

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 3908 [NW5145E]
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3908. Mr B B Nodada (DA) to ask the Minister of Finance:

With regard to the correspondence by the Government Employees Pension Fund in November 2022 informing its members who intended to retire in November or thereafter that they would not receive their full pension payments, and in light of the complaint received from a retiree (details furnished) that despite applying for her pension before November and not receiving any letter she did not receive her full pension, (a) what informed the retroactive application of the November correspondence and (b) how many individuals were affected by such retroactive application?

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REPLY

- (a) The GEPF implemented its revised actuarial factors with effect from 1 November 2022. The actuarial factors of the GEPF are updated in accordance with any changes to the actuarial assumptions at each statutory valuation of the GEPF. In terms of the Government Employees Pension Law, 1996, (GEP Law), the actuarial factors are consulted with public sector labour unions. Upon conclusion of this process, the actuarial factors were implemented with effect from 1 November 2022, as referred to above. Pension benefits, as prescribed in the GEP Law, are determined and finally calculated as at date of service termination. The GEP Law specifies the date on which a benefit shall become payable to a member, pensioner or beneficiary, and this date is typically the last day of service at the employer.

Any Estimate of Benefits provided prior to the last date of service, is a mere estimation of current/future benefits. This is clearly indicated on the Estimate of Benefits which indicates that benefits are awarded in terms of the rules of the Fund and will be confirmed by the Fund when the benefits become payable.

Pension benefits are thus not calculated and/or confirmed on the date applying for retirement but on the information as on the last day of service. In this specific instance the Estimate of Benefits referred to, was provided as at 30 September 2022, being a date prior to the last day of service.

The actuarial factors applicable as from 1 November 2022 adjusted the actuarial factors applicable at 30 September 2022 and accordingly influenced the calculations. It is however not correct to state that the member did not receive her full pension. Members continue to receive their full benefits in accordance

with the GEP Law, 1996, and rules. The adjustment to the actuarial factors were not applied retroactively as the adjustments were implemented effectively from 1 November 2022 onwards, applying only to exits on or after 1 November 2022.

- (b) The amended actuarial factors, which became applicable as from 1 November 2022, influenced all resignations as well as other exits where members had less than 10 (ten) years pensionable service and which members terminated service on or after 1 November 2022. Thus, all resignations and other exits from the GEPF, where the members' exit date was on or after 1 November 2022, would have been influenced by the adjustment of the actuarial factors as all such benefits refer to the actuarial interest a member has in the GEPF. The adjusted actuarial factors was applied to all pension benefits paid as a result of resignation and other exits from the Fund where members had less than 10 (ten) years pensionable service, where the exit from the Fund occurred on or after 1 November 2022.

It is again confirmed that there was no retrospective application of the adjusted actuarial factors as it was implemented from a future date being 1 November 2022. The application of the adjusted actuarial factors follows the approval thereof by the GEPF Board of Trustees after the required consultation process with organized labour as per the GEP Law, 1996 and Rules of the GEPF.

The GEP Law, 1996 and Rules provides for the adjustment to actuarial factors as part of the benefit structure of the GEPF. Actuarial interest factors are based on a set of financial and demographic assumptions as recommended by the Fund's valuator in the statutory actuarial valuation report. These assumptions are expected to reflect the experience of the GEPF membership and its investments. The assumptions are based on reasonable expectations about future events and are guided by actual experience and statistics. The main driver of the actuarial factors is the investment returns above inflation, which the Fund's investments are expected to earn from now until the pension benefits are payable. Economic conditions however change from time to time and, as a result, the actuarial interest benefits can rise or fall depending on how the actuarial factors is adjusted, as explained above.

Members however still received their pension benefits prescribed in the Rules of the GEPF as per the formula set out in the Rules.

It must be clarified that the adjustment to the actuarial factors apply consistently to all active GEPF members, maintaining fairness across the board and reflecting current economic realities.