

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1360 [NW1605E]

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Mr N JJ van R Koornhof (Cope) to ask the Minister of Finance:

Whether he intends to investigate the possibility of outsourcing the duties of the *Government Pensions Administration Agency* (GPAA) after 2015 in order to save money for the *Government Employees Pension Fund* (GEPF); if not, why not; if so, what are the relevant details?

NW1605E

REPLY:

There is no intention on the part of Government to outsource the Government Pensions Administration Agency (GPAA) duties.

The Government Pensions Administration Agency plays a very important role in the management of the pension affairs of Public Servants and non-contributory pensions for Special Pensioners. This is a unique role which can best be played by the Government itself to ensure that those who have devoted their lives to the public and other related services receive the necessary service and support.

Secondly it is not correct that by outsourcing the GPAA business to the Private Sector will save cost for GEPF.

Currently the administration cost based on the 2012/13 budget is R37 per member per month. This cost includes the administration of the post retirement Medical Subsidies, Injury on Duty of Public Servants on behalf of the Compensation Commissioner, Military Pensions (for injured soldiers) and Special Pension. This is a huge benefit because all these categories of pensions are administered by one GPAA team.

In a study undertaken by the Association for Savings and Investment South Africa (ASISA) in 2009, the administration costs in the Private Sector averaged R37 per member per month while those of GEPP amounted to R22 per member per month due to the economies of scale.

The administration costs in the Private Sector range from R35 to R60 per member per month depending on the complexity of the portfolio.

The above clearly shows that it will not be cheaper to outsource the GPAA business to the Private Sector pension administrators.