

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 3847 [NW4606E]
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3847. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:†

- (1) (a)(i) What is the total value of the debt that has been created by the clean break principle since its inception date,
 - (ii) how much of this debt (aa) has already been paid off and (bb) remains outstanding and (b) how many members of the Government Employees Pension Fund (GEPF) (i) have lost their entire pension and (ii) are running the risk of losing their pensions due to this clean break principle;
- (2) whether he will take steps to correct the negative effect of this principle; if not, why not; if so,
- (3) whether this would also have a retroactive effect in order to fully restore the position of those GEPF members who have already been adversely affected; if not, why not; if so, what are the relevant details?

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REPLY:

- (1) It is assumed that this question relates to the GEPF. Please note that the GEPF has its own legislation that governs it (Government Employees Law No. 21 of 1996) and it does not fall under the Pensions Fund Act (Act No. 24 of 1956).
 - (a)(i) There is no debt in the conventional sense of the word. The GEPF provides affected divorced members with a funding mechanism to replenish their benefit after paying out the non-member spouse without adversely affecting other members of the Fund.
 - (ii) The GEPF is not aware of members who have lost their entire pension or those who are at the risk of losing their entire pension due to the application of the clean break principle under normal circumstances. It is important to note that the GEPF only applies the requirements of a divorce order. If the divorce order states that the spouse is eligible for a disproportional part of the pension benefit, 100%, the member's pension is paid to the non-member spouse. This does not constitute a loss but the execution of a divorce order that the member spouse is party to.
- (2) Although it cannot be concluded that there are negative effects due to the current application of the clean break principle (as this also depends on whether this is the

perspective of the member or the affected spouse), it is acknowledged that the application confuses members and changes the nature of the withdrawal benefit. The Board has therefore already decided to discard the current approach to the clean break principle and is busy consulting the employer and employee representative to make the necessary changes to the GEP Law and rules.

- (3)** As far as the GEPF is aware, since there are two parties involved in a divorce, it is not obvious that the application of the clean break principle is adverse to both parties, other than the fact that the amount due to the non-member spouse on divorce has been correctly paid out to them in accordance with the divorce order in a cost neutral manner to the Fund and other members.