SPEECH BY THE GPAA'S ACTING CHIEF OPERATING OFFICER, MR JAY MORAR, DURING AN ENGAGEMENT WITH NATIONAL PRESS CLUB MEMBERS

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COURT CLASSIQUE – ARCADIA

To the Executive Committee of the National Press Club,
National Press Club member's,
GPAA staff members,
Ladies and gentlemen present here this morning,
Good morning, goeie morê, dumelang, sanibonani, molweni, thobela,

Warm greetings to all of you on behalf of the Government Pensions Administration Agency, popularly known as the GPAA. We are truly privileged to be given this rare opportunity of engaging, discussing and sharing ideas, challenges as well as opportunities with members of the Fourth Estate.

Ladies and gentlemen, without wasting any time, we are here today to address you on a few important points which will become much clearer as I progress, and we believe that at the end of this session, members will be more empowered about the organisation that I am privileged to be working for.

As indicated from the outset, I have a handful of points to ponder this morning which I believe are critical. However, it is important from the beginning to set the record straight. Who is the GPAA and how is it related to the Government Employees Pension Fund (GPEF)?

Programme Director, members of the Press Club, the GPAA is a government component, established in terms of Proclamation 10 of 26 March 2010, promulgated by the President of the Republic of South Africa. The creation of the GPAA became effective on 1 April 2010.

As members can remember, in the past the administration and policy making arms of the Government Employees Pension Fund were both part of one entity that worked together under one umbrella. To this end, two separate organisations were formed: GEPF is responsible for managing the fund. It is governed by a Board of Trustees with a Principal Officer driving the operations of a core group of support staff. Likewise, the GPAA is headed by its own Chief Executive Officer and its own Executive team, who are responsible for the day-to-day running of the Agency.

The GPAA reports to the Minister of Finance, as its Executive Authority, and its mandate is to administer pensions on behalf of GEPF and National Treasury in respect of Post-Retirement Medical Subsidies, Military Pensions, Special Pensions, Injury on Duty payments and other of National Treasury's Programme 7 functions. The GPAA's mandate is derived from the overall mandate of GEPF and National Treasury's Programme 7, who are its primary clients. Its financial affairs are governed by the Public Finance Management Act (PFMA), while its human resources fall under the ambit of the Public Service Act (PSA).

I think it is important to further sketch out briefly the mammoth task facing the GPAA in its task of administrating pensions on behalf of public servants. Firstly, ladies and gentlemen, in the 2013/14 financial year, GPAA served a total 0f 708 employer departments (representing about 1.2 million members) whom we refer to as being actively employed, as well as more than 360 000 pensioners. During the same year, about R52 billion in pension contributions was collected from members and participating employers, and exit benefits were paid to 62 771 outgoing public servants. In addition, GEPF has more than R1.4-trillion in assets under management and is the single largest investor in Johannesburg Stock Exchange-listed companies through the Public Investment Corporation, the PIC.
GEPF is a defined benefit pension fund. A defined benefit fund is one in which the benefit to be paid is based on the relationship between the member's salary and length of service. A member's contribution to the fund is a fixed percentage of their salary. Their employer’s contribution is also a fixed percentage. Both the contributions and benefits are defined in the Government Employees Pension (GEP) Law.

To illustrate the administrative machinery of the GPAA's Operations, consider the following:

On average over the past two financial years, the GPAA has paid annuities, or monthly pensions to the value of R 2.2 billion to pensioners, spouses and orphans (to December 2014). Furthermore, the GPAA has also paid an average of R733 million per month from April 2014 to December 2014 as gratuities (or once-off lump sum payments) to pensioners who retired.

In total, the GPAA has Paid an average of R3.030 billion per month as annuities and gratuities to pensioners and dependents, from April 2014 to December 2014

Resignations

The GPAA has received an average of 2 239 resignation cases per month. On average receiving a total 26 824 resignation cases per financial year.

Death

Added to the above, the GPAA has received an average of 749 death cases per month during the previous seven financial years, on average. A total of 8 976 death cases are received per financial year at the GPAA.

Retirement

An average of 2 079 retirement cases are received by the GPAA each month. A total of 24 948 retirement cases are received each financial year.

The GPAA has, and is still dealing with, numerous questions from members asking whether or not the proposed pension retirement reforms are likely to affect them. Despite concerted efforts last year and more recently to inform members of GEPF that the proposed postponed pension reforms do not affect them, we are still faced with some members who refuse to believe what is being said, and we are told that there are members still trying by all means to beat the deadline of 1 March 2015. Through you, members of the National Press Club, allow me to set the record straight concerning the misleading rumours around the pension reforms.

Programme Director, may I further take this opportunity to explain why it is important for our members to retire with GEPF? Firstly, GEPF pensioners are entitled to a lump sum when they retire, subject to the Fund's rules. Secondly, all GEPF pensioners receive a monthly pension that is guaranteed for their entire life, subject to the Fund's rules. Added to this, GEPF pensioners are entitled to annual pension increases that are effective from the 1st of April every year as determined by GEPF's Board of Trustees.

Thirdly, Programme Director, ladies and gentlemen, if members retire with GEPF, they are entitled to a medical subsidy - subject to the pensioner having 15 years of service, being 50 years of age and older and being the principal member of medical aid for 12 months prior to their retirement. It is a well-known fact that after working hard for so many years, the majority of pensioners are susceptible to illnesses that require medical attention. Therefore, it is not in the best interest of members who have reached retirement age to resign instead of retiring with GEPF. We have seen many heart-breaking incidents where members' lump sums are used up by medical treatment in their twilight years because they could not afford the proper medical attention they were accustomed to when they were still working.

Added to this, members stand to suffer financial losses because of the tax implications owing to the various exit modes in GEPF. For example, when a member retires the first R500 000 is tax free, whereas when a member opts to resign, only the first R25 000 is tax free.

Ladies and gentlemen, allow me to briefly expand on the burning topic of pension reforms the way we understand the reforms. We have seen many people resigning because they allege that they did not want to lose their lump sum. There is a rumour circulating that, come the 1st of March 2015, GEPF members will no longer be entitled to a lump sum. Sadly, this state of affairs is still continuing unabated. I would like to take this opportunity once more to categorically dismiss this assertion or rumour as ***A TOTAL LIE***.

Nothing is further from the truth. All members of GEPF will still be entitled to a lump sum when they retire - no matter the date. The proposed pension reforms are aimed at harmonising pension fund and provident funds in South Africa. However, I can confirm that National Treasury has decided to suspend the introduction of these pension reforms pending further discussions at NEDLAC. It is hoped that they might be re-introduced by the 1st of March 2016, provided an agreement is reached. Alternatively, the pension reforms will be introduced on the 1st of March 2017.

Contrary to the rumours, the proposed pension reforms were not going to affect members of GEPF in any way. To this end, Programme Director, I would like to take this time to urge members of GEPF who are currently working to stop resigning because they are afraid that they will lose their hard-earned money, especially their lump sum benefits. Furthermore, I would like to appeal to GEPF members, most importantly our teachers, who seem to be the largest category affected by this misinformation, to approach the GPAA and seek clarity whenever they are in doubt before taking a life changing decision and resigning with less than two years to go before they reach their retirement age.

It is evident through anecdotal evidence that, of all professions, teachers, followed by members of SAPS, are the most affected, and continue to resign because of the misinformation around the pension reforms.

It must be noted that there is no legislation that stops a civil servant from resigning. Once she/he makes a decision to resign, we at the GPAA are expected to pay out the benefits to which they are entitled.

Pension benefits of members of GEPF are not affected because GEPF is governed by its own law, the Government Employees Pension Law of 1996 as amended, which is not being changed. The retirement reforms only affect provident funds that are regulated by the Financial Services Board through the Pension Funds Act.

I would like to reassure GEPF members that they will be able to access their pensions after 1 March 2015 in exactly the same way as they can be accessed currently, in line with the Government Employees Pension Law and its rules. None of the calculations and benefits have changed.

Another elephant in the room that we are currently facing are what are called unclaimed benefits. Simply put, unclaimed benefits are benefits where the mode of exit and the last day of service of the member are known but the benefit is not paid within 24 months of the last day of service in line with the rules of the Fund.

Currently, the factors contributing to the size of the unclaimed benefit account are as follows:

- Bank rejections, in other words where the GPAA is unable to rectify incorrect banking information as the client is untraceable;
- Cases that are submitted with incomplete documentation by departments;
- Unclaimed funeral benefits; and
- Other unclaimed benefits (as the member's tax affairs are not in order, there are in complete documents, disputes and etc).

It is worth noting that the majority of unclaimed benefit cases are in Kwa-Zulu Natal, and most of these cases belong to poor or previously disadvantaged categories of people in rural areas who do not know that they have benefits due to them, including their beneficiaries.

The total amount of unclaimed benefit as per December 2014 is R456 million, translating into approximately 17 000 individual cases. Provincial departments account for R271 million, while national departments account for R185 million.

Having said this, ladies and gentlemen, regarding unclaimed benefits, we are the first to admit that one untraceable case is too many, and is giving us countless sleepless nights. The question now is: ***what do we do about unclaimed benefits?***

I am happy to appraise members of the National Press Club that we are not sitting on our laurels with regard to reducing or eradicating this elephant in the room. Firstly, we have approached the Department of Home Affairs and credit bureaus to assist us in the tracing of these beneficiaries. In addition, we have embarked on a tracing initiative in which we have engaged the services of a tracing company. To this end, Programme Director, through this company, we have managed to record modest successEd. The most touching one being a case of one gentleman, in township lingo called a street kid or hobo. This man was found living under a bridge in Soshanguve, unaware that he is the rightful beneficiary of several hundreds of thousands of Rands worth of benefits. Subsequently, he was paid what is due to him, allowing him to return to the studies that he had been forced to abandon after the death of his mother.

Secondly, GPAA staff members continue to conduct what is called first-level tracing. This involves using the minimum information at their disposal to call anyone who might be related to the untraceable beneficiary.

In addition to the above efforts, we have started preliminary discussions with the DPSA on how the department can support and assist us in our tracing initiatives. This initiative is in its early stages, however we are confident that this exercise will bear fruit.

The last point I want to emphasise in our response to what are we doing at the GPAA, is to resolve some of our historical challenges. We at the GPAA have been engaged in an ambitious major project called Modernisation for more than two years. It is our most sincere wish that, ultimately, we are able to go paperless and that all documents are submitted electronically. To this end, we have already achieved something. The task of Modernisation is to transform the GPAA's operations and service delivery by reengineering and automating key business processes, as well as improving staff efficiency and effectiveness through process innovation and Human Capital Management interventions.

To date, Modernisation has made substantial progress with our Business Payment Automation project during the year, particularly with eChannel, the electronic 'post-box' system for delivering exit documentation directly from employer departments to the GPAA.

Secondly, we are in the process of increasing satellite offices across the country. We accept that the current office set up is not conducive as it requires members to travel long hours to access our services. To this end, the establishment of satellite offices in Venda, QwaQwa and Rustenburg are underway. More satellite offices will follow in the near future.

Lastly, on the 3rd of September 2014, we handed over 11 state-of-the-art mobile office vans for use and to render pension fund-related services to members, especially those in the far-flung remote areas. Programme Director, allow me a few minutes to explain what led to the conceptualisation of the mobile vans project. GEPF members live in urban and rural areas and are sometimes far from a GEPF office. To provide the highest level of service to all members, no matter what their location, GEPF decided to launch a campaign that will provide service on their doorstep. This service takes the form of 'mobile offices', which travel throughout the country to assist members, pensioners and beneficiaries.

In conclusion, ladies and gentlemen, after traveling the long, hard road of rendering pension service to thousands and thousands of former civil servants who have devoted their many years of service to the public service, I am reminded of the words of Charles Dickens, who said, "It was the best of times, it was the worst of times." Indeed, for us at the GPAA, we have experienced the best of times when we are able to pay members within a period of thirty days, however, it is the worst of times when we are unable to pay members on time due to various reasons, some out of our control. Having said all of the above, we are very confident that this huge elephant will take time, but, ultimately, it will take a turn for the better. All the good signs are starting to show.

With those few words, once more kindly accept our sincere gratitude for affording us the opportunity to engage with you. We hope that the seed we have planted today will grow into something nourishing for your readers, listeners and, most importantly, members of GEPF.

I thank you.