

# PENSION JUSTICE NPC

## CHANGES TO PENSION FUND BENEFITS GETTING CLEAR ON WHAT FUNDS CAN AND CANNOT DO

The Cape Times reported that over the past 11 years, the Post Office has subsidised the medical aid payments of 1691 pensioners.

<https://www.iol.co.za/capetimes/news/medical-aid-buy-out-will-help-sapo-7fc5bb4e-add4-4d55-ae2c-7d2708b8f95d>

Now it turns out that SAPO bosses have not been paying these benefits.

<https://www.news24.com/news24/southafrica/news/hawks-probing-sa-post-office-boss-over-failure-to-pay-r1-billion-in-workers-benefits-20230308>

### How does the current medical aid subsidy work?

As part of the Post Office pension fund 'pot', the Post Office contributes an amount for medical aid every month for its retired employees. It means that even retired employees can be members of medical aid schemes. It is a lifelong contribution by the Post Office to retired workers.

### What does the Post Office want instead?

The Post Office now wants to cancel monthly contributions and wants to give its retired workers a once-off payment in place of the ongoing subsidy. Currently, the Post Office contributes two-thirds to a retired worker's medical aid, and the retired worker contributes the remaining one-third. This has made medical aid affordable for the retired workers, whose medical aid costs escalate as they are older and often more ill than when they were younger. The subsidies have cost the Post Office over R1.3 billion to date.

### What will cancelling the subsidy mean?

The Post Office will save some money, but the retired workers will likely not be able to afford medical aid. They will probably begin using state healthcare.

### What has happened so far?

The SA Post Office (SAPO) wants to negotiate changes to this system with the retired workers, and get their consent. It says it will not do anything yet.

However, at the end of last year, the Cape Times reported that the Post Office had already failed to pay over medical aid contributions to the medical aid company in November 2022 resulting in retirees losing medical aid benefits.

<https://www.iol.co.za/capetimes/news/retired-post-office-staff-hard-hit-by-medical-aid-payment-changes-b6319f5d-79e9-4cfe-9a0e-294832d87c1b>

The Hawks are now investigating.

<https://www.news24.com/news24/southafrica/news/hawks-probing-sa-post-office-boss-over-failure-to-pay-r1-billion-in-workers-benefits-20230308>

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## **If a former employer wants to change retired workers' pension benefits, what must it do?**

Activist, whistle-blower and pension law expert, Rosemary Hunter, explained in an article for the Industrial Law Journal in 2013 that the position in relation to pensioners like the Post Office pensioners must be distinguished from fund members still working for an employer. The pensioners have fulfilled their side of the bargain by working for the employer, and the employer cannot change the rules of the game when it is its turn to play.

An employer like the Post Office that wants to close-out medical aid liabilities to pensioners can negotiate with each pensioner - it would not be acceptable to try to by-pass this process by negotiating with unions that once represented the pensioners. There are ways an employer could then try to tempt pensioners to give up their medical aid benefits.

What the Post Office can change on its own (if anything) would depend on its agreement with its pensioners. For example, if the agreement was to contribute two-thirds of the pensioner's medical aid contributions, then the Post Office might have to continue doing so, unless the pensioners agree otherwise.

*\* This summary provides general information on how pension law works, not legal advice for affected beneficiaries.*