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Government Employees Pension Fund

Total Rewards Policy

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Document Reference Library

Document File Name	Context and Relevance

Business Areas Impacted by this Policy

Name Business Unit / Area	Context and Relevance
All the GEPF Business Units	To attract, retain, and motivate talented individuals who are dedicated to fulfilling the Fund's strategic objectives.

Glossary of Terminology

Abbreviation/Terminology	Description
Anchor Point	refers to a specific point or level within a salary structure that serves as a reference or benchmark for determining compensation for employees.
Base/Basic Salary	is the fixed guaranteed cash payment made to an employee, typically on a monthly basis. This does not include any bonus or other fringe benefits irrespective of whether these are paid in cash or funded by the organisation.
BCEA	Basic Conditions of Employment Act, No.66 of 1995
Benefits	refer to the receipt of those benefits that are standard to the organisation such as Car Benefits, Housing Allowance, Medical Aid, etc.
Board	refers to GEPF Board of Trustees.
Capping of Pay Scale	refers to the capping of the Pay Scale at each level in the organisation to include a maximum pay point in the pay scale above which no individual may progress
Compa Ratio	The comparative ratio or "Compa Ratio" is simply the actual GEPF salary divided by the market salary for the appropriate position. (A Compa Ratio of 100 indicates that you are on par with the market data of the sample).
Employee	A person employed by the Government Employees Pension Fund, permanently or on a fixed term contract
Executive	refers to all employees on the GEPF Executive Management Team.
External Equity	refers to the competitiveness of the level of remuneration assigned to each grade and is based on the need to compete in a free market for skills.

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Abbreviation/Terminology	Description
Fixed Term Contract	An employee who is appointed for a specific pre-determined period only and who is contractually bound.
Full Time Employees	are defined as all individuals who have entered into permanent employment with the GEPPF,
Internal equity	refers to the relative grade assigned to different jobs within the organisation. In addition, internal equity assesses how reasonable these grades are. Internal equity can be examined on two levels, namely horizontally, (i.e. between departments) and vertically (i.e. within one department).
Job Evaluation	refers to the systematic and objective process of determining the relative worth of a job in the organisation utilising a structured process. The result of this process would be accurate job grades.
HRRC	Human Resourced and Remuneration Committee of the Organisation responsible for employee and trustee remuneration including advice on all human resources matters.
LRA	Labour Relations Act, No. 66 of 1995
Parallel Scale	Refers to a pay scale that is utilised to differentiate between generic positions and specialised/professional positions.

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1. Preamble

The Government Employee Pension Fund (GEPF) as a responsible Corporate Citizen and Employer subscribes to fair and equitable total rewards practices thus ensuring that a sound Employee Value Proposition (EVP) is created across all levels in the GEPF.

The GEPF's approach to the employee reward philosophy, strategy and policy is to ensure that we attract and retain high calibre employees that contribute to the sustainability and competitiveness of the GEPF.

2. Purpose

- 2.1 This document sets out the Total Rewards Policy for the GEPF.
- 2.2 The Total Rewards Policy aims to crystallise the spirit of a total rewards plan envisaged by the GEPF, and therefore seeks to ensure that the rewards framework matches the strategic needs of the GEPF.
- 2.3 The Total Rewards Policy as such seeks to provide specific, motivating direction to guide decisions relating to remuneration in the organisation in line with the broader Total Rewards Strategy of the Organisation.

3. Scope

The Total Rewards Policy applies to employees in the following categories:

- 3.1 Permanent Employees: The employment contract is indefinite and may be part-time or full time.
- 3.2 Contract Employees: The employment contract is for a fixed term, with no guarantee of renewal after its expiry date. It may be part-time or full time.

4. GEPF Strategic Alignment

The Government Employees Pension Fund (GEPF) strives to be a best-in-class pension fund, providing financial security, peace of mind and exceptional service to government employees, pensioners and other stakeholders. The GEPF is entrusted as the custodian of a significant portion of the wealth of the public servants in South Africa. In order to effectively and efficiently manage and administer the pensions and related benefits on behalf of its members, pensioners, and other related beneficiaries, the GEPF strives to both administer and provide benefits and related services and oversee the investment of government pension funds.

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The GEPF recognises that its vision and mission should form the overarching foundation on which its competitiveness and service excellence is built. In this regard, it is important to emphasise the vision of the GEPF, namely, to be a role model for pension funds world-wide. This vision therefore also forms the cornerstone for a Total Rewards Strategy, which is aligned to the vision through the GEPF Strategic Business Plan as developed and approved from time to time. In particular, any performance related component of total remuneration payable to GEPF employees should be directly related to the achievement of those corporate objectives identified in the GEPF Strategic Business Plan as developed and approved from time to time.

5. Strategic Aims of the Total Rewards Policy

Aligned to the Total Rewards Strategy of the GEPF, the overall strategic aim of the Total Rewards Policy is to develop and implement the reward policies, processes and practices required to support the achievement of the organisation's goals by helping to ensure that the GEPF can attract and retain competent, well-motivated and committed people.

The objective is therefore to create reward processes that are based on beliefs about what the organisation values is and is prepared to pay for. The Total Rewards Policy is therefore driven by the need to reward the right outcomes to convey the right message about what is important in terms of expected behaviours and outputs.

The GEPF's remuneration practices will reflect the dynamics of the market and context in which it operates, thus alignment with the Retirement Fund Sector will also be targeted with the aim of creating equity within the Pension and Retirement Fund Sector. The GEPF is a respected organisation, recognised for its achievements and leadership in the field of the Retirement Fund Industry.

The Total Rewards Policy will at all times align with the strategic direction and specific value drivers of the GEPF and at the same time acknowledge our focus on building a high-performance driven organisation.

6. Total Rewards Philosophy

Our Total Rewards Philosophy at the GEPF is designed to attract, retain, and motivate talented individuals who are dedicated to fulfilling our mission of safeguarding the financial security and well-being of our beneficiaries. We believe in offering a comprehensive package of financial and non-financial rewards that reflects our commitment to fairness, equity, and excellence.

- The philosophy underpinning the GEPF's Total Rewards Policy is the Total Rewards Strategy that supports the Organisation's Vision, Mission, Values and Strategic Goals.
- The GEPF subscribes to the South African SOE/C and Financial Services Median and thereby ensure that remuneration neither leads nor lags the selected market.
- We believe our Total Rewards Policy is a management tool, that, when aligned with an effective communication plan is designed to support, reinforce, and align our values,

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business strategy, operational and financial needs with a goal of growth and sustainability.

- The GEPP's Total Rewards Policy is designed to attract, reward, measure, motivate and retain talented employees who drive the Organisation's success.
- We believe that for the Organisation to retain critical and core skills within its employ, such skills would attract certain premiums as determined by market forces. The GEPP needs to have a particular incentive scheme that will ensure that mission critical skills are engaged, recognised, and rewarded appropriately in order to enhance retention and competitiveness in the industry.
- We strive to pay a Total Guaranteed Package that is around the midpoint when employees are fully proficient and meeting performance and delivery expectations.
- Employees who are new to their role and / or not meeting performance/delivery expectations would be paid below the targeted lower quartile.
- We believe that employees who consistently perform above expectations and are proficient in the role should be rewarded with a higher total guaranteed package and incentive payments.
- In addition to a Total Guaranteed Package, the GEPP will utilise discretionary incentive or variable pay as a way to meet the strategic goals. Incentive pay is discretionary and will be available to employees with consideration of several factors and will be based on individual goals as well as overall performance of the Organisation.

The GEPP will ensure that the Total Rewards Policy is implemented in a manner that is fair, responsible consistent and free of discrimination.

The Performance Management Policy should be read together with the Total Rewards Policy and other HC policies. Where the parties can demonstrate having fulfilled their roles as defined in the Total Rewards Policy, in ensuring compliance to the provisions of the Performance Management Policy and Total Rewards Policy, the affected party shall carry no fault in the non-compliance to the policy(s) , if it is due to the non-compliance of another party to the provisions of the policy(s).

7. Aims and Objectives of the GEPP Total Rewards Policy

The aims and objectives of the GEPP Total Rewards Policy will guide the GEPP in its approach to dealing with remuneration and reward.

7.1 The three primary aims of the GEPP Total Rewards Policy are to:

- Articulate a distinctive value proposition for current and prospective employees, which will assist in attracting and retaining employees who have the skills, capabilities and values needed by the GEPP;
- Provide a framework for the design, administration, and communication of remuneration and reward programs and practices, which support the achievement of business goals and objectives; and

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- Achieve maximum motivational impact and desired behaviour through remuneration and reward programs and practices.

7.2 The objectives of the GEPF Total Rewards Policy are to enable it to:

- Attract, and retain suitably qualified experienced and productive employees to meet the short, medium and long-term staffing requirements of the GEPF at all levels;
- Motivate and reward its employees through performance related rewards to enable them to achieve their full potential;
- Maximise employees' value-added contributions to the business, operational and strategic success of the GEPF, and thus to optimise stakeholder satisfaction; and
- Minimise costs to the GEPF arising out of the loss of trained and experienced employees.

8. Design Principles

The following Design Principles will govern the GEPF's Total Rewards Policy:

8.1 Competitive Pay Levels

The GEPF is committed to paying remuneration packages that are competitive relative to the defined target market.

8.2 Pay For Performance

The GEPF firmly believes that, for its employees to maximise their potential contribution to the organisation, the GEPF must adopt policies which encourage and reward high performing employees and drive value-added delivery and contributions to the GEPF.

8.3 Pay Progression Model

A Pay Progression Model will be implemented to recognise the performance of each employee and to ensure progression within the pay ranges.

8.3.1 Elements of Pay Progression

The GEPF Pay Progression Model will be considered annually with the aim of recognising the performance of each employee and to ensure progression within the pay scales taking into consideration the following elements:

- Performance Score average over two (2) years.
- Employee educational qualifications. (i.e. educational qualification must be related to the position. If the position for example requires a 3-year Qualification at NQF 5, recognition will be limited to improving the qualification to NQF 6 once off only)
- Competence level (level of work).

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- Work experience of the employee. (i.e. in the current position only)
- Criticality of position.

New employees will be considered for pay progression after two performance cycles.

The weighting of each of the elements will be determined by Management and approved by the Human Resources and Remuneration Committee every second year so that it is aligned with the organisation's strategic imperatives.

8.3.2 Application of the Pay Progression

Pay progress shall be applied in line with the application flow chart reflected below:



- The GEPF remuneration structure shall be used to determine the correct positioning of a role within the pay scale targeted policy level, prior to any pay progression consideration.
- All possible salary movements must be sufficiently funded annually in order to ensure affordability.
- Alternative pay progression methods shall be considered as part of the application process.
- The GEPF will pay progression methods shall be considered as part of the application process.
- The GEPF will cap pay progression adjustments to a maximum of the 65th percentile for all generic roles and to a maximum of the 75th percentile for all critical roles as identified in the Critical Talent Segmentation Framework. (This must be interpreted in line with the applicable pay scales).

Pay progression shall be conducted once a year, utilising the model to determine the relevant position of each employee. The pay progression review shall take place in August every year, and shall be presented to the Human Resources and Remuneration Committee for approval or for notification/recommendation to the Board for implementation based on the impact to the total GEPF payroll (i.e. if impact is more than 1.5% of the annual wage bill, then adjustments must be approved by the Board, if impact is less than 1.5% of the wage bill, adjustments must be an approved by the PEO).

8.4 Internal Equity

Reward differentiation between employees will be based on criteria that are fair, objective, and transparent. Wherever possible, the GEPF will be guided by market-related pay and remuneration structures in developing our own reward frameworks. In following this approach, the GEPF will seek to balance external market pay rates with its own internal organisational pay equity.

8.5 Cost Management

8.5.1 The GEPF will manage the total cost of employment for all employees. We also have responsibilities towards our stakeholders and must ensure that the rewards strategy and practices do not have a negative impact on the GEPF's long term operational and business objectives, and cost-effective, affordable services.

8.5.2 Any adjustments in the level of the GEPF's compensation to employees in the form of pay, benefits and allowances must therefore be subject to the principles of financial affordability and sustainability.

8.5.3 Affordability

The GEPF strives to reward employees at market rates where possible whilst retaining affordability and maintaining a sound ratio between Operating Cost and Reward Cost.

8.5.4 Holistic Approach

The GEPF adopts an integrated approach to the total rewards strategy. The total rewards strategy solution of the organisation encompasses a balanced design that includes all of the following components:

- (a) Guaranteed Pay
- (b) Variable Pay
- (c) Performance Management
- (d) Employee Growth and Development
- (e) Non-Financial Remuneration & Recognition
- (f) Work Environment
- (g) Talent Management

8.5.5 Regular Revision

The GEPF recognises that both the Total Rewards Policy and each component are dynamic and should be revisited regularly to ensure that its rewards approach keeps pace with both the GEPF's objectives and market practices.

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8.5.6 Communication

The GEPF is committed to ensuring that all employees are aware of the defined Total Rewards Policy.

8.6 Transformation

The GEPF will where be required to, use reward practices to assist in its transformation objectives.

9. Responsibilities

The assigned responsibilities according to the Total Rewards Policy are as follows:

Who	What
GEPF	<ul style="list-style-type: none">• Facilitate the implementation through line management of all aspects of the remuneration and related strategies/policies;• Develop and maintain the strategies, information, database records and tools required to implement the remuneration and related policies such as Pay Scales, Job Profiles, Position Grades, Performance Ratings etc.;• Benchmark the GEPF's Remuneration policy and practices on a regular basis, against the relevant market, and make recommendations where changes are required;• Review and render decisions on matters for which the GEPF has delegated powers, ensuring adherence to sound practices and consistency across the GEPF;• Identify, review, and take corrective action for all deviations from established remuneration and related strategies/policies.
REMCO	<ul style="list-style-type: none">• Adopt and biennially develop and recommend to the Board the remuneration policies and practices that will promote the strategic objectives of the Organisation and encourage individual performance over the long-term;• Align remuneration of respective levels at the Organisation to the Board's strategy;• Review the effectiveness of the remuneration policy to ensure that the Organisation's objectives are being met.• Recommend remuneration packages appropriate to attract, retain and motivate high performing senior executives;• Provide oversight to ensure that competent service providers are appointed for the provision of retirement benefits and healthcare benefits and review the performance of these providers biennially to ensure employee interests are protected;• Be sensitive to the human resources environment within the entire Organisation in respect of remuneration and employment conditions by ensuring consistency and transparency;• Review and recommend the annual salary adjustments and performance related salary increases for all employees of the Organisation;

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Who	What
	<ul style="list-style-type: none"> Review Executive Contracts in terms of their relevance/appropriateness in the context of the strategy and make recommendations to the Board of Trustees; Moderate the performance assessments of the GEPF's Executives in line with the Performance Management Policy and make the necessary recommendations to the Board regarding the payment of performance bonuses to the Organisation's executives; Satisfy itself that the Annual Report of the Fund accurately and correctly reflects the total reward strategy principles and application thereof.
Line Managers	<ul style="list-style-type: none"> Review and plan the functions to be performed by each employee and prepare, maintain, and submit up-to-date job profiles; Review and manage the Level of each job and request the re-evaluation of each job as and when necessary; Ensure annual performance plans are in place for employees in line with Divisional and Organisational objectives; Review and manage the performance of each employee in accordance with the GEPF Performance Management Policy; Ensure the best interest of the GEPF and its employees when making considerations regarding remuneration; Accurately communicate all elements of the GEPF remuneration structure to employees they are accountable for.
Employee	<ul style="list-style-type: none"> Ensure that Performance Agreements, aligned to Job Profiles and the Organisational Strategy, are completed at the start of each new Performance Cycle; Ensure understanding of the TRS and associated policies, processes and procedures. Inform line management of changes to jobs that may impact on the job grade to enable facilitation of the re-evaluation of the job; Conform to the requirements of the Remuneration Policy; Perform work in accordance with the agreed upon job profiles and performance agreements. Ensure that performance is reviewed in accordance with the Performance Management Policy to ensure fair and equitable remuneration.

10. Elements of the Total Rewards Policy

In achieving its Total Rewards Policy objectives, the GEPF has adopted the following key elements to guide the development of its remuneration and reward practices:

10.1 World Class Reward Practice

The GEPF aims to manage its remuneration and reward in line with generally accepted world class reward practices. This includes, amongst others, the pursuance of the principles set out in the table below, which form the basis and guidelines for all reward actions of the GEPF.

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These principles underlie the approach and rationale for the payment of remuneration and the provision of rewards to all its employees. The table also indicates the broad processes which could be followed to adhere to each of those principles.

PRINCIPLES	PROCESSES
Total rewards, including financial and non-financial reward elements	<ul style="list-style-type: none"> • Introduce an integrated reward mix, which contains financial and non-financial rewards. • Allow for individual flexibility in remuneration structuring to accommodate different needs. • Implement a system of non-financial employee recognition, and motivational rewards.
Reward policies and Practices aligned to business objectives	<ul style="list-style-type: none"> • Ensure employee understanding of business objectives. • Align performance agreements to business objectives. • Always direct rewards to the achievement of business objectives.
Consistent and fair job evaluation scheme	<ul style="list-style-type: none"> • Use comprehensive job specifications as basis for job evaluation. • Select most appropriate off-the-shelf or custom job evaluation methodology in accordance with the needs of the GEPF.
Competitive pay through reliable benchmarking	<ul style="list-style-type: none"> • Subscribe to reputable local remuneration surveys. • Use up-to-date remuneration survey data as basis for benchmarking and related pay adjustments.
Clear, transparent, and fair career opportunities	<ul style="list-style-type: none"> • Develop career paths for employees. • Facilitate training and development in accordance with career paths and organisational needs.
Fair pay which motivates a high-performance culture	<ul style="list-style-type: none"> • Improve performance measurement system so that it supports a high-performance culture. • Perform consistent pay reviews, which ensure equal pay for work of equal value.
Manage performance to facilitate developmental and performance improvements	<ul style="list-style-type: none"> • Reward employees according to their contributions and value add. • Conduct regular informal performance assessments, and cyclical formal performance appraisals. • Ensure corrective and reinforced measures are implemented after assessments and appraisals.
Cost-effective and flexible employee benefits	<ul style="list-style-type: none"> • Align criteria for employee benefits to individual needs and preferences.

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PRINCIPLES	PROCESSES
	<ul style="list-style-type: none"> Remain up to date with appropriate and effective employee benefits practices, products and trends in comparative markets.
Effective use of up-to-date reward management tools	<ul style="list-style-type: none"> Develop transparent reward and performance criteria. Use reputable remuneration data, advice, and products. Ensure knowledge of different reward products in the market.
Effective and transparent two-way reward communication	<ul style="list-style-type: none"> Determine specific rewards needs of all employees. Openly communicate details relating to performance measurement criteria and processes, affordability, eligibility, and individual choices. Ensure all employees understand reward policies and practices.
Defined roles for line managers in reward scheme	<ul style="list-style-type: none"> Facilitate training, coaching and guidance to line managers, to ensure clear understanding of their roles. Incorporate line managers' responsibilities in relation to rewards in their performance contracts.
Effectiveness within affordability constraints	<ul style="list-style-type: none"> Budget properly for rewards, and in line with market trends and own financial capabilities. Communicate any affordability constraints to all employees well in advance of rewards decisions.
Regular evaluation of effectiveness and changing needs	<ul style="list-style-type: none"> Regularly engage all employees on effectiveness of rewards options and practices. Stay abreast of market trends and reward developments.
Total Guaranteed Package (TGP)	<ul style="list-style-type: none"> Align employee remuneration to a total guaranteed package structure.

11. Internal and External Equity

The Pay Scales will support both internal equity and external competitiveness.

- Internal equity refers to the relative grade assigned to different jobs within the GEPF. Internal equity is supported by ensuring that relative grades are defensible on two levels, namely horizontally, (i.e. between Divisions) and vertically (i.e. within one Division).
- External equity is the second consideration in design of a pay structure. The focus in this area is on external equity (i.e. the competitiveness of the level of remuneration assigned to each grade) and the GEPF need to compete in a free market for skills. Part of this

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competition is the management of labour costs – ensuring that the labour force is neither overpaid nor underpaid, possibly leading to a high turnover or labour unrest/low morale which could harm employee effectiveness.

12. Parallel Pay Scales

The GEPF recognises the need to create an optimal Employee Value Proposition (EVP) whilst maintaining affordability. To ensure an optimal EVP a parallel pay scale will be used with the midpoint anchored at the 75th percentile of the targeted market. The application is limited to the specialist/ professional designated jobs as per the GEPF Workforce Segmentation Guidelines.

13. Technical Considerations

- 13.1 The base date of the Pay Scales is 1 July each year using the lead/lag methodology.
- 13.2 The Pay Scales must be reviewed once every two years at the beginning of the calendar year, with benchmarks conducted at the beginning of the calendar year, based on pay increase trends, performance, inflation and principles of affordability, liquidity, and solvency.
- 13.3 At the beginning of a new year where the pay scales are not reviewed, the pay scales will be aged using the appropriate market movement rate.
- 13.4 Should the capped employees fall within the revised salary ranges following Pay Scales reviews in 13.2 and 13.3, the employee(s) will be adjusted based on section 17 using their most recent total guaranteed package excluding the non-pensionable allowance as calculated in section 19.4 below:

13.4.1 Generic/Portable Jobs

Generic/Portable jobs are anchored at the 50th percentile of the combined SOE and Financial Services. Jobs in this category being paid below the minimum of the pay scale will be moved to the minimum to ensure that all employees are paid within the combined SOE and Financial Services Market.

13.4.2 Mission Critical and Critical Support Roles

Relevant Mission Critical and Critical Support jobs are anchored at the 75th Percentile of the combined SOE/C and Financial Services Market to ensure that the jobs are remunerated at a competitive level. Jobs in this category being paid below the lower quartile will be moved to the lower quartile of the parallel Pay Scale relevant Mission Critical and Critical Support roles to ensure parity and competitiveness. (Refer to the Critical Talent Segmentation Framework).

13.4.3 Specialist and Professional Jobs

Relevant Specialist and Professional jobs are anchored at the 75th Percentile of the combined SOE/C and Financial Services to ensure that the jobs are remunerated at a competitive level. Jobs in this category being paid below the lower quartile will be moved to the lower quartile of the parallel Pay Scale relevant to specialist and professionals roles to ensure parity and competitiveness. (Refer to the Critical Talent Framework).

13.4.4 Executive Jobs

Executive Jobs are classified as Mission Critical and Critical Support Roles and will thus be anchored against the 75th percentile of the combined SOE/C and Financial Services. The Board of Trustees may, at its discretion, review the pay level should a specific market premium be required to attract and retain the appropriate talent.

14. Competitiveness Rewards Practices

The GEPF, by the very nature of its business, operates in an increasingly sophisticated and complex financial services environment where, for the foreseeable future, there will continue to be a shortage of professional and skilled employees. The GEPF also recognises that, while in some areas of its operations the operational skills and experience required can best be obtained within the financial services and pension fund industries, such skills, once developed, are in high demand elsewhere in the economy and indeed globally. Competitive reward structures and practices therefore form the cornerstone of the GEPF Total Rewards Policy, for the attraction and retention of vital human resource assets. In light of the GEPF's strategic positioning, there will be a need to be innovative in establishing the Value Proposition to attract and retain the best talent within the Organisation i.e. innovative reward strategy.

15. Market Related Reward Structures

The GEPF believes that the most appropriate means to achieving a competitive reward structure is to adopt, as far as possible, market related pay and benefits. The GEPF recognises however its responsibility to provide its services as cost effectively as possible. The GEPF is conscious therefore of the need to minimise any negative impact changes to its reward structures may have on the level of service efficiency it provides.

The competitors for the GEPF employees are in the private sector of the economy. It is primarily from this market where the GEPF recruits most of its professional and administrative employees, but also from where the GEPF faces the biggest danger of losing employees. In order therefore to effectively compete in the South African private sector the GEPF will seek, as far as possible, to place its reward policies and practices as follows:

- (i) employees will be remunerated on the approved level of the position and flexibility will be applied to remunerate scarce and critical skills anywhere within the band of the position, in recognition of the need to compete effectively for scarce professional and critical skills; and

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- (ii) structured mainly as guaranteed salary plus a discretionary performance bonus in recognition of the nature of the work performed at the GEPF.

For the GEPF to apply the correct market pricing levels for each position, it will subscribe to and participate in two reputable South African remuneration surveys. The most appropriate survey results from these surveys will be used to determine appropriate anchor points for building GEPF's Pay Scales, using tighter grade ranges for lower grades and wider grade ranges for more senior roles.

Adjustments to the GEPF remuneration levels and packages will be effected annually on 01 July, and all adjustments will be justified on the basis of objective market data. The annual review date can be adjusted, subject to Management discretion, in consultation with employees. The GEPF recognises however that there are imperfections within the market which may be brought about by shortages of employees with a particular skill. The GEPF believes that where such imperfections exist, they should not result in a distortion to its pay structure.

16. Incentive Schemes

Incentive schemes form part of the EVP offered by the GEPF. **Incentive schemes are discretionary and paid at the prerogative of the Board** by recommendation of the Human Resources and Remuneration Committee. Incentive Schemes that may be applied are as follows:

16.1 Performance Bonus Structure (Short-Term Incentive)

The Short-Term Incentive Scheme is applicable to all employees regardless of level. Short term incentives, determined by market benchmarks obtained biennially, will only be paid under the following conditions:

- At the discretion of the Board
- A GEPF Performance Rating of "On-Target" must be achieved; and
- An individual unweighted performance score of "Above- Expectation Performance" (3,6) must be achieved to qualify for a Short-Term Incentive Bonus.
- The Short-Term Incentive Quanta are linked to market-based quanta and paid as a percentage of Total Guaranteed Package as indicated in Table1:

Table 1: Incentive Quanta

Paterson Grade	Stretch	Excellent
PEO	30%	50%
Grade E	25%	40%
Grade D	26%	33%
Grade C, B, A	17%	22%

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16.2 Long-Term Incentive

The Long-Term Incentive Scheme is aligned to the Total Rewards Strategy of the GEPP and forms part of the overall Employee Value Proposition (EVP). The Long-Term Incentive is applicable to the identified critical and critical support jobs. The scheme is a cash-based scheme dependent upon the attainment of organisational long-term performance measures.

16.3 Recognition Scheme

Employees displaying the behaviours associated with the Mission, Vision and Values will be recognised through a formal recognition scheme. This may be awarded via cash or non-cash recognition awards (i.e. non-financial rewards and recognition).

17. Performance Based Remuneration Review

The GEPP will endeavour to review the Total Cost to Company annually in July. The following factors amongst others will inform such a review process:

- GEPP affordability and general business performance
- Economic indicators with an emphasis on Consumer Price Index (CPI) movement
- Market pay movement based on approved surveys
- Individual performance level to differentiate reward allocations and foster a continued culture of performance.
- Tenure to qualify for increase is six months and pro-rated accordingly.
- Performance-based increases are based on the table below:

Performance Scale	0,1 – 1,5	1,6 – 2,9	3,0 – 3,5	3,6 – 4,5	4,6 – 5,0	Performance Scale
≤Max	0%	0%	3%	4%	5%	≤Max
≤UQ	0%	0%	4%	5%	6%	≤UQ
Midpoint	0%	0%	5%	6%	7%	Midpoint
≤LQ	0%	0%	6%	7%	8%	≤LQ
≤Min	0%	0%	7%	8%	9%	≤Min
Performance Scale	0,1 – 1,5	1,6 – 2,9	3,0 – 3,5	3,6 – 4,5	4,6 – 5,0	Performance Scale

**Figures above are for illustration, based on a base increase of 5%.*

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18. Placement within Pay Scales

18.1 New Appointments

On appointment to a new position an employee should be appointed as follows:

- The GEPF Pay Scale will be applied to determine the Minimum and Maximum guidelines.
- An Offer of Appointment will be made based on the current remuneration of the successful applicant.
- The appropriate Executive, in consultation with Human Capital Management will agree to an appropriate market related salary at which the new employee will be appointed within the appropriate salary range. Remuneration of the successful applicant can be adjusted to the minimum of the Pay Range or to a maximum value of 25% above the current remuneration of the applicant, whichever is greater.
- The GEPF is not in a position to process any sign-on agreements as this may be seen as guaranteed variable pay, however, in unique circumstances a buy-out agreement can be entered into with the new candidate (If deemed to be key and/or critical talent) subject to performance and claw back agreements which would require the Principal Executive Officer's (PEO's) approval.
- The Principal Executive Officer (PEO) will approve all exceptions above 25% of the current remuneration threshold in conjunction with the Human Capital Management for all the GEPF applicants, on condition that the salary offered is within the appropriate salary ranges for the role.
- The Remuneration Committee shall recommend any exceptions above 25% of the current remuneration threshold in relation to the Principal Executive Officer to the Board of Trustees for approval.

18.2 Internal Appointments

When an employee is appointed to a higher position with a higher grade, they should be appointed as follows:

- Current Remuneration below the Minimum of the Promoted Pay Range:
- Remuneration will be adjusted to the minimum of the Pay Range or receive an increase of 20% whichever is the greater.
- Current Remuneration within the Pay Range of the Promoted Position: If the current remuneration is already within the higher pay range the individual will receive an increase to a maximum of 20%. Any exception must be motivated to and approved by the PEO.
- If current remuneration is above the maximum of the pay scale of the higher role, then such remuneration will be treated as specific to employee and aligned to the normalisation rules in Section 19.

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- If the applicant is appointed on a role that is on the same grade as their current role, there will be no remuneration adjustments as this is considered a lateral movement.

19. Normalisation of Remuneration

- 19.1 The GEPP adopts an approach where no individual may be paid above the Maximum of the salary band unless such an individual is paid at a premium compared to the market pay scale.
- 19.2 Any individual paid above the Maximum of the salary band must be normalised in the shortest possible time. Such individuals will receive no annual increase but will be paid a payment as per 19.4 calculated at the Midpoint of the Pay Scale against the Individual performance management score.
- 19.3 In cases where the individual's current remuneration is already above the maximum of the salary band of the next job grade they are being promoted into, based on historical factors, such a person should be paid a monthly non-pensionable cash allowance to ensure normalisation to fit within the salary band of that particular job, as per 19.4 calculated at the Midpoint of the Pay Scale against the most recent individual performance management score.
- 19.4 In such cases the monthly non-pensionable cash allowance will be capped against the Performance Management score with its commensurate increase multiple at the 50th Percentile of the pay scale. This is illustrated in Table 2 below:

Table 2: Illustration of the Calculation of the Once-Off Cash Reward

Variable	Value
Maximum of Pay Range	R100 000
Individual Remuneration	R130 000
Compa Ratio	130%
Median of Pay Range	R75 000
Performance Score	3
Increase variable	6%
Cash Reward	6% x R75 000 = R4 500 / 12m

- 19.5 All variable pay shall be paid against the capped total guaranteed package (excluding the non-pensionable allowance).

20. Rewards Structures

In accordance with the broad principles which make up the GEPP's Total Rewards Policy, the GEPP will adopt band and pay structures which:

- Are equitable and internally consistent, based on an objective system of job measurement. In relation to this principle, the GEPP will participate in and subscribe to at least two South African leading remuneration surveys, which are able to correlate their data to the most prominent job measurement tools.

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- Adopt the principle of sub-grading to optimise the ability of the GEPF to reward performance within salary ranges.
- Follow the principle of equal pay ranges for positions of equal value, provided that where it is necessary to attract, motivate and retain particular employees, the GEPF must have the flexibility to respond to changing market conditions, and, within the broad principle, recognise individual ability and value.
- Provide, where possible, opportunities for career development and progression within the core business areas of the GEPF.
- Adhere to principles of transparency and objectivity and provide a mechanism for appeal in an event where an employee is aggrieved by a decision affecting the employee's band or pay.
- Maximise the ability of line managers to manage the remuneration and reward system within their business units, in accordance with the GEPF's Total Rewards Policy, strategy, and practices.

21. Benefits Structures

The GEPF, wherever possible, will adopt reward and pay structures which maximise direct disposable earnings to employees.

The GEPF is a participating employer to the Government Employees Pension Fund in respect of only those employees who were members of the Fund on 31 December 2008. These members are allowed to remain members within the Fund on the same basis as before they joined the GEPF's employee complement.

In respect of such members, the GEPF will follow the rules relating to GEP Law. Employees who joined the GEPF after 31 December 2008 are required to become members of the approved GEPF umbrella fund.

Currently the GEPF will offer such benefits and allowances to its employees that protect the social well-being of employees, including retirement benefits, medical aid, and life insurance.

22. Acting Allowance

- 22.1 The GEPF shall compensate an employee for acting in a higher vacant and budgeted for position by the difference in salary between their actual total guaranteed package and the minimum of the total guaranteed package of the salary band for the position in which they are acting, determined as the acting allowance. The employee will only be compensated if such employee acts in a position for a period of six (6) weeks.
- 22.2 If the employees' current remuneration package is above the minimum of the higher-level position, the acting allowance shall be payable at 10% of the midpoint of the higher position's salary band.

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- 22.3 The GEPP may also compensate an employee for acting in a position, which is vacant temporarily due to the actual incumbent of the position acting in a higher vacant position.
- 22.4 An employee appointed in writing to act in a higher position, by the PEO, shall be paid an acting allowance, provided that:
- the higher position in which he/she is acting is vacant and funded, and
 - the period of appointment is uninterrupted and 6 (six) weeks or longer.
- 22.5 A maximum of two (2) employees may receive the acting allowance proportionally if they are appointed to act in a single higher vacant position, provided that:
- the responsibilities attached to the higher vacant position are divided between the two (2) employees acting in such a position and expressed in the form of a ratio (i.e. 30/70%) before they are appointed to both act in such higher vacant position;
 - the maximum (combined) acting allowance to be paid to the two (2) employees is the difference between the inclusive flexible remuneration package of the lowest graded employee and the commencing inclusive flexible remuneration package of the higher graded vacant position. (This means that the expenditure may not exceed the expenditure if only the lowest graded employee would have been appointed to act in the higher graded vacant position.); and
 - the employees' individual acting allowances are to be determined proportional to the above-determined ratio. (This means that if the split in responsibilities between the employees is 30/70% the one employee will qualify for 30% and the other employee 70% of the maximum (combined) acting allowance).
- 22.6 The employee must accept the acting appointment in writing before the acting allowance is payable.
- 22.7 The acting allowance is non-pensionable.
- 22.8 The employer will pay the acting allowance on a monthly basis provided that the first payment takes place in the month following the completion of the period backdated to the date that the employee officially began acting in the position.
- 22.9 An employee may only act in a higher position for a maximum uninterrupted period of six (6) months, issued with an acting agreement for this period, unless approved by the PEO.
- 22.10 The acting allowance may only be paid to an acting employee for a maximum of six (6) months, after which permanent appointment will be considered for the relevant vacant and funded higher position unless prior approval is obtained from the PEO for re-appointment of the acting employee or appointment of a new employee in the said position in an acting capacity.
- 22.11 The fact that an employee has been appointed in an acting capacity does not create a right / a legitimate expectation to be appointed when the vacant position is advertised.

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- 22.12 The six (6) month period referred to in paragraph 22.9 above will run from the date of appointment to act in the higher position.
- 22.13 Where an employee is acting in a position for six months or more, the performance agreement should include the deliverables of the acting position as soon as the acting allowance is agreed to. For the purposes of awarding a short-term incentive to an acting employee, the original remuneration package shall be used excluding the acting allowance.

23. Approval

RECOMMENDED / ~~NOT RECOMMENDED~~



MS BJ NKUNJANA

CHAIRPERSON: HUMAN RESOURCES AND REMUNERATION COMMITTEE

DATE: 2024-06-26

APPROVED / ~~NOT APPROVED~~



MR AD MOGAJANE

CHAIRPERSON: BOARD OF TRUSTEES

DATE: 2024-06-26
