



Assessment of the management of service terminations and pension pay-outs in the Public Service

MARCH 2016

Foreword

The Public Service Commission (PSC) is pleased to present the Report on the Assessment of the Service Termination and Pension Pay-out in the Public Service.

This study focused on the management of service termination and pension pay-out by government departments and the Government Pensions Administration Agency. The study came about due to several complaints that the PSC received from different retirees regarding delays with the processing of pension pay-outs.

The PSC's involvement in resolving some of the complaints revealed that in some instances delays in pension pay-outs dragged for periods ranging between one and ten years, thus resulting in adverse effects on the welfare and livelihood of public service retirees and their dependants, and beneficiaries of deceased employees.

Given the critical role of pension pay-outs on the livelihood of retirees and their dependents and beneficiaries of deceased employees, it is important and expected of government departments and GPAA to ensure that they comply with timeframes stipulated in the policy framework when dealing with service termination and pension pay-outs.

The PSC decided to conduct this study in order to ascertain the causes for delays in service termination and pension pay-out; identify challenges experienced and/or best practices applied in the management of service termination processes within departments; and recommend measures that should be put in place to address identified challenges and weaknesses with the hope that going forward retirees and their dependants and beneficiaries of deceased employees will be spared the hardship and suffering associated with delays in pension pay-outs.

The PSC is of the view that this report will serve as a base in finding lasting solutions to the challenges experienced in service termination and pension pay-out in the Public Service.

Special thanks go to all the government departments, GPAA and retirees who took time to participate in the study.

PUBLIC SERVICE COMMISSION

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List of Acronyms

CLO	: Client Liaison Officers
GEPF	: Government Employee Pension Fund
GEP	: Law Government Employees Pension Law
GIS	: Geographic Information System
GPAA	: Government Pension Administration Agency
HRP	: Human Resource Practitioners
JSE	: Johannesburg Stock Exchange-listed
PSA	: Public Service Act
PSC	: Public Service Commission
PDP	: Past Discriminatory Practices
TBVC	: Transvaal, Bophuthatswana, Venda and Ciskei

Executive Summary

Introduction

In the past two to three years, the Public Service Commission (PSC) has been inundated with telephonic complaints from retirees and beneficiaries of deceased pensioners regarding delays in the processing of pension pay-outs and other related benefits by employer departments and the Government Pension Administration Agency (GPAA). Other complaints were posted in the media and the PSC noticed a trend of these complaints and provided assistance by liaising with departments and the GPAA. The complaints were mostly centred on non-adherence to timeframes set for pension pay-outs. According to the Government Employees Pension Law, 21 of 1996, as amended, the pension pay-out should be transferred to the person concerned within 60 days after the submission of all necessary documentation. In line with its mandate as stipulated in section 196 (4) (a),(b) and (f) (i) and (iv) of the Constitution, 1996, the Public Service Commission decided to conduct an assessment on the management of service termination and pension pay-outs in the public service.

The objectives of the study

The overall purpose of this study was to assess the management of service termination and pension pay-outs in the Public Service, and the following were the specific objectives of the study:

- To determine the underlying causes to delays in the processing of service terminations and pension pay-outs.
- To identify challenges experienced and/or best practices applied in the management of service termination processes within departments.
- To investigate the impact of pension pay-outs delays on the welfare of former employees who have exited the Public Service and that of their dependents and beneficiaries.
- To investigate the role of all stakeholders, including institutions responsible for the management of pensions.

Methodology

A desktop review of literature and legislative framework related to service termination and pension pay-out was conducted. Furthermore, primary data was gathered through the use of semi-structured questions that guided engagements between the PSC and participants. In particular, Human Resource Practitioners were the key respondents from participating national and provincial departments. Primary data was also collected from representatives of the GPAA, and retirees and their dependants or beneficiaries of deceased public service employees.

Findings

The key findings from the study revealed the following:

- Service termination policies and procedures are in place in most departments;
- Inadequate capacity in some departments due to lack of structured training for HR practitioners dealing with service termination;
- Inadequate record management within departments;
- Centralised HR functions especially in big national departments with provincial and regional offices result in delays in the submission of pension documents;
- Employees do not update their pension beneficiary information with the employer;
- Incompatible IT systems in departments with GPAA's E-Channel;

- Inadequate capacity of some GPAA Client Liaison Officers (CLOs);
- Inadequate support and communication of feedback by departments and GPAA to retirees or beneficiaries of deceased employees; and
- Challenges associated with the integration of pension funds from the Transkei, Bophuthatswana, Venda and Ciskei (TBVC) states and the other pension funds.

Most of the findings relate to challenges that create or contribute to delays in pension pay-outs, thus resulting in a negative effect on the welfare of retirees, their dependants and beneficiaries of deceased employees.

The study also revealed that the National School of Government (NSG) and Department of Defence have best practices in terms of supporting retirees, their dependants and beneficiaries of deceased employees.

Recommendations

Based on the findings, the PSC makes the following recommendations:

- The GPAA in collaboration with departments should create a database of unclaimed pension benefits by dependants or beneficiaries and employ a tracing agent to find the dependants or beneficiaries and process their claims.
- The GPAA should ensure adequate capacitation of all CLOs.
- Departments should submit details of pension members or beneficiaries who have not claimed their pension to GPAA to add to the work of the tracing agent.
- Structured, planned and compulsory training with on all HR processes, especially for service termination and pension pay-out processes must be provided by departments or the NSG and DPSA.
- Departments, in collaboration with GPAA and SARS should implement awareness campaigns continuously for the benefit of newly appointed employees and long-term serving employees to ensure a thorough understanding of the processes, income tax issues and legislative changes. Where possible, dependants and/or beneficiaries should be invited to the information sessions with the consent of pension members.
- It is also proposed that big national departments that have provincial and regional offices across the country should decentralise some HR functions, especially processes related to service termination and pension pay-outs.
- Departments should also set aside financial resources to upgrade departmental IT systems to enable them to be compatible with the GPAA e-Channel system.
- Departments and GPAA must put in place a strategy to communicate with, provide feedback and support to retirees, dependants and beneficiaries of deceased employees until finalisation of the pension pay-out process.

CHAPTER 1: INTRODUCTION

1.1. INTRODUCTION

Service termination forms an integral part of human resource management in the Public Service and key aspects of service termination should be attended to while people are still in the employ of the Public Service. Despite the significant inroads made in establishing human resource management policies and procedures for the Public Service in South Africa, the management of service termination by departments and pension pay-outs by the Government Pension Administration Agency (GPAA) still remains a concern and a challenge faced by those who have exited the Public Service, especially retirees. Chapter 6 of the White Paper on Human Resource Management in the Public Service (1997) stipulates that employees who have served the Public Service loyally and well should be treated with consideration when they leave. Therefore, service termination should be managed effectively, efficiently and fairly in compliance with the applicable legislative prescripts.

In the public service there are four (4) reasons for employees' service to be terminated, that is, on retirement, resignation, discharged and deceased. In the public service employees are expected to stop working (i.e. retire) at the age of sixty (60) years. Resignation, discharge or death cannot be predicted, it mainly depends on the employee's decision to resign or his/her conduct leading to being discharged or death due to health deterioration, accidents and other factors. When an employee's service is terminated by the employer (government department) due to retirement, resignation or death, the concerned employee or his/her dependants or beneficiaries are supposed to be paid the pension money by the Government Pension Administration Agency (GPAA) within 60 days after the submission of all the necessary pension withdrawal or pension transfer documentation.

The government department is supposed to submit all documentation related to the pension withdrawal of a retiring employee to GPAA six (6) weeks prior to the last day of employment of the concerned employee. For example, if 31st March 2016 is the last day of employment of a retiree, then all pension withdrawal documentation must be submitted to GPAA mid-February 2016. All documentation related to the pension withdrawal of a resigned or discharged employee are supposed to be submitted by the government department to GPAA on the first (1st) day following the last day of employment. For example, if 31st of March 2016 is the last day of employment of a resigned/discharged employee, then all pension withdrawal documentation must be submitted to GPAA on the 1st of April 2016 or 1st working day of April 2016. In the case of deceased employees, all documentation (pension withdrawal) must be submitted to GPAA immediately after consultation with the family members concerned. When the pension is not paid out at the stipulated timeframes (i.e. 60 days after the submission of all the necessary documentation), the delay could have an adverse effect on the welfare of the concerned employee's family as they would not have a source of income to support the family and to fulfil other obligations such as paying for medical aid, rates and services, and life assurance policies.

The Public Service Commission (PSC) has over the past years been inundated with telephonic complaints from retirees and those employees that have resigned from the Public Service. The complaints mainly related to delays in the processing of pension pay-outs and other related benefits by government departments and the Government Pension Administration Agency (GPAA). Some of the complaints were picked up from articles posted in the media, to which the

Commission noticed a trend of delays in service termination and pension pay-outs that needed to be addressed with relevant government departments and the GPAA. It is worth noting that from the complaints the PSC dealt with, the observation was that this challenge had an adverse effect on families as some former public servants, especially retirees and their dependants and beneficiaries of deceased employees, who were sole breadwinners, ended up losing their properties, unable to feed their families, unable to take their children to school and some retirees lost medical aid benefits.

According to the Government Employees Pension Law, 21 of 1996, as amended, the pension pay-out should be transferred to the person concerned within 60 days after the submission of all necessary documents. However, in some instances the 60 days turnaround time for payment of pension to the person concerned has not been met. As a result of non-adherence to stipulated timeframes for pension pay-outs, the PSC deemed it important to assess the management of service terminations by government departments and pension pay-outs by GPAA, mainly because this adds to the challenge of poverty as more people fall in the poverty line; and results in them being dependent on social grants, if they qualify.

The PSC wanted to understand what causes the non-adherence to timeframes for pension pay-outs and the challenges experienced by government departments and GPAA in as far as service termination and pension pay-outs processes are concerned. There was also a need to assess the effects of non-adherence to timeframes for pension pay-outs on the welfare of concerned employees and their dependants or beneficiaries. The findings would enable the PSC propose measures to facilitate the effective management of service termination and pension pay-outs processes

It is against this background that the PSC decided to undertake this study. With this study the PSC hopes to assist not only the retirees, their dependants and beneficiaries of deceased but also the government departments and GPAA to reflect on their processes and review them based on the proposals that will be presented in this study.

1.2. MANDATE OF THE PSC

In terms of Section 196 (4) (a) of the Constitution, 1996, the Commission is mandated to promote the values and principles set out in Section 195, throughout the public service; and in Section 196 (4) (b) of the Constitution, read in conjunction with Section 9 and 10 of the Public Service Commission Act, the Commission is tasked to investigate, monitor and evaluate the organization and administration, and the personnel practices, of the Public Service.

In addition, in terms of Section 196 (4) (f) of the Constitution, 1996, the Commission either of its own accord or on receipt of any complaint - (i) investigate and evaluate the application of personnel and public administration practices, and to report to the relevant executive authority and legislature; (iv) advise national and provincial organs of state regarding personnel practices in the public service, including those relating to the recruitment, appointment, transfer, discharge and other aspects of the careers of employees in the public service.

1.3. OBJECTIVES OF THE ASSESSMENT

The overall purpose of this study was to assess the management of service termination and pension pay-outs in the Public Service, and the following were the objectives of the study:

- To determine the underlying causes to delays in the processing of service terminations and pension pay-outs.
- To identify challenges experienced and/or best practices applied in the management of service termination processes within departments.
- To investigate the impact of pension pay-outs delays on the welfare of former employees who have exited the Public Service and that of their dependents and beneficiaries.
- To investigate the role of all stakeholders, including institutions responsible for the management of pensions.

1.4. METHODOLOGY

A qualitative approach to research was adopted for this study. The following outlines the methods and process followed in conducting this study.

Scope

The scope of the project included National and Provincial government departments that had previously handled service terminations processes, the Government Employee Pension Fund (GEPF) through Government Pension Administration Agency (GPAA) and retirees.

Sampling

A total number of 40 National Departments were sampled and only 28 departments responded to the call of this study. Of the nine (9) provinces, eight (8) provinces participated in the study with a collective total number of 85 Provincial Departments. **Table 1** below indicates the national departments that participated in the study.

Table 1: List of national departments that participated in the study

Correctional Services	Social Development	Co-operative Governance
Civilian Secretariat for Police	Health	Basic Education
Agriculture, Forestry and Fisheries	Human Settlements	International Relations and Cooperation
Defence	International Relations and Cooperation	Higher Education and Training
Government Communication and Information System	Justice and Constitutional Development	Economic Development
Home Affairs	Labour	Mineral Resources
Public Enterprise	South African Police Service	Public Service and Administration
Planning Monitoring and Evaluation	Tourism	Rural Development and Land Reforms
National Treasury	Statistics South Africa	
Water and Sanitation	Transport	

Table 2 below indicates the national departments that did not participate in the study. The 11 national departments that did not participate were excluded on the basis that either they never responded to the call when requested to be part of the study; or they were fairly new and have not yet dealt with the management of service termination that leads to pension pay-outs.

Table 2: National departments that did not respond to the call to participate in the study

Arts and Culture	New departments
Energy	Small Business Development
Environmental Affairs	Women
Military Veterans	Traditional Affairs
Presidency	
Science and Technology	
Sport and Recreation South Africa	
State Security Agency	
Trade and Industry	

Table 3 below displays number of departments per province that participated in the study; with the exception of Mpumalanga Province that did not participate in the study.

Table 3: Provincial Departments participated, with exception of Mpumalanga Province

Eastern Cape	<ul style="list-style-type: none"> Economic Affairs, Environmental & Tourism Education Health Human Settlements Local Government & Traditional Affairs Office of the Premier Provincial Planning and Treasury Roads & Public Works Rural Development & Agrarian Reform Safety & Liaison Social Development & Special Programmes Sport, Recreation, Arts & Culture Transport
Free State	<ul style="list-style-type: none"> Agriculture and Rural Development Co-operative Governance & Traditional Affairs Economic Development, Tourism & Environmental Affairs Education Health Human Settlements Office of the Premier Police, Roads and Transport Provincial Treasury Public Works Social Development Sport, Arts, Culture & Recreation
Gauteng	<ul style="list-style-type: none"> Agriculture & Rural Development Community Safety Economic Development Education Health Human Settlements Infrastructure Development Office of the Premier Roads & Transport

	<p>Social Development Sport, Arts, Culture & Recreation Treasury</p>
KwaZulu-Natal	<p>Agriculture & Rural Development Arts & Culture Community Safety & Liaison Co-operative Governance & Traditional Affairs Economic Development, Tourism & Environmental Affairs Education Health Human Settlements Provincial Treasury Public Works Social Development Sport and Recreation Transport</p>
Limpopo	<p>Agriculture and Rural Development Economic Development, Environment & Tourism Education Health Cooperative Governance, Human Settlements & Traditional Affairs Office of the Premier Provincial Treasury Public Works Roads & Transport Social Development Safety, Security & Liaison Sports, Arts & Culture</p>
North West	<p>Community Safety & Transport Management Culture, Arts & Traditional Affairs Economy & Enterprise Development (new department) Education & Sport Development Health Local Government & Human Settlements Office of the Premier Public Works & Roads Rural, Environment & Agricultural Development Social Development Tourism Treasury & Enterprise Development</p>
Northern Cape	<p>Agriculture, Land Reform & Rural Development Cooperative Government, Human Settlement & Traditional Affairs Economic Development & Tourism Education Environment & Nature Conservation Health Office of the Premier Provincial Treasury</p>

	Roads & Public Works Social Development Sports, Arts & Culture Transport, Safety & Liaison
Western Cape	Education Health Office of the Premier (Note: The Office of the Premier provides HR Shared Services for all other departments in the Western Cape, except for the Department of Education and Department of Health)
Mpumalanga	All departments in the Province did not participate in the study.

The department of Economic and Enterprise Development in North West Province did not participate because it is a new department and the departments of Cooperative Governance and Traditional Affairs and Finance in Gauteng and Office of the Premier in KwaZulu-Natal did not respond to the call to participate in the study.

Data collection and analysis

Both primary and secondary data were collected. The secondary data covered a desktop literature review, legislative frameworks (acts, regulations, directives, resolutions, departmental policies and guidelines), review of the process flow of service termination and pension pay-outs, and also references were made to some of the cases that were forwarded to PSC from the retirees and/or their beneficiaries/dependents.

For the primary data, interviews were held using semi-structured questions as a guide to facilitate engagements with HR Practitioners responsible for service termination management, GPAA officials responsible for the management of pension pay-outs, and the retirees and/or their beneficiaries/dependents at the GPAA client service centre in Pretoria. Data analysis techniques were used to interpret the collected data. Analysis involved breaking up the data into manageable themes in line with the research objectives.

1.5. LIMITATIONS OF THE STUDY

The following are the limitations of this study:

- The lack of funds within the office presented itself as a major constraint, as it hindered visits to retirees and/or beneficiaries/dependants who are based in rural areas for engagement to ascertain the impact/challenges they experienced with pension pay-out delays.
- Many of the retirees who were assisted by some of the Public Service Commissioners to resolve challenges with their pension pay-out were not willing to discuss their experiences and the negative impact of pension pay-out delays on their families' livelihood after their cases were resolved.
- There was limited literature available on service termination and pension pay-outs for purposes of comparative analysis.

Despite the above-mentioned limitations, the information gathered from the various participants is sufficient to make conclusions on the subject matter of this study.

1.6. STRUCTURE OF THE REPORT

The report is structured as follows:

Chapter 2: Legislative Framework and Literature Review

Chapter 3: Findings

Chapter 4: Recommendations and Conclusion.

Annexure: Structured questions used during the engagements with government departments, GPAA and the Retirees and/or their beneficiaries/dependents.

CHAPTER 2: LEGISLATIVE FRAMEWORK AND LITERATURE REVIEW

2.1. INTRODUCTION

This chapter presents the legislative framework underpinning the service termination and pension pay-out in the public service and the literature on retirement and life transition. It should be noted that there is limited literature available on the subject of service termination and pension pay-outs and that resulted in the review of literature on service termination, retirement and life transition matters. It should be noted though that the information presented in this chapter is sufficient to facilitate a thorough understanding of prescripts underpinning service termination and pension pay-outs processes.

2.2. LEGISLATIVE FRAMEWORK

The legislative framework regulating the service terminations process and pension pay-out in the Public Service is presented below, with a specific emphasis on retirement.

2.2.1. Public Service Act (PSA), 1994, as amended

Chapter V, section 16 of the PSA outlines the processes and the conditions to be followed when managing the termination process of employees who have reached the retirement age. Section 16 of the PSA states that:

“(1) (a) Subject to the provisions of this section, an officer, other than a member of the services or an educator or a member of the State Security Agency, shall have the right to retire from the public service, and shall be so retired, on the date when he or she attains the age of 60 years: provided that a person who is an employee on the day immediately before the commencement of the Public Service Amendment Act, 1996, has the right to retire on reaching the retirement age or prescribed retirement date provided for in any other law applicable to him or her on that day.

(b) If such an officer attains the said age after the first day of a month, he or she shall be deemed to have attained it on the first day of the following month.

(2) (a) Notwithstanding the provisions of subsection (1), an employee, other than a member of the services or an educator or a member of the State Security Agency, employed with effect from a date prior to 1 October 1993 in terms of a law repealed by this Act, shall have the right to retire from the Public Service or at any time after the retirement age applicable to him or her as at 1 October 1993, and that retirement age shall not be changed without his or her consent.

(b) An officer who has the right to an earlier retirement age in terms of paragraph (a), and who wishes to be so retired, shall give written notification to his or her head of department of his or her wish to be so retired, and he or she shall - (i) if that notification is given at least three calendar months prior to the date on which he or she attains the retirement age applicable to him or her in terms of paragraph (a), be so retired on the date on which he or she attains that age or, if he or she attains it after the first day of a month, on the first day of the following month; or (ii) if that notification is not given at least three calendar months prior to the date on which he or she attains the said age, be so retired on the first day of such month as the

executive authority may approve, which day may not be before the date on which he or she attains the said age and not be later than the first day of the fourth month after the month in which the notification is received.

(c)(i) In the case of an officer who occupies the office of head of department, he or she shall give notification of his or her wish to be retired from the Public Service at least six calendar months prior to the date on which he or she attains the said age, and if he or she has so given notification, the provisions of paragraph (b) (i) apply mutatis mutandis. (ii) If such an officer has not so given notification at least six calendar months prior to the date on which he or she attains the said age, he or she shall be so retired on the first day of the seventh month following the month in which that notification is received.

(2A) (a) Notwithstanding the provisions of subsections (1) and (2) (a), an officer, other than a member of the services or an educator or a member of the State Security Agency, shall have the right to retire from the Public Service on the date on which he or she attains the age of 55 years, or on any date after that date. (b) The provisions of subsection (2) (b) shall apply with the necessary changes to an officer who wishes to retire in terms of paragraph (a). (3) (a) Subject to this section and the terms and conditions of a contract contemplated in section 12 (2), an officer who occupies the office of head of department has the right to retire from the Public Service and he or she shall be so retired at the expiry of the term contemplated in that section, or of any extended term contemplated therein, as the case may be. (b) If an employee so retires or is retired in terms of paragraph (a), he or she shall be deemed to have been dismissed from the Public Service in terms of section 17(2)(b).

(4) An officer, other than a member of the services or an educator or a member of the State Security Agency who has reached the age of 60 years may, subject in every case to the approval of the relevant executive authority, be retired from the Public Service. (5) (a) Subject to the terms and conditions of a contract contemplated in section 12 (2), an executive authority may, at the request of an employee occupying the office of head of department, allow him or her to retire from the Public Service before the expiry of the term contemplated in section 12 (2), or any extended term contemplated therein, and notwithstanding the absence of any reason for dismissal in terms of section 17 (2) or the contract concluded with the employee, as the case may be, if sufficient reason exists for the retirement.

(b) If an officer is allowed to retire from the Public Service in terms of paragraph (a), he or she shall, notwithstanding anything to the contrary contained in subsection (4), be deemed to have retired in terms of that subsection, and he or she shall be entitled to such pension as he or she would have been entitled to if he or she had retired from the Public Service in terms of that subsection.

(6) (a) An executive authority may, at the request of an employee, allow him or her to retire from the Public Service before reaching the age of 60 years, notwithstanding the absence of any reason for dismissal in terms of section 17 (2), if sufficient reason exists for the retirement.(b) If an employee is allowed to so retire, he or she shall, notwithstanding anything to the contrary contained in subsection (4), be deemed to have retired in terms of that subsection, and he or she shall be entitled to such pension as he or she would have been entitled to if he or she had retired from the Public Service in terms of that subsection.

(7) If it is in the public interest to retain an officer, other than a member of the services or an educator or a member of the State Security Agency, in his or her post beyond the age at

which he or she is required to be retired in terms of subsection (1), he or she may, with his or her consent and with the approval of the relevant executive authority, be so retained from time to time for further periods which shall not, except with the approval of Parliament granted by resolution, exceed in the aggregate two years.”

2.2.2.Public Service Regulations (PSR), 2001, as amended

According to Part VII, section G of the PSR, a public servant can terminate his or her services under the following conditions: Retirement age, Resignation, Ill-health, Operational requirements, or Termination of probation, which are outlined below:

“G.1: Retirement age

An employee shall retire at the age and in the circumstances specified in the PSA, 1994, as amended, section 16 &17.

G.2: Resignation

(G.2.1) An executing authority shall prescribe the manner in which an employee shall submit her or his resignation; (G.2.2) An executing authority shall record the reasons given by the employee for her or his resignation; (G.2.3) An employee may resign from the public service, and for that purpose, unless otherwise agreed with the executing authority, shall – (a) in the case of any employee paid monthly, give at least one month's written notice of resignation; (b) in the case of any casual employee who has been employed for less than four weeks; give at least one week's notice of resignation or (c) in the case of any casual employee who has been employed for more than four weeks, give at least two weeks' notice. (G.2.4) An employee who is to become a candidate in an election of the members of the National Assembly or of any provincial legislature, or who is to be nominated as a permanent delegate to the National Council of Provinces, must resign from the public service beforehand.

G.3: Ill health

(G.3.1) An executing authority may on the basis of medical evidence, consider the discharge of an employee in terms of section 17(2)(a) of the Act on account of ill health. To this end, an executing authority may require an employee to undergo a medical examination by a registered physician; (G.3.2) A discharge on account of ill health shall occur with due regard to item 10 of Schedule 8 to the Labour Relations Act.”

2.2.3.Basic Conditions of Employment Act (BCEA), 75 of 1997, as amended

Chapter 5 of the Basic Conditions of Employment Act (BCEA), 1997, as amended, deals with the termination of employment. Consistent with the PSA, 1994, as amended, Chapter 5, section 37 of the BCEA states that:

- (1) *“ Subject to section 38, a contract of employment terminable at the instance of a party to the contract may be terminated only on notice of not less than:*
 - (a)one week, if the employee has been employed for four weeks or less;*
 - (b)two weeks, if the employee has been employed for more than four weeks but not more than one year;*
 - (c)four weeks, if the employee (i) has been employed for one year or more; or (ii) is a farm worker or domestic worker who has been employed for more than four weeks.*
- (2) *A collective agreement may permit for a notice period shorter than that required by subsection (1).*

- (3) *No agreement may require or permit an employee to give a period of notice longer than that required of the employer.*
- (4) (a) *Notice of termination of a contract of employment must be given in writing, except when it is given by an illiterate employee.*
- (b) *If an employee who receives notice of termination is not able to understand it, the notice must be explained orally by, or on behalf of, the employer to the employee in an official language the employee reasonably understands.”*

2.2.4. Government Employees Pension Law, 21 of 1996, as amended

The rules that govern benefits pay-outs and how money can be invested by the Government Employees Pension Funds (GEPF) are strict. These rules are spelled out in the Government Employees Pension Law, 21 of 1996, as amended, which is referred to as the GEP Law. Its aim is to guide the Board of Trustees in governing the Fund and to ensure that GEPF puts the interests of its members first.

Section 19 of the GEP Law states that a member shall have the right to retire on pension and shall be so retired on reaching the age determined by the law governing his or her employment: provided that where such a law does not determine such a retirement age, a member-(a) who was a member of the Fund on the fixed date shall have the right to retire on pension and shall be so retired on reaching the retirement age provided for in any other law which applied to him or her on the day preceding the fixed date; or (b) who became a member of the Fund after the fixed date shall have the right to retire and shall be so retired on reaching the retirement age determined in the rules.

Section 26 (1) & (2) of the Government Employee Pension Law states that the benefits payable in terms of this Law shall be paid to the member, pensioner or beneficiary entitled to such benefit within a period of 60 days, which 60 days shall be calculated from the day following the date on which the benefit becomes payable, provided that a benefit shall become payable to a member, pensioner or beneficiary on the last day of service at the employer of that member or pensioner or the death of that pensioner. In an event there are delays the interest shall be paid by the Fund to the member, pensioner or beneficiary on any part of the amount of the benefit not paid within a period of 60 days referred from the date on which the benefit became payable, at the rate prescribed, which interest shall be calculated from the day following the date on which the benefit became payable.

2.3. LITERATURE REVIEW

Retirement as part of one's life cycle requires conscious preparation and consideration for the retirees. Such include educating the individuals so that they may know what to expect during retirement and how to handle the mental and emotional pressure associated with retirement¹. The transition from an active work life which one could identify with to an unpredictable life that might be characterised by health challenges, social neglect and lack of financial stability needs to be well managed. It is worth noting that a strong mental and emotional reaction experienced by the potential retirees during this stage cannot be ignored and avoided. This therefore requires

¹ Jean Butters, (2002), "Managing the mental and emotional aspects of retirement", Leadership in Health Services, Vol. 15 Issue 4 pp. 6 - 11

that organizations prioritise the management of the retirement process with caution, taking into consideration that potential retirees might not be aware of what their future prospects are.

2.3.1. Service termination

Employees who have served the Public Service loyally and with dedication should be awarded professional, effective and efficient treatment when they consider leaving the public service. Similarly, those employees who were disgraceful to the public service or who can no longer serve competently and effectively should be properly and procedurally managed out of the Public Service following appropriate disciplinary action.

Service termination refers to a voluntary process or a management initiated process to lay-off employees due to various reasons. An employee's service may be terminated on the basis of the following circumstances: termination initiated by the employee, termination by mutual agreement, and/or termination initiated by the employer². The Public Service Act, 1994³, as amended, states that employees may be terminated due to (1) Resignation: An employee may resign from the Public Service of his or her free will at any time by giving the employer notice in writing as stipulated in his or her contract of employment. (2) Retirement at own request: An employee has the right to retire from the Public Service between the age of 55 to 65 year. (3) Abscondment: An employee who absents himself or herself from duty for a period of 30 days or more without prior authority will be deemed to have absconded, and procedures to implement termination in case of abscondment will be implemented.

According to Chapter VIII of the Labour Relation Act, 1995⁴, as amended, fair dismissal includes a need to release an employee because 'the specific needs of a job are not being met; and a worker has reached retirement age. ⁵On the other hand, substantive fairness of dismissal is based on incapacity due to ill-health - that is, whether an employee can fairly be expected to continue in the employment relationship with the employer's interest in mind. What constitutes dismissal includes the nature of incapacity, what caused the incapacity, and whether there are chances for recovery and improvement. The management of such will illustrate the extent at which the employer is willing to provide the employee with a smooth send-off regardless of the unpleasant circumstances faced with, which is translated into the management of service termination.

2.3.2. Retirement and life transition

There is limited empirical research on service termination. As such studies on life transition as a theoretical means to understand life after retirement are discussed (Christopher, Hopkins, Roster, & Wood, 2006).⁶ Research on life transitions indicates that the issue of retirement has a significant impact on self-identity because of the changes in roles which pose major challenges to individuals who are to establish new personal environment structures to cope with changes in their lives. These significant life stage transitions include but are not limited to marriage, divorce, birth of children, and retirement.⁷ Life transitions are described as happenings that provoke

² White paper on Human Resource Management in the Public Service

³ Public Service Act, 1994, as amended; Chapter v: Service termination, section 16-17

⁴ Labour Relations Act, 1995. No. 66; Chapter viii: Unfair Dismissal_ ss 185-197

⁵ Hendricks V Mercantile & General Reinsurance Co of SA Ltd. <http://www.labourguide.co.za/discipline-dismissal/341-fairness-of-dismissal-for-incapacity-ill-health>

⁶ Christopher D. Hopkins Catherine A. Roster Charles M. Wood, (2006), "Making the transition to retirement: appraisals, post transition lifestyle, and changes in consumption patterns", Journal of Consumer Marketing, Vol. 23 Iss 2 pp. 87 – 99

⁷ Heather Hodkinson, (2010), "Learning to work no longer: exploring "retirement"", Journal of Workplace Learning, Vol. 22 Iss 1/2 pp. 94 - 103

changes in an individual's perceptions of their world and in the organization of their roles, resources and central relationships. Additionally, studies indicate that the life transitions present a powerful effect on an individual's self-identity structures and can evoke stress on the life structure of an individual.

According to Allen & van de Vliert (1982)⁸, role transitions mark a permanent change-over of a person from one set of expected behaviours to another due to role entry, role exit or when the expected behaviours associated with an existing role undergo drastic change. From this perspective, the retirement transition can be described as the process involved in releasing the role of work and entering the role of "retiree". Christopher, *et al* (2006) supports the latter by indicating that role transition is defined according to the sociological approach, whereby one is retired if they have left their career and occupy a social niche in which it is socially acceptable to be without work. Socially accepted on the basis that it has become normal that as people get older they withdraw from paid employment, commonly at a specified age of 65, or earlier between the ages of 55 and 60 years.

According to Reitzes & Multran (2006)⁹, retirement is not a single process, or a one-step transition, but an adjustment process that extends over time, which requires proper preparation and management. Weiss (2005), states that retirement is similar to a "state of being", or a "fairly stable stage in life". Such requires a stable economic approach and a sound psychological approach, for individuals to accept their retirement status. According to Wegener & Petty (1996), cited in Christopher, *et al* (2006)⁶, research on mood maintenance theory suggests that when positive emotions are present, people – including retirees, are motivated to engage in activities that will allow them to maintain a positive mood, and to avoid activities that would make positive emotions disappear. Meaning, the creation of positive vibes by the employer department makes it possible for an individual to face retirement with a positive attitude. Christopher, *et al* (2006)⁶, exposes the following four (4) distinct lifestyle postures toward the retirement transition:

Retirement as an opportunity to make a new start: "New start" retirees experience the transition to retirement as a welcome beginning to a new phase of life. For these retirees, the role of work was largely unsatisfying and draining in many respects. The end of work life ushers in an opportunity to live life on one's own terms and signals freedom from constraints imposed by others and one's working life. The transition to retirement is accompanied by feelings of excitement, enthusiasm and revitalization. In terms of overall life focus and activities, these retirees replace their former preretirement focus with a new focus that emphasizes self-actualization.

Retirement as a continuation of pre-retirement lifestyle: "Continuation" retirees do not experience retirement as an event of major personal significance because these retirees were not highly vested in their work role. Retirement is viewed as time to continue one's retirement activities in a more self-chosen way. The transition to retirement is accompanied by feelings of quiet satisfaction and a sense that the future holds opportunities for expansion, but these opportunities are based on the past. These retirees are not likely to engage in new activities, but rather, seek to continue their retirement focus by engaging in previously valued activities outside the work role in generally the same form.

⁸ Allen, V.L. and van de Vliert, E. (1982), "A role theoretical perspective on transitional processes", in Allen, V.L. and van de Vliert, E. (Eds), *Role Transitions: Explorations and Explanations*, Plenum Press, New York, NY.

⁹ Reitzes, D.C. and Multran, E.J. (2006), "Lingering identities in retirement", *The Sociological Quarterly*, Vol. 47, pp. 333-9.

Retirement as an unwelcome, imposed disruption: “Disrupted” retirees experience the transition to retirement as the loss of a highly valued sphere of activity. For these retirees, work life represented a primary source of self-identity and opportunities for self-actualization. The transition to retirement is accompanied by feelings of frustration and lack of focus as these retirees attempt to maintain past selves in a foreign environment. These retirees attempt to find activities that will substitute work, despite changes in their circumstances.

Retirement as a transition to old age: “Old age” retirees experience the transition to retirement as the beginning of the transition to the last phase of life. The role of work was a major source of enjoyment and fulfilment at one time, but in recent years has become frustrating and tiresome. For these retirees, retirement is a time to wind-down, not a time to start anything new. The transition to retirement is accompanied by feelings of reflectiveness and introspection. Their pre-retirement focus on work is abandoned and activity levels decline.

According to Cascio (2002)¹⁰, an effective exit procedure not only ensures that the practical matters arising from an employee’s retirement and resignation are dealt with efficiently, but also gives an individual the opportunity to provide feedback on their perceptions of the employer and allows the organization to gather valuable information which may be used constructively to enhance employment practices. Within the South African context, departments have the responsibility to solicit information that will assist in the achievement of organisational objectives, including the optimal management and utilisation of staff from entry into and exit from the public service.

2.4. CONCLUSION

Available literature indicates that retirement is perceived differently by different employees, depending on the emotional space an employee is at. Amongst others, the employer plays a crucial role in enabling retiring employees to embrace retirement. Therefore, the employer organisation should prepare its employees for retirement mentally and otherwise through continuous communication and provision of advice from different experts that deal with health, finances and life activities during retirement. It is equally important for employees to plan for their retirement years whilst they are still in the early years of their careers/service so that they embrace the retirement period when it arrives. Additionally, the employer has a duty to manage the retirement process, and other service termination processes, in a professional, effective and supportive manner

The service termination process and pension pay-out in the public service has legislation and policy frameworks underpinning it. It is incumbent upon public service departments and employees, and the GPAA to ensure that the rules pertaining to service termination and pension pay-outs are followed. This would assist in ensuring that service termination and pension pay-outs processes are not delayed unnecessarily due to ignorance by the parties involved. The rules should be applied fairly and consistently in the processes and employees should be informed of the rules during their service period to avoid challenges during planned or unplanned exit periods and retirement. It is equally important for departments to provide adequate support to dependents and beneficiaries of deceased employees to ensure the speedy processing of benefits by departments and specialist institutions such as the GPAA.

¹⁰ Cascio, F.W. (2002) ‘Strategies for responsible restructuring’, *Academy of Management Executive*, Vol.16, pp. 80-91.

CHAPTER 3: FINDINGS

3.1. INTRODUCTION

This chapter presents and discusses the findings of the study. The aim of the study was to assess the management of service terminations and pension pay-outs in the Public Service. To achieve this, the objectives of the study had to be identified and were as follows:

- To determine underlying causes to delays in the processing of service terminations and pension pay-outs;
- To identify the challenges experienced and/or best practices applied in the management of service termination process within departments;
- To investigate the impact/effect of the pension pay-out delays on the welfare of former employees who have exited the public service and that of their dependents; and
- To investigate the role of all stakeholders in service terminations, including institutions responsible for the management of pension pay-outs (i.e. GPAA).

The first part of this chapter presents the profile of participants, then the second part focuses on the findings of the study which are presented in themes derived from the objectives of the study.

3.2. PROFILE OF PARTICIPANTS

The participants for this study were Human Resource (HR) practitioners responsible for the management of service terminations within the national and provincial departments. The gender profile, qualifications and working experience for the participants in national departments is presented below to assist with the understanding of the level of competence of the officials entrusted with the responsibility to manage service termination within their departments.

It should be noted that the profile of participants for provincial departments has not been presented in this section due to inconsistency in the data received from provincial departments. However, an assumption could be made that the national profile of participants in terms of qualifications and working experience does not vary much to that of the provincial departments.

Figure 1 below displays the gender profile of the participants.

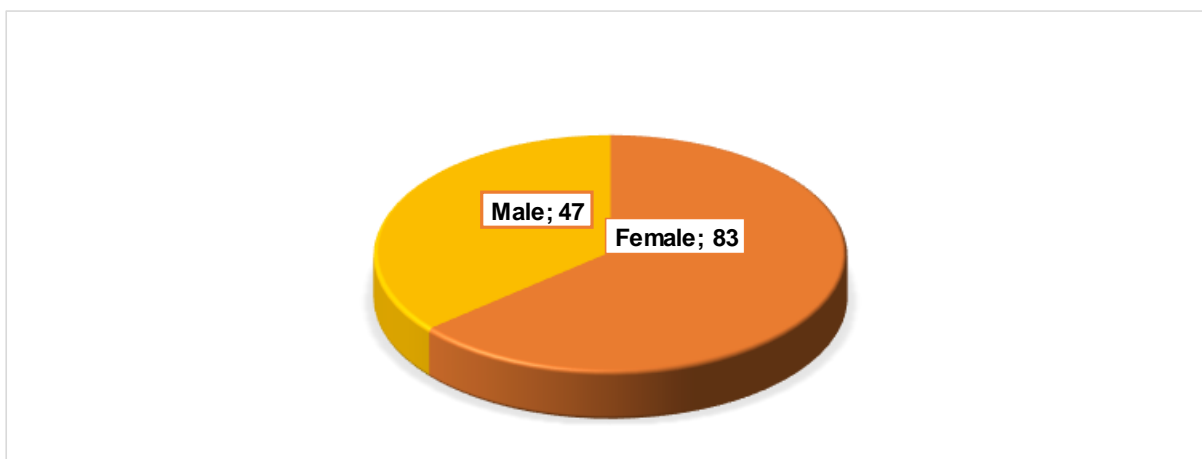


Figure 1: Gender profile of participating HR practitioners

A total number of 130 Human Resource Practitioners (HR) from 28 national departments participated in the study. The majority of the participants were females (83), and the remaining participants were males (47).

Figure 2 below displays the qualifications of the HR Practitioners responsible for managing the service termination process within the participated 28 national departments. The study reveal that the majority (44) of the HR practitioners managing the service termination process have a National Certificate (Grade 12 / Matric), followed by those who hold a Diploma (39), Bachelor of Technology and other Degrees (31), Honours degree (10), and lastly those with a Masters' degree (6). Overall, the majority of the HR Practitioners possess post matric qualifications.

This is an indication that HR practitioners could be in a position to identify and analyse challenges in the value chain of service termination processes and be in a position to propose measures to solve such challenges within their area of work. Additional to the formal qualifications the respondents have, it is expected that they understand HR practices and possesses and have knowledge and application of the HR prescripts within government. According to the participants, the following skills are also important to successfully perform any HR function: analytical, interpretation and implementation of Pension Laws, operation of the PERSAL system, soft skills like good interpersonal relations and communications skills, compassion and empathy, computer literacy and liaison skills. The above-mentioned skills are not exhaustive, employees could have more to enhance their abilities and to enable themselves to be more effective when performing their tasks of service termination.

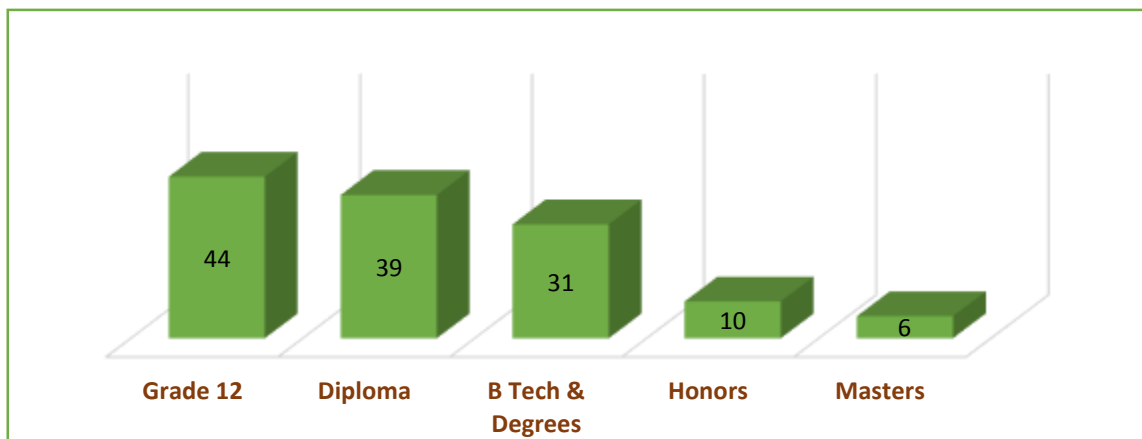


Figure 2: Qualifications of participating HR practitioners

Figure 3 below displays the working experience of the HR Practitioners responsible for the management of service termination in their departments. Of the 130 HR Practitioners, 46 HR Practitioners have been in the public service for 10-19 years; 38 HR Practitioners have been in the public service for 01-09 years; 34 HR Practitioners have been in the public service for 20-29 years; and 12 HR Practitioners have 30 years and above in the public service. The years of working experience indicated by the HR Practitioners does not only relate to the number of years accumulated within the HR units of departments, but the total number of years accumulated of work experience in the Public Service. This is an indication that the HR Practitioners have some understanding of how the public service system works. With this understanding they ought to have speed and compassion when dealing with service termination processes as the implications of this process are huge on welfare of families.

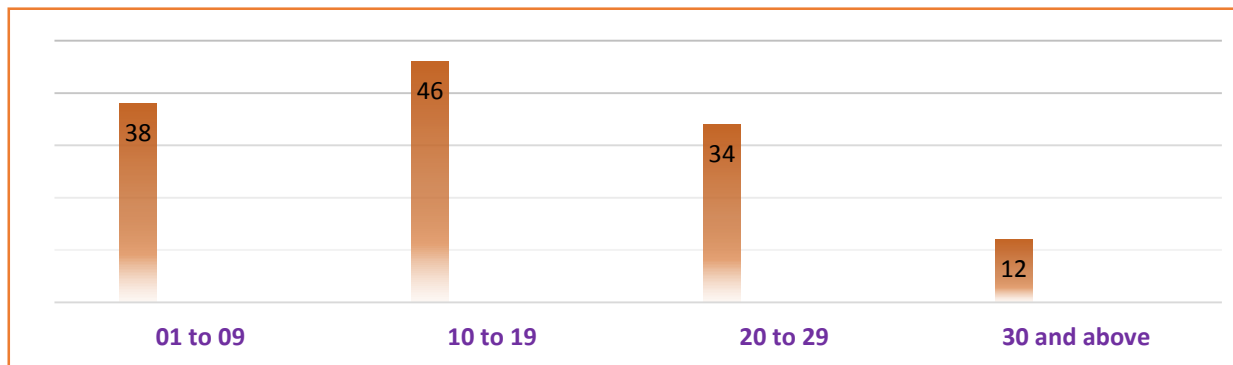


Figure 3: Work experience

Based on the presentation of the profiles of the respondents, a conclusion could be made that the officials responsible for service terminations in the national departments have an acceptable level of competence to perform the function. However, there is still non-adherence to timeframes for processing service termination and pension pay-outs. Then the question is, what could be causing the delays in the process of service termination and pension pay-outs?

3.3. FINDINGS

This section presents the findings of the study. The findings are presented according to the thematic areas derived from the objectives of study. A thematic analysis¹¹ is used for this study which involves breaking up the data into manageable themes in order to understand the various factors and processes involved in the management of service termination and pension pay-outs in the public service. As already stated, the themes were derived from the objectives of the study.

3.3.1. Underlying causes of delays in service termination and pension pay-outs

Before discussing the causes of delays in the processing of service termination and pension pay-outs, it is important for the service termination and pension pay-out processes to be illustrated to enable understanding of how the processes unfold within departments and at the GPAA respectively. It is alleged that the departmental service termination process has a negative/positive effect on the pension pay-out process by GPAA.

➤ Service Termination process within a department

Figure 4 below illustrates the service termination process within a department. It should be noted that in most instances, the employee is the one who starts the process by submitting his/her retirement/resignation letter. The HR section is expected to assist the employee with all the necessary information and documentation needed to complete the process of service termination. Thereafter the fully completed documentation to withdraw from pension have to be submitted by the department to GPAA.

Depending on the issues that arise, the communication will be between GPAA and the employee if the department was diligent in the completion and submission of pension pay-out application forms. If there are errors in the applications, GPAA will communicate with the submitting department so that the corrections could be made on the pension pay-out application forms.

¹¹ Mouton, J. E., (2001). The Practice of Social Research, Cape Town: Oxford University Press.

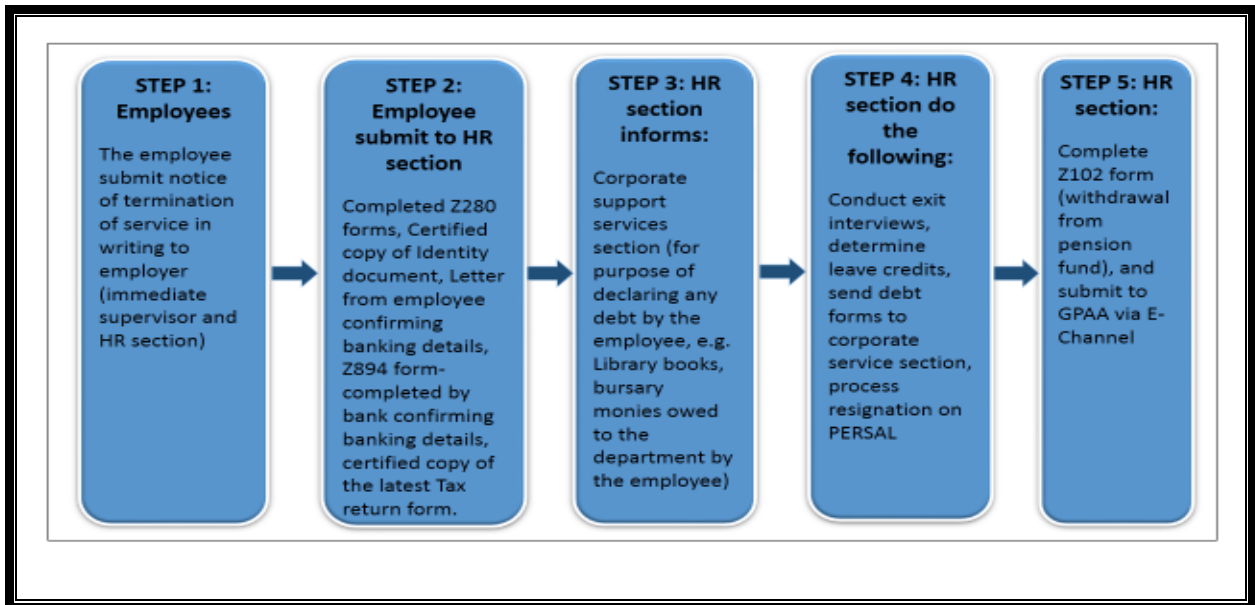


Figure 4: Service Termination process within a department

NOTE: HR sections have passwords to access the E-Channel to check progress on the pension pay-out applications submitted. The E-Channel gives feedback on the documentation submitted when there are errors and indicate what and where the errors. Then a department is required to re-submit the corrected forms.

➤ **Pension pay-out process**

The GPAA has an internal workflow process it follows after the pension pay-out applications have been submitted by the departments through the e-Channel. The following in **Figure 5** is the GPAA internal workflow process:

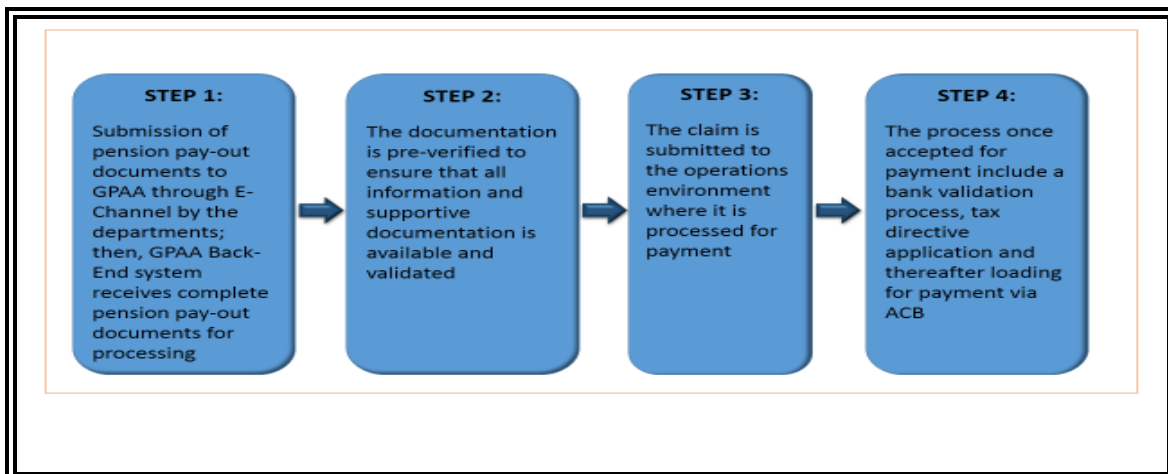


Figure 5: GPAA pension pay-out process

➤ **Departmental capacity**

The departments are expected to have competent employees to perform this task of service termination. Training of employees responsible for service termination process has been raised by the respondents as having the potential to create delays in the service termination process within a department. Respondents from the national and provincial departments indicated that there is no formal training specifically provided for the HR practitioners responsible for service termination and pension processes in the Public Service. The respondents indicated that they only receive on-the-job training for all HR processes, including service termination processes.

This is because the service termination process is one of the HR activities embedded within the HR practices and therefore cannot be isolated. Within the HR units, service termination is integrally linked with service benefits or conditions of service.

In most departments, the responsibilities of HR Practitioners include all HR processes from recruitment to management of service termination. On-the-job (in-house) training refers to task focused training that takes place while people are at their work stations doing their respective tasks¹². This is a practical technique of equipping one with hands on skills for a particular task and can be done by the supervisor or an experienced fellow employee. The study revealed that most employees dealing with service termination and pension process have received this training from their supervisors and their fellow experienced colleagues; and GPAA also provide specific training on service termination and pension pay-out process to HR practitioners within the service benefits units of departments. This training is conducted annually or at any given time at the request of any department that needs it. The training include E-Channel system for submission which is a filing system that was introduced in 2012/13 financial year to address mistakes experienced in completing the pension application forms and supporting documents, and also to improve payment turnaround¹³.

The unstructured and unplanned approach to training for service termination process could pose a challenge in a department. It appears that heavy reliance on supervisors and experienced fellow colleagues to train other colleagues who are new in the service termination process is a risk; as such supervisors and fellow experienced colleagues are not trainers, have their own workload to consider and might not give the training exercise the attention it deserves. The negative impact of the on-the-job training arrangement within departments is witnessed in the pension application forms which are submitted to GPAA with errors, resulting in them being returned back to the department for corrections. Whilst the to-and-from of the pension application forms is happening the pensioners are likely to suffer, mainly because they do not have any income to sustain themselves and their families.

➤ **Departmental management of the beneficiary profiles**

The HR sections within departments have a duty to manage the personal files of employees. In this personal files there are pension beneficiary forms which ought to have updated information all the time. It is the duty of an employee to ensure that the pension beneficiary forms are updated as and when there are changes in an employee's life. Most of the respondents from national and provincial departments indicated that at the beginning of each year they remind staff members to update their pension beneficiary forms. However, individuals are not prohibited from updating their pension beneficiary forms at any given time when their social relations changes. A beneficiary refers to a natural person or other legally binding relations that allows one to receive money or other benefits from a benefactor. If the primary beneficiary or beneficiaries are not alive or do not qualify under the restrictions, the assets will be passed on to the contingent beneficiaries¹⁴. GEPF has designed the "WP1002 Nomination of Beneficiaries Form" which is to be completed by every pension fund member for proper management and distribution of benefits of the principal member, which is a provision contained in the Pension Law, (1996)¹⁵.

¹² Erasmus BJ, Loedolff PvZ, Mda T & Nel PS. (2013) Managing Training and Development in South Africa. 6th Ed. Oxford University Press

¹³ Government Employees Pension Fund, Annual Report 2013/2014 (Administration)_www.gepf.co.za/uploads/annualReportsUploads/12_Administration.pdf

¹⁴ Government Employees Pension Law, 1996, as amended

¹⁵ GEPF, WP1002 Nomination of Beneficiaries Forms

The study has revealed that even though departments invite employees on an annual basis to update the pension beneficiary forms as required by GPAA, it is regretful to note that one of the causes of delays in pension pay-outs is the employees' failure to nominate pension beneficiaries or failure to nominate all legal or legitimate dependants. Respondents from departments indicated that in some instances employees do not declare all their children and in the event of death cases, this causes serious delays. Some employees nominate children from outside partners who are not known to their legal spouses and this delays processes due to the need for evidence to prove that the child is legitimate.

➤ **Record Management**

The study showed that departments are responsible for keeping all the records of an employee. GPAA is responsible for keeping records related to pension pay-out which are submitted by departments. It should be noted that whether a person is retiring, resigning or discharged, the employee's records are held by the employer department and only the pension withdrawal forms for pension pay-outs are submitted to GPAA. The study revealed that there has been instances where there are outstanding documents and in some instances documents had unclear bank stamps which GPAA does not accept. That results in delays in the processing and finalisation of pension pay-out. The scanning of documents for submission through the E-Channel or faxing creates a situation where some documents are not readable; much as it sounds as a minor issue, the clarity of documents has an impact because pension pay-out cannot be finalised until these documents are clearly scanned and resubmitted.

According to respondents from departments, GPAA delays is raising these small issues when returning documents to the department, they focus on big issues and departments only learn at a later stage that the pay-outs have not been finalised because things like bank stamps are not clear. It should be noted that the success of service termination and pension pay-out is determined by how departments handle the record keeping processes. If the departments' filing systems is not in order or unclear documents are submitted, that will have a negative effect on the service termination and pension pay-out process as there will be missing documents which are key to the finalisation of these processes. If the filing system is in order and all required documents are submitted, the pay-out process is effectively managed.

➤ **Customary and civil marriages disputes**

The study revealed that the issue of customary and civil marriages is a challenge because in some cases, some male employees have customary marriages in the villages they come from and also have civil marriages where they work. In the event that they pass on, customary or civil wives would approach the employer departments in an effort to try and claim what's theirs. The sad reality is that in most of these cases, both parties (customary wives and civil wives) will not be aware of the existence of the other. In trying to close this matter, GPAA would require certain documents and/or evidence especially for customary marriages and this contributes to delays in the pension pay-outs.

GPAA does not pay-out pension if there are challenges or contested issues with the pension beneficiaries' forms of the deceased member. GPAA's responsibility is to facilitate the paying out of pension monies and not the management of the beneficiary profiles, which should be handled by the employer (i.e. departments). In line with that, GPAA annually presents each principal member with a pension statement, and it is the responsibility of the pension member to check the beneficiary profile and update it as and when their social status changes.

It should be noted that the HR respondents acknowledged that they have a role to play in managing pension beneficiary profiles, but such is limited because they do not have powers to force individual employees to nominate beneficiaries and cannot verify if the information provided is accurate. They rely on the employees to provide correct information as known to him and his family.

Furthermore, the study found that some pension members (employees) do not nominate beneficiaries because of the fear that their family members may wish them dead and/or even kill them for the benefits they have been listed for. The downside to this fear is that in the event of death, people who are dependent on the deceased suffer due to delays in the payment of benefits and in some instances, close and remote relatives of the deceased complicate the pay-out process through trying to claim the benefits for themselves or claim to act on behalf of ill-informed dependents. The implications of not updating pension beneficiary forms and not sorting out issues pertaining to marriage and living arrangements by employees contribute greatly to delays in the pension pay-out. In instances where the delays take years to resolve, the impact on the welfare of dependents and beneficiaries deceased members is extremely drastic.

➤ **Awareness of the service termination and pension pay-out processes**

Departments have a duty to inform their employees about the service termination process and its effects when processed incorrectly. GPAA too has a duty to inform pensioners on how far the pension pay-out process is to finalisation. With the ad hoc complaints the PSC dealt with, the observation has been that departments and GPAA were not voluntarily informing retirees or their dependants/beneficiaries of the service termination processes and the challenges with regards to their pension pay-outs applications. The retirees or their dependants/beneficiaries will learn about those challenges when doing follow ups on their pension pay-outs. This tendency was confirmed by 32% of retirees who were engaged by the researchers in the GPAA client service centres. These retirees stated that they were not informed by their departments and GPAA about any challenges before exiting the public service. They learnt about the challenges when they were experiencing delays in receiving their pay-outs as the whole process was unfolding.

The lack of awareness of service termination and pension pay-out requirements is that it resulted in applications not being completed correctly and in some instances insufficient supporting documentation was submitted, thus resulting in the rejection of documentation by GPAA. The fact that incorrectly filled or insufficient documentation sometimes gets submitted to GPAA indicates that there are capacity challenges in some departments to verify whether the applications are properly packaged for submission to GPAA. However, 68% of retirees who were engaged by the researchers in the GPAA client service centres had a different experience as they were informed of the service termination process by their departments and were getting feedback from GPAA on progress with their applications for pay-out. The assumption that could be made is that their departments share information during their internal HR workshops etc.

➤ **Feedback communication from GPAA to stakeholders**

The employer departments and retirees are clients of GPAA and therefore feedback on the pension pay-out applications has to be communicated to them according to what has been found in the application submitted. Where the feedback relates to incomplete documentation, unclear documentation etc. communication of feedback should be with the employer department so that they could resubmit complete and clear application. However, where an application has been complete and clear when submitted and delays are caused by other matters relating to income

tax or orders against the pension of the retiree, feedback is expected from GPAA to the retiree or his/her dependants/beneficiaries. Pension application documents from departments to GPAA are submitted via the e-Channel system which is meant for submission of documents. This e-Channel system only sends SMS to retirees when their claim has been registered on the e-Channel. The SMS does not indicate whether there is/will be a challenge with the application, it serves more as an acknowledgement of the application to the retiree. Then the e-Channel system flags a rejection of the pension application to the employer departments. However it does not provide details or reasons for the rejection.

Only when there is a problem with SARS affairs and/or problems with bank validation, then information is communicated to the retirees and employer departments. But all other small issues (like unclear bank stamps on the bank form, different signatures) that cause an application to be rejected are not picked up by the e-Channel and communicated early. The smaller issues are only picked up when the application has passed the e-Channel system to the Back-End system which is separate from the e-Channel.

Employer departments cannot track or see their claim from the Back-End system. No feedback is given once claims have been processed on the Back-End system. This causes delays in the pension pay-out. This challenge relates to the IT (e-Channel programme) which needs to be fixed. At the time when the study was conducted, GPAA highlighted that their ICT technicians are busy with error analysis for the new e-Channel system which will provide new controls. In line with that, the new e-Channel is currently in the development stage and is being piloted through SAPS. It is planned that once errors have been identified and fixed, it will be rolled to Correctional Services and SARS for more analysis before being rolled out to the whole Public Service. The new e-Channel system is hoped to address all the communication challenges that are experienced with the current e-Channel system.

➤ **E-Channel equipment requirements**

As part of ensuring the effectiveness and efficiency in the manner that GPAA processes the pension pay-out applications, an e-Channel system was installed for use by departments when submitting completed pension pay-out applications to GPAA. The e-Channel system that the departments had to use required more bandwidth, high volume scanners and computers with high capability. The GPAA recognised that some departments have no resources in line with e-Channel requirements, GPAA leased scanners on its account for departments and established a service desk for support related to the e-Channel system and scanners to enable the smooth operation and submission of pension pay-out applications. The e-Channel system was utilised by 70% of the government departments across national and provincial departments. Due to severe challenges experienced with the e-Channel, the other 30% of departments were allowed to continue utilising the manual submission way via the GPAA Client Liaison Officers (CLOs) who visit their departments once a week to collect and verify the documents and submit them to GPAA regional and national offices.

The regional GPAA offices' role is merely to verify the documents again and scan them to GPAA national for major processing and finalisation. From the time of its inception in 2013, the system only broke down twice in April and September 2014, thereafter it has been operating. However, it should be mentioned that the non-readiness of departments in terms of their IT computer capacities and unavailability of scanners for some departments caused some delays in the submission of pension pay-out application forms. There were also delays in the use of e-Channel system caused by fear of change. This is a normal reaction to change in systems,

however, it becomes important that when there are delays caused by any factor, the delay should be communicated to the affected people.

➤ **Structure of departments**

The departments vary on how they are structured. Some departments have their HR functions centralised and other departments have them decentralised. This could have an impact on the speed of movement of service termination and pension pay-out documents, especially for national department that have provincial and regional offices, with a centralised HR function that resides in the national offices. The delays caused by centralised functions in huge national departments like SAPS, Correctional Services, Labour and others cannot be taken for granted. The up and down of the service termination and pension pay-out application documents between national and provincial/regional offices due to completion mistakes and lack of supporting documents exacerbate the issue of delays. Too much centralisation in HR functions has advantages and disadvantages, and departments need to weigh them and where they impact badly on retirees and their beneficiaries/dependants, they need to review their HR processes and capacitate HR practitioners who are at the point of origin of the service termination process to address challenges.

➤ **Other important matters**

Due to the delays and effects of pension pay-out processes on the welfare of retirees/deceased employees and their dependants/beneficiaries, it became important for researchers to determine how certain issues are handled by GPAA for purposes of ensuring that people are well informed. By so doing, this will assist in terms of advising those employees and their dependants/beneficiaries that have not reached the retirement age. The following are the issues:

• **Death cases with no listed beneficiaries**

GPAA revealed that they noticed a trend in pension members not nominating beneficiaries. As such, for the past two years during their road shows they have been educating and informing public servants about the importance of nominating beneficiaries. When a pension member is deceased, the employer department should provide the nomination of beneficiaries form to the affected family or beneficiaries and assist the family of the deceased or beneficiaries in ensuring that the pension pay-out application are sent to GPAA. For example, if a pension member is an employee of GPAA, the system will generate a spouse's pension application form and match it with Home Affairs and check if there are any dependants linked to the pension member, then process the pension pay-out according to the information received. Where the member is deceased and there is no spouse and dependants, the matter is handled under the estate of the deceased. Any person who has a claim against the deceased's pensions will then comply with the processes of claiming from the estate.

• **Divorce cases**

Initially the law governing the GEPF provided that the spouse/ex-spouse is entitled to a portion of the pension benefit where people are married in community of property. But it initially provided that the ex-spouse can only obtain his/her portion of the pension benefit as awarded by the court on the day the pension member exits the fund. This was later changed in 2012 to align the government pension fund with the private sector pension funds (known as the clean break principle). In line with that, the law and rules have also been aligned with the current practice of the private sector pension fund, resulting in the Public Service implementing the clean break principle. The current practice is that shortly after divorce and an order has been granted by the divorce court, an ex-spouse can claim the portion of the pension benefit as awarded by the

divorce court directly from GEPF, which is then paid out to the ex-spouse whenever the claim is received. The ex-spouse claiming the portion no longer has to wait until a pension member exits the fund. GEPF pays the debt on behalf of the pension member from when he started contributing to the fund till the day of the divorce. If no claim is submitted by the ex-spouse, then no portion is paid out on behalf of the pension member, even though a divorce court order is received. There should be a claim submitted with a divorce decree and order from the divorce court.

However, it must be mentioned that once the portion is paid out from a pension member's pension funds, the amount paid out is deemed as a loan taken by the principal pension member and has to be paid with interest back to the pension fund. The implications of not repaying such loan are that the interest will accumulate and by the time the pension member is exiting the fund, he/she might have a big debt of that loan which could result in his/her pension pay-out being less than expected. Where a pension member could raise the portion that needs to be paid toward the ex-spouse without taking from the pension fund, it is advisable; otherwise immediately when the portion is given to ex-spouse and loan created against the pension of a member, he/she must start repayments immediately to avoid the surprise of less money on the year of exiting the fund.

- **Integration of the TBVC pension funds and other pensions funds to GEPF resulting in questionable pensionable years**

GEPF was founded based on all previous nine pension funds, including pension funds from the TBVC states. Some of the pension funds which were integrated to GEPF had better recording systems (administration of records) than others, thus resulting into feuds over pensionable years' from different pension funds as data was carried over to the new system of the GEPF. For example, as members start retiring from previous pension funds, GEPF had records that some pension members started employment earlier; however, their service at the time was not pensionable. The start date would refer to employment services as opposed to pensionable service. One would have started employment but it does not mean that pension was being deducted and paid to a pension fund by the employer. Most of these pension claims from the pension members with unpensionable periods of service reach a deadlock at this point as officials insist on their claims which cover the unpensionable periods of service. Unfortunately, a lot of officials do not have proof in their possession to support their claims that they contributed to pension funds in earlier years (i.e. first proof of payment to pension fund). It should be noted that pension claims are processed as per GPAA records and evidence of the pensionable years. The claims for the remainder of the questionable years are not paid out.

The GPAA can, to a certain degree, identify if a specific individual was a member of a pension fund in the old system. According to information provided by GPAA officials, pension funds from the Transvaal system were quite accurate, in the TBVC states there are few complicated and challenging scenarios. For example, the former Venda administration had pay-outs before the amalgamation into the new fund and new formation of the new SA government. This posed a challenge whereby the data which was supposed to be reconciled in 1996 when the amalgamation took place, was never reconciled. This is where a lot of challenges emanate from i.e. the years of service which cannot necessarily be recognized as pensionable service in respect of the data and evidence provided.

The different practices prior to the amalgamation of the different pension administration systems are referred to as the Past Discriminatory Practices (PDP). One of the key features of the PDP systems was that members started working and were employed by various sectors but had

waiting periods before their service was actually recognized as pensionable service. But it might also just be the fact that in the TBVC pension funds, administration of records was not as adequate as it should have been. Hence now there are situations whereby everyone's pensionable years is recognized from the period starting in 1996 onwards, irrespective of whether accurate records are available or not. Implementation of this decision could have financial implications on the fund because some members might claim for periods they never contributed for. Internally GPAA is continuously trying to find ways of addressing these challenges and hoping to arrive at a position where these issues are finally addressed. Also pension members are urged to update their records before the time of exiting the pension fund arrives.

- **Interest on pension paid out late**

Interest on pension pay-outs is paid if the claim is paid out late on duly completed documents i.e. if it's not paid within 60 days, interest is automatically added on. Prior to the amalgamation of different pension funds, GEPF had less problems on the late submission because employer departments were obligated to pay the interest, but now with the amendments of the Pension Law, employer departments are not forced or required to pay the interest for claims paid late and thus GPAA is witnessing the late submission of pension pay-out applications by departments. When the law was amended, Section 26 of the GEPF law, 1996, provided that no sanction will be placed on employers for late submission, thus it can be deduced that this clause resulted in unintended consequences of employer departments being slow in submitting pension pay-out claims. However, it must be mentioned that capacitating HR practitioners and conducting advocacy for pension members of what is required for pension pay-out to be smooth is the answer to the late submissions, delays and challenges experienced.

The rules of the pension fund provide that an employee can retire early from the age of 55, provided that the employer gives consent and approval. Should it be approved, the retiring employee should expect a downscaling of 0.33% per month in the pension pay-out up until retirement age if the employer does not absorb the early retirement penalty. The employer department can release an official to retire without passing the penalty to the employee. Should an employer department do so in terms of section 17.4 of the Pension Law, the employer takes responsibility for the penalty. However, some employees assume or believe that the employer is compelled to pay the penalty of going on early retirement (from age 55) on their behalf, however, that is not the case. The employer can approve that the employee retire early, however, not approve the absorption of early retirement penalties. When that happens, the employee retiring earlier than the prescribed age of 60 will then carry the penalty. Many of the employees misunderstand this eventuality and get surprised when it happens. It is a duty of the employer and the employee to understand all the circumstances surrounding the early retirement before embarking on it.

- **Servicing the rural areas**

GPAA has introduced mobile offices which cater for the needs of rural areas. All provinces are using this service of mobile offices - small to medium provinces have one mobile office and bigger provinces have two). In terms of geographical area, there is a schedule that GPAA uses per quarter, which determines and specifies which routes the mobile offices should follow based on the Geographic Information System (GIS) information and data source. In line with this, there are discussions between provincial Premiers' offices which determine if there are any particular programmes GPAA can link up with so that the mobile offices are enabled to support all activities in the Provinces.

- **Medical aid**

According to the provisions of GEPF member's guide, when an employee has completed fifteen years of service and/or above, he/she is entitled to the post retirement subsidy of medical aid. The retirement has to be processed in order for a retiree to become eligible for the benefits. If there are delays in the submission of the pension pay-out claim, this will have a negative effect on the processing of the post-retirement medical aid benefits. Subject to qualifying criteria, only employees with fifteen years of service or more are eligible for this post-retirement benefit.

- **Applying for benefits on resignation**

When a member resigns or is discharged from government service, he or she is entitled to a resignation benefit. According to GEPF there are two options for the payment of the resignation benefit, namely:

- ✓ Cash lump sum paid into a bank account, or
- ✓ Transfer of funds to an approved pension preservation fund.

Option 1: The cash resignation benefit paid into a bank account

The Human Resources department needs to submit the following documents to assist the official in applying for the cash resignation benefit:

- ✓ A certified copy of the member's bar-coded ID or valid passport. (The copy should not be older than six months.)
- ✓ A correctly completed Personal Details form (Z864 form).
- ✓ Correctly completed Banking Details form (Z894 form).
- ✓ A correctly completed Resignation Choice form (only on resignation; not necessary on discharge).
- ✓ If the member is married, a certified copy of the marriage certificate.
- ✓ If the member is divorced, the divorce order and settlement agreement, (If the settlement agreement says that some of the pension money must be paid to the ex-spouse, we also need a certified copy of his or her bar-coded ID and a Banking Details form).
- ✓ If the member has children, certified copies of their birth certificates.
- ✓ The Human Resources department needs to complete a Withdrawal form Fund Application form (Z102 form) and submit this to GEPF, along with all the other documents supplied.

Option 2: Transfer of funds to an approved pension preservation fund

The GEPF will transfer the member's actuarial interest in the Fund into the new approved fund once the Human Resources department has submitted the following documents for a member who wishes to transfer their funds to a pension preservation fund or retirement annuity, and not a provident fund:

- ✓ Certified copy of the member's bar-coded ID or valid passport. (The copy should not be older than six months.)
- ✓ A correctly completed Transfer Application form (Z1525 form). The member and a representative of the new pension fund must sign this form.
- ✓ A correctly completed Personal Details form (Z864 form).
- ✓ A correctly completed Resignation Choice form (only on resignation; not necessary on discharge).
- ✓ If the member is married, a certified copy of the marriage certificate.
- ✓ If the member is divorced, the divorce order and settlement agreement. (If the settlement agreement says that some of the pension money must be paid to the ex-spouse, we also need a certified copy of his or her bar-coded ID and a Banking Details form (Z894 form).)

- ✓ If the member has children, certified copies of their birth certificates.
- ✓ The Human Resources department needs to complete a Withdrawal form Fund Application form (Z102 form) and submit it to GEPF, along with all the other documents supplied by the employee.

Once the exit notification has been submitted which includes the necessary supporting documentation, the request will be forwarded to the GEPF for the processing and payment of the employees' pension benefit(s) and the reason for exit. Upon receipt of an exit notification the GEPF will:

- ✓ Register the application for payment of benefit(s);
- ✓ Validate the application for correctness and completeness against the exiting member's (employee's) member record. If the application is incomplete an error is generated and the application is referred back to the employer department with a request to submit either a revised exit notification or submit the necessary supporting documentation for the processing of the application and processes the application for payment. This process consists of the following:
 - ✓ Calculation of the benefit;
 - ✓ Obtaining of a tax directive from the South African Revenue Services (SARS); and
 - ✓ Payment of the benefit to the bank account of the member or beneficiary.

- **Benefits payable in case of death**

Death benefits are paid when a member dies while in service, or dies within five years of becoming a pensioner. GEPF also pays annuities to the surviving spouse(s) or orphan(s) of members who die while in service or after retiring.

Death while in service: The benefit paid is based on the member's period of pensionable service. It is payable to the surviving spouse or beneficiaries or, if there are no beneficiaries, to the member's estate.

Death after becoming a pensioner: Retirement or discharge annuities are guaranteed for five years after a member goes on pension. If the member dies within this period, his or her beneficiaries receive the balance of the five-year annuity payments (excluding the annual supplement) in a once-off cash lump sum.

Spouse's annuity: A spouse or eligible life partner is entitled to a percentage of the annuity paid to the member at date of death. The same applies if the member dies while in service and had a full potential service period of at least 10 years (meaning pensionable service years plus unexpired years until normal retirement).

NB: In the case of members who retired before 1 December 2002, the spouse's annuity is 50% of the annuity the pensioner was receiving at the date of death. Members who retired on or after 1 December 2002 have the option (a once-off, final decision) of increasing the spouse's annuity benefit from 50% to 75%.

Orphan's annuity: GEPF pays annuities to the orphans of members who became pensioners on or after 1 December 2002. Orphan's annuities are also payable when a member dies in service with a potential service period of 10 years or more. These annuities are only paid when a member's spouse dies, leaving eligible orphans.

3.3.2. Challenges in management of service termination process and pension pay-out

The following are general challenges presented by the respondents regarding service termination and pension pay-outs within the Public Services.

- Reluctance and/ or refusal by employees to submit or re-submit documents, specifically where the exited employee has departmental debt or was dismissed due to misconduct.
- Difficulty in obtaining the required information of beneficiaries or family members of the deceased employee where the children are still minors and there is no adult family member liaising with the department on behalf of the deceased employee's children.
- The limited availability of scanners, HR officials scan documents into a single file and then try to transmit large electronic files (attachments) to GPAA. In the end these attachments do not go through and ultimately cases are rejected by GPAA because required supporting documents have not been received.
- GPAA transfers monies in lump sum into department's accounts without indicating what the money is for or for whose departmental debt, resulting in departments not knowing which employees' debt to clear/settle.
- Difficulty to access the GEPF website specifically the calculator and to download forms needed for completion by pension members.
- Despite the fact that some Client Liaison Officers always try to accommodate the departments' requests for training and clarification of GPAA related processes, it is difficult for them to be available upon request sometimes due to their full programme and several departments allocated to them.
- GPAA is not meeting the turnaround time of 60 days of pension pay-outs due to bank validation process (verifying whether bank accounts are correct) and tax compliant verification process.
- Employer departments not using the e-Channel system but using Client Liaison Officers (GPAA officials) to complete their pension pay-out application instead of performing a role of quality assuring the documents.
- Dependency of GPAA on employer departments to provide accurate updated information about the pension member and his dependants/beneficiaries on time.

Bullet (1) to (3) and (7) above results in delays in the finalisation of service termination and pension pay-outs.

3.3.3. Impact of pension pay-out delays on the welfare of retirees and their dependents

The Public Service Commission has dealt with adhoc pension pay-out complaints dating back from the time of integration of the different pension funds (i.e. TBVC and other pensions) up to recent years. In dealing with the adhoc complaints on pension pay-outs the PSC has observed the following effects on pensioners/retirees and their dependants or beneficiaries which could be attributed to the delays:

Some of the pensioners' medical aids were cancelled by medical aid service providers due to non-payment of monthly contributions after the member has exited the public service. The delays in finalising the pension pay-out creates a situation where a pensioner has no money to pay the medical aid and until the pay-out is finalised only then the pensioner can resume with the medical aid. The implication of this is, the pensioner ends up burdening the public health system which already has its challenges. Also this creates traumatic experience for the pensioner who has now in his/her old age has to be exposed to public health system which is sometimes dysfunctional in some areas.

Some of the pensioners could not feed their families, could not continue to take their children through school/high learning institutions and lost their properties due to not having money to service their debts. In instances where the pension member is deceased, homes end up being

headed by a child and there is no elderly family representative to liaise with the department and GPAA, the children if they are still minors get affected more, as there is no one to follow through on the pension benefits. The implication is that the children end up leaving in poverty, burdening the child support grant system and some drop out of school as a result of not having money to continue schooling.

In spite of the effects mentioned above, there are retirees who were engaged during data collection phase of the study who reflected a different experience in terms of the time taken to finalise the processing of their pension pay-outs and the effects to their welfare thereof. 91 retirees were engaged. Of the 91 retirees, 53% retired in 2015, 44% retired in 2014 and only 3% retired in 2013. The turnaround time it took the retirees who were interviewed to receive their pension pay-outs is illustrated in **Figure 6** below.



Figure 6: Turnaround time in weeks for pension pay-outs to the retirees

Figure 6 above shows that there is no consistency regarding the turnaround time for payments. Other retirees were paid within 16 weeks after retirement even when their forms had no mistakes, while others were paid “on time” (that is 8 weeks) even though their forms were returned due to mistakes. The perception that there are gross delays caused by incorrectly completed forms is thus questionable, since people who correctly completed the forms were not paid on time. This is contrary to what is stipulated in the Pension Laws¹⁶, that payments will be made within a period of 60 days once the Board had received correctly completed forms from the retirees or their beneficiaries. This means that no conclusive evidence can be presented that delays are as a result of incorrectly completed and submitted forms. The 91 retirees confirmed that their welfare was not affected as they did not wait for long periods to receive their pension pay-outs.

However, it should be noted that some employees of the public service who went on retirement between the years 1996 and 2013 (1996 is a year of integration of Transkei, Bophuthatswana, Venda and Ciskei (TBVC) states and other pensions from the republic and 2013 is when GPAA systems were upgraded and working better) seemed to have had more problems compared to the other employees who went on retirement from 2013 till 2015. The problems during the years 1996 to 2013 could be attributed to various things, ranging from questionable pension years up to dependants or beneficiaries not claiming their benefits due to lack of knowledge and

¹⁶ **Government Employees Pension Law, 1996, Sec. 26 Period within which payment of benefits shall commence:** (1) Notwithstanding anything to the contrary in any law contained, a benefit payable in terms of this Law shall be paid to the member, pensioner or beneficiary entitled to such benefit within a period of 60 days after the date on which the Board receives a duly completed statement in the prescribed form or, if the Board receives such statement before the date on which a benefit is payable to the member or pensioner concerned in terms of this Law, within a period of 60 days after the date on which such benefit is so payable.

understanding of the process of claiming what is rightfully due to them. Also the issue of officials dealing with service terminations in departments who have limited empathy and not going an extra mile to ensure that those dependants or beneficiaries who have not come forward to claim are traced and assisted with the process. Since the upgrade of GPAA systems in 2013, and the fact that employees are now more informed about the service termination and pension pay-out processes and issues to attend to whilst still in employment that could delay their pension pay-outs, the service seems better than the years before. It should be noted though that there could still be dependants and beneficiaries dating back to 2013 or prior whose cases are yet to be brought to the attention of departments and GPAA, judging from the fact that the PSC has been attending to old cases as recent as 2014 and continuing to do so.

3.3.4. The role of stakeholders involved with the pension pay-out process

There are different stakeholders involved in the pension pay-out process. Those stakeholders are: GPAA, Banks and SARS. Following is a brief explanation of what their role in the pension pay-out process.

➤ Government Pension Administration Agency (GPAA)

In 1996, at the dawn of democracy the then government administration as part of the broader transformation agenda 10 existing and fragmented public servants' pension funds were merged and transformed into a consolidated Government Employees Pension Fund (GEPF) for South Africa's civil service. The GEPF's core business is to manage and administer pensions and other benefits for government employees in South Africa, as defined by the Government Employees Pension Law (or GEP Law) as amended¹⁷.

The greatest responsibility of GEPF is to give members and pensioners peace of mind about their financial security after retirement. This is achieved by ensuring that all funds at the disposal of GEPF are safely kept through responsible investments and are accounted for; and that benefits are paid out efficiently, accurately and on time. GEPF is the largest pension fund in Africa, with approximately 1.2 million active members, and ±390 000 pensioners and beneficiaries. The GEPF has more than R1.4-trillion in assets under management and is the single largest investor in the Johannesburg Stock Exchange (JSE) listed companies.¹⁸

On the 1st April 2010, the Government Pensions Administration Agency (GPAA) was formed by the Minister of Finance (Now GPAA's Executive Authority) through the amendment of the Public Service Act, 1994. The amendment resulted in the separation of the management of the Fund by the GEPF to the administration of pension operations by a newly created GPAA. The GPAA's services to GEPF include: (1) Administering and facilitating the payment of all funds and benefits; (2) Actively engaging with all members, pensioners and beneficiaries; and (3) Conducting member education and communication campaigns. The Fund caters for the following benefits: retirement benefits (normal and early retirement), resignation benefits, post-retirement medical benefits, military pensions & medical benefits, Ill-health retirement, special pensions, injuries on duty (IOD), death benefits (death while in service and death after becoming a pensioner), spouses' annuity, orphans' annuity and other special programmes for pensions (products) on behalf of the Government Employees Pension Fund (GEPF) and National Treasury (NT).

¹⁷ Government Employees Pension Law 21 of 1996, as amended, & Public Service Act, 1994, as amended

¹⁸ Government Employees Pension Fund, Annual Report 2014, GEPF

➤ **Banks**

The Banks are responsible for the verification process of declaring whether the account belongs to the principal member or the beneficiary as per the records send to GPAA. GPAA does not pay money into another person's account, unless there is a court order to that effect.

➤ **SARS**

SARS is responsible for collection of Tax Revenue in South Africa. If an employee failed to submit tax returns during his/her employment time that could have an impact in the processing of his/her pension pay-out. The tax directives are sourced out by GPAA, when a pension member owes income tax he/she will not be paid his pension until income tax issue is addressed.

The respondents from the national and provincial departments indicated that they are aware of the role played by the different stakeholders in the value chain process of pension pay-outs. In line with that, the respondents indicated that the employees/pension members are informed and educated about these roles during the departmental HR roadshows, departmental briefings, induction sessions and other platforms.

➤ **Supportive role provided by departments to employees exiting Public Service**

Retirement can be an emotional and traumatic process for aging employees, and the HR unit plays a key role in ensuring a smooth transition of employees to retirement. To best accomplish this, HR should develop a plan and programme to support the retirees psychological, emotional, financial, family and social relations and develop a keen understanding of the employer's benefit packages, benefit options available to the retiring employee, healthcare eligibility, pension plans and where applicable, severance packages to be able to provide sound advice¹⁹. HR must also take steps to ensure that any pre-retirement agreements with the outgoing employee comply with the terms of the Pension Laws.

The study revealed two outstanding departments that are mastering the supportive role to their retirees, that is, the National School of Governance (NSG) and the Department of Defence. Each of these two departments has a clear retirement plan and/or programme, which is catered for within their HRM plan. At the NSG, once the retirees are identified through the PERSAL report drawn at the beginning of the year, an electronic notification is created for all individuals who are involved in the retirement process, including the retirees. A dashboard notification will pop-up on the computer screen every morning when the officials switch on their personal computers (PCs) to remind them of what needs to be done in relation to the retirees. Workshops will then be held, to address a number of issues including advice on financial, health, wellness and other relevant topic. This programme is also extended to the beneficiaries of the retirees. Retirees and their beneficiaries are informed of the importance of a smooth retirement process and the procedures to be followed to accomplish a smooth transition. The importance of beneficiaries, their role in the whole process, and the death benefits that their family members are entitled to as a retiree is also explained.

At the Department of Defence, it was indicated that given the nature of their work, a decision was made that employees who are due for retirement should be reskilled so that they may still be active in society. An amount of R15000 is allocated for each retiree to be reskilled and be prepared for retirement. The reskilling programme is aimed at developing skills in areas such as

¹⁹Michael Jacobson, JD, Legal Editor. Human Resource Support on Managing the Retirement Process.
<http://www.xperthr.com/topics/organizational-exit/retirement/>

farming, running a small business. This initiative indicates the extent to which the department values its employees and wishes to see them living fruitful and fulfilled life after retirement.

The programmes offered by the NSG and Department of Defence may be regarded as ideal programmes with a holistic approach to preparing individuals after paid work ends, not just financially but in all aspects of life. Such a programme includes aspects such as psychological, emotional, financial, family and social relations, retraining, community involvements, etc ²⁰. The non-financial aspects include lifestyle choices as in how to spend time in retirement, where to live, when to completely quit working, etc. The emphasis one puts on retirement planning changes throughout different life stages. Early in a person's working life, retirement planning is about setting aside enough money for retirement. During the middle of an individual's career, it might also include setting specific income or asset targets and taking the steps to achieve them. In the few years leading up to retirement, financial assets are more or less determined, and so the emphasis changes to non-financial, lifestyle aspects.

The study also revealed that most government departments (National and Provincial) do not have a service termination plan for the retirees, which means that there is no programme in place to prepare the retirees for life as pensioners. Most of the departments hold workshops or road shows on HR processes, which would include service termination and pension pay-out processes. These workshop are a vehicle for retirees to engage on their concerns as they are approaching retirement. Also the departments engage the retirees at the beginning of the year by sending personal notifications to alert them of their retirement year and month. Thereafter, personal engagements are initiated, including the completion of service termination forms for submission to GPAA. Most departments focus mainly on "paper processing" and little consideration is paid to the psycho-emotional aspect of the retirees. Very few departments would consider the psychological and emotional aspects of people and assist them to settle well after their working time has come to an end. However, much as the departments don't have a formal plan or programme in place, there are activities that departments embark on as a supportive measure to retirees. Following are such supportive measures:

- Calendar messages popping-up online, preparing the retiree as well as the department for the process. This does not only assist in preparing the documents but also in preparing the individuals and the department psychologically and emotionally.
- The involvement of the Employee Wellness and Health sections in supporting the retirees until their last day of work and advising about health after retirement.
- Involvement of the Psychologist (qualified Counsellors) for counselling them and their families, to assist them to adjust and settle during retirement. This is critical especially for the bread winners in families. Others need to be assured through counselling that the department will not suffer once they leave. In other departments it was indicated that there are retirees who still come back to the department to offer assistance, as they are not doing anything, but again feels that the department is struggling due to their absence. This then leads to the designing of mentoring sessions between the retirees and the newly appointed staff. This process then becomes two fold, for the department and the individual.
- Organising of workshops not only for GEPF/GPAA, but to include other financial institutions to talk about financial and investment opportunities for employees who are preparing for retirement.
- Budget allocated for reskilling retiring employees.

There is a need in the public service to consider the best practices from the NSG and Defence department and ensure that they are applied across the departments for consistency in caring for employees, especially retirees that work for the same employer, Public Service.

➤ **Supportive role provided by GPAA to departments**

GPAA has provided support to the departments in two forms, that is, introduction of CLOs and establishment of offices in each province. The GPAA has introduced the Client Liaison Officers (CLO) to offer assistance to departments on a weekly basis and/or whenever a need arises. Their assistance include helping in ensuring that the forms are duly completed, ready on collection day, and are submitted to GPAA. The presence of the CLOs has lessened the challenges that were experienced by departments in terms of incorrectly completion of pension pay-out applications etc. and thus minimised delays in pension pay-outs in recent years.

However, there are few challenges relating to the CLOs and GPAA communication which cannot be overlooked, that is, some CLOs have a negative attitude, some are not well informed about the GPAA pension pay-out processes and unable to answer questions from departments that seek clarity on processes. The study revealed that GPAA in some instances does not inform departments when the CLOs are on leave and there are no replacements or 'standbys' to assist them. Also there is lack of feedback or communication from GPAA regarding the changes that they make, nor provide clarity as to how these changes are to be effected, and when CLOs are asked about such changes and due to not being well conversant with the changes, a tension builds between CLOs and departments and that exacerbate the delays in the processing of pension pay-outs. Also within GPAA national offices when the departments enquire about the progress on a pensioners pay-out, departments are sent from one person to the other without clear answers.

Furthermore, the study revealed that some of the departments experience problems with the customer care line which is not user friendly, it puts people on hold for more than 30 minutes, and unfortunately it is the only means of making follow-up on pension pay-out once documents are submitted to GPAA as CLOs cannot keep track on how far the process has gone. The attitude and lack of capacity in the CLOs are a causes for concern, and GPAA should address them as they could impact badly on the movement of pension pay-out applications between departments and GPAA, resulting in delays which are not ideal.

GPAA is a national institution with centralised pension pay-out functions at Head Office in Pretoria. Due to concerns and challenges experienced regarding pension pay-outs over the years, GPAA decided to establish nine GPAA provincial offices, which are client centred to service the needs of clients at the provincial departments. Further, GPAA has introduced 15-17 satellite offices in big provinces, where their membership is bigger, like Eastern Cape, KwaZulu-Natal, Limpopo, Free State & Gauteng. In addition, there are 11 mobile offices which allow GPAA to reach the rural areas to provide pension programme and services. Information about the routes of this mobile offices is sent to Premiers offices and also advertised through local media so that communities are aware of the services these mobile offices would offer during a particular visit in an area.

With all the support structures provided to departments by GPAA, it then remains with employer departments to review their workflow processes and structures. It is evident that where HR functions are centralised in Head Office especially in big department, there are more time delays compared to small departments or departments with decentralised HR functions.

3.4. CONCLUSION

This chapter has discussed the causes of delays and challenges experienced by departments and GPAA in processing and finalising the service termination and pension pay-out for retirees. The service termination and pension pay-out are processes managed by departments and GPAA. The findings as presented in this chapter confirm that if these processes are not handled speedily within the timeframes stipulated, the effects of such delays could be dire to the retirees and their dependants or beneficiaries. Much as there are improved systems and measures in place for the management of service termination and pension pay-outs within the public service, there are still cases from historical period that still poses as a challenge which needs to be finalised.

The study has also revealed that challenges around the delays in the pension pay-out are not caused by the absence of policies and procedures human factor. Human factor in the sense that some line managers, HR practitioners and even the employee do not adhere to the timeframes as stipulated in the Pension Law. The issue of decentralisation of service termination processes and capacitation of HR practitioners in those areas with decentralised functions needs attention. Lastly the dependants or beneficiaries of deceased pension members need to be supported by employer departments in completing and submitting pension withdrawal applications to GPAA. Employees and their dependants or beneficiaries are clients of HR practitioners during service termination and pension pay-out process and need to be given excellent service, Batho Pele being applied effectively and efficiently.

CHAPTER 4: RECOMMENDATIONS & CONCLUSION

4.1. INTRODUCTION

This chapter presents the recommendations which are informed by the findings as presented in chapter 3 and the conclusion of the study. The different stakeholders are expected to implement these recommendations to address issues causing delays and challenges in the service termination and pension pay-out processes.

4.2. RECOMMENDATIONS

- GPAA should produce a database of unclaimed pension benefits by dependants or beneficiaries especially the old years, employ a tracing agent to find the dependants or beneficiaries and process their claims.
- Departments should submit details of pension members who have not claimed their pension to GPAA to add to the work of the tracing agent.
- A structured, planned and compulsory training on all HR processes, especially the service termination and pension pay-out processes must be provided by departments independently or through the NSG and DPSA.
- Departments should, in collaboration with GPAA and SARS, implement awareness campaigns continuously for the benefit of newly appointed employees and long-term serving employees to ensure a thorough understanding of the processes, income tax issues and legislative changes. Where possible dependants and/or beneficiaries should be invited to the information sessions with consent of pension members.
- Big national departments that have provincial and regional offices across the country should decentralise some HR functions, especially processes related to service termination and pension pay-outs.
- Departments should also set aside financial resources to upgrade departmental IT systems to enable them to be compatible with the GPAA e-Channel system.
- Departments and GPAA must put in place a strategy to communicate with, and provide feedback and support to retirees, dependants and beneficiaries of deceased employees until finalisation of the pension pay-out process.

4.3. CONCLUSION

The study looked at the management of the service termination and the pension pay-out processes within the public serves. The overall objective was to establish whether there are challenges within the service termination and pension pay-out processes and the location of such challenges. The overall conclusion from the study is that there are challenges in some departments that lead to delays in the processing of service termination and pension pay-outs even though they are not in big scale. However, the impact of those challenges is huge and severe to the retirees, their dependants and/or beneficiaries, especially the beneficiaries of deceased pension members. Measures have been proposed to address these challenges in this study.

It must be mentioned that policies and procedures for service termination and pension pay-out processes are available, however, the human factor is what creates poor implementation of the processes, coupled with lack of adequate support by HR practitioners and lack of understanding of the impact of the delays on the welfare of pensioners and their dependants or beneficiaries. Departments need to ensure that HR practitioners are capacitated and where possible, HR functions are decentralised to facilitate the resolution challenges at the point of origin. Overall, the study has addressed its aim and objectives and has proposed measure to address the challenges in service termination and delays in the pension pay-outs.