

GEPF
2020/21 ANNUAL REPORT
2021 ACTUARIAL VALUATION
UNCLAIMED BENEFITS

Presentation to the Standing Committee on Finance
Parliament
8 June 2022



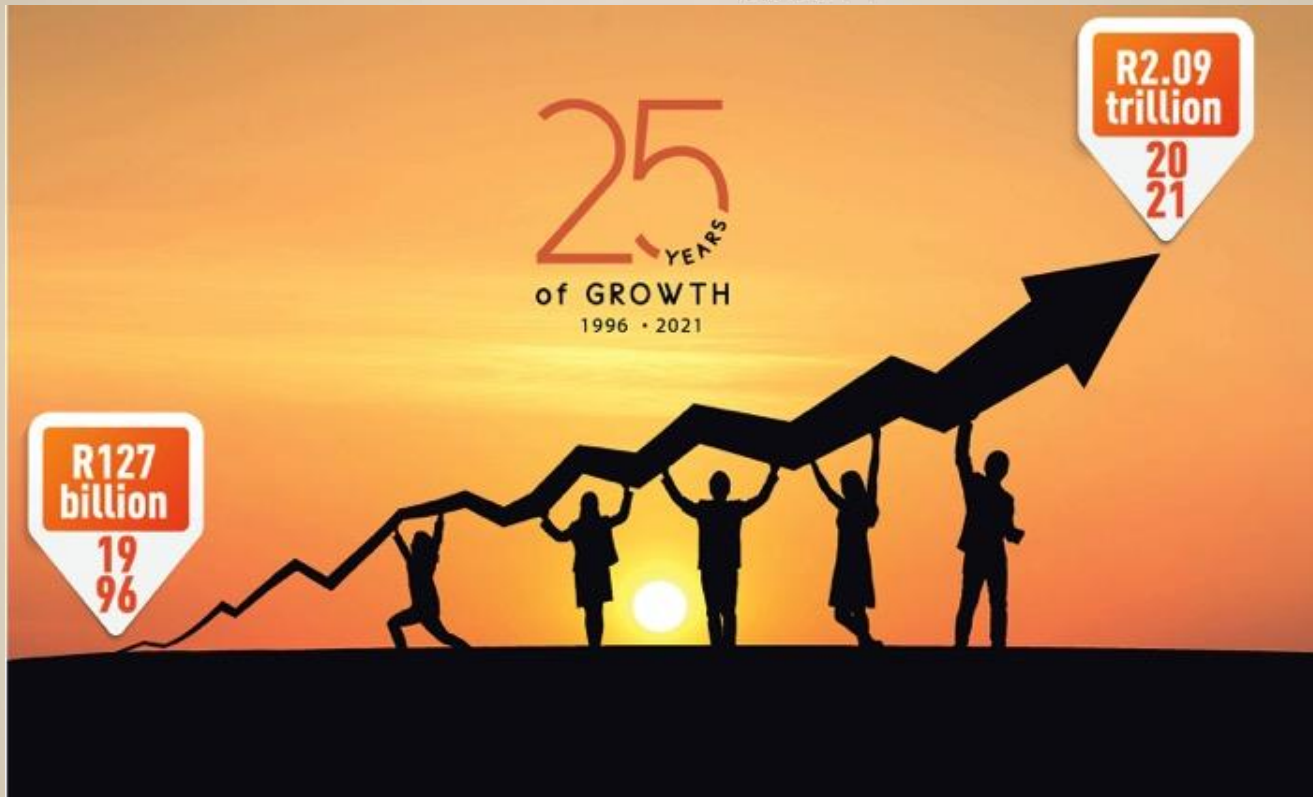
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GEPF Attendees

Mr Eddie Kekana – Deputy Chairperson: Board of Trustees
Mr Musa Mabesa – Principal Executive Officer
Mr Brian Karidza - Head: Actuarial and Benefits Administration
Ms Portia Mngomezulu - Head: Corporate Services
Ms Bulelwa Kotta - Head: Finance
Mr Sifiso Sibiya: Head: Investments
Mr Babs Naidoo – Head: Stakeholder Management and Communications
Ms Adri van Niekerk – Company Secretary

***Apology from Chairperson of the Board Dr Renosi Mokate**

SIGNIFICANT GROWTH



WHO IS THE GEPF?

◆ Africa's largest pension fund established by the Government Employees Pension Law of 1996.



1 265 406 members

473 312 pensioners and spouse beneficiaries

R2.09 trillion

Assets Under Management

WHO AND WHAT DOES THE GEPF DO?



Objective: To provide pensions and other related benefits as determined in the GEP Law to members, pensioners and their beneficiaries.



The GEPF manages and administers pensions and related benefits on behalf of government employees in South Africa:

- we invest funds
- we pay monthly pensions
- we pay monthly child pensions
- we pay spouse pensions
- we pay funeral and resignation benefits



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GOVERNANCE

Board of Trustees

Benefits and
Administration

Finance
and Audit

Governance
and Legal

Investment
Committee

Remuneration
Committee

Valuations
Subcommittee

Social and Ethics
Subcommittee

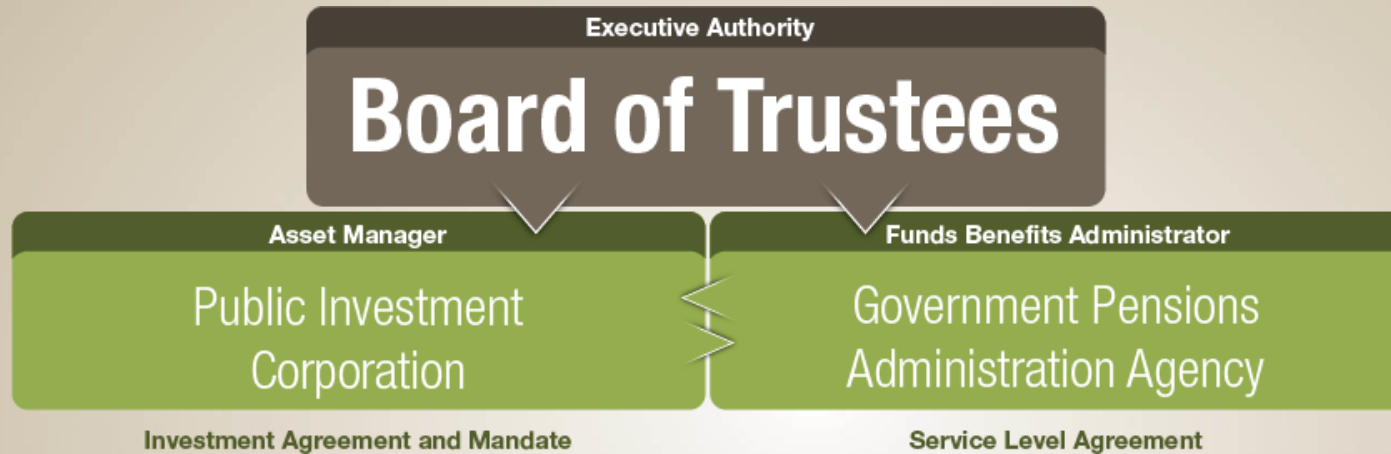


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GOVERNANCE



OPERATING MODEL



Board of Trustees Delegated Authority to Principal Officer

Principal Officer is supported by:

- Head: Actuarial and Benefits
- Head: Corporate Services
- Head: Finance
- Head: Investments
- Head: Stakeholder Management & Communications

FINANCIAL YEAR 2020/21 RESULTS CONTEXT

Global and SA economic environment.



Recovery in the global equity investment market.

Domestic equity markets rebound, particularly equities and bonds.



Negative performance in unlisted and property portfolios.

Low inflation and interest rates environment.



New operating environment with COVID-19.



FINANCIAL YEAR 2020/21 ADMINISTRATIVE HIGHLIGHTS

R111 billion

Benefits Paid

R2.09 trillion

Investment Portfolio

27.5%

Increase in Investment Portfolio

8.9%

Growth in Reserves over 10 years

R484 billion

Net Investment Income

23.1%

Return on Investment



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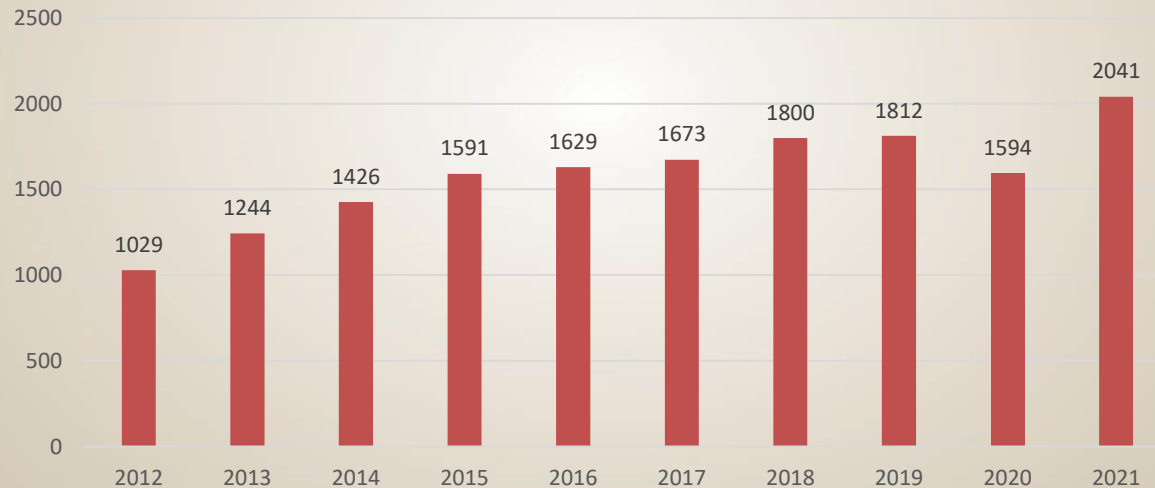
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ASSETS

◆ Assets of the fund grew at an average rate of 8.9% during the 2012-2021 period.

(R'BILLION)

GROWTH OF ACCUMULATED FUNDS AND RESERVES



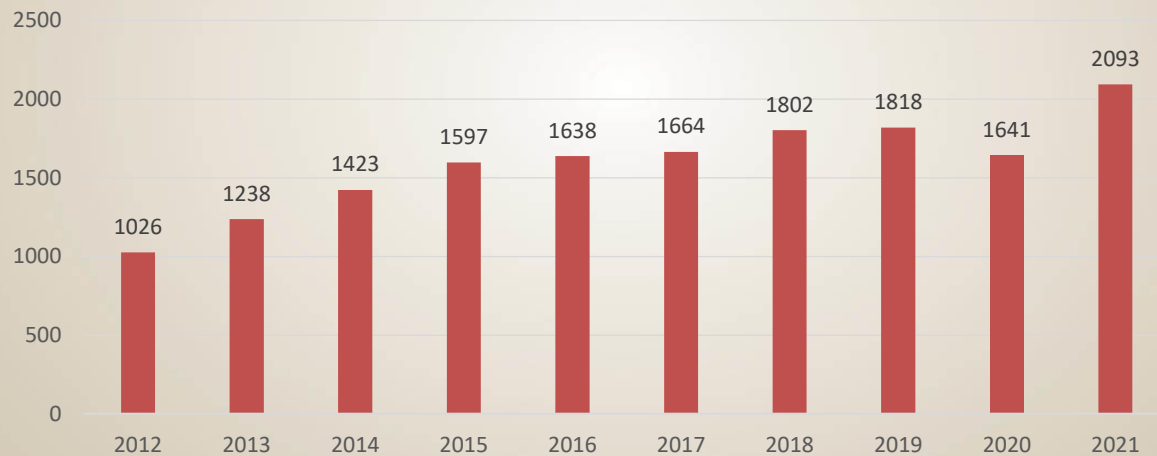
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GROWTH INVESTMENT PORTFOLIO

◆ The GEPF investment portfolio increased by R451 billion, an increase of 27.5%

(R'BILLION)

GROWTH IN THE INVESTMENT PORTFOLIO



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GROWTH INVESTMENT PORTFOLIO

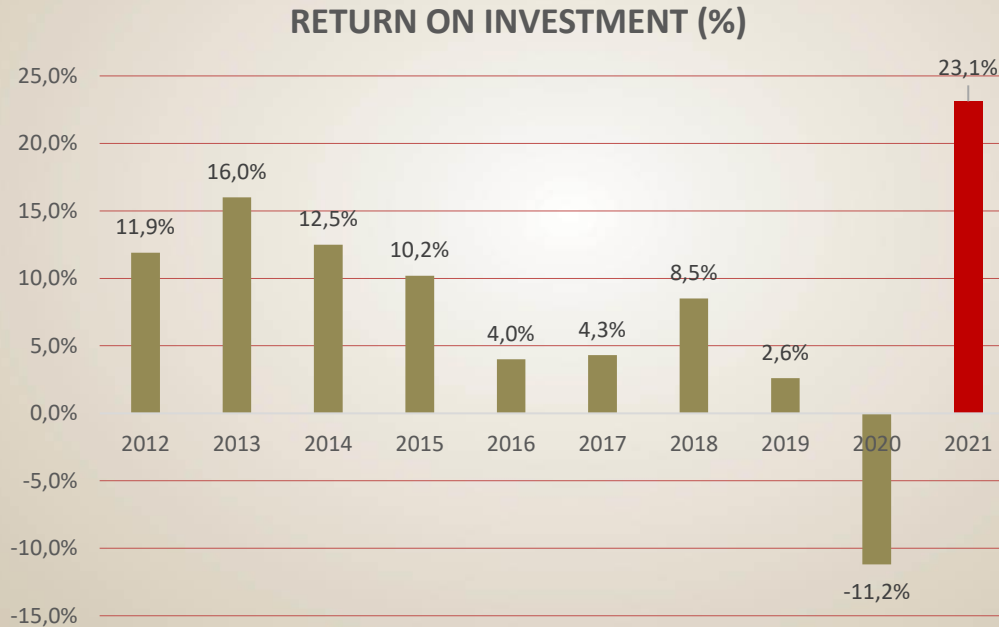
Description	2021 R'000	2020 R'000	Movement R'000	% Change
Listed equities	1 099 693 762	763 017 302	336 676 460	44%
Domestic bills and bonds	644 625 023	540 044 466	104 580 557	19%
Unlisted equities (domestic)	47 422 984	49 474 883	- 2 051 899	-4%
Collective Investments Scheme (foreign)	146 589 906	117 829 856	28 760 050	24%

- Domestic bonds increased as a result of additions and positive fair value adjustments
- Foreign collective investments schemes increased as a result of positive fair value adjustments and investments to new asset managers

RETURNS ON INVESTMENT

AVERAGE RETURN PERCENTAGES

During the reporting period, the GEPF investments yielded an average positive return of 23.1%



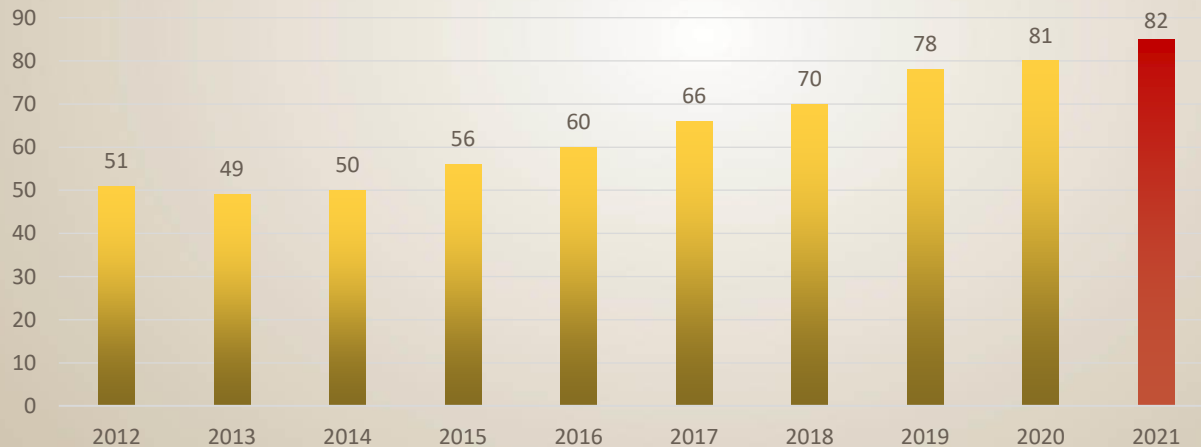
CONTRIBUTIONS RECEIVED AND ACCRUED

INCREASE IN CONTRIBUTIONS RECEIVED.

- ◆ The GEPF receives a percentage of members' pensionable salaries as contributions. Contributions received increased marginally during the reporting period, from R81 billion in 2020 to R82 billion in 2021. This is as a result of the government wage freeze.

(R'BILLION)

CONTRIBUTIONS RECEIVED



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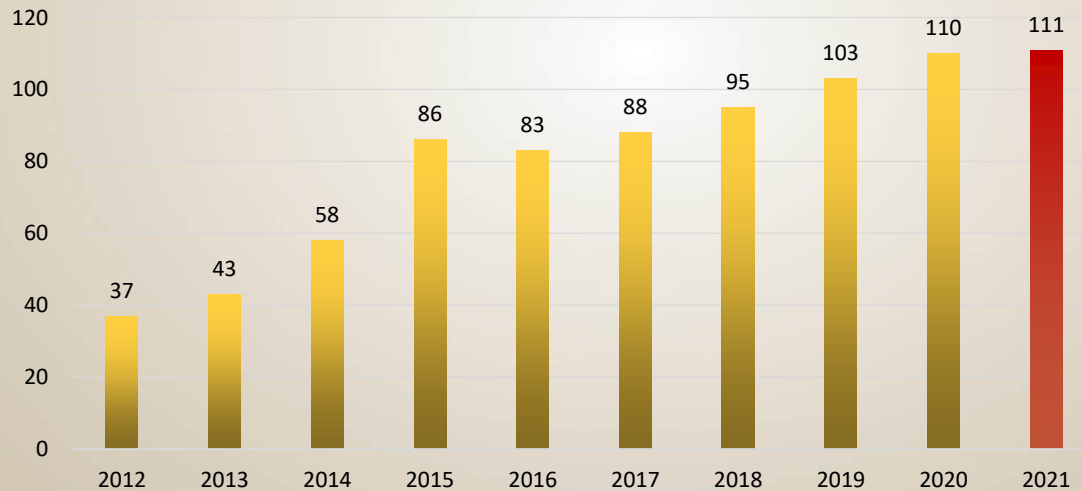
BENEFITS AWARDED

INCREASE IN BENEFITS AWARDED

◆ Pension payments increased by R1 billion to R111 billion

(R'BILLION)

BENEFITS PAID



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GEPF BENEFITS

01

GEPF BENEFIT

Retirement

27 960 cases of retiring members processed and finalised. The total value of gratuities paid was R19.7 billion and annuities amounted to R56.3 billion.

02

GEPF BENEFIT

Resignation

R25.6 billion was paid in resignation benefits to 16 055 beneficiaries during the reporting period.

25
YEARS
of GROWTH
1996 - 2021


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GEPF BENEFITS

03

GEPF BENEFIT

Death

R6.2 billion paid in death benefits during the reporting period.

04

GEPF BENEFIT

Funeral

31 684 funeral benefit claims processed and paid and an amount of R462 million was paid to beneficiaries during the reporting period.

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1996 - 2021


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GEPF BENEFITS

05

GEPF BENEFIT

Child's Pension

R314 million paid in orphan's annuities during the reporting period. 6 171 children are currently receiving this benefit from the GEPF.

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1996 - 2021


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ENGAGING OUR MEMBERS AND BENEFICIARIES



OVERSIGHT AND MONITORING

Public Investment Corporation (PIC)

The GEPF has completed a comprehensive review of its investment policy, investment mandate and management agreements to ensure robust guidelines and portfolio construction in the investment implementation process of its funds.

The revised mandate and agreements will include amongst others:

- More stringent consequence management
- Review of fee models
- Enhancement of investment and reporting guidelines
- Better integration of responsible investment practices
- Enhancement of the framework for the incubation manager programme.

Government Pensions Administration Agency (GPAA)

- The Board of Trustees and Management has begun a process of reviewing the Fund's operating model and the quality of service provided by the Fund's administrator
- This review also includes the benchmarking of administrative systems to meet the needs of the GEPF and its clients.

VALUATION OBJECTIVES

- Requirement of GEP Law
 - statutory valuation required at least once every three years
- to assess whether the Fund has sufficient monies set aside (assets) to meet all benefit payments due (liabilities)
- to recommend an employer contribution rate to meet the costs of the benefits accruing in the future
- valuation is based on placing a current value for benefit payments to be made in the future
 - this requires assumptions to be adopted

VALUATION ASSUMPTIONS

- Assumptions are updated at each valuation date to reflect changing market conditions and fund experience
- Fund underwent a demographic experience investigation in 2019
 - covered withdrawal, mortality and retirement rates
 - updated demographic assumptions were adopted for the 2021 valuation
 - updated assumptions were more favourable

VALUATION ASSUMPTIONS

- Economic assumptions such as discount rates, salary and pension increases are updated at each valuation date
- Main driver of the liability values is the net discount rates
 - pre-gap between discount rate and salary increase assumption
 - post-gap between discount rate and pension increase assumption

Description	31 March 2018	31 March 2021
Net pre-retirement discount rate	3.44%	3.72%
Net post retirement discount rate	5.70%	6.42%

- Economic assumptions for 2021 were higher than in 2018
 - the higher the discount rates, the lower the liability
 - this has positive effect on the liability values

VALUATION RESULTS

Description	31 March 2018 (R'm)	31 March 2021 (R'm)
Net assets value	1 800 068	2 041 346
<i>Active member liability</i>	<i>1 171 396</i>	<i>1 218 049</i>
<i>Pensioner and dependants liability</i>	<i>462 023</i>	<i>595 257</i>
<i>Exits in progress liability</i>	<i>11 673</i>	<i>27 095</i>
<i>Data Reserve</i>	<i>8 785</i>	<i>9 135</i>
<i>Discriminatory practices reserve</i>	<i>8 763</i>	<i>4 983</i>
Total liabilities	1 662 640	1 854 519
Surplus(Deficit)	137 428	186 827
Minimum Funding level	108.3%	110.1%

VALUATION RESULTS

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Net assets value	1 800 068	2 041 346
Total liabilities	1 662 640	1 854 519
Surplus(Deficit)	137 428	186 827
Minimum Funding level	108.3%	110.1%
<i>Contingency reserves</i>	720 893	892 840
Surplus(Deficit))incl. reserves)	(583 464)	(706 013)
Long Term Funding level	75.5%	74.3%

VALUATION RESULTS

- Liabilities discussed so far are best estimate and are expected to cover for the expected benefit payments
- Fund is recommended to hold additional reserves to cover for unexpected events and prolonged periods of unfavourable economic conditions
- Full recommended contingency reserves amount to R706 013m
- Fund only required to hold reserves that can be supported by level of assets
 - Fund affords to hold reserve of R186 827m
 - translates to 20.9% of recommended reserve
 - this leaves fund at 100% funding level
 - If full reserves held the funding level would only be 74.3%
- **Fund is financially sound and has enough assets to pay all expected benefits and hold a buffer of R186 827m as a contingency reserve**

RECOMMENDED EMPLOYER RATES

- This represents the rate required to cover for the benefits that are expected to accrue over the next two years

Description	Services	Other
Funded benefits	24.5%	20.7%
Fund expenses	0.3%	0.3%
Member contributions	(7.5%)	(7.5%)
Recommended employer rate	17.3%	13.5%

- Current employer rates lower than what has been recommended
 - Services contribute 16%
 - Other contribute 13%

UNCLAIMED BENEFITS

- Unclaimed benefits balance stood at R1,8 billion as at 31 March 2021
 - based on 24 886 cases
 - R876 million of benefits were paid
 - new cases amounting to R1 billion were transferred in
- Approximately R595 million (6 153 cases) of the unclaimed benefits have been paid for FY22
- Unclaimed benefits are an industry-wide problem
- Most of the unclaimed benefits are due to:
 - Bank account rejections
 - Tax related issues
 - Disputes leading to delays in submitting exit documentation
 - Currently untraceable members due to missing information
- **GEPF continues to collaborate with GPAA to implement tracing strategy**

THANK YOU



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