national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Department:
Public Service and Administration
REPUBLIC OF SOUTH AFRICA

TO HEADS OF ALL NATIONAL AND PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

IMPLEMENTATION OF THE RETIREMENT REFORMS ON 1 MARCH 2016

1. Government would like to inform public sector employees that the Taxation Laws Amendment Act, 2015 that was signed by President Jacob Zuma on 24 December 2015 **does not affect members of the Government Employees Pension Fund (GEPF) in any way**.

2. Rumours have resurfaced that Government wants to nationalise pension savings and that employees will lose control of their money. These rumours are untrue. Employees are cautioned against resigning because of these rumours.

3. Government has not introduced any laws which prevent public service employees from accessing their pension monies when resigning or retiring. When retiring, GEPF members are entitled to a gratuity (equivalent to one-third of their pension savings) and the rest is annuitised, meaning they receive it in monthly payments/pension. **This has not changed**.

4. The reforms, coming into effect on 1 March 2016 seek to make provident funds similar to pension and retirement annuity funds in terms of contributions and benefits at retirement. The GEPF is a pension fund and will therefore not be affected by the reforms.

5. Pension funds are managed and controlled by a Board of Trustees which exercises a duty towards the fund and members, and have both employer and employees representatives. Government is not responsible for investment decisions.

6. Employees should be aware that withdrawing retirement benefits upon resignation has tax implications. 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.

7. The retirement reforms contained in the TLAA seek to:
    a. Encourage all employees to save for their retirement and to provide adequately for their own retirement and the needs of their dependents;
    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.

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Director-General: National Treasury
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Mashwahle Diphofa
Director-General: DPSA
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