



## **RESOLUTION NO 12 OF 2002**

### **PENSIONS RESTRUCTURING**

#### **SCOPE**

1. This agreement binds:
  - 1.1 the employer;
  - 1.2 the employees of the employer who are members of the trade union parties to this agreement; and
  - 1.3 the employees of the employer who are not members of any trade union parties to this agreement, but who fall within the registered scope of Council.

## **OBJECTIVES**

2. The objective of this resolution is:
  - 2.1 to restructure and amend the benefit and governance structure of the Government Employees Pension Fund (GEPF);
  - 2.2 to provide for the recognition of service in the former Non Statutory Forces (NSF) as pensionable service in the GEPF;
  - 2.3 to give effect to the provisions of Clause 7 of Resolution 7 of 1998;
  - 2.4 to investigate and provide for the recognition of pensionable years of service for the employees who were dismissed during the industrial actions;
  - 2.5 to investigate the alleged abuse of the Venda Pension Fund and the effect it had on the employees; and
  - 2.6 to accommodate the former Municipal Police now employed by SAPS in the GEPF

## **AGREEMENT**

3. The parties to the Public Service Co-ordinating Bargaining Council (PSCBC) hereby resolve to amend the Rules of the GEPF, in accordance with the rules ratified on the date of signing of this agreement, to give effect to the following:
  - 3.1 An employer contribution rate to the Fund that is required to ensure that the Fund is able to meet its obligations at all times, subject to a minimum funding level of 90%. The employer contribution rate shall be determined by the Employer in consultation with the Board and the

Minister of Finance, with due regard to the recommendations of the most recent actuarial valuation by the Fund.

- 3.2 An option to members to a higher spouse's pension entitlement (post retirement reversion percentage) by means of opting for either a reduced gratuity or reduced annuity payable on retirement or discharge where applicable.
- 3.3 An orphan's pension payable in the event of a member's or future pensioner's death where there is no surviving spouse as follows:
- 20% of the members expected pension for one child,
  - 30% of the member's expected pension for two children,
  - 40% of the member's expected pension for three and more children.

With the understanding that an eligible child will be a natural or adopted child of a member or pensioner, or a deceased member or pensioner who,

- is alive and under the age of 18 or
- under the age of 22 and is in the opinion of the Board a full time student or
- is over the age of 18 and who, in the opinion of the Board, is disabled and was factually dependent on the member or pensioner immediately before the death of such member or pensioner.

Upon the death of a surviving spouse, the orphan's pension will be calculated on 80%, 60% and 40% of the spouse's pension.

- 3.4. The provision of funeral benefits on the death of members and pensioners whose pensions commenced after the effective date of this agreement, and on the death of spouses and eligible children of

members and pensioners whose pensions commenced after the effective date of this agreement as follows:

- 3.4.1. In the case of a member or pensioner, a payment of R 7 500.
  - 3.4.2. In the case of a spouse, a payment of R 7 500.
  - 3.4.3. In the case of an eligible child, a payment of R 3 000 per child.
- 3.5. Guaranteed minimum annual pension increases with effect from 1 April each year. The increase shall be equal to at least 75% of the percentage increase in the Consumer Price Index (All items) over the previous year, together with additional increases annually with effect from 1 April of each year to those pensioners whose annuities are less than the minimum level.
- 3.6 The minimum level, referred to in paragraph 3.5, is defined as 75% of the annuity at retirement adjusted for full inflationary increases. To allow for implementation and publishing delays, the change in the CPI over the period ending four months prior to 1 April will be used.
- 3.7 Provide members with an option to purchase additional service in the GEPF that is cost neutral to both the Fund and Employer. To this end, the cost of purchasing service will relate directly to the increase in the member's actuarial interest.
- 3.8 An enabling rule for the provision of guarantees by the Board of Trustees in respect of home loans by registered financial or otherwise approved institutions to members. The amount of such a guarantee will be commensurate with the value of a member's withdrawal benefit after tax deductions and will be determined according to the adopted policy of the Board.
- 3.9 The recognition of the –
- 3.9.1. registered life partners, including same sex partners,

- 3.9.2. registered spouses, and
  - 3.9.3. registered multiple spouses according to the Recognition of Customary Marriages Act, 1998 and the tenets of any religion, for purposes of the Rules and Law.
- 3.10 The abolishment<sup>1</sup> of the provision allowing members to be granted the option to hold a dormant membership status to the Fund.
- 3.11 The expedited appointment of a Board of Trustees for the GEPP<sup>2</sup>, constituted as follows:
- 3.11.1 One pensioner representative elected by postal ballot by pensioners.
  - 3.11.2 One employee representative nominated by members employed by the South African National Defence Force, the National Intelligence Agency and the South African Secret Service.
  - 3.11.3 Six employee representatives nominated by the trade union parties in the PSCBC in accordance with proportionate representation to union membership in the PSCBC.
  - 3.11.4 The total of eight representatives referred to in 3.11.1 to 3.11.3 above will be matched by eight representatives appointed by the employer.
- 3.12. The removal of the collective bargaining requirement in respect of non-benefit related rule amendments.

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<sup>1</sup> The abolishment referred to in 3.10 does not affect dormant members currently remaining in the system.

- 3.13. The GEPF shall pay interest on any part of the amount of the benefit not paid within 60 days of the benefit becoming payable, calculated from the date following the last day in service. The date on which the benefit becomes payable means the last day of service, e.g. the last day of a member's employment or the day of the member's death.
- 3.14. The recognition of service in the former NSF as pensionable service in the GEPF on the following basis:
- 3.14.1. Members who qualify will be those who joined the respective former Non-Statutory Forces on or before 31 December 1990 and who entered into an employment agreement with the Department of Defence, the South African Police Service, the South African Secret Service and the National Intelligence Agency through integration or the attestation process, or who are employed in the rest of the public service. The recognition is subject to the cut-off dates provided for in the End of Integration Intake Act, 2001.
- 3.14.2. NSF service will be recognised on a sliding scale as follows: 33.3% thereof for members with less than 10 years NSF service; 80% thereof for members with more than 10 but less than 20 years NSF service, 100% thereof for members with 20 years and more NSF service.
- 3.14.3. Members will bear a part of the cost in respect of recognised service while the balance will be funded from the funds set aside under PSCBC Resolution 7/98 to a maximum of R 501 million for the Department of Defence. Members of the NSF employed by departments other

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<sup>2</sup> The Board of Trustees will act in terms of Sections 6, 7 and 31 of the Government Employees Pension Law, 1996.

than Defence, will be dealt with in terms of the Government Employees Pension Fund – Special Pension Increase (Members of Non-Statutory Forces) Bill.

3.14.4. For members who are unable or who choose not to pay the employee's contribution, pensionable service will be reduced accordingly.

3.14.5. Members who benefit from this agreement will be excluded from any benefits payable under the Special Pensions Act, 1996. Any and all amounts paid to eligible persons as a Special Pension or demobilisation benefit under the Demobilisation Act, 1996 at the date of recognition of NSF service will be taken into account in the computation of additional service under these provisions.

4. Parties further agree to recognise pensionable service of employees:

4.1 as contemplated in clause 7.2.2 of the PSCBC Resolution 7 of 1998. Furthermore process the payment of eligible employees, within a period of 18 months;

4.2. who were dismissed as a result of participating in industrial action<sup>3</sup> and later reinstated/re-employed in terms of strike settlement agreements concluded between the respective departments and trade unions and where such agreements provided for payment of pensionable years of service. This is in order to recognise the unbroken pensionable years of service:

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<sup>3</sup> Industrial action in this agreement refers only to strikes which took place between 1991 and 1993.

- a) For the employees who are now exiting the system, and the employer has ready information in the database, the employer should process the payment.
- b) For the workers who have already exited the system, and the employer has ready information in their database, the employer should process and adjust their pension payments within at least six (6) months from the date of signing this agreement.
- c) The employer will issue an invitation to workers who qualify in line with Clause 4 of this agreement, to apply and process those applications as and when they are received in accordance with Resolution 7 of 1998.
- d) In line with clause (c) above, national and provincial departments should form joint project teams, comprising of the employer and employee parties, to go through current files and those in archives to trace workers in order to verify and validate information. Progress reports should be sent to the PSCBC on a bimonthly basis.

For the purpose of clauses 4.1. and 4.2. above, payment will be made to the beneficiaries/estate in the event that the employee is deceased.

5. Parties also agree that in the event employees participated in industrial action<sup>4</sup> and were dismissed as a result, and reinstated immediately thereafter without an agreement to recognise their pensionable service as unbroken the following process will apply:

- 5.1 An investigation shall be conducted to establish the reason for not recognising their pensionable service as unbroken. Such an



investigation should not exceed a period of eighteen months(18 months)

5.2 The unbroken years of service in respect of employees who participated in industrial action in Kwa-Zulu Natal will be investigated.

5.3 Should the result of the investigation suggest that the above category of employees' pensionable service should have been recognised, such outcome will be presented before Council for consideration.

6. The investigation into the implications on affected employees of the Venda Pension Fund will continue with the aim to provide information on the following areas within a period of 6 months:

6.1 The funding levels of the Government Pension Fund of Venda and the Government Superannuation Fund of Venda at the time of amalgamation into the GEPF.

6.2 The verification of payments made to affected employees.

6.3 The verification of payments made by affected employees who had to repay benefits.

6.4 Develop proposals for consideration by the parties to the PSCBC.

7. Accommodate all former Municipal Police employees that were incorporated into the South African Police Services during 1989, and still belong to Municipal Pension Funds, in the GEPF with effect from 1 June 2003. The transfer of these employees and processes related thereto will be finalised at

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<sup>4</sup> Industrial action in this agreement refers only to strikes which took place between 1991 and 1993

sectoral level, provided that the outcome of such processes is cost neutral to the GEPF.

8. Other categories of employees who were affected in respect of pensionable service by past employment practises, will be investigated and the results of such an investigation will be tabled in Council for consideration.

## **GENERAL PROVISIONS**

9. The employer will introduce mechanisms to provide GEPF members with information on the legal adoption process and all amendments to benefits and requirements on members established by this Agreement.
10. No amendment to this agreement shall be in force or effect unless reduced to writing and signed by all parties concerned.
11. The representatives of all relevant parties undertake to take all reasonable steps necessary to ensure the implementation of this agreement.

## **IMPLEMENTATION SCHEDULE**

12. Clauses 3.1, 3.5 and 3.6 of this Agreement shall come into effect on 1 April 2002.
13. Clause 3.2, 3.3, 3.4, 3.7, 3.9, 3.11, 4, 5, 6, 7, 8 and 9 of this Agreement shall come into effect on the first day of the month following the signing of this Agreement.
14. The effective date of clause 3.8 shall be determined through the investigation of the PSCBC Task Team responsible for the restructuring of Housing Assistance.

15. Clauses 3.12, 3.13 and 3.14 of this Agreement shall come into effect after finalisation of the required legislative processes.
16. Clause 3.10 of this Agreement shall come into effect on 1 April 2003.
17. Any other changes to the Government Employees Pension Law, 1996 and Rules to clarify provisions or to rectify errors and omissions will come into effect after finalisation of required legislative processes in the case of amendments to the Law and on the first day following the signing of this agreement in the case of changes to the Rules.

#### **DISPUTE RESOLUTION**

18. If there is a dispute about the interpretation or application of the Agreement, any party may refer the matter to the Council for resolution in terms of the dispute resolution procedure of Council.
19. The Council will monitor the implementation of this agreement.

#### **DATE OF IMPLEMENTATION**

20. This agreement comes into effect on the date of signing unless stipulated otherwise in this agreement.