

**2016**

# **Institutional Analysis of the Government Pensions Administration Agency**

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**NATIONAL TREASURY**

# **Why review Government Pension Administration Agency performance and expenditure**

## **1. Introduction**

Government Pensions Administration Agency (GPAA) has been selected because of the relevance of the work that it performs. It is a government component and it administers pensions on behalf of Government Employees Pension Fund (GEPF) and performs work on behalf of National Treasury through signed Service Level Agreements (SLA)<sup>1</sup>.

## **2. GPAA Legal and Policy Framework**

GPAA got its mandate from the Public Service Act, as amended. It has to process pension benefits for GEPF in terms of the following laws:

- GEP Law of 1996, the TEPF in terms of the Temporary Employees Pension Fund Act 75 of 1979,
- AIPF in terms of Associated Institutions Pension Fund Act 41 of 1963,
- Post-retirement medical subsidies as regulated by Public Service Coordinating Bargaining Council (PSCBC) resolutions,
- Military pensions in terms of Military Pensions Act 84 of 1976 amended,
- Special pensions in terms of Special Pensions Act 69 of 1996 and
- Injury on duty in terms of (COID Act 130 of 1993 on behalf of NT Programme 7<sup>2</sup>.

## **3. GPAA mandate and strategic goals**

### **3.1 Mandate**

GPAA receives pension contributions from about 1.2 million government employees' and processes payments (pensions, gratuities, awards, compensations and death benefits) to qualifying individuals on behalf of GEPF. For National Treasury Programme 7, GPAA administers non-contributory funds such as government's pensions and post-retirement medical benefit obligations to former employees of state departments and bodies. It has to provide of similar benefits to retired members

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<sup>1</sup> Annual Performance Plan 2016 – 2017 fiscal year

<sup>2</sup> GPAA Strategy 2015 – 2016 fiscal year

of the military. Its mission is 'to serve clients by paying benefits accurately and timeously'.

This organisation is responsible for contributing towards Outcome 12 of the Government's 12 priority outcomes. Outcome 12 is stated as "An efficient, effective and development oriented public service."

### **3.2 Strategic goals**

This organization pursues the following strategic goals:

- Satisfied customers and clients;
- Modernised and efficient administration;
- Mutually beneficial relationships with stakeholders;
- Satisfied, efficient and effective employees; and
- Mutually beneficial partnership with employer communities.

## **4. GPAA Problem analysis**

### **4.1 Production challenges**

There is a volume of unpaid and unclaimed benefits within GPAA operations. Unclaimed benefits are benefits where the reason for the member's leaving (or exiting) the Fund and his or her last day of service are both known, but the benefit is not paid to the member or beneficiary within 24 months of the last day of service – in line with the rules of the Fund<sup>3</sup>.

The main reasons for benefits becoming listed as unclaimed are:

- The member's exit documents (Z102 forms submitted when a member leaves the Fund) not submitted or contain errors that have not been rectified;
- Where GEPF is unable to get a tax directive from SARS as the member or beneficiaries' tax affairs are not in order (for example, they are not registered for tax or they have not submitted tax returns, etc.);
- Where the benefits are paid but are returned to GEPF due to incorrect banking details, frozen or dormant accounts, incorrect pay points, etc. and

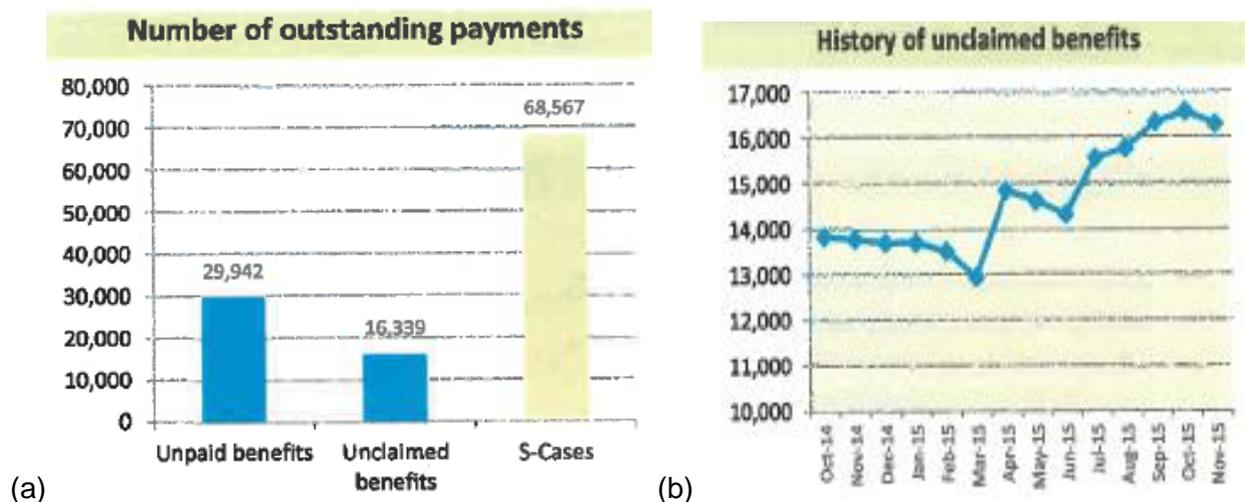
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<sup>3</sup> Government Employees Pension Fund website

- Where GEPF does not have enough information in respect of the deceased members' spouse(s) or beneficiaries to enable them to claim their benefits or for GEPF to pay the benefits to them.

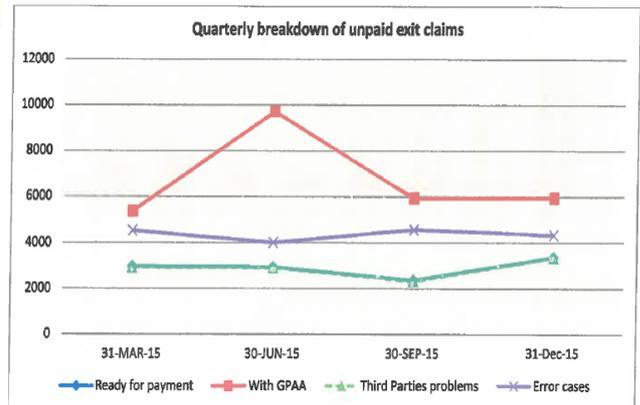
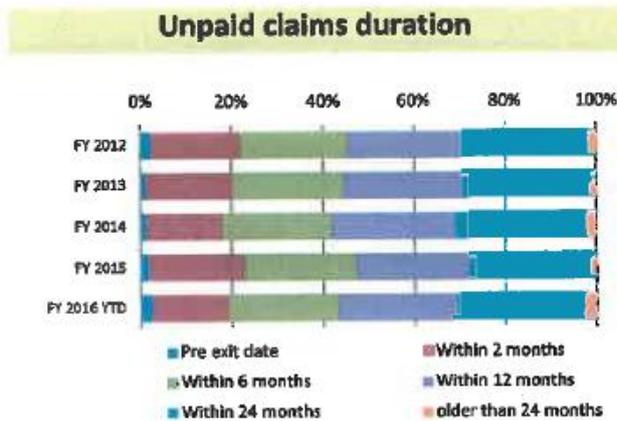
Practical situations will be explored highlight the challenges identified. For example, Figure 1(a) reflects that at the end the year, December 2015, there was a large number of outstanding benefits in the following categories: unpaid benefits: 29,942; unclaimed benefits: 16,339; and S-cases: 68,567. Zooming towards unclaimed benefits only (Figure 1(b)), over the year ending 2015, the situation became worse, from below 14,000 cases in October 2014 to over 16,000 cases were reported at the end of November 2015. This represents 12.5% increase over the given year.

**Figure 1(a) Number of Outstanding Payments; (b) History of Unclaimed Benefits and (c) Unpaid Claims Duration; and (d) Quarterly Breakdown of Unpaid Exit Claims<sup>4</sup>**



<sup>4</sup> Source of information: GPAQ Quarterly Administration Report – Third Quarter (2015/2016)

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(c)

(d)

Unpaid exit cases have also been categorised by their duration status in the exit process for the past 5 financial years (refer to Figure 1(c)). It can be noted that, year after year, there are large numbers of employees who do not receive their benefits within 6 months, 1 year and even 2 years after their exit from employment. This is unbearably too long a time. When beneficiaries do not receive their payments on time, it causes hardships – to the extent that even other members pass away having not benefited from funds that would have improved their livelihood.

In Figure 1(d), unpaid exit claims status have been broken down into those ready for payment, those with GPAA (S-cases), third parties problems and error cases. This scenario has been captured quarterly for over one year March 2015. There is no apparent improvement, the trends are fairly constant. It shows number of errors committed during payment administration reaching the peak of about 10,000 at the end of June 2015.

Unpaid benefits have further been summarised. The 29,941 unpaid cases reported at the end December 2016 amount to R1.1billion. Figure 2 outlines the breakdown of the number and amount of unpaid benefit cases as at the given date categorised into the original financial years of exit of each member.

**Figure 2: Unpaid Benefit Cases – Amount and Number of Cases per Financial Year of Exit**

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Financial year of exit	Number of cases	Per cent	Amount	Per cent
FY 2010 or earlier	127	0.26%	2 955 649	0.42%
FY 2011	275	0.55%	6 393 903	0.91%
FY 2012	99	0.12%	1 342 766	0.33%
FY 2013	5	0.03%	384 099	0.02%
FY 2014	39	0.48%	5 559 409	0.13%
FY2015	109	1.15%	13 334 763	0.36%
FY2016 YTD	29470	97.41%	1 127 343 272	97.83%
Total	29 941	100%	1 133 676 181	100%

Source: GPAA Quarterly administration Report – Third Quarter (2015/2016)

The situation of long outstanding unclaimed funds on system results in a number of problems. They range from financial loss to fraud to higher costs of tracing intended beneficiaries through the use of Client Liaison Officers and private tracing companies. The increasing internal administrative burden has forced GPAA to establish a unit with high staff complement of about 10 employees plus a manager (refer to Figure 3 (a)), specifically to handle unpaid and unclaimed benefits. The allocated resources could have been saved and used elsewhere, where there is an urgent need. My view is that these are reactive measures. If the system can be structured to operate optimally, less resources would be needed address this problem. Some of these options will be explored in the business model analysis.

## 4.2 Process challenges

A lot of analysis and reviews have been conducted over time to find ways to optimise GPAA processes to achieve its ideals indicated in the mandate and strategic goals outlined above. Challenges identified present the following areas of improvement.

### 4.2.1 Communication and Process

Interventions on communication and process side, the following areas need attention:

- Crisis in communication due to incorrect information;
- Lack of efficient and effective communication with members;
- Avoidance of high costs related to undelivered mail (such as costs of tracing the intended recipients who could not be found through the post);
- Non-compliance to applicable policies, legislations and other relevant Acts;
- Incorrect, invalid and inexistent/missing personal identification or demographic details;
- Slow turnaround times during benefits processing; and

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- Incorrect, invalid or inexistent membership and employment details.

#### **4.2.2 Personnel**

Other interventions needed now on personnel, which could indirectly impact on GPAA service delivery are as follows:

- adequate operational training and development or up-skilling programmes especially for managers and employees performing manual and repetitive tasks;
- deployment of specialized skills in key operational environments and reduction of supply of employees performing manual and repetitive tasks;
- a need for a more appropriate performance management system to increase operational productivity / utilization, as opposed to the adopting the public service performance management system;
- the refinement of employee development plans in line with the new performance management system; and
- the need for the development of an effective change and performance management culture.

Interventions on these areas can enhance the outcomes and the impact on quality of operational management knowledge and skills; the alertness of available operational employees; the effective utilisation and productivity (value add) of employees; capacity and production planning and to match between demand and supply "fit-for-purpose" recruitment or simply put, the recruitment of the right employees.

#### **4.2.3 Technology**

On technology, the following interventions could be explored:

- The system to flag exceptions;
- The system to automatically generate correspondence to the relevant department for resolution; and
- The system to override changes, but keeping an audit trail.

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The system in use currently is called CIVPEN. It can create exception reports. But it does not have the functionality where can in-time/live alert relevant department of any resolution taken. Also, some members of staff are able to create payment, process it for payment and then successfully delete the audit trail.

#### **4.2.4 Pension Case Management**

The introduction of Pension Case Management (PCM) solution in GPAA can also be of great help. Comparable to international standards such as in IBM, Pension PCM in GPAA would enable pension managers and staff to dramatically improve productivity, whilst providing unprecedented insights into their operational performance<sup>5</sup>. The solution enables the user to manage once-off and scheduled processes. For example, this solution will help to:

- Reduce overall time spent by employer to channel exit cases to GPAA;
- Reduce employer rework of cases through system validations, thus allowing the capturing of more cases;
- Enable System validation, adding to the reduction of case processing time;
- Perform Random allocation of cases between capturers and verifiers (within the given cluster), which can assist towards reducing fraud risk;
- Improve overall productivity for Employer Departments and GPAA;
- Elimination of backlog;
- Reduce processing times required per case due to automation of multiple and repetitive tasks;
- Calculate errors to be identified quicker and be responded to prior to payment execution;
- Significantly reduce the number of hands manipulation, reducing turnaround times; and
- Improve management oversight over processes and performance.

#### **4.2.5 Links with Other Roleplayers**

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<sup>5</sup> [https://www-01.ibm.com/software/info/channel-solution-profiles/INSIGHT2VALUE\\_ACM\\_PENSION\\_ADMIN%20.html](https://www-01.ibm.com/software/info/channel-solution-profiles/INSIGHT2VALUE_ACM_PENSION_ADMIN%20.html)

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Links with other role-players can be of essence where for quicker turnaround times. That can smoothen the interaction and formalised the expectations by all parties. These arrangements can be done in the following way:

- GPAA signing Memoranda of Understanding with Employer Departments to obtain cooperation relating to reasonable turnaround times;
- GPAA and Departments systems integrated so that; Duplicated ID Numbers, 2 or more individuals with same ID number should be corrected instantly; and
- GPAA system linked with that of other departments to enhance data inputs streams and data validation through the following avenues:
  - Improved data management platforms - At all GPAA branches;
  - Interfacing with South African Revenue Services (SARS) – Contacts information;
  - Aligning beneficiary identification with the Department of Home Affairs (DOHA) – data interface;
  - Sharing GPAA system data management platforms with Employer Departments for regular personal information updates – data quality;
  - The DPSA should supply approve human resource capacity where gaps have been identified; and
  - National Treasury allocating financial resources to address the identified gaps.

#### 4.2.6 Benchmarking with Private Sector and International Standards

GPAA performance was also assessed in comparison with international, private sector standards. Information from benchmarking exercise performed during GPAA 5-year review<sup>6</sup> highlighted the following shortcomings:

- Comparing GPAA with other private pension administrators such as Sanlam and Old Mutual, it was found that the current structure of GPAA does not detail the purpose and functions of job holders;
- Looking at workflow/process: Private sector fund administrators are more likely to apply new, cutting edge innovations in processes and respond quicker to technological efficiency innovations;
- GPAA relies on self- assessments from business units. These are largely subjective;
- Private sector uses financial and other incentives to reward high performing business units

Where the job descriptions and roles of employees have been clearly outlined there is more productivity. Compared to private sector similar institutions, GPAA CIVPEN is as old as the organization itself which started in 1996. It has a lot of inherent weakness which also contribute to delays in payments of benefits due to fraud and lack of segregation of duties, just to mention a few. And of course, with lack of regular industry review has left GPAA behind on the areas indicated.

On the survey that was conducted to assess GPAA functions and performance, 75% of the pensioners are not as positive of GPAA's relevance and this could be related to the efficiency of processing claims. They show the highest degree of uncertainty and unhappiness with GPAA services and this is an area that GPAA should flag for improvement interventions going forward.

This survey was also conducted among other sample groups as indicated on Annexure 5 below and the following were the observations:

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<sup>6</sup> GPAA 5 year review report presentation

- Treasury rated that GPAA is struggling with efficiency, Employer Departments indicated a very high degree of uncertainty about GPAA's efficiency (94%) and only 6% are satisfied with the quality of service they are receiving from GPAA.
- On effectiveness, 80% of GEPF and 77% of employer department respondents are uncertain about its progress and its capability to improve services

## 5. Expenditure analysis

The expenditure analysis mainly focuses on Employee Benefits and Finance as well as Clients Relations Management (refer to Annexure 2: Organogram below). It is where the following core functions are performed:

- Withdrawal by members from the fund occur;
- Special Employee Benefits Projects such as Non-statutory Forces and Ciskei Strikers;
- Funeral benefits;
- Pensioner maintenance; and
- National Treasury Programme 7 (8) operations take place.

On the main, GPAA performs its mandate within the core function Employee Benefits unit. This is where admissions, member information maintenance, exits and related payments are performed. Other functions such as Risk and Audit, Legal, Finance, ITC and Corporate Services are supportive functions. They are a compulsory statutory requirement in any organization and they will therefore not be analysed in this report.

The approach is to assess performance at the expenditure level against the budget over the years and the corresponding cost centres' movement in variances will be inspected over the past 4 years. While there could be discrepancies in processing admissions of new members onto GEPFF (refer to sub-programmes as outlined in the Logical Framework in the Annexure), any problems in Member/pensioner Maintenance, Exits, Payments and Programme 7 should be avoided. It directly negatively impact on timeous and accurate processing of much needed benefits.

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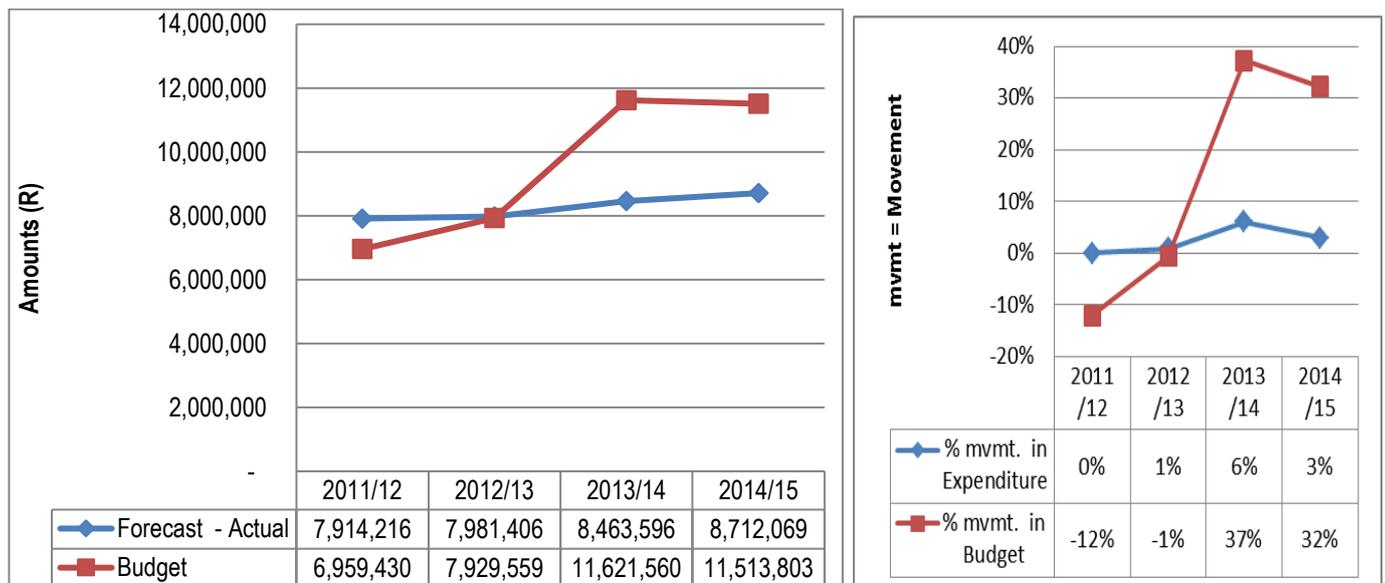
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## 5.1 Pensioner Maintenance Expenditure

The first assessment will be performed on Pensioner Maintenance, which is run by 36 personnel (based on the GPAA Organogram on Annexure 2 second figure below). Its expenditure against the budgeted amount at the end of 2015 financial year is summarised on Figures 3 below:

**Figure 3: Expenditure against the Budget on Pensioner maintenance**



Source: Compiler

Looking at the budget against the expenditure from 2011/12 to 2014/15 financial years, the actual expenditure on pensioner maintenance has been increasing steadily. It has been increasing at an average rate of 3% per cent which is acceptable given that the headcount in the public service has been fairly constant at around 1,2 million warm bodies over the recent years. On the other hand, on the budget side, for the last two years 2013/14 and 2014/15 years the budget was increased significantly. It increased at the rate of 34 and 32 per cent above the actual expenditure respectively (Refer to the left hand side table in Figure 3). This is a welcome move in that when member information is up-to-date; there will be a smaller backlog of claims related to any form of exit.

The increase in personnel budget is also confirmed by employment of temporary staff. There was an increase in medical benefits paid out to them. It is the line item: 37% service benefits Medical which is usually payable to temporary staff members

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(refer to Table 1 below). From Personnel Agency fees we can see that more staff have been appointed in this unit. These will be bring growth in service delivery.

Have said the above, if there are no corresponding interventions going with the appointment of additional staff, the approach would be a fruitless expenditure. New staff members need office space, IT equipment and training. Looking at the case in hand, further at operating expenditure on training of new staff (such as training on CIVPEN) was budgeted for, and but there is no budget for capital expenditure on the purchase of additional equipment. Proper alignment of expenses in this regard will be key and the costing model analysis below will elaborate this matter further.

To reduce error cases interventions such as automation of laborious, repetitive processes and training of staff could be ideal. From Table 1, funds that were allocated for training and workshops, R89,600, was not been utilised. Training of employees is bound to reduce error cases significantly. CIVPEN, a system used at GPAA can be mastered with adequate training and practice. Even better still, the organization to improve rejuvenate its production by investing in new ICT system such as computers and software that can improve output and minimise errors. Table 1 shows that only less than R2000 has been spent on capital expenditure.

**Table 1: GPAA Pension Maintenance Unit 2014/2015 Variance report (extract)<sup>7</sup>**

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<sup>7</sup> Source: GPAA March 2015/2016 Variance Reports

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Description: PENSIONER MAINTENANCE Expenditure Report for period: 2014/2015	Current Year	Total	
	Forecast - Actual	Budget	Variance
37% service benefits Medical	334 437.82	-	-334 437.82
Overtime	35 030.52	478 395.00	443 364.48
<b>COMPENSATION OF EMPLOYEES</b>	<b>8 314 778.34</b>	<b>11 161 203.00</b>	<b>2 846 424.66</b>
<b>GOODS AND SERVICES</b>	<b>395 453.06</b>	<b>352 600.00</b>	<b>-42 853.06</b>
<b>CONSUMABLES, STAT, PRINTING &amp; PUBLICATION</b>	<b>172 504.18</b>	<b>235 000.00</b>	<b>62 495.82</b>
<b>ENTERTAINMENT, GROCERIES &amp; CATERING</b>	<b>8 743.69</b>	<b>20 000.00</b>	<b>11 256.31</b>
<b>PERSONNEL AGENCY FEES</b>	<b>213 999.19</b>	-	<b>-213 999.19</b>
Salaries - Temporary staff	213 999.19	-	-213 999.19
<b>TRAVEL, SUBSISTENCE AND ACCOMMODATION</b>	<b>206.00</b>	<b>8 000.00</b>	<b>7 794.00</b>
<b>TRAINING AND WORKSHOPS</b>	-	<b>89 600.00</b>	<b>89 600.00</b>
Venues & Facilities	-	17 700.00	17 700.00
Conferences	-	23 400.00	23 400.00
Team Building	-	48 500.00	48 500.00
<b>TOTAL OPERATING EXPENSES</b>	<b>8 710 231.40</b>	<b>11 513 803.00</b>	<b>2 803 571.60</b>
Office Equipment	1 837.68	-	-1 837.68
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1 837.68</b>	-	<b>-1 837.68</b>
<b>TOTAL EXPENDITURE</b>	<b>8 712 069.08</b>	<b>11 513 803.00</b>	<b>2 801 733.92</b>

Source: GPAA Variance Report at March 2016

## 5.2 Clients Relations Management

In GPAA environment, another unit that needs attention is Clients Relations Management. In the media, from time to time, there is a bad publicity about GPAA where people complain that they have not received their pensions and benefits on time. However, looking internally there are funds that can be utilised to make GPAA to be more effective and efficient in performing its processes. For example, refer to Table 2 below:

**Table 2: Client Services Relations: Funds not utilised at the end of the year**

Years	2012	2013	2014	2015
<b>Variance (R Mil)</b>	16	10	16	17

Source: Compiler

Surely some of these funds could be utilised even if it supplements the work underway by outsourcing some of the sticky areas of the operation.

## 5.3 Withdrawals and Funeral benefits

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The next significant cost centres are Withdrawals and Funeral benefits. This is where claims requests from resignations, retirements including early ill-health retirements as well as death benefits are processed. From the Log Frame (Annexure 1) we can see that the units Withdrawals and Funeral benefits combined utilise the biggest bulk of the budget, amounting to about R87 million over the 4 financial years. These claims are received and processed also through CIVPEN system. Expenditure for the 2014/2015 financial year for Withdrawals and Funeral benefits amounts to R14.6mil and R5.6mil respectively. While there are backlogs on unpaid benefits, both departments have huge amounts allocated for training, (80k on Withdrawals (Table 3) + 145k on Funeral benefits (Table 4)) which have not yet been utilised. Surely if more training and workshops are conducted on areas where employees have skills gaps (refer to Table 2).

**Table 3: Withdrawals benefits Unit 2014/2015 Variance report**

Description: Withdrawals Expenditure Report for period: 2014/1015	Current Year	Total	
	Forecast - Actual	Budget	Variance
Salaries	9 239 446.66	12 352 325.00	3 112 878.34
House Owners Allowances	369 000.00	702 000.00	333 000.00
Employer Contr. Pension Fund	999 086.72	1 605 802.00	606 715.28
Employer Contr. Medical Aid	669 022.00	1 338 137.00	669 115.00
37% Service Benefits Medical	552 923.80	-	-552 923.80
Service Bonuses	602 408.04	1 029 360.00	426 951.96
<b>COMPENSATION OF EMPLOYEES</b>	<b>14 450 062.22</b>	<b>18 532 365.00</b>	<b>4 082 302.78</b>
<b>GOODS AND SERVICES</b>	<b>163 060.56</b>	<b>364 000.00</b>	<b>200 939.44</b>
<b>CONSUMABLES,STAT,PRINTING &amp; PUBLICATION</b>	<b>125 061.84</b>	<b>215 000.00</b>	<b>89 938.16</b>
<b>ENTERTAINMENT, GROCERIES &amp; CATERING</b>	<b>50 345.51</b>	<b>35 000.00</b>	<b>-15 345.51</b>
<b>TRAVEL,SUBSISTENCE AND ACCOMMODATION</b>	<b>253.21</b>	<b>34 000.00</b>	<b>33 746.79</b>
<b>TRAINING AND WORKSHOPS</b>	<b>-</b>	<b>80 000.00</b>	<b>80 000.00</b>
Conferences	-	40 000.00	40 000.00
Team Building	-	40 000.00	40 000.00
<b>OTHER</b>	<b>-12 600.00</b>	<b>-</b>	<b>12 600.00</b>
Bursaries Employees	-12 600.00	-	12 600.00
<b>TOTAL OPERATING EXPENSES</b>	<b>14 613 122.78</b>	<b>18 896 365.00</b>	<b>4 283 242.22</b>
Capex			
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURE</b>	<b>14 613 122.78</b>	<b>18 896 365.00</b>	<b>4 283 242.22</b>

**Table 4: Funeral Benefits Unit 2014/2015 Variance report<sup>8</sup>**

FUNERAL BENEFITS	Current Year	Total	
	Forecast - Actual	Budget	Variance
COMPENSATION OF EMPLOYEES	5 635 132.49	6 307 075.00	671 942.51
GOODS AND SERVICES	19 124.34	292 000.00	272 875.66
ADVERTISING AND PROMOTION	-	-	-
AUDIT FEES	-	-	-
COMMUNICATION	-	-	-
COMPUTER SERVICES	-	-	-
CONSULTING, ACTUARIAL & PROFESSIONAL FEES	-	-	-
CONSUMABLES,STAT,PRINTING & PUBLICATION	12 710.83	110 000.00	97 289.17
ENTERTAINMENT, GROCERIES & CATERING	-	25 000.00	25 000.00
INSURANCE	-	-	-
LEASES	-	-	-
LEGAL FEES	-	-	-
LEVY PORTFOLIO MANAGEMENT	-	-	-
MAINTENANCE,REPAIRS & CLEANING	-	-	-
MOTOR VEHICLE EXPENSES	-	-	-
PERSONNEL AGENCY FEES	-	-	-
TRAVEL,SUBSISTENCE AND ACCOMMODATION	6 413.51	12 000.00	5 586.49
TRAINING AND WORKSHOPS	-	145 000.00	145 000.00
<b>TOTAL OPERATING EXPENSES</b>	<b>5 654 256.83</b>	<b>6 599 075.00</b>	<b>944 818.17</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURE</b>	<b>5 654 256.83</b>	<b>6 599 075.00</b>	<b>944 818.17</b>

#### 5.4 Where are we

<sup>8</sup> Source: GPAA March 2015/2016 Variance Reports

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Incorrect and incomplete data on the system has been an ongoing problem over the years. Last year, Data Cleansing was included as one of key performance indicators going forward and reasonable targets have been set especially in Programme 7. This is where incorrect employees' identification, addresses and banking details get corrected in the system. At times there is a need to trace these beneficiaries where telephonic and correspondence communication has failed. Tracing these beneficiaries is a costly and time consuming but necessary exercise. This project is yielding positive results in as far as active members verification is concerned, but the challenge still remains for members who have exited the system. This is where also upskilling can be crucial.

Other interventions can be outsourcing the private companies and paying them on commission or increasing the number of staff performing this function.

As GPAA systems get adjusted from time to time in the process of optimisation, some changes involved removing methods that performed well. For example, in the past, GPAA used to have an operation configuration processes withdrawal and payment processes were performed at 4 platforms. In this way for teams where performing the same task thus eradicating backlog. That system was changed to another system where in the section: Employee Benefits Operations, processing, checking and payment are performed by in a group.

Leveraging more on Client Relation Management (CRM) to reduce cost of service delivery and by:

- Increasing number of access channels for GPAA clients;
- Interfacing platforms that integrates with GPAA systems;
- Enabling members, pensioners, authorized institutions, employers and GPAA mobile staff;
- Reducing queries ability to retrieve benefit and claim information through remote mediums such as internet, mobile services, self-service kiosks;

## 6. The Costing Model

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GPAA needs to make certain changes in its operation in order to reduce backlog of unpaid and unclaimed benefits. The costing model seeks to present scenarios that could be explored to bring about improvements. The scenarios presented on the model are (i) the current status and (ii) the proposal to double production personnel.

We can see from the model (Attached) that by doubling operational staff and supplying their required supportive tools of trade, additional funding required will be only about R17 million. This amount could be sourced from available savings on other personnel budgets, without even any request for any other additional funds from the fiscus. This is because the GPAA has budgeted and funded posts which have not been filled.

If production per employee was obtained the proportionate increase would have been determined with the application of 80/20 principle. This law requires utilising scarce resources at an optimum proportion where maximum results will be obtained.

It is important to note that cost of infrastructure such as computers will be once off in a short-term. Therefore, subsequent years will see a reduction in the new additional cost by R2 Million to about R15 million as indicated in the model.

## **7. Conclusion and Recommendation**

GPAA is not operating efficiently and effectively. Interventions can be explored as outlined in the body of the document such as Pension case management, utilizing existing spare capacity, using the costing model to explore new possibilities, just to mention a few. It is likely that improvements proposed could cost in the tune less than R20 million. The big part of this money could be found in cost items where the budgeted amounts have not been utilized.

## Annexures

### **Annexure 1: GPAA Log frame**

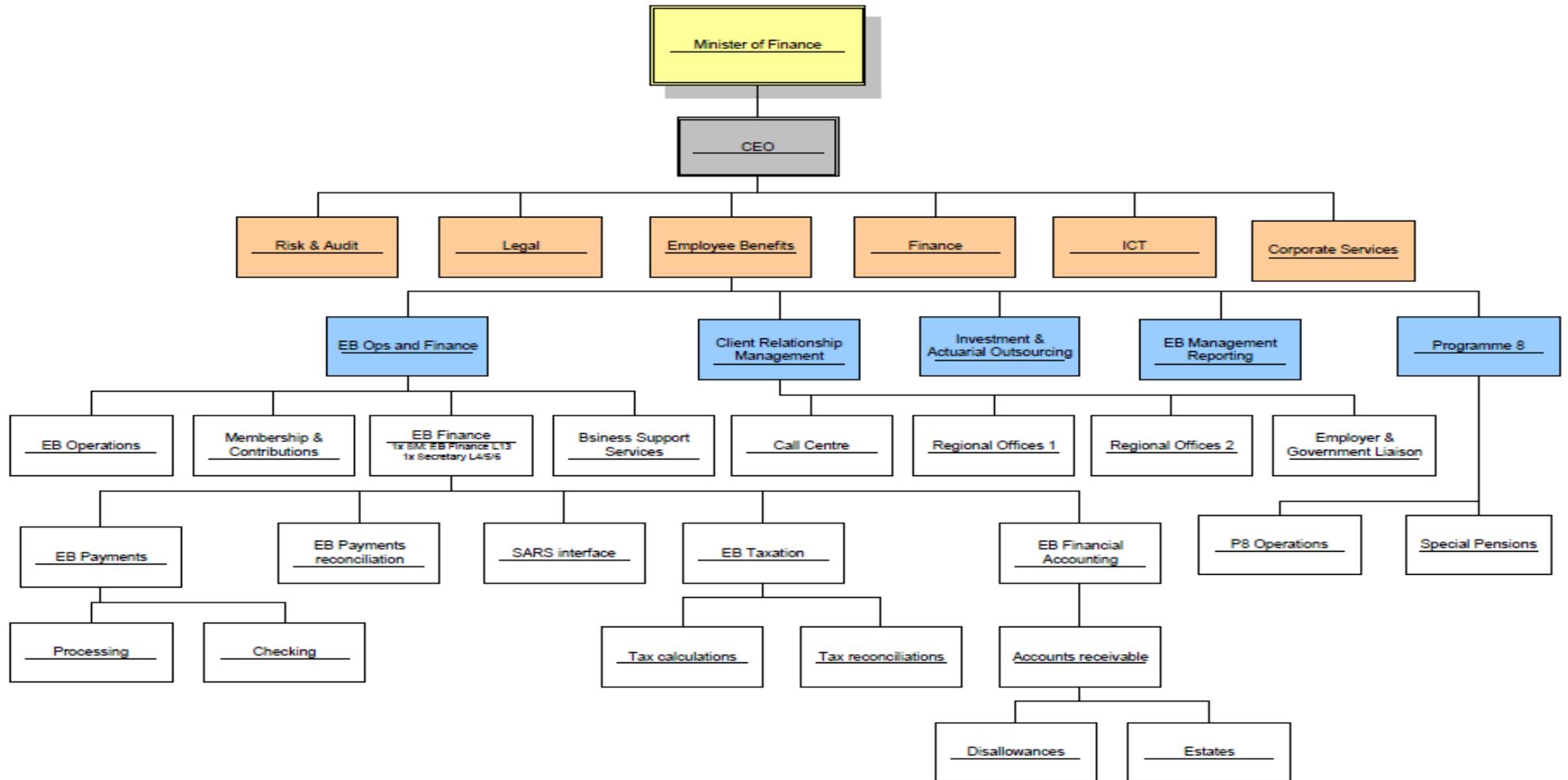
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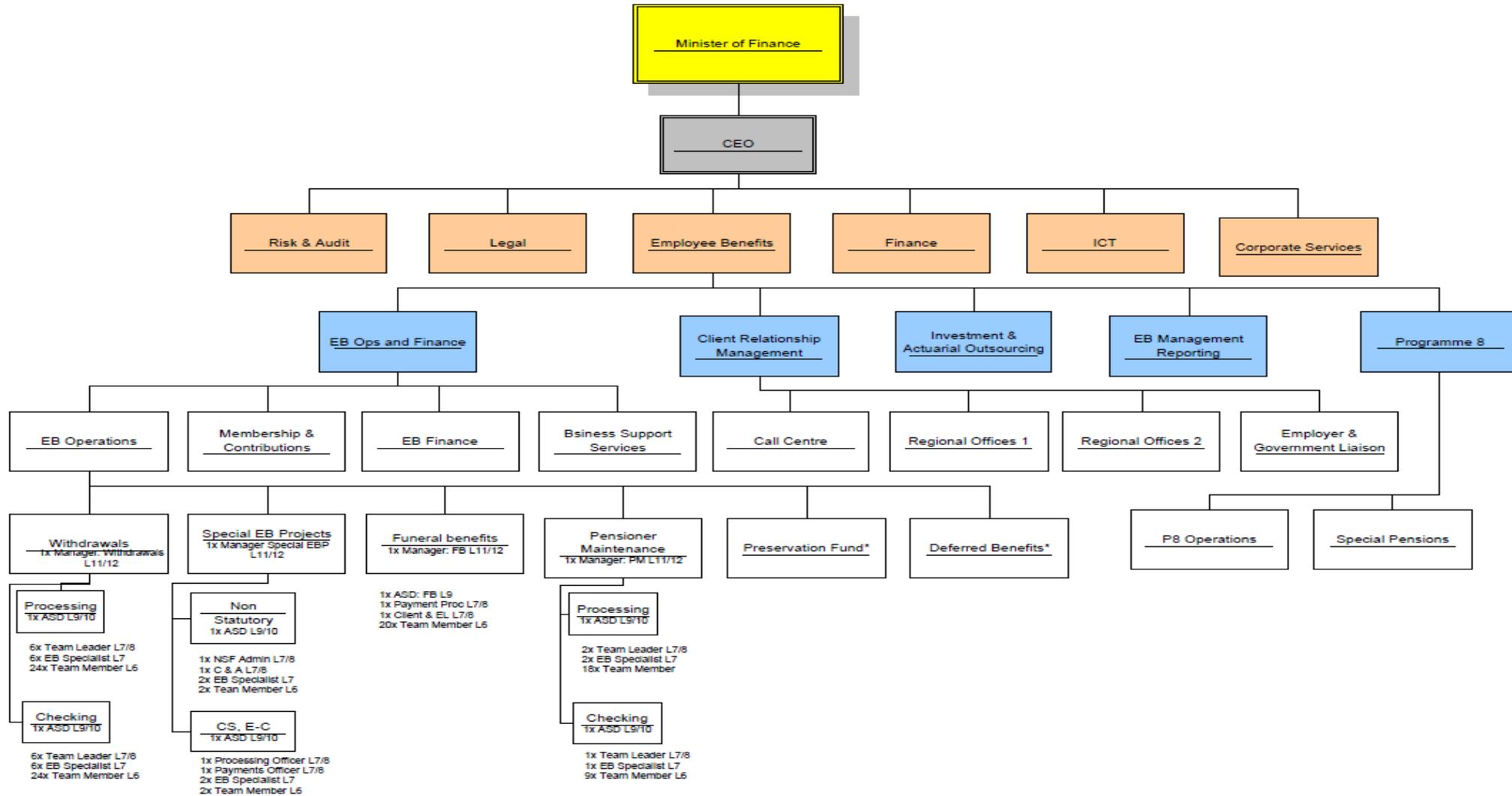
Impacts		To eliminate poverty and reduce inequality (NDP)				
Final Outcome		Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship. (SA Medium Term Strategic Framework)				
Intermediate Outcomes		Effective, Efficient administration of benefits for the Funds administered by GPAA on behalf of the GEPF and NT			Economical administration of benefits by the reduction of cost for administration per head.	
Outputs		Up-to-date Employees personal files	On-time, efficient and accurate Payment of pensions to members/ beneficiaries		Targeted trainings conducted	
Intermediate Outputs	Newly opened member personal files	Up-to-date member personal files	Reconciliation of payroll database and payment of benefits	Payment of benefits	Trained and well informed stakeholders (Employer depts, employees, GPAA staff)	
Intermediate Outputs	Confirmation letters sent to new members	Corrections relating to exception reports (correction of errors on member information)	Exit completed documentation	Remittance advice/Proof of payments sent to employees, pensioners and beneficiary		
	Admissions	Information Maintenance	Exits	Payments	Training	
Process / Activities	Receive and check applicants applications for accuracy, validity and completeness	Maintaining member information up-to-date when member contact GPAA callcentre.	Capturing on CIVPEN system exit form Z583 forms (resignations, retirement, death, etc)	Confirm member information on the system	Provide Members / beneficiaries information sessions about terms and conditions of their membership at GEPF	
Process / Activities	Upload new member information from Departments at GPAA walk-in centres	Updating member information when they arrive at GPAA walk-in centres	Performing exit interviews	Obtain approvals for payment of benefits	Provide departments training	
Process / Activities	Opening employee files	Requesting for information especially on a group of employees closer to retirement		Payment process performed	Provide training to GPAA staff about their roles and functions	
Inputs (people)	Data capturers, HR specialists at: at GPAA offices and at employer departments	Call center agents	HR specialists handling exits (data capturers, checkers); Supervisors - approvers	HR Specialists, HR management (approval for payment)	Multi-disciplinary team	
Inputs (infrastructure)	IT systems such as CIVPEN, scanners, etc	Call center equipment, GPAA walk-in-centers	CIVPEN system, Home Affairs system	CIVPEN system; financial resources	GPAA front-desk for queries	
Inputs (documents)	Membership application form (Z583); Other related supporting documents; members' information	Correspondance (letters, email, sms, etc); equipment	Exit forms; employee files	Banking details	Training manuals, process manuals, panflets or brochures, postcards	
Current Programme Elements		Admissions	Member Information Maintenance	Exits	Payments	Training
Location of budget to units			Pensioner maintenance	Units involved: Withdrawals, Funeral benefits	Finance Employee benefits, Special Employee Benefits Projects	
Budget Allocations (R millions)	Allocation of funds not necessary.		38 024 352.00	86 960 418.00	67 493 243.00	
2011/12			6 959 430.00	18 618 258.00	13 817 698.00	
2012/13			7 929 559.00	19 731 079.00	15 788 242.00	
2013/14			11 621 560.00	23 115 641.00	16 079 710.00	
2014/15			11 513 803.00	25 495 440.00	21 807 593.00	

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**Annexure 2: GPAA Organogram**



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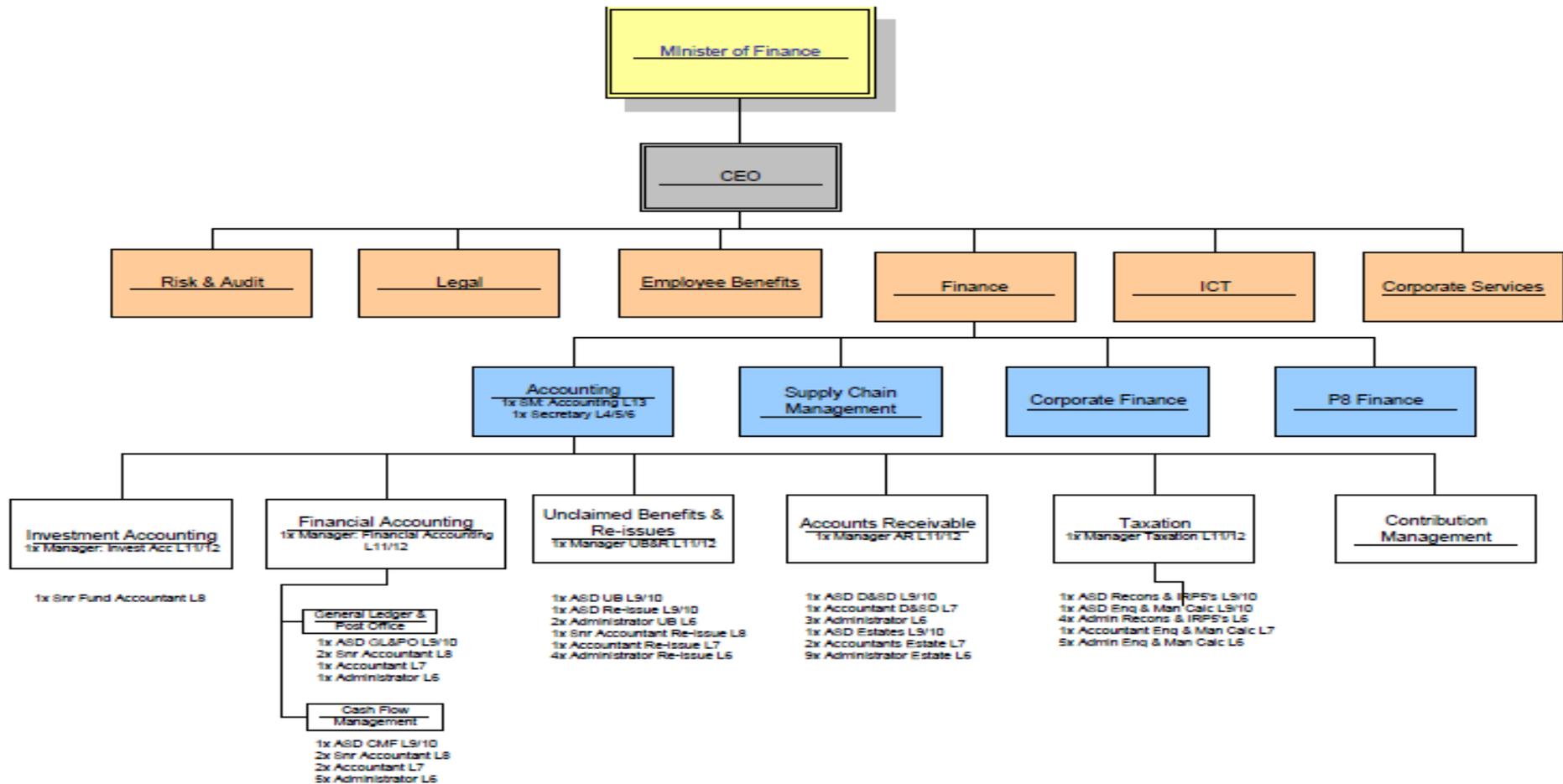
Source: GPAA

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### **Annexure 3: Unclaimed and unpaid benefits unit**

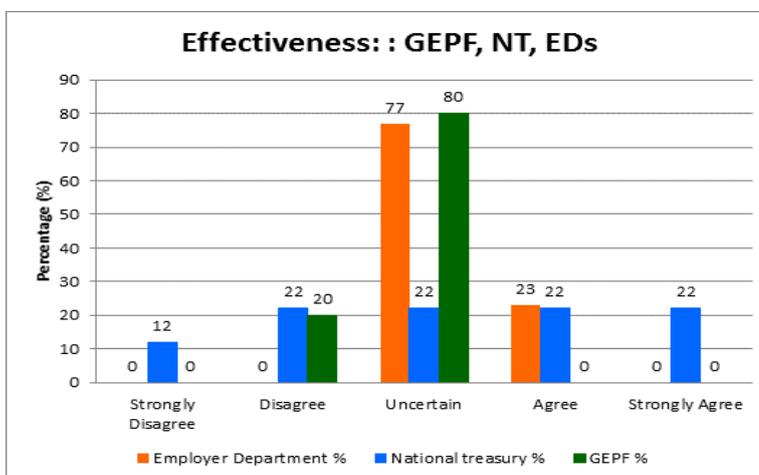
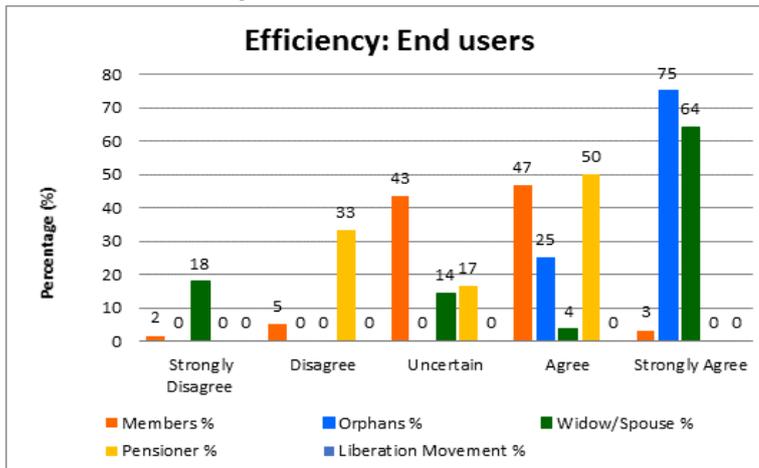
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## Annexure 4: Efficiency and Effectiveness of GPAA



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