

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 3409 [NW4069E]
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3409. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:†

Whether current pensioners of the Government Employees Pension Fund (GEPF) can opt out of the GEPF and invest their funds elsewhere; if not, why not; if so, what are the relevant details?

NW4069E

REPLY:

Arrangements that apply to retiring members of the Government Employees Pension Fund (GEPF) are governed by rule 12.3 of its rules, which provides that "if a member resigns, retires or dies as contemplated in rules 14.3.2, 14.4.1 or 14.5.1, he or she has the right to transfer his or her actuarial interest in the Fund to an approved retirement fund: Provided that such transfer shall be subject to the provisions of rule 14.4.1(b)...".

A pensioner who is already receiving a pension from the GEPF after retiring would have had more than 10 years of pensionable service, and would have received a gratuity/lump sum on retirement and a monthly pension or annuity – the pensioner would thus have had the opportunity to invest elsewhere (or spend) the gratuity/lump sum received on retirement as he or she sees fit, but cannot do so with the portion invested in an annuity. It should be noted that there are benefits to an annuity as they provide a monthly income to the retiree, and in most cases, the benefits of the GEPF after retirement are good for members as they provide significant value compared to other annuities on the market. Further, there is no investment risk for retirees, as the GEPF is a defined benefit fund.

For those members still employed and contributing to the GEPF, only those members with more than 10 years of pensionable service will be able to qualify for the gratuity/lump sum and the monthly pension. These members cannot transfer their actuarial interests to an approved retirement fund if they retire from the GEPF.

Members with less than 10 years of pensionable service do not qualify for a monthly pension or annuity but can purchase an annuity/pension with an approved retirement fund of their choice with the gratuity/lump sum provided by the GEPF upon reaching retirement. Therefore, pensioners who fall within the provision of rule 14.3.2, which applies to pensioners with less than 10 years of pensionable service, are entitled to transfer their pension benefit to an approved retirement fund of their choice on retirement.

I would like the Honourable Member to join me in encouraging South Africans to preserve their retirement savings, given the risks and vulnerabilities they face when resigning from their jobs and cashing out their pensions prematurely. Government last year expressed its concern when

some members of the GEPF were resigning from their jobs, probably because they were over-indebted or falling for false rumours on retirement reforms. Those resigning were not only giving up on their pension fund benefits (which are far better than most private pension funds), but also on certain non-contributory benefits (e.g. post-retirement medical benefits), which are funded by Government as the employer. No law has changed with regard to members' access to their pension benefits; meaning that members of the GEPF will always be entitled to a gratuity/lump sum and an annuity, as per the Fund rules. Further, members resigning from pension funds before retirement will still be able to withdraw their benefits, though the withdrawal may attract higher tax liabilities.