NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 2076 [NW2498E]

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2076. Mr D C Ross (DA) to ask the Minister of Finance:

(a) What is the latest valuation of the contingency reserves of the Government Employees Pension Fund (GEPF), (b) how does this compare to the desired valuation, (c) what is being done to reach the desired valuation and (d) what time frame has he set to reach the desired valuation?

NW2498E

REPLY:

Question (a) and (b): In its most recent valuation, the GEPF's actuaries indicate that the GEPF is 100 per cent funded. The value of assets held as at 31 March 2012 amounted to R1 039 billion, compared with R801 billion on 31 March 2010. The estimated value of accrued liabilities, as at 31 March 2012, amounted to R1 012 billion, comprising a contributing member liability of R774 billion, a pensioner liability of R223 billion and a data and past discriminatory practice reserve of R15 billion. The actuaries indicate, however, that the fund's assets are not sufficient to cover the recommended "contingency" reserves in full. These are reserves which would 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. The recommended contingency reserves amount to R464 billion, against which the fund has a R27 billion excess of assets over the accrued liability. Details are set out in the GEPF's annual report which will be tabled in Parliament.

Question (c):

The GEPF's investment policy is aimed at ensuring that the fund will be able to meet its liabilities over the long term. Taking into account the uncertainties associated with long-term funding commitments of this nature, it is not realistic to expect actuarial reserves to be fully funded at all times. However, the funding of the GEPF contingency reserves is expected to improve over the period ahead for the following reasons, amongst others:

- Increases in long-term bond yields,
- Moderation in remuneration trends reflected in the three-year wage agreement for the public service, and
- Favourable returns on equity investments since 2012.

Question (d): 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. A specific time-frame for meeting long-term reserve levels is therefore unlikely to be realistic. 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.