

RESOLUTION   /   OF 2017

**AGREEMENT ON THE AMENDMENTS /IMPROVEMENT OF CERTAIN EXISTING  
PENSION BENEFITS AND CREATION OF NEW BENEFITS**

**1. OBJECTIVE**

The objective of this agreement is to give effect to the proposed amendments/improvement on certain existing pension benefits and to create new benefits.

**2. SCOPE**

2.1 This agreement binds the employer and all employees who:

2.1.1 are employed by the State;

2.1.2 fall within the registered scope of the Council;

**3. NOTING THAT**

3.1 Section 29 of the GEP Law refers to "negotiations regarding the terms and conditions of employment" and section 29(1)(a) of the GEP Law states as follows:

*"(1) (a) Subject to the provisions relating to negotiations regarding the terms and conditions of employment contained in any law applying in respect of labour relations arrangements in the Public Service..."*

3.2 Amendments to the pensions benefits as contained in Resolution 12 of 2002 can only be effected by entering into a resolution.

3.3 Amendments/improvement of existing benefits and creation of new benefits contained in this resolution do not require additional contributions from members of the fund or the employer.

#### 4. AGREEMENT

Parties hereby resolve to amend the benefits of the members of the Government Employees Pensions Fund (GEPF), in accordance with Section 29 of the GEP Law as follows:

##### 4.1 Increase in the Funeral Benefits

4.1.1 The GEPF will amend its Rules in order to give effect to the following funeral benefit increases:

- a) From R 7 500 to R 15 000 for a member, pensioner and spouse.
- b) From R 3 000 to R 6 000 for eligible children<sup>1</sup> and stillborn<sup>2</sup>.

4.1.2 The Board of Trustees of the GEPF will review funeral benefit levels every 2 years.

##### 4.2 Replacing the orphan's pension with a child's pension

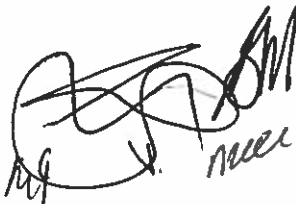
4.2.1 The GEPF will amend its Rules in order to give effect to the following changes in the orphan's pension:

- a) The orphan's pension will be renamed to child pension.
- b) The child pension will be payable to all children of the member upon his/her death regardless of whether or not there is a surviving spouse and/or that the spouse is providing financial support.
- c) The benefit will be paid until age 22, irrespective of whether the child is in full-time study.
- d) The level of the child pension will be increased to a maximum of 25% per child from the current 10% level, but reduced proportionately if there are more than four children (where a spouse's pension is not payable), or more than two children (where a spouse's pension is payable).

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<sup>1</sup> Eligible child is defined in terms of the Child Care Act 74 of 1983 as amended.

<sup>2</sup> A stillborn is defined in terms of the Births and Deaths Registration Act 51 of 1992.

  
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- e) The minimum pension per child, where there are a large number of children, will be kept at 10% per child in order to avoid reducing benefits below the orphan's pension.

#### **4.3 Establishing an Additional Voluntary Contribution Scheme**

- 4.3.1 The GEPF will amend its Rules in order to give effect to an Additional Voluntary Contribution Scheme that allows members an option to increase their retirement provision while in active employment, as well as to allow those members who have 36 months or more fixed term contracts and who are currently not members of the GEPF the option to make provision for retirement.

#### **4.4 Establishing a preservation vehicle**

- 4.4.1 The GEPF will amend its Rules in order to give effect to a preservation vehicle that allows members an option to preserve their pension proceeds within the GEPF upon exit<sup>3</sup>. Such a preservation vehicle will enable members of the public sector who use the facility to benefit from economies of scale in respect of administration and investment management costs, since the costs of preserving in a commercial preservation fund may be high.

#### **4.5 Review of the reduction factors in favour of an increased Spouse's Pension**

- 4.5.1 In terms of the current Rule 14.2.2 of the GEP Law, when a member of the GEPF retires he or she can elect to forfeit 13% of his or her gratuity or 3.5% of his or her annuity, in exchange for a spouse's pension that is 75% of his or her pension on death rather than the fixed 50%. This uniform sacrifice leads to cross-subsidisation as it does not depend on the individual member's profile such as the age and the gender of the member as well as the actual age and gender of the spouse, amongst others.
- 4.5.2 The GEPF will amend its Rules so as to minimise cross-subsidisation by ensuring that the sacrifice is based on the profile of the individual member, i.e. on gender, member's and spouse's age, amongst others.

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<sup>3</sup> Exit in this instance applies to a member who is discharged, withdraws or retires from the Fund. The option to preserve proceeds of a divorce settlement will also be allowed for members of the GEPF.

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#### **4.6 Amending the application of the Clean-Break Principle from the “debt approach” to the “service adjustment approach”**

4.6.1 The clean-break principle allows for the spouse to claim a portion of the member's interest in the Fund, in terms of a valid divorce order.

4.6.2 The GEPF will amend the GEP Law and its Rules in doing away with the concepts of 'debt' and 'interest' in the apportionment of pension benefits on divorce and instead by adjusting the member's service, following payment of the divorce settlement by the Fund.

#### **4.7 Discharge Benefit Anomaly**

4.7.1 The improvement of the resignation benefit in 2012 from the return of member's contribution to actuarial interest gave rise to an anomaly between the discharge benefit and the resignation benefit for those members who have less than 10 years of service. A member who is discharged with less than 10 years of service will receive a lower benefit than if the same member resigns voluntarily. This is an anomaly from a principle perspective.

4.7.2 The GEPF will amend its Rules so as to rectify the anomaly between discharge benefit and resignation benefit for a member with less than 10 years of service so that the discharge benefit is consistent and not less than the resignation benefit.

#### **4.8 Market Value Adjustment**

4.8.1 The application of the market value adjustment gives rise to an anomaly in that the benefit of a member who transfers to another retirement may be lower than the benefit payable if the same member was to resign and opt to cash. This anomaly goes against the principle of retirement funding.

4.8.2 The GEPF will amend its Rules so that the market value adjustment will not be applied to all transfers out of the Fund, other than cases where the transfer of members is so substantial that it results in more than a 0.25% drop in the Minimum Funding Level or where the Minimum Funding Level is less than 95%. In such cases, the Fund will notify the Employer of the financial impact of such a transfer.

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**5. DISPUTE RESOLUTION**


If there is a dispute about the interpretation or application of this agreement any party may refer the matter to the Council for resolution in terms of the dispute resolution procedure of the Council.

**6. IMPLEMENTATION OF AGREEMENT**

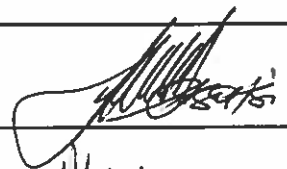

- 6.1 This agreement shall come into effect after the GEPF Rules have been amended and gazetted.
- 6.2 The agreement will remain in force unless terminated or amended by agreement
- 6.3 The Council will monitor the implementation of this agreement.

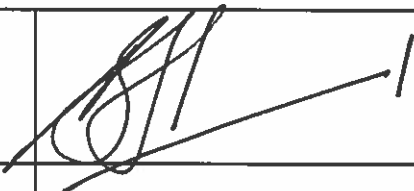




THIS DONE AND SIGNED AT CENTURION OF THIS 27<sup>TH</sup> DAY  
OF JUNE 2017.

**ON BEHALF OF THE EMPLOYER**

	Name	Signature
State as Employer	VICTOR SAKALA	

**ON BEHALF OF TRADE UNION PARTIES**

Trade Union	Name	Signature
DENOSA	Maise Letsofi	
HOSPERSA/NUPSAW/NATU	Masake Selemetse	

NAPTOSA	Basib. Manuel	
NEHAWU	Mife Shingup	
POPCRU	RANKELE MSINTO	
PSA	Leon Gilbert	
SADTU	MUGWENA N/A LOLEKE	
SAPU	Ntosi Oscar Skommere	