



## **MEDIA RELEASE 3/2022**

Issued on behalf of the Association for the Monitoring and Advocacy of Government Pensions. (AMAGP)

Cape Town  
26 April 2022

### **RELEASE OF ACTUARIAL VALUATION REPORT FOR THE GOVERNMENT EMPLOYEES PENSION FUND (GEPF)**

The statutory actuarial valuation report on the Government Employees Pension Fund (GEPF), prepared by African Origins and Alexander Forbes as at 31 March 2021, has been released by the GEPF after a long delay.

The purpose of the valuation is to investigate the financial soundness of the Fund in terms of the funding objectives of the Fund's funding policy. The report can be accessed by the following link: <https://www.gepf.co.za/evaluation-report/>

In terms of Rule 19 of the GEP Law, there is an obligation to provide members with certain information relating to the Fund. The fiduciary health of the Fund is obviously of utmost importance to its members.

The AMAGP has been anxiously awaiting the release of the report and asks why the Board of Trustees released the report as late as six months after its submission by the actuary in November 2021, by placing it on its website in April 2022 and keeping quiet about it. This is not acceptable.

In discussing certain aspects of the valuation, reference is made to clause 1.14 of the report.

Some of the critical objectives of the valuation were:

- to determine whether the existing assets of the Fund are sufficient to cover the fund's liabilities accrued to the valuation date;
- to determine whether the funding level meets the minimum funding requirement as outlined in rule 7.2 of the Fund's rules and the requirements of the funding level policy adopted by the Fund.

Some of the important findings of the valuator were:

- The assets of the Fund were sufficient to cover the best estimated liabilities in full, with a funding level of 110% (up from 108% in 2018). The current position therefore meets the trustees' targeted minimum funding level of 90%.
- The Fund does not have sufficient assets to cover the recommended solvency reserve and other contingency reserves in full. Allowing for the full solvency reserve and other contingency reserves reflects a long-term funding level of 74,3% (down from 75,5% in 2018). R187 million are available to cover these reserves, implying that only some 20% of the recommended reserves are funded.

Although the minimum funding level is satisfactory, AMAGP is, and has been concerned for quite some time, about the shortfall on the long-term funding level which has been declining for a number of years now, being down with 1,2% since the previous valuation, the lowest ever. As a pension fund provides for the long term, this should obviously be of concern not only to pensioners and serving members, but to the Board of Trustees.

The actuarial valuation to have been conducted as at March 2020 was postponed, but estimates based on the outdated valuation as at March 2018 indicate that it was highly likely that the liabilities exceeded the assets by about R133 billion in March 2020, and that therefore the Fund had not been solvent at that stage. This "interim valuation" had never been made public by the GEPF. The favourable minimum funding level as at March 2021 was made possible by the decline in the annual growth of pension liabilities and an exceptional performance of the JSE, during 2020/21. This is unlikely to be repeated in 2022.

Already on 8 January 2020 AMAGP queried the insolvency of the Pension Fund. In this regard we refer to our statement of that date at the link provided below:

<https://www.amagp.co.za/media/amagpstatement8jan20ispensionfundsolvent.pdf>

**The present actuarial report does nothing to allay our fears of two years ago.**

The actuaries have for years recommended to the GEPF and the minister of finance that the government should increase its contributions to fund the shortfall. In the latest valuation, the valuator recommends that the required employer contribution rate be increased from the current 13,5% to 14,2%, by some R2,5 billion per annum.

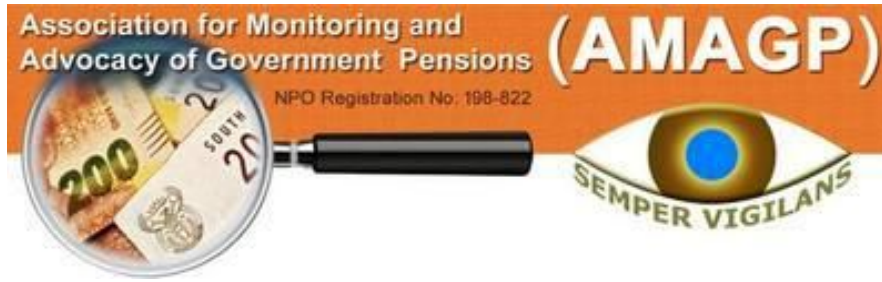
In view of the GEPF's stated funding policy of striving towards a long term funding level of 100% or above, **it is the AMAGP's concerted opinion that it is high time for the government to increase the contribution rate, also in such a manner as to eradicate the accumulated shortfall.**

Finally, mention needs to be made of the updated actuarial interest factors in the report. This is of interest to the serving members. For the most part it has reduced since 2018. Will the GEPF implement these, and if so, from what date? The GEPF also must be reminded that it needs to consult with the trade unions before implementing these changes. The GEPF certainly would want to avoid a repetition of the scenario where the courts ruled against implementing these changes without proper consultation.

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## **MEDIAVRYSTELLING 3/2022**

Uitgereik namens die Vereniging vir die Monitering en Bevordering van Regeringspensioene (AMAGP)

Kaapstad  
26 April 2022

### **VRYSTELLING VAN DIE AKTUARIËLE WAARDASIEVERSLAG VIR DIE REGERINGSWERKNEMERS PENSIOENFONDS (GEPF)**

Die statutêre aktuariële waardasieverlag oor die Regeringswerknemers Pensioenfonds, voorberei deur African Origins en Alexander Forbes soos op 31 Maart 2021, is na 'n lang vertraging deur die GEPF vrygestel.

Die doel van die waardasie is om die finansiële gesondheid van die Fonds ingevolge die befondsingsdoelwitte van die Fonds se befondsingsbeleid te ondersoek. Die verslag kan by die volgende skakel gevind word: <https://www.gepf.co.za/evaluation-report/>

Ingevolge Reël 19 van die GEP-Wet is daar 'n verpligting om lede van sekere inligting met betrekking tot die Fonds te voorsien. Vanselfsprekend is die fidusiêre gesondheid van die Fonds van uiterste belang vir sy lede.

AMAGP het die vrystelling van die verslag gespanne afgewag en vra waarom die Raad van Trustees die verslag so laat as ses maande na die indiening daarvan deur die aktuaris in November 2021, vrystel, deur dit eers in April 2022 op sy webblad te plaas en boonop daarvoor te swyg. Dit is nie aanvaarbaar nie.

In die bespreking van bepaalde aspekte van die waardasie word na klousule 1.14 van die verslag verwys.

Sommige van die kritieke doelwitte van die waardasie was:

- om te bepaal of die bestaande bates van die Fonds voldoende is om die Fonds se opgehoopde laste tot die waardasiedatum te dek;
- om te bepaal of die befondsingsvlak aan die minimum befondsingsvereiste soos uiteengesit in reël 7.2 van die Fonds se reëls, asook die vereistes van die befondsingsvlakbeleid wat deur die Fonds aanvaar is, voldoen.

Sommige van die mees belangrike bevindings van die waardeerder was:

- Die bates van die Fonds was voldoende om die bes geskatte laste ten volle te dek, teen 'n befondsingsvlak van 110% (teenoor 108% in 2018). Die huidige situasie voldoen dus aan die trustees se teiken van 'n minimum befondsingsvlak van 90%.
- Die Fonds beskik nie oor voldoende bates om die aanbevole solvensiereserwe en ander gebeurlikheidsreserwes ten volle te dek nie. Om vir die volle solvensiereserwe en ander gebeurlikheidsreserwes toe te laat reflekteer die Fonds 'n langtermyn befondsingsvlak van 74,3% (teenoor 75,5% in 2018). Om hierdie reserwes te dek is R187 miljoen beskikbaar, wat impliseer dat **slegs sowat 20% van die aanbevole reserwes befonds is**.

Hoewel die minimum befondsingsvlak bevredigend is, is en was AMAGP 'n geruime tyd lank reeds bekommerd oor die tekort op die langtermynbefondsingsvlak, wat oor 'n aantal jare stelselmatig gedaal het en met die laaste daling van 1,2% sy laagste vlak ooit bereik het. Omdat 'n pensioenfonds vir die langtermyn voorsiening maak, behoort hierdie feit vanselfsprekend van groot bekommernis te wees vir nie net pensionarisse en dienende lede nie, maar ook vir die Raad van Trustees.

Die aktuariële waardasie onderneem te geword het soos in Maart 2020, is uitgestel, maar skattings gebaseer op die verouderde waardasie soos in Maart 2018, dui aan dat dit hoogs waarskynlik was dat die laste die bates in Maart 2021 met sowat R133 miljard oorskry het en dat die Fonds dus in daardie stadium nie solvent was nie. Hierdie „tussentydse waardasie“ is nooit deur die GEPF openbaar gemaak nie. Die gunstige minimum befondsingsvlak soos in Maart 2021 is moontlik gemaak deur die afname in die jaarlikse groei van pensioenverpligtinge en 'n buitengewone prestasie op die JSE, gedurende 2020/21. Dit is onwaarskynlik dat dit weer in 2022 herhaal sal word.

AMAGP het reeds op 8 Januarie 2020 die insolvensie van die Pensioenfonds bevestig. In hierdie verband verwys ons na ons verklaring van daardie datum in die skakel hieronder:

<https://www.amagp.co.za/media/amagpstatement8jan20ispensionfundsolvent.pdf>

**Die huidige aktuariële verslag doen niks om ons vrese van twee jaar gelede te besweer nie.**

Die aktuarisse beveel oor die afgelope jare reeds aan die GEPF en minister van finansies aan dat die staat se bydraes om die tekort te befonds, verhoog moet word. In die nuutste waardasie beveel die waardeerder aan dat die vereiste bydraekoers van die huidige 13,5% na 14,2%, oftewel met sowat R2,5 miljard per jaar, verhoog word.

In die lig van die GEPF se verklaarde befondsingsbeleid van 'n strewe na 'n langtermynbefondsingsbeleid van 100% of meer, **is dit AMAGP se oortuigde mening dat dit hoog tyd is vir die regering om die bydraekoers te verhoog, ook op so 'n manier dat die opgehoopte tekort uitgewis word.**

Ten slotte behoort melding gemaak te word van die opgedateerde aktuariële rentefaktore in die verslag. Hierdie is vir die dienende lede van belang. In die geheel

is dit sedert 2018 afgebring. Gaan die GEPF hierdie faktore inwerkingstel, en indien, vanaf watter datum? Die GEPF moet ook daaraan herinner word dat dit die vakbonde moet raadpleeg alvorens dit die veranderings inwerkingstel. Die GEPF sal sekerlik 'n herhaling van die scenario, waar die howe uitspraak gelewer het teen die implementering van sulke veranderinge sonder behoorlike raadpleging, wil vermy.  
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