

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 2773 [NW3422E]

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2773. Mr D C Ross (DA) to ask the Minister of Finance:

How did the Government Pensions Administration Agency (GPAA) (a) manage to accumulate R600 million in unpaid ex-employee benefits as of May 2012 and (b) advertise the call for applications for unpaid benefits by ex-government officials?

NW3422E

GPAA response

a) **How GPAA managed to accumulate R600 million in unpaid ex-employee benefits as of May 2012.**

Unclaimed benefits refer to benefits where the mode of exit and the last day of service are known but the benefit is not paid within 24 months of the last day of service in line with the rules of the Fund.

The main contributing factors are listed below:

- i) *Exit statements not submitted or submitted with errors.*

49% (R301 million) of the total unclaimed benefits relates to cases where employer departments are unable to trace former employees after exit and, as a result, are unable to submit statements with complete and accurate information to enable payment of benefits. The largest number of cases relate to death cases where members have died without submitting a nomination form of eligible beneficiaries to the employer. This results in a long and complex process of tracing beneficiaries.
- ii) *Amendment to section 26 regarding the payment of interest on late payment of benefits.*

Section 26 of the Government Employee Pension Law, Proclamation 21 of 1996 (GEP) Law) which deals with the payment of interest was amended on 11 November 2004. The amended section defines the exit date as the last day of service at the employer of that member or pensioner or the death of that pensioner. Previously, the exit date was defined as the date on which the Fund receives a duly completed statement in the prescribed form. Thus, the amended section does away with the concept of duly completed statements.

Consequently, interest is payable within sixty days of the exit date whether or not the necessary duly completed statements have been received from the employer.

This amendment resulted in approximately 47% (R290 million) interest being payable to members, most of whom it is difficult to trace.

iii) *Other*

The remaining balance of unclaimed benefits which accounts for 4% relates to benefits not being paid due to:

- Inability to obtain tax directives from SARS as the beneficiaries' tax affairs are not in order.
- Benefits returned to GEPF due to incorrect banking details, frozen or dormant accounts, incorrect pay points, etc.

b) **How GPAA has raised awareness relating to unclaimed benefits**

- Over the past two years, GPAA has embarked on road shows in all the provinces and established mobile offices in order to raise awareness about clients' benefits and services to stakeholders.
- The tracing unit at GPAA has been enhanced with effect from 23 July 2012 and is currently capacitated with seventeen competent officials. This has resulted in the reduction of unclaimed benefits by 4% to R580m at the end of September 2012.
- In order to reach the deep rural areas, external service providers who will apply non-conventional measures of tracing beneficiaries through, for example, engaging traditional leaders, village chiefs, etc. will be engaged before the end of the current financial year.