



## GLACIER PUBLIC SECTOR SUMMIT 2024

### Your questions answered.

We have compiled responses to the questions raised in the **Glacier Public Sector Summit 2024** webinar. Please note that the answers provided below are for general guidance purposes only, and do not constitute advice.

The following questions and supporting answers specifically relate to the Government Employee Pension Fund (GEPF).

1. **If a member resigns and chooses to receive the retirement benefit as a cash lump sum, would the pre-1 March 1998 tax-free portion apply?**

The second schedule to the Income Tax Act contains a formula in Paragraph 2A which protects the pre-1 March 1998 tax-free rights of members i.e. any benefits acquired before 1998 would remain tax-free. The formula below is used to calculate the taxable portion of the member's lump sum benefit.

Paragraph 2A formula:

$$A = B / C \times D$$

Where:

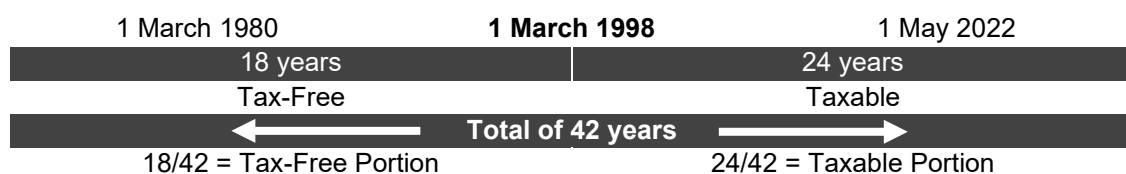
- A. The taxable portion of the lump sum.
- B. The number of completed years of service as a member of the public sector fund after 1 March 1998.
- C. The total number of completed years of service as a member of the GEPF.
- D. The lump sum benefit payable to the member.

Upon **resignation**, the formula is applied to the **amount** that is **payable** to the member i.e. the total withdrawal cash lump sum benefit, or if the total withdrawal benefit is transferred to another fund, the formula will be applied to the total benefit.



**Let's consider the following example:**

Mr Public has worked in the public sector for 42 years. Let's assume he decides to resign just before retirement with a retirement fund value of R3 000 000.



If Mr Public cashes out the whole **R3 000 000**, when we apply the formula:

$(24 \div 42) \times R3\,000\,000 = R1\,714\,286$  is the **taxable** amount.

This means he receives the balance of **R1 285 714 tax-free**.

As 18 of the 42 years' funds are tax-free, the reverse formula below also holds true:

$(18 \div 42) \times R3\,000\,000 = R1\,285\,714 =$  tax-free amount.

*(Be careful when using the reverse formula. It is recommended to double-check the accuracy against the legislated formula that gives you the taxable amount. We cannot guarantee that the reverse formula is foolproof, so it is best practice to apply the prescribed methodology).*

- What steps can the member take to ensure that they are offered the choice between providing 50% or 75% income to their spouse? Industry experience is that members are only presented with the 50% income option upon the death of their spouse.**

The member has two options when deciding on the gratuity and annuity at retirement. The choice is dependent on the monthly annuity, the member would like their spouse to receive after their death. Ordinarily, in the event of the member's passing, the spouse is entitled to receive 50% of the monthly pension that the member would have received. The member has the option to increase the monthly spouse's pension from 50% to 75%. The effect of increasing the spouse's pension to 75% is that the member will either reduce the gratuity or annuity that they will receive.



The options for gratuity and annuity provided by the GEPF are detailed below. Please refer to page 40 in the GEPF Member Guide:

- Keep the spouse's annuity entitlement at 50%.
- Increase the spouse's annuity entitlement to 75% by reducing the gratuity amount.
- Increase the spouse's gratuity entitlement to 75% by reducing the annuity.

**3. When GEPF members go through divorce, how does the GEPF calculator forecast the retirement benefits available upon reaching retirement age?**

There will be a reduction in the GEPF member's pensionable service years to take into account the amount paid to the non-member spouse in terms of the divorce order. This means that the benefit that will be paid to the member upon exiting the GEPF will be decreased by reducing the member's pensionable years of service to take into account the pension amount that was paid to the spouse upon divorce.

Members will continue to receive their benefit entitlement even after the reduction in pensionable service. This means that members with more than ten years of pensionable service upon retirement will still qualify for a gratuity lump sum benefit and a monthly pension. However, these benefits will be adjusted to reflect the reduced value corresponding to their reduced years of service (refer to pages 22 to 28 of the GEPF Member Guide).

**4. What are the pertinent issues surrounding the Two-Pot Retirement System during divorce proceedings?**

The slide below, extracted from the GEPF presentation on the Two-Pot Retirement System, shows accessibility to all three pots is a key aspect. When the court orders the fund, through divorce decrees, to pay the non-member spouse, the GEPF is obliged to comply with the court's order.





### Accessibility of the pots

Exit Type	Vested Pot	Savings Pot	Retirement Pot
Resignation	✓	✓	X Only available when member retires
Retrenchment	✓	✓	✓
Dismissals	✓	✓	X Only available when member retires
Partial withdrawals	X	✓ Subject to a Minimum of R2 000	X
Divorce (spouse benefits)	✓	✓	✓
Transfers	✓	✓	✓
All retirements	✓ Gratuity & pension	✓	✓ Pension

Source: Government Employees Pension Fund Facebook Page

**5. We have created a space on Glacier Insights where information on the government's retirement reforms will continue to be posted as it becomes available.**

Also, on Sanport, please see, among other content, the 'Overview on the Two-Pot Retirement System in the GEPF'.

Click on the links below for more information:

<https://www.glacierinsights.co.za/public-sector>

<https://www.glacierinsights.co.za/retirement-fund-member-information>

<https://www.glacierinsights.co.za/blog/retirement-insights/retirement-reform>



**6. How do the retirement options offered by the GEPF provide opportunities for discretionary and compulsory investments?**



Options when nearing retirement

**RETIRE IN THE GEPF**

Retiring with **less than 10 years of service**

- Once-off lump sum (gratuity)
- Equal to actuarial interest

Retiring with **more than 10 years of service**

- Once-off lump sum (gratuity) PLUS
- A monthly pension

Gratuity can only be taken in cash – no transfer option

Taxed at retirement scales

Monthly pension taxed at personal tax rate

**RESIGN “CASH OUT”**

Cash amount paid to client's bank account

Taxed at withdrawal tax scales

Decision is final

GEPF will not reverse the transaction

**RESIGN “TRANSFER”**

Full resignation benefit transferred to an approved fund

No option to take a portion in cash

Pre-1998 portion retains its tax-free status when transferred (maximum two transfers)

Retire privately and 1/3 could be accessed at retirement date while 2/3 must be used to purchase a pension income



Options when nearing retirement

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**RESIGN “CASH OUT”**

**Cash amount** paid to client's bank account

Taxed at withdrawal tax scales

Decision is final

GEPF will not reverse the transaction

**DISCRETIONARY**

**RESIGN “TRANSFER”**

Full resignation benefit transferred to an approved fund

No option to take a portion in cash

Pre-1998 portion retains its tax-free status when transferred (maximum two transfers)

Retire privately and 1/3 could be accessed at retirement date whilst 2/3 must be used to purchase a pension income

**COMPULSORY**



**7. As individuals develop greater interest in gaining access to the global market, how do retirees benefit from accessing the global market in terms of offshore investments?**

Explore the viability and value of offshore investment vehicles, such as the Glacier International Global Life Plan, Glacier International Global Investment Plan and the Glacier Offshore Investment Plan, that provide retirees with diversification benefits, potential for higher returns, and access to international markets. Additionally, you may utilise their single discretionary allowance (SDA) that offers tax benefits and flexibility in managing offshore investments. Also, you could incorporate offshore investments into an endowment plan that could further enhance estate planning benefits by providing tax-efficient wealth transfer options and asset protection.

**8. Is there a link available for signing up for the one-day GEPF training session?**

The training is offered by the Sanlam Connect Academy.

- a. Link to Sanport:  
<https://sanport.sanlam.co.za/elearning/mod/booking/view.php?id=20519>
- b. Access the GEPF booking system: Home/FPE Academy Portal/GEPF Booking System.
- c. Course details:
  - Pre-course material, that must be studied in order to prepare for the workshop.
  - Pre-course assessment, which is a prerequisite for attendance to the workshop.
  - One-day workshop, that will be concluded with a
  - Final case study in the form of an online, multiple-choice exam.

**9. Content and information regarding financial and retirement income planning in the public sector is available at [www.glacierinsights.co.za/blog/public-sector/public-sector](http://www.glacierinsights.co.za/blog/public-sector/public-sector).**