



Republic of South Africa

Government Employees Pension Fund

GEPF Policy Document

ADMISSION OF NEW PARTICIPATING EMPLOYERS TO THE GEPF

Effective Date: YYYY/MM/DD

Document Classification:

Confidential

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Document Versions

Version	Revision Date	Prepared / Revised by	Business Unit	Status
1.1	June 2006	GEPF	LEGAL	DRAFT

Document Reference Library

Document File Name	Context and Relevance
Government Employees Pension Law, 1996	The GEPF is regulated by the Government Employees Pension Law, 1996, and Rules and must accordingly operate within the legislative framework of its empowering legislation.

Business Areas Impacted By This Policy

Name Business Unit / Area	Context and Relevance
GEPF: OPERATIONS	The prescripts and provisions contained in this document apply to all relevant aspects of the Operational Units of the GEPF.
GEPF: LEGAL	The prescripts and provisions contained in this document apply to all relevant aspects of the Legal Unit of the GEPF.
GEPF: FINANCE	The prescripts and provisions contained in this document apply to all relevant aspects of the Finance Units of the GEPF.

Glossary of Terminology

Abbreviation/Terminology	Description
"Additional Liability"	Any increase in the financial obligations of the GEPF arising from action taken by a participating employer, as determined by the actuaries of the GEPF.
"Applicant Employer"	An employer applying to be admitted as a participating employer to the GEPF
"GEP Law"	Government Employees Pension Law, Proclamation 21 of 1996
"Salary Structure"	The basis of remuneration of the employer including any future amendments to such basis and / or future salary increase

Policy Overview

1. Where existing members of the GEPP are transferred from a Public Service employer to a new employer, it is normal practice that such employees retain their prevailing conditions of service which will in all likelihood include their pension dispensation. In the past various such similar transfers of employees from National and Provincial Government to public entities have been effected and many of these public entities so formed, have been recognised as participating employers. Others have established new retirement funds, particularly where remuneration scales aim to match private sector rather than public sector salary scales.
2. Criteria must, therefore, be established to allow applicant employers to become participating employers to the GEPP only if such additional liabilities or increasing contribution rates may be managed.
3. In terms of section 1(a)(vi) of the GEP Law, 1996, "any other institution or body as determined by the Board", may be recognised as an employer for purposes of the GEP Law, 1996.
4. Section 1(a)(vi) cannot be read in isolation and the definition of employer must be considered as a "whole", in order to establish which other institution or body the Board may allow to be recognised as an employer.
5. "Employer" as defined in the GEP Law, 1996, means:
(a) for purposes of the collection and payment to the Fund of the contributions referred to in section 17 (1) and other amounts owing by members to the Fund, the payment to the Fund of the contributions referred to in section 17 (2), the administration of membership matters and the payment of benefits to members and their beneficiaries:
 - (i) a department or administration referred to in Schedule 1 of the Public Service Act, 1994 (Proclamation 103 of 1994), or an organisational component referred to in Schedule 2 of that Act, or any other body or institution which employs persons referred to in section 8 of that Act*
 - (ii) the Public Service Commission established by section 209 of the Constitution of the Republic of South Africa, 1993 (Act 200 of 1993);*
 - (iii) a Provincial Service Commission established by a provincial legislature in terms of section 213 of the Constitution of the Republic of South Africa 1993, (Act 200 of 1993), except where the legislation establishing such a commission specifically excludes its members from membership of the Fund;*
 - (iv) the Auditor-General referred to in section 191 of the Constitution of the Republic of South Africa, 1993 (Act 200 of 1993);*
 - (v) the Office of the Auditor-General established in terms of the Audit Arrangements Act, 1992 (Act 122 of 1992); or*
 - (vi) any other institution or body, determined by the Board as an employer for the purposes of this Law; and*
 - (vii) for all other purposes of this Law in relation to members in the service of the departments, administrations, organisational components, bodies and institutions referred to in paragraph (a), the Government;*
6. If the definition is considered as a whole it is apparent that there must be a "link" to Government for an employer to become a participating employer in the GEPP.
7. The admission of a new participating employer to the GEPP may create unanticipated liabilities for the State as primary employer under the GEP Law or may result in a higher future contribution requirement. This could occur in several ways:
 - 7.1. Salary structures may differ in the new participating employer from those scales in use in the Public Service.

- 7.1.1. Employees who were previously remunerated on Public Service salary scales may receive a once-off increase in remuneration on introduction of the revised salary scale. If they remain as members of the GEPP, this will cause an immediate additional liability in the GEPP. If they were to leave service soon after transfer, the additional liability may not have been funded, and their exit may adversely affect the situation of other members and other participating employers.
 - 7.1.2. Employees may be promoted with bigger incremental increases than would apply in the civil service. This will create additional liabilities at some stage in future.
 - 7.2. New employees at the participating employer may be admitted to another fund (for example a defined contribution fund), and will not join the GEPP. The GEPP, like any other defined benefit fund relies upon the contribution in respect of younger members to cross-subsidise the costs of the older members, because the cost of a year of service rises with age in a defined benefit fund. Over time, this will cause the contribution rate required for employees of that participating employer to rise, as the employees of that employer who belong to the GEPP age, without any younger employees being admitted.
 - 7.3. If employees are given a choice as to whether to remain on the GEPP or move to a new fund (for example a defined contribution fund), the logical choice could well be that the young employees choose to move to the new fund, and the older employees choose to remain on the GEPP. This accelerates the ageing process highlighted in 1.3.
8. Some actions, e.g. severance packages, can readily be translated into an additional cost for the specific employer, and the additional liabilities resulting from those actions have historically been charged to that employer. The financial impact of other actions, e.g. salary increases, are currently shared amongst all employers. Thus, where for instance an employer is not subject to the salary scales and increases of the Public Service, such deviation in salaries (meaning a deviation of the pensionable emoluments), may have an impact on the GEPP.

Purpose

- 1. The purpose of this policy is to provide the criteria which an applicant employer must meet for admission as a participating employer to the GEPP.

Policy Statement

This policy will apply in respect of all applications received from applicant employers to become participating employers to the GEPP and in respect of all applications for admission as a participating employer to the GEPP.

The criteria and/or requirements for admission as a participating employer to the GEPP are as follows:

- 1. The applicant employer must make a written proposal to the Board of Trustees or its delegated representative, addressing the points below where applicable;
- 2. Admission will only be granted upon approval by the Trustees or its delegated representative;
- 3. The applicant employer must, in the opinion of the Trustees, in some manner be linked or related to Government i.e. statutory bodies or entities created by an Act of Parliament, Public Entities listed in schedule 3 of the Public Finance Management Act or bodies or organisations where the State is the primary shareholder;

4. The applicant employer must agree to be bound by the GEP Law, 1996, and Rules as well as future amendments to these;
5. Where the applicant employer does not use the Public Service salary structure,
 - 5.1. the applicant employer must define its salary structure in the application,
 - 5.2. the applicant employer must agree to communicate any future changes to its salary structure, as and when such changes occur, and
 - 5.3. the applicant employer must specifically undertake, in terms of section 17(4) of the GEP Law, 1996, to fund any additional liability arising from conversion of employees from the civil service salary structure to the applicant employer's salary structure, or arising from any amendment of that salary structure, or arising from the subsequent application of that structure, in either case in excess of levels that would have applied had the Public Service salary structure applied. For example, no additional liability will arise if the average rate of increase in the salary scale is the same as the average rate of increase across the Public Service salary scales.
6. If required, exceptional cases may be directed to the Board of Trustees to determine to admit an applicant employer as a participating employer to the GEPF.

Responsibilities and Delegations

1. The GEPF administration is responsible for the implementation of this policy.
2. In terms of this policy, the power and authority of the Board of Trustees to determine who may be admitted as a participating employer to the GEPF, is delegated to the Benefits and Administration Committee (BA-C) of the GEPF.
3. The BA-C will consider and reply to such application within thirty (30) days after receipt of the correctly completed application from the applicant employer.
4. The application, monitoring and oversight of this policy will be the responsibility of the Benefits and Administration Committee of the GEPF.

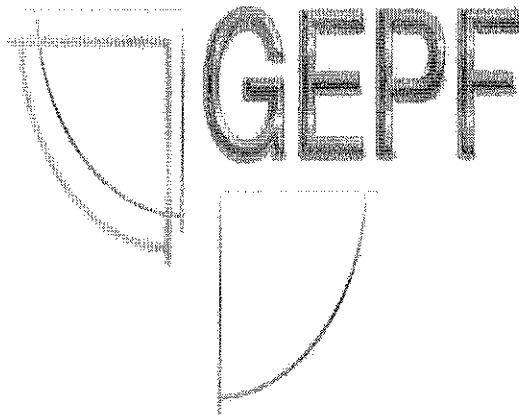
Approval

Recommended / ~~Not Recommended~~


AL DE WIT
CHAIRPERSON: BENEFITS AND ADMINISTRATION COMMITTEE
DATE:

Approved / ~~Not Approved~~


M KUSCUS
CHAIRPERSON: GEPF BOARD OF TRUSTEES
DATE: 13/3/2007



Government Employees Pension Fund Board of Trustees

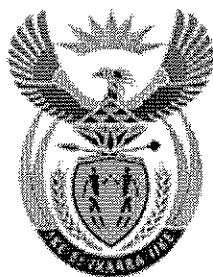
For approval

Participating Employers to the GEPF

Submitted to:
Date approved:
Effective date:
Signature:

Board of Trustees





Republic of South Africa

Government Employees Pension Fund

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2. In terms of this policy, the power and authority of the Board of Trustees to determine who may be admitted as a participating employer to the GEPF, is delegated to the Benefits and Administration Committee of the Board of Trustees.
3. The Benefits and Administration Committee of the Board of Trustees must consider an application for admission as a participating employer to the GEPF, within 30 (thirty) days of receipt of such application, and such application may be submitted for decision making on a "round robin" basis. The documents may be circulated via email. An application for admission as a participating employer to the GEPF is only regarded as approved by the Benefits and Administration Committee of the Board of Trustees, if approved by a quorum of the members of the Benefits and Administration Committee of the Board of Trustees.
4. The application, monitoring and oversight of this policy will be the responsibility of the Benefits and Administration Committee of the GEPF.

Approval

Recommended / Not Recommended


A DE WIT
CHAIRPERSON: BENEFITS AND ADMINISTRATION COMMITTEE
DATE:

Approved / Not Approved


M KUSCUS
CHAIRPERSON: GEPF BOARD OF TRUSTEES
DATE:
