

REPUBLIC OF NAMIBIA



**STATEMENT BY HON. LUCIA IIPUMBU,
DEPUTY MINISTER OF INDUSTRIALISATION, TRADE AND
SME DEVELOPMENT ON CONTRIBUTION ON THE
MOTION GOVERNMENT INSTITUTIONS PENSION FUND
(GIPF) RETIREMENT BENEFITS FOR CIVIL SERVANTS
TUESDAY, 18TH JUNE 2019,**

Hon Speaker, Hon Members,

I hereby would like to respond to a motion presented by Hon. Elma Dienda on 12 June 2019 in this August House. The GIPF is just like any other pension funds founded in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956). In a Pension Fund industry there are two types of Retirement Schemes, a Defined Benefit (DB) Fund and a Defined Contribution (DC) Fund.

However, Hon Dienda 's interpretation of the two schemes missed the point. Therefore, it is misplaced for someone to compare the two since the benefit structure and payout differs. In a defined benefit fund, the benefits are based on a formula as defined in the rules of a particular Fund unlike in the defined contribution where sometimes benefits are payable based on the performance or volatility of the market. It is a well known fact that membership to GIPF is a condition of service to civil servants.

Hon Speaker, Hon. Members,

The GIPF Fund was established by the Employer, the Namibian Government in October 1989 but continued to be administered by Sanlam up until 1999 when GIPF became autonomous. GIPF is therefore a Defined Benefit Fund. The Fund is managed by a Board of Trustees appointed by the major stakeholder, the Employer and also the Unions representing the members. Therefore, the Trustees determines the benefits in consultation

with the Members and the Employer, since determination of benefits is driven by affordability.

The Board of Trustees are assisted by the Actuary to determine/structure the benefits. It is the Employer and the members who are contributing to the Fund on a monthly basis. The Employer contributes 16% and the Members contributes 7%. GIPF is a self-administered Fund. **The GIPF Benefits are guaranteed irrespective of the economic condition** or market performance unlike in a defined contribution fund where members' benefits are exposed to market conditions. GIPF is the only Defined Benefit Fund and the rest, about 137 Retirement Funds are defined Contribution Funds as per the 2018 Annual Report of NAMFISA.

Hon. Speaker, Hon. Members,

Under a DC Fund the Employer has no liability, and the risk is on members, the significant risk I am referring to is the investment risk. If the economy is bad or the market performance is bad the employees/members can loose their money and they have no claim against the Employer. Unlike in a DB Fund, which is GIPF the risk is on the Employer. Even if the market performance is bad, the members still receive the benefit they are promised in the rules.

In my view GIPF is one of the transparent institutions whose details are always publicized. They conduct member education, roadshows, radio campaigns and continuous newspaper articles. In addition, their annual reports are available on their website. If we really follow we will be well informed about their benefits by now. The GIPF benefit structures are categorized into: Death in Service, Retirement, withdrawal, Disability, Ill-health and Funeral benefits. All these benefits are payable as per the rules of the Fund and Death in service which is one of the generous benefits which one can hardly find in a DC environment. (Elaborate death in service).

Hon. Speaker, Hon. Members,

One wonder why amongst so many benefits the Hon. Member opted to use the Death After Retirement as a case study. The only category where the guarantee period is applicable is only Death After Retirement (Death of a Pensioner). The member receives his/her tax free lump sum upon retirement, the remaining portion of his/her pension is therefore calculated to be payable on a monthly basis. Furthermore, the Fund guarantees a pensioner to receive a monthly pension for 5 years after retirement whether dead or alive. This is what is referred to as a guarantee period. Please take note, for as long as the pensioner lives the monthly pension will continue for life and when a pensioner has passed away, for as long as the surviving spouse live the monthly pension will continue for life. If a single

pensioner dies before the 5 years guarantee period is over the remainder of her pension benefits are payable as a lump sum to his/her beneficiaries. For a married pensioner, the remainder is payable to the legal surviving spouse for life. **The Actuarial Assumption is that a pensioner at his/her death would have only a spouse as a dependent.** That is why the pension cease for children because in retirement the children (which should all be majors) should be dependent on themselves and not on their parents. We must also be mindful of creating a long list chain of dependents who in the long run become a liability to the fund and its principal members. So Honorable members take note that in this specific scenario there will be nothing left for the member on the pool as claimed by Hon Dienda since the total benefits of the member are paid out at his her death. (since both the retirement and DAR retirements are paid out in full)

Hon. Speaker, Hon. Members,

The Hon. Member in her statement implored on the members to move their pensions to Kuleni Preservation Fund. GIPF and Kuleni Preservation Fund are two different types of schemes. Therefore, the Kuleni referred to in her motion, is a Preservation Fund not an occupational pension scheme. Kuleni Fund Administrators the founder of Kuleni Preservation Fund is an Administrator and not a pension fund itself. It administers other pension funds in a DC i.e. amongst others, Members of Parliament and Other Office Bearers Pension Fund where all you

Honorable members belong. However benefits of these funds are totally different from the ones of GIPF and they are paid as prescribed by the rules of the Specific Funds as determined by their respective Board of Trustees.

Kuleni Fund Administrators is wholly owned by GIPF and members of GIPF owns GIPF, literally, members own both GIPF and its subsidiary Kuleni. Kuleni provides other administrative services to other Funds and its products. Therefore, the Hon. Member need to understand that GIPF and Kuleni belong to the same house, but two independent legal entities with different responsibilities. It is therefore ill-informed of members suggest that members need to move from GIPF to Kuleni. GIPF members should note that as long as you remain employed by Government, GIPF membership is a condition of service.

To again amplify on the transparency, GIPF do not make Kuleni Preservation Fund a default option for any member withdrawing his/her benefit before retirement but let Kuleni compete with all Preservation Funds in the market. Any member withdrawing his/her benefit before retirement can opt to transfer to Kuleni or elsewhere.

Hon. Speaker, Hon. Members,

I do not want to talk much about GIPF Investments but NAMFISA have put all the necessary regulations in place to regulate how pension funds assets are invested. Please read regulation 13,

which used to be regulation 28 and regulation 14 to 40 which used to be regulation 29, which gives permission to where and how to invest their money.

During my time at GIPF and I want to believe it is still the practice, no member was denied their benefits based on the lapse of the 3 years period. Such cases are thoroughly investigated and are paid, i.e. cases of members who went into exile their rules on the transferring of funds to the Guardian Fund, diaspora etc. I believe the GIPF has passed an amendment to comply with the NAMFISA directive referred to by Hon. Dienda and in conjunction with the amendment we passed in this August house last year. When referring to the provisions of the GIPF rules one need to ensure that you also thoroughly acquaint yourself with any amendments that have been passed, so that you update yourself with relevant and up to date information.

Hon. Speaker, Hon. Members,

The call to GIPF members to resign shortly before retirement and take your pension to other DC Funds is misleading. Please take note that the monthly pension on DC Funds is limited to the capital amount a member transfers plus investment returns. If the investment returns are not favorable like now, these monies will be depleted with time and pension will cease. Whereas, in the GIPF set up there is no such thing of depleting the funds since the pension is guaranteed for life.

With regard to tax there is no better or heavy tax. Everybody who receive an income is obliged to pay tax as per the income tax table as determined by MOF. Whether it is a salary or a monthly pension. Those of you who retired from civil service or are receiving a spousal pension/annuity and have a salary here, take note that you are required to pay tax on all those income combined. Please obtain tax directives from MOF to know and pay the correct tax.

Hon. Speaker, Hon. Members

In my analysis on this motion the Hon. Member just doesn't have adequate information on pension matters, their operations and detailed benefit structure, specifically of the GIPF rules and pension fund act in general. As such I suggest that she research more on the subject matter before she make a chain of allegations. For the benefit of all of us I urge the secretariat of the National Assembly to arrange an information session for GIPF and on our member education, Members of Parliament and Other Office Bearers Pension Fund, for us to get a clear understanding of issues and concerns raised in the motion.

It is therefore premature for the motion to go to the committee before we are well informed of GIPF benefits and its operations.

I therefore move that the motion be withdrawn pending the suggested information session and benefits presentation by GIPF and its subsidiary Kuleni.

I so move.