

FOR PSA MEMBERS: PUBLIC SERVICE COORDINATING BARGAINING COUNCIL
(PSCBC)

08-06-2020

Actuarial Interest Factors - Reduction of pension benefits upon resignation

Members were previously informed that the PSA has approached the High Court in Pretoria to set aside the unilateral decision by the Government Employees Pension Fund (GEPF), to change the actuarial factors affecting the resignation benefit of some 1.3 million public servants.

The GEPF Law and GEPF Rules make various references to instances where negotiation or consultation is required with the Minister and/or labour representatives in the PSCBC or Employee Organisations, representing the Public Service, prior to any amendment being made to, amongst others, the benefit structure of the Fund. As an example, the following is illustrated:

Rule 14.4.2 defines the F (Z) and A (X) factors utilised in the calculation of the actuarial interest (**that is a member's accrued benefit paid by the Fund in specific instances such as at resignation**) the impact of this decision resulted in a reduction of approximately 7% to members benefit upon resignation.

The GEPF reduced the actuarial interest factors without following the consultation process as stipulated in the *Pension Fund Act* and Rules. Despite efforts by the PSA to have the GEPF reverse its decision and consult before amending the actuarial factors, the GEPF remains adamant and proceeded with the implementation and pay out of benefits on the reduced actuarial factors. The matter was initially heard in Court on 6 September 2018. The PSA was confident that the High Court will set aside the GEPF's decision and rule in the following manner:

- Consult with the PSA, the Minister, and employee organisations:
- Apply the interest factors determined in March 2012 pending a proper consultation process.
- Recalculate the actuarial interest of members whose memberships terminated after April 2015.
- Pay such members the difference between the resultant amount and the amount initially paid.

Unfortunately, the decision handed down by the High Court, on 22 May 2019 was not in favour of the PSA. The PSA however, filed an application for leave to appeal on 12 June 2019. The matter will now be heard by the Supreme Court of Appeal in Bloemfontein on 7 September 2020. (*Attached the notice of set down*).

Members will be kept informed of any developments.

GENERAL MANAGER