

# ENHANCED SPOUSE PENSION

## *Option to elect an enhanced spouse pension if a member retires*

In terms of Rule 14.2.2 of the GEP Law, a retiring member has the option to receive either a reduced gratuity or reduced annuity in favour of his or her surviving spouse(s) receiving an enhanced spouse's annuity, which is 75% of his or her monthly annuity at time of death.

To date, the reduction in the gratuity or annuity of the member was fixed at a set reduction factor.

Based on the GEPF actuarial valuation (and in line with best practice in the industry) the GEPF Board of Trustees has changed rule 14.2.2 with effect from **01 November 2019**. This rule change was decided on in consultation with the PSCBC and agreed on as per the PSCBC Resolution 1 of 2017.

In essence the set reduction factor will be replaced by actuarial reduction factors which takes into account the age and gender of the member and his / her spouse(s).

## When did the rule change come into effect?

This rule was gazetted on 01 November 2019.

## What has changed?

The key change is the method of calculating the reduced gratuity or annuity for the retiring member. The new calculation method now takes into consideration the spouse(s)' ages and genders as at date of retirement of the member when calculating the reduction in the gratuity or annuity.

The member / retiree has to declare all spouses' information to whom he / she would like to elect an enhanced spouse pension upfront in order to receive the required quotation to make an informed decision on his / her election.

## Who is affected by this rule change?

- The spouses of the members who retired under the old rule, will remain unaffected by this change, i.e. they will complete the spouse pension application on the death of the member and will be required to provide proof of the spousal relationship on the date of death. They will then receive the standard or enhanced benefit, as recorded against the member's record.

- If a member retired on or after 01 November 2019, the new rule will apply and members and their spouses must adhere to the new criteria and process. Enhanced spouse annuities apply only to spouses i.e. child pensioners do not qualify for an enhanced annuity. The choice for an enhanced spouse annuity can only be made on retirement. This option is not available to contributing members.

## What is required from affected members?

Any member of the GEPF who retired on or after **01 November 2019**, will be required to complete the new **ESP1 choice form**, either selecting the standard retirement benefit or requesting a quote for a reduction of the retirement gratuity or annuity in favour of an enhanced spouse pension.

- 1) If a member selects the standard benefit, the exit is processed as normal.
- 2) If a member selects the option to receive a quote for an enhanced spouse pension, the member must provide details of his / her lawful spouse(s) as at date of retirement (civil / customary / religious tenet / approved life partner).
- 3) The member will be provided with a quote that shows the standard benefits versus the option to reduce either the gratuity or annuity in favour of an enhanced spouse pension. The member must then exercise a choice as per the quote on the choice form.
- 4) Processing of the retirement exit will resume once the member's choice form is received and the retirement will be processed as per the retiring member's choice (i.e. either reduced gratuity or reduced annuity or no reduction). Where the member opted for the enhanced spouse pension, the details of the spouses entitled to the enhanced benefit will be recorded for future implementation on the death of the retiring member. Only the spouse(s) recorded may qualify for the enhanced spouse pension, upon the death of the retiring member.
- 5) Members who retired prior to **01 November 2019**, will still complete the "old" choice form, and if they select the enhanced spouse option, their retirements will be processed using the "old" calculation as per the GEPF rules prior to the amendment of 01 November 2019 (i.e. either the 1/57 annuity reduction, or the 5.85% gratuity reduction).

## What were the challenges with the previous reduction factors?

The previous use of a set reduction factor led to disparity in that a member with a much younger spouse would secure a larger benefit that is payable for longer, for the young spouse or spouses, resulting in possible cross subsidising by other members of the Fund.

## When/where can the new ESP1 choice form be accessed?

The form is available on the GEPPF website. Members can complete the form and submit it via the employer, where after a quote will be generated manually and returned to the member for consideration.

### Important information to note:

- Based on the date of retirement (prior to 01 November 2019, or on or after 01 November 2019), members will either complete the old or the new choice form.
- Under the new rule, the spouses who qualify for the enhanced annuity must be registered with the GEPPF.
- The quote and the reduction in the retirement gratuity or annuity of the member will be based on the age and gender of the spouses, in relation to that of the retiring member. This means that if the spouse predeceases or divorces the member, the enhanced annuity for that spouse will not apply.
- It is critical for members to submit their retirement documents well in advance of their actual retirement to ensure a minimum delay in processing the quote (should they want a quote for the enhanced spouse annuity) and exit.
- The registered spouse cannot be substituted, and there is no refund for a spouse who no longer qualifies for the benefit.
- Any "new" spouse that the pensioner marries after retirement will not qualify for enhanced annuities under the new rule, but will qualify for a standard spouse annuity when the member passes away.
- Basic validation of the details of the spouse(s) provided will be performed and should any information prove to be incorrect, or the spouse not qualify as a legal spouse on the date of death of the pensioner, the enhanced benefit will not apply.
- The fact that a person was registered for the enhanced spouse benefit on the retirement of the member, does not mean that the requirements to qualify as a valid spouse will be bypassed i.e. life partnership must still be proven on the date of death and marriages must still be legal. If the "spouse" does not satisfy the existing legislative and other requirements, the benefit will not apply.

The details of the spouses to qualify for enhanced benefits under the old rule will not be recorded for retirements and any spouse who qualifies for annuity on the death of the retired member/pensioner will automatically get the enhanced annuity.

### Disclaimer

*Please note that the quotation issued to the member will be based on the information available to the Fund at that point in time. Should any information change or requirements for qualification of the enhanced spouse not be met, it may affect the benefit.*