received many queries from members about the proposal to allow members limited access to their retirement funds due to the Covid-19 crisis. There is also a Bill proposed by a member of parliament to allow members whose funds are governed by the Pension Funds Act (PFA) to use their pension funds as collateral to borrow money.

While details of all these discussions are still to be released, it is important to note that this does not have any bearing on members of the Government Employees Pension Fund (GEPF).

The GEPF is not a private sector fund and is governed by the Government Employees Pension (GEP) Law of 1996, which can only be amended by parliament. It is not governed by the Pension Funds Act (PFA), as such any announcements or changes relating to the Pension Funds Act will have no bearing on the members of the GEPF.

This applies to all proposals around retirement reform in respect of the Pension Funds Act, including annuitisation. It is important when reading about retirement proposals in the media that GEPF members differentiate between changes made to funds in the private sector versus what is applicable to GEPF members as per the Government Employees Pension Law (1996). Unfortunately, some financial advisers are also not aware of this difference and may provide incorrect information.

As it currently stands the GEPF does not allow any withdrawal from the pension fund while employed, nor does it allow members to use their GEPF funds as part of any pension-backed home loan scheme. It further does not allow for cash advances or loans from the Fund as the Fund is not a registered Financial Service Provider so it would be against the law to allow loans from the GEPF.

It is also important to note that the GEPF is a defined benefit fund. This means that the GEPF and the employer, which is the State, guarantee that members will receive their benefits in retirement. These benefits are not based on the value of the Fund at retirement but on the

years of pensionable service and final salary calculations.

It would be a challenging actuarial calculation to work out the impact on years of service if funds were advanced, or if a creditor demanded payment when the funds were used as collateral for an unpaid loan. Members have already experienced the challenge in accounting for retirement benefits paid to former spouses as part of a divorce settlement.

What concerns the GEPF Board of Trustees is the extent to which people view their retirement funds as a quick solution to financial challenges without understanding the long-term consequences of depleting retirement funding. Unless members have used the GEPF mechanism to buy back years of service, many end up with insufficient income on retirement and have limited options in how to support themselves in retirement.

Rather than cashing in valuable retirement assets, it may be better to create a debt repayment plan using the snowball effect to settle debt. This is where you target one debt at a time.

### **This is how it would work:**

Let's assume you have multiple credit facilities and owe a total of R50 000.

You have done your budget, cut some spending and freed up **R1000** to use to pay off debt.

- Retail store account **R3000**, current repayment **R300** per month
- Clothing account **R7000**, current repayment **R500** per month
- Personal loan owing **R10 000**, current repayment **R650**
- Bank credit card **R30 000**, current repayment **R2500** per month

Month one: Increase the retail store repayment by your R1000 to R1300. Paid off in three months

**Month Four:** Take the **R1300** you used for the retail store account and add to the clothing account to increase repayments to **R1800**. Paid off in three months

**Month nine:** Take the **R1800** from the clothing account and increase your personal loan repayments to **R2450**. Paid off in three months.

**Month 12:** Take the **R2450** from your personal loan repayments and

pay the credit card with **R4950** per month. Your credit card will be fully paid off in six months.

You have just paid off **R50 000** worth of debt with just R1000 out of your budget. Remember this only works if you close down the credit facilities as you pay them off, otherwise you will just go back into debt. You now have no short-term debt and nearly **R5000** to start investing – all without relying on a windfall. You don't need to cash in valuable retirement benefits, just discipline.

# GEPF

## SELF-SERVICE AND

### APP is here!!!

Visit GEPF website at [www.gepf.co.za](http://www.gepf.co.za) to access the self-service link or download the App on Google Play or Apple APP Store.

Should you experience any challenges while registering please contact [selfservicesupport@gpaa.gov.za](mailto:selfservicesupport@gpaa.gov.za) or call 012 319 1400.







### 3 Why it pays to be a member of GEPP

The Government Employees Pension Fund (GEPP) is increasingly concerned about the misinformation provided to members of the GEPP by unscrupulous financial advisers.

Recently a member was told by a financial adviser that upon retiring after 20 years of service, the member would only receive five years' annuity income on retirement. This is completely untrue. Unscrupulous advisers also use fear tactics, telling members that their funds will be stolen or mismanaged by the government. What is concerning is that some GEPP members have been convinced by such financial advisers to

resign before retirement so that they can place their funds in a market-linked pension preservation fund.

What underlies these mistruths is the desire to get their hands on member's significant fund values so that they can earn commission.

What these advisers are not telling members however, is that they would have been far better off having their retirement funds with the GEPP than in a private pension fund.

What many members do not fully understand is that the GEPP is a

defined benefit fund. This means that the pension received by members has nothing to do with the investment performance of the Fund. It relates purely to the member's number of years of service and their average salary in the last two years multiplied by the accrual rate. The accrual rate is defined under the GEPP Law.

In other words, irrespective of the performance of the markets or individual investments within the GEPP, a member on retirement receives a guaranteed pension irrespective of whether the Fund value went up or fell in the years before retirement.



capital reduce significantly, which may impact their future income. Yet members of the GEPF who were retiring in 2020 were unaffected. Their pension is determined by their years of service and salary – not market performance. Those GEPF members already in retirement are still receiving their guaranteed income for life.

There are many advantages to belonging to a defined benefit fund such as the GEPF, and you need to know what you are losing out on when you opt to transfer or change to another fund. It is important to note that while private pensions may provide for these benefits, they often come at an additional cost. If you wish to include life cover, a spousal pension or funeral cover, a portion of your contribution will go towards paying these premiums. With the GEPF, your full employee contribution goes directly to retirement funding, not these additional benefits.

### **Guaranteed income**

In terms of income while on retirement, for a member with more than ten years of service, GEPF provides a guaranteed monthly pension for life with a 50% pension for a lawful spouse, should the main member pass away first. There is no additional cost for providing the spousal pension unless the member wishes to increase it to 75%. As the GEPF does not have to pay retail prices for annuities, it is able to get better value than if the member had to purchase an annuity with a resignation benefit.

The first five years of the annuity is guaranteed, which means if the member passes away within 5 years of retiring, the member's beneficiaries will receive a once-off benefit payment in this regard. The GEPF guarantees an annual pension increase each year at 75% of the inflation rate, however, it has paid

an annual increase in-line with or slightly higher than the inflation rate. Due to the 2020 market turmoil, next year's increase may be lower, but it cannot go below the 75% of inflation guaranteed, even if market performance is weak.

### **Spouse Pension**

If a member passes away before retirement and has ten or more years of service, their lawful spouse or life partner will receive a once-off lump sum (death-in-service gratuity) as well as a monthly spouse pension, equal to 50% of the annuity the member would have received had the member retired on their date of death. This is a lifelong pension and does not stop if the spouse remarries.

If the member has less than ten years' service, the value of the pension fund will be paid out to their beneficiaries.

If the spouse was a dependent on the medical aid, the spouse may be entitled to a medical benefit.

### **Child's Pension**

A child is entitled to the Child's Pension up to the age of 22. A child is further entitled to a maximum of 25% of the benefit, depending on the number of children.

### **Funeral Benefits**

Members and spouses receive a funeral benefit of R15 000  
Children receive a benefit of R6000.

This is completely different to a defined contribution company retirement fund or a retirement annuity where the final retirement value depends on market performance.

When the market crashed in 2020 with COVID-19 lockdown, those members retiring from private funds may have seen a reduction in the value of their pensions up to 40%. Those already in retirement, who were relying on an income from their living annuities, either had to opt for a lower income or watched their





## 4 Why you should not resign

GEPF is a defined benefit fund. The advantage of belonging to a fund like this is that all benefits that members are promised in the rules of the fund are guaranteed based on the specific reason for exiting the fund.

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 the GEPF:



### Monthly pension

You will only receive a once-off lump sum payment called a gratuity, instead of receiving both your lump sum and monthly pension (called an annuity), which would have been due to you for life. Your spouse or life partner will also not receive anything from the GEPF after your death, whereas they may have qualified to receive 50% or 75% of your monthly pension for as long as they live.





## Medical aid subsidy

You will not receive any contribution towards your medical aid from the state should 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 had you chosen to retire as per the conditions set out in the PSCBC resolutions. If you have less than 15 years' service, you may have received a once-off medical benefit depending on the number of years of service you have. These all fall away when you resign.

## Funeral Benefit

GEPF provides a Funeral Benefit for the funeral of an active member or pensioner, as well as for the funeral of a spouse or the eligible child of a member or pensioner. The Funeral Benefit payable upon the death of such a member or pensioner is R15 000; for the spouse R15 000; and for the eligible child R 6000. This benefit is not paid if you resign.



## Child's Pension

The Child's pension is payable to a child up to the age of 22 years. Disabled children are entitled to receive a Child's Pension beyond the age of 22 years, subject to approval by the GEPF.

Members who retire with the GEPF are guaranteed their full pension benefits as per the rules of the GEPF.





## 5 How early should you alert your department and GEPF of your intention to retire?

Members are encouraged to start engaging with their Human Resource departments to prepare for their retirement at **least six months** in advance. This is to allow enough time for the documents to be processed by both your employer and the GEPF as your employer needs to submit your documents to the GEPF three months in advance.

Please note that there are cases where there may be gaps on the member's information and therefore the six months lead-time is deemed enough to ensure that all the required information or documents are processed on time in order to avoid delays in the payment of the pension.

GEPF urges all members to take ownership of their exit processes to ensure that there is no delay in processing their documents for a hassle-free exit and timeous payment of their hard-earned pensions.



## 7 Check your pay slip to confirm contributions to GEPF

The easiest way to keep track of your GEPF contributions is to check your monthly pay slip which shows your contributions to the GEPF. It also indicates the service date on it. Always ensure that you check the membership certificate and query anything that does not agree with the information at your disposal. If you are unsure, speak to your Human Resource representative.

Please note that your pensionable service starts from the day you start paying your monthly pension contributions. In other words, your

pensionable service is the period in which you are an active, contributing member of the GEPF.

Sometimes, there is a difference between the date on which you started working for your employer (employment date) and the date on which you joined the GEPF (pensionable service date). This can happen if you started out working on a contract (during which time you did not qualify for a GEPF membership and therefore were not contributing) and later became a permanent employee that contributes to the Fund.



# There is no need to check your benefit statement every month

Each year the GEPF sends its active members an Estimation of Benefits statement to ensure that they are informed of the status of their pensions. The statement is sent out on emails or by post once a year. This can also be issued upon request by a member either by calling our Call Centre or visiting any of our branches.

The Estimation of Benefits statement reflects the summary of estimated pension benefit earned at a certain date during employment. It contains information such as personal details, employment details and estimated

pension benefits in case of exit. This is reflected in terms of:

- **Normal retirement**
- **Resignation**
- **Ill health retirement and discharge**
- **Death in service**

The Estimation of Benefits statement is updated once a year. There is therefore no need to check it every month because it does not change. You can view your Estimation of Benefits Statements, Tax certificates and Payment Advice using our newly launched Self-Service App.

# Discuss pension with family

Discussing pension with your family can be a difficult and uncomfortable task for many, but it is very important. Let your family know that you are a member of the GEPF and you contribute monthly to the Fund. Share information about the processes they need to follow should you pass away and they need to make a claim for the funeral benefit and other benefits they are entitled to.

Remember to nominate your beneficiaries and to update your Nomination of Beneficiaries form should your personal circumstances changes, e.g. you get married, have children etc. If you have a new child, remember to register them with the GEPF so that if anything happens to you and their other parent, they will receive the benefits due to them.

To register a child, please give your Human Resource department a certified copy of their birth certificate certified in the last six months. If your child is 18 or older but is still financially dependent on you, please submit:

- A copy of his or her identity document or passport; and
- Provide proof that the child is financially dependent on you. This could be an affidavit stating that your child is unemployed and living with you, or proof that he or she is still studying, registered on your medical aid or similar.

To avoid any delay in paying out your pension after your death, you need to register your spouse with the GEPF as soon as possible and you can do that by submitting to your Human

Resource department certified copies of the following documents:

Your marriage certificate from the Department of Home Affairs;

Your customary union certificate;

Lobola letter/agreement;

Your civil union certificate; or

A certificate confirming your Asiatic (e.g. Hindu or Muslim) marriage, or marriage in terms of any other religion. If you pass away in service or within five years of retiring, certain benefits will be payable to your dependents. It is important to share this information with your family and loved ones so that they too understand the benefits of the Fund, and know how to get in touch with the GEPF if necessary.

# Do you know where to find us?

GEPF has a national toll free Call Centre number, **0800 117 669**.  
Calls to this number are free from any Telkom line.  
We also have regional Client Service Centres in all nine provinces of South Africa.

## Contact Details

Toll free number: **0800 117 669**  
Email: [enquiries@gepf.co.za](mailto:enquiries@gepf.co.za)  
Website: [www.gepf.co.za](http://www.gepf.co.za)

**Postal address:**  
GEPF Private Bag X63  
Pretoria  
0001

**Twitter:** @GEPF\_SA

## Client Service Centres

### Eastern Cape

No. 12 Global Life Centre,  
Circular Drive, Bhisho

### Free State

Brandwag Centre, 20 Stapelberg Street  
Brandwag, Bloemfontein

### Gauteng

Trevenna Campus, Building 2A,  
Corner Meintjies and Francis Baard  
Streets,

Sunnyside, Pretoria

### Kwa-Zulu Natal

Brasfort House, 3rd Floor,  
262 Langalibalele Street,  
Pietermaritzburg

### Limpopo

87 (a) Bok Street,  
Polokwane

### Mpumalanga

Imbizo Place, Shop no 5,  
Samora Machel Street, Mbombela

### North West

Mega City, Entrance 4,  
Ground floor, Office no 4/17,  
Mmabatho, Mahikeng

### Northern Cape

11 Old Main Road, Kimberley

### Western Cape

No 1 Thibault Square,  
Standard Bank Building, 21st Floor,  
Long Street, Cape Town

## Satellite Offices

### Durban

Salmon Grove Chambers, 12th Floor,  
407 Anton Lembede Street

### Johannesburg

UCB House, 2nd Floor,  
78 - 74 Marshall Street, Marshalltown

### Thohoyandou

2010 Centre,  
next to Phalaphala FM (SABC)

### Mthatha

Manpower Building, Ground Floor,  
Corner Elliot & Madeira streets,

### Phuthaditjhaba

Mandela Park Shopping Centre,  
712 Public Road

### Port Elizabeth

1<sup>st</sup> Floor, Regus House  
Fairview Office Park, 66 Ring Road  
Greenacres

### Rustenburg

149 Leyds Street

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