national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

the dpsa
Department:
Public Service and Administration
REPUBLIC OF SOUTH AFRICA

TO HEADS OF ALL NATIONAL AND PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

RESIGNATIONS BY GOVERNMENT EMPLOYEES BASED ON RETIREMENT REFORM RUMOURS

1. It has come to our attention that a number of public sector employees are resigning from their jobs, allegedly, as a result of the rumours that Government will no longer allow retirement fund members, from next year, to withdraw their pension/provident savings before retirement. These rumours are false.

2. Another false rumour, is that Government wants to nationalise pension and provident funds. Employees should not resign and risk unemployment because of these rumours and wrong information. Government has not introduced any laws which prevent employees from accessing their pension monies when resigning.

3. The Government Employees Pension Fund (GEPF) is a <u>pension fund</u> and the reforms coming into effect on 1 March 2015 do not affect <u>pension funds</u>. The taxation law coming into effect next year in March will align and extend the current dispension to provident funds, and hence will not change the rules of the GEPF in any way.

4. Though Government encourages all members to preserve as much of their pension and provident funds for retirement when changing jobs; members of both provident and pension funds (e.g. the GEPF) will still be able to access accumulated savings when they change jobs after 1 March 2015. Preservation is still a proposal subject to discussion and consultation.

5. The GEPF is a defined-benefit fund, where Government, as the employer, guarantees all the benefits to all members, irrespective of what happens to the funds invested by the GEPF. Whilst the GEPF has, generally, enjoyed good growth even in the tough times experienced through the 2009 recession, the Government as employer guarantees the payment of benefits to members as per its rules.

6. Pension savings are safe with the GEPF and Government has no intentions of nationalising any pension or provident fund, whether in the public or private sector.

7. Pension funds are managed and controlled by a Board of Trustees which exercises its duty towards the members, who are represented by both employers' and employees' representatives. This Board of Trustees, and not Government, is responsible for investment decisions.

8. Government is aware that some of its employees are overly indebted, which tempts them to fall for these rumours. Employees should be made aware that withdrawal of retirement benefits upon resignation are taxed. This means that employees will get less than they would have received had they waited for retirement. Although there is currently no law forcing employees to preserve when they change jobs, workers are encouraged to seek financial advice and to preserve their money when they change jobs.

9. Government will not, and is not seeking to nationalise employees' retirement savings. Rather, the retirement reforms seek to:
   a. Encourage all employees to save for their retirement and to provide adequately for their own retirement and the needs of their dependants;
   b. Simplify the retirement system and to lower charges in the savings and retirement industry;
   c. Improve standards of fund governance, including trustee knowledge and conduct, protection of members' interest, accountability and disclosure of material information to members and contributors;
   d. Encourage employees to leave their money in the system for longer so they can enjoy higher growth and higher pensions; and
   e. Encourage all to use their retirement savings to provide an income in retirement, rather than spending it very quickly when they retire.

10. Cabinet discussed this problem at its meeting of 20 August 2014, and has requested the Minister of Finance to communicate to all Government employees that there is no reason to resign, and to assure them that their pensions are safe.

For further information kindly contact Alvinah Thela at 012 315 5472 or retirement.reform@treasury.gov.za

Lungisa Fuzile
Director-General: National Treasury
Date: 19/09/2014

Mashwahle Diphofa
Director-General: DPSA
Date: 01/10/2014