



the gpaa

Department:
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REPUBLIC OF SOUTH AFRICA

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African retirement funds push for removal of investment barriers

The Government Pensions Administration Agency (GPAA), an entity that is administering pension fund on behalf of Government Employees Pension Fund (GEPF) participated in the 2016 Institute of Retirement Funds Africa (IRFA) Conference held in Durban recently.

IRFA is a body that attempts to bring the retirement industry together to share best practices, discuss challenges and chart a way forward on how players in both public and private sectors can work together to improve efficiency and innovation. The ultimate goal is to maximise client experience, augment benefits and improve sustainability of pension funds. The conference was aptly themed “*Navigating the future*” in line with IRFA’s commitment to collaborations, sustainability and the growth of the retirement industry.

Delegates at the 2016 conference represented both private and public sectors and also included colleagues from other parts of the African continent. It was interesting to hear what other Funds similar to the Government Employees Pension Fund (GEPF) had to say about their evolution to date.

Representatives from Zimbabwe, Ghana and Uganda shared their views with the audience in a conversation themed *An African Perspective: The Role of Pension Savings Within the Social Security System*. It was encouraging to hear that everyone emphasised that they were constantly reviewing their fund laws and policies to be in line with modern needs and challenges. Remarkably, the challenges facing retirement funds are similar in both public and private sectors, as well as among different countries across the African continent.

Miriam Musaali from Uganda received the biggest applause when she lamented the fact that the legal frameworks in many countries on the continent did not help the growth and sustainability prospects of pension funds. “In Uganda, our fund cannot invest beyond West Africa. In Ghana, they cannot invest outside the country, let alone the region. The Johannesburg Securities Exchange (JSE) is a celebrated market and is doing well. Why can’t my fund invest in the JSE?” Musaali asked to a thunderous response from the audience. This type of limitation among Africans is not confined to retirement funds. Our political leaders and economists have been touting the need to break the barriers and promote intra-Africa trade for the collective benefit of all but progress has been very slow.

The second day of the conference focused on administration efficiency and innovation. Aspects such as member education and communication; unclaimed pension benefits; as well as data management were discussed thoroughly as some of the main weaknesses among many funds. Someone argued that South Africans had more cellphone handsets than toothbrushes and yet funds fail to take advantage of the possibilities offered by mobile phones. Delegates emphasised

the need to get rid of unclaimed pension benefits. Poor data management, member education and communication are the main reasons for unclaimed benefits. Funds need to be in possession of all important information about their members as soon as such members join the funds. Thereafter, the logical thing is to educate members about the fund and its processes. This approach allows members to comply from the very beginning and know their rights and obligations throughout their membership period. At the time of exit (resignation or retirement), members will know exactly what to do and there will be very few (if any) unclaimed benefits.

GEPF has embarked on an ambitious programme of modernising its processes, which include membership management, data management, pension case management as well as a host of other automations. These enhancements will be deployed (some are already in place) to improve our services from the member admission, maintenance and ultimately exit phases. We believe that this will reduce the time it takes for members to receive their benefits.

GEPF also acknowledges that while members and their employer departments have the responsibility to inform us when members exit the fund, we also have a role to play to make pension claims easier. To this end we have decided to deploy technologies and processes that will alert us when a member stops contributing due to resignation, retirement, contract expiry or suspension without pay. We concede that our systems should alert us and we should contact the member and find out the reason for contribution discontinuation. In this way we will eliminate unclaimed benefits. Direct communication with our members will also improve their knowledge of the fund's processes and thus make it easier to claim and pay benefits.

The conference also emphasised the need to match the communication tools with the profile of the members. It was in line with this view that GEPF was awarded a Special Merit Award in Communication for using Braille to provide information to its blind members. GEPF continues to encourage its members not to resign from their jobs before retirement. Staying with GEPF until retirement age guarantees monthly payments for life.

We encourage those who are not sure about the financial impact of resigning to contact our offices in their regions for more information. Research has proven that most of the people who resign often deplete their savings too early and will depend on social grants for their livelihoods. Resignations often cause strain on members and their families. GEPF prides itself on being one of the few funds that can guarantee monthly pensions (in addition to lump sum payments) to retired members for life -irrespective of the size of contributions they made while employed. This means that we will never say after five or twenty years that your money is finished. We continue to pay and, upon death, spouses continue to receive payments. These monthly payments increase annually because we are aware that the cost of living is not stagnant.

End.

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