

**QUESTION FOR ORAL REPLY**  
**QUESTION NUMBER: 137 [CO525E]**  
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**★137. Mr S D Montsitsi (ANC-Gauteng) to ask the Minister of Finance:**

Whether, with regard to the recent statement by the Chairperson of the Government Employees Pension Fund that the Fund can only afford to hold 5,9% of its recommended contingency reserves of 19%, such low level of its contingency reserves (a) poses a threat to the Fund and (b) leaves pensioners exposed to undue levels of risk and unforeseen losses; if not, what is the position in this regard; if so, (i) what caused the level of contingency reserves to be at 5,9% only instead of the recommended level of 19% and (ii) what measures and/or strategies are in place to build up the Fund's contingency reserves to the recommended level?

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**REPLY:**

**Question (a) and (b):** My written reply to PQ 2076 in the National Assembly lays out the financial position of the GEPF in some detail. I will also be tabling the GEPF's Annual Report in Parliament, and have been advised that the GEPF will shortly be publishing the most recent actuarial valuation report on its website, if it has not already done so.

The GEPF's actuaries, in their latest report, indicate that the GEPF is 100% funded relative to the actuary's best estimate of the liability owed to contributing members and pensioners, as well as a data reserve and a reserve held in respect of past discriminatory practices. The additional contingency reserves are intended to allow for lower than projected future returns on investments, higher life expectancy, higher salary increases and higher adjustments for consumer inflation in pension values, amongst other economic and demographic uncertainties. If the full value of these reserves were allowed for, the actuaries report that the GEPF would be 70.4% funded. In 2010, at the date of the previous actuarial valuation, the GEPF would have been 74.1% funded on the same measure.

The Fund's liabilities are long term and ongoing in nature, and its actuarial position is subject to unavoidable uncertainty in economic, demographic and other trends. It is consequently not realistic to expect all actuarial reserves to be fully funded at all times. The funding of contingency reserves is expected to have improved since the 2012 actuarial valuation was completed.

In keeping with the GEP Law and the Rules of the Fund, however, both the Board of Trustees and the Minister of Finance are advised by the Fund's actuaries on its funding position and changes to benefits or contribution rates that may be required.