

# Government Employees Pension

Annual Report 2016





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## CEO's Message

The 「2016 Annual report of Government Employees Pension 」 deals with the public pension system for civil servants and its administration in the Republic of Korea. In particular, this report focuses on the activities and outcomes of the Government Employees Pension Service in 2016.

The Government Employees Pension System (GEPS) was introduced in 1960 as the first public pension provision in Korea. The GEPS, which is operated separately from private pensions, provides various benefit programs such as loans, housing support and resort facilities for active civil servants as well as old-age, survivors and disability pensions for retirees. As a result, the system has significantly contributed to enabling government employees to serve the nation and people while in service or after retirement without worrying about old-age income. However, in anticipation of the number of pensioners growing as the aging population increases, pension reforms have been carried out several times since the mid-1990s to mitigate future financial burden. These changes have made it possible to achieve a lot of improvements regarding equity with the national pension for the general public as well as long-term financial stabilization.

The Government Employees Pension Service (GEP Service) is a para-governmental entity established in 1982 to manage the GEPS effectively. The GEP Service has taken over the comprehensive management of the GEPS including pension operation, disability compensation, fund management and other support services. The number of pension recipients which was 2,059 when the system was founded increased to 450,000 people. Over this time, pension funds increased from 549 billion won to 10 trillion won. To cope with the increasing workload and recipients' expectation for better services, the GEP Service has proactively pushed for intensive, management innovation with the vision of driving 'Three Years of Creative Change towards Thirty Years of Stability'

The Government Employees Pension Fund (GEPF) was founded to operate the pension finance stably. Currently, it has a minimum reserve based on a pay-as-you-go plan. Nevertheless, the GEPF makes its best effort to achieve high profits over stability. The Fund has established the foundation for solid investment and mid & long-term profit creation through organizing asset management systems and strengthening expertise which could enhance the rate of return of fund management. The GEPF also created a guideline for several investment products, introduced a Performance Evaluation Committee and brought in specialists in finance and risk management. I expect a stable and high rate of return of fund management can be realized through systematic reorganization.

The pressure to reduce the financial burden on public pension is a global phenomenon. Countries around the world face significant socioeconomic issues such as population aging, low-interest rates and weakening economic growth. Korea is not exempt to these challenges. The GEPS will, therefore, strive towards greater efficiency in managing the system to guarantee social protection for present & future government employees.

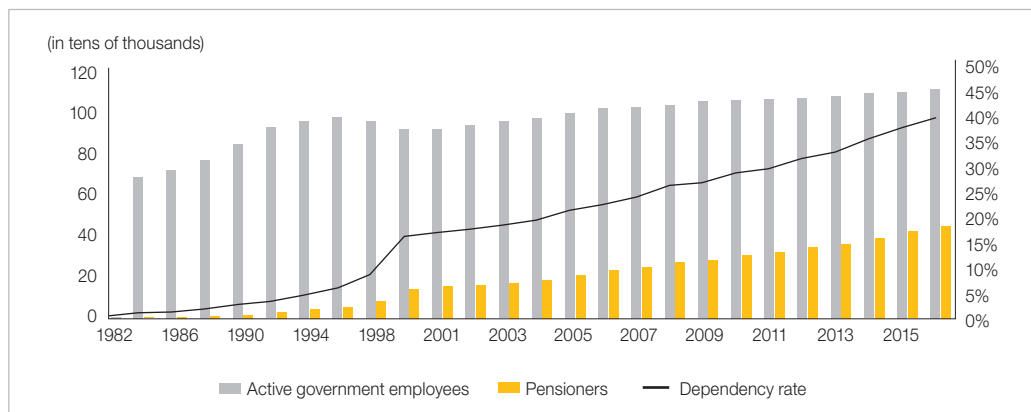
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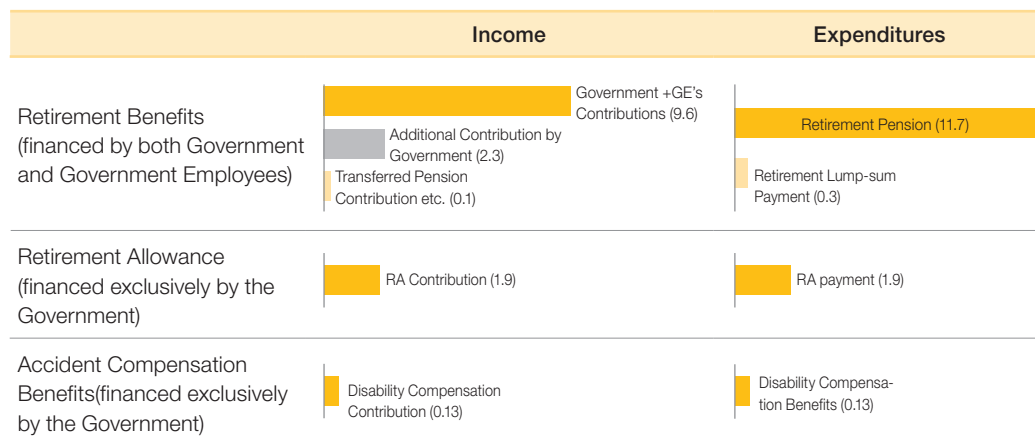
**Je sik Choe**  
President Director  
June, 2017

## Major Reflections on the Year

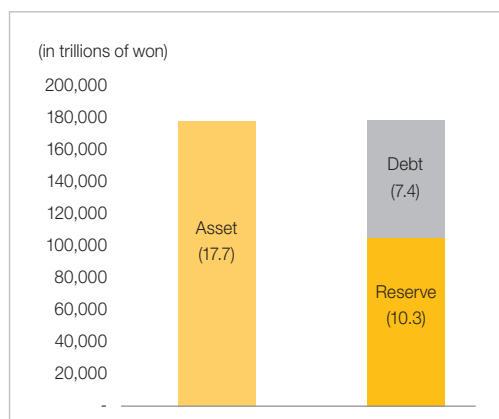
### ■ Past Flow of Government Employees and Pension Recipients



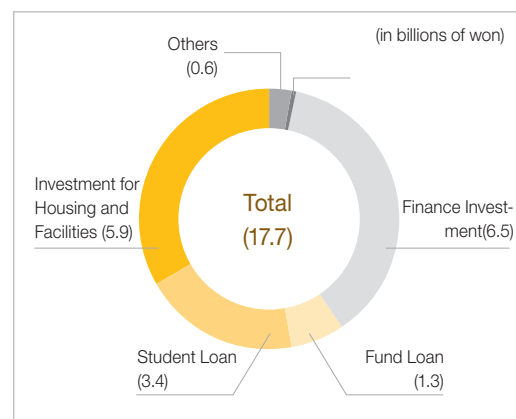
### ■ Financing Structure of the Government Employees Pension(in trillions of won)



### ■ Financial Status in 2016



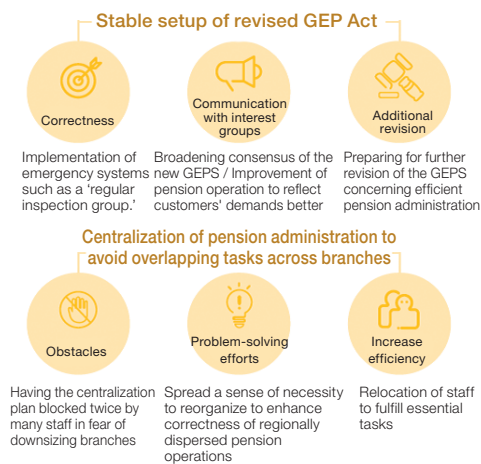
### ■ Asset Allocation in 2016



# Highlights of the Year

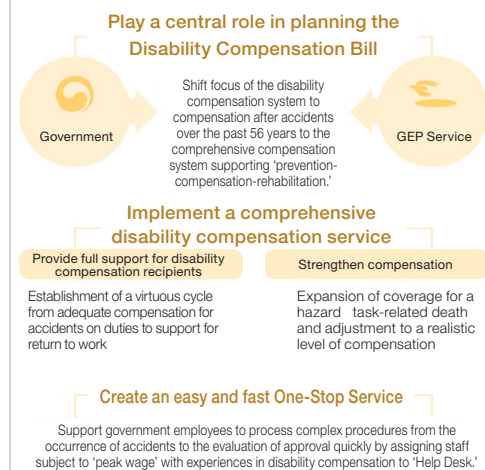
## ■ Stable settlement of the revised act(GEPA)

### Implementing the revised GEPA stably Promoting an efficient operating system



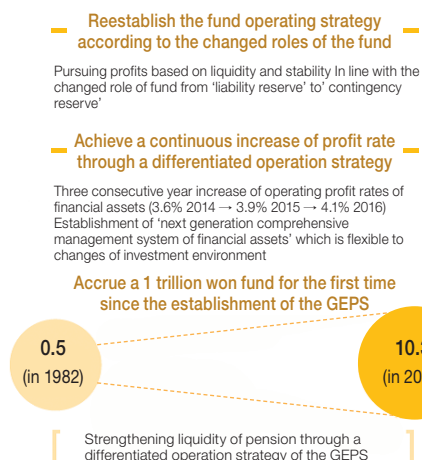
## ■ Making a New Disability Compensation Bill separate from the GEPS

### Strengthening responsibility of the Government to those injured while on duty



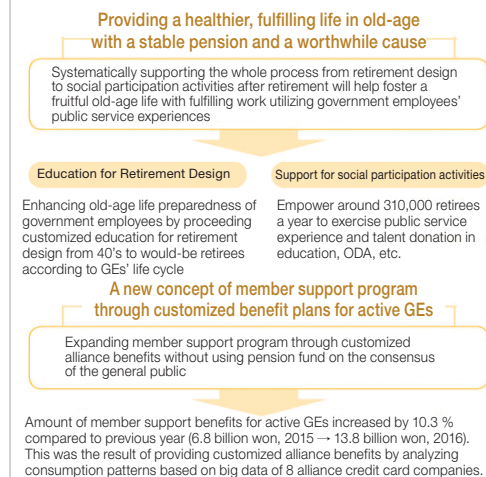
## ■ First hit a KRW 1 trillion fund

### Strengthening liquidity of pension payment with 1 trillion won of capital reserve



## ■ Creating future growth business

### Cultivating a Retirement Support Program & Customized Member Support Plan for future growth business



## Mission and Core Business Strategy of the Government Employees Pension Service (GEP Service)

### ■ Mission · Vision

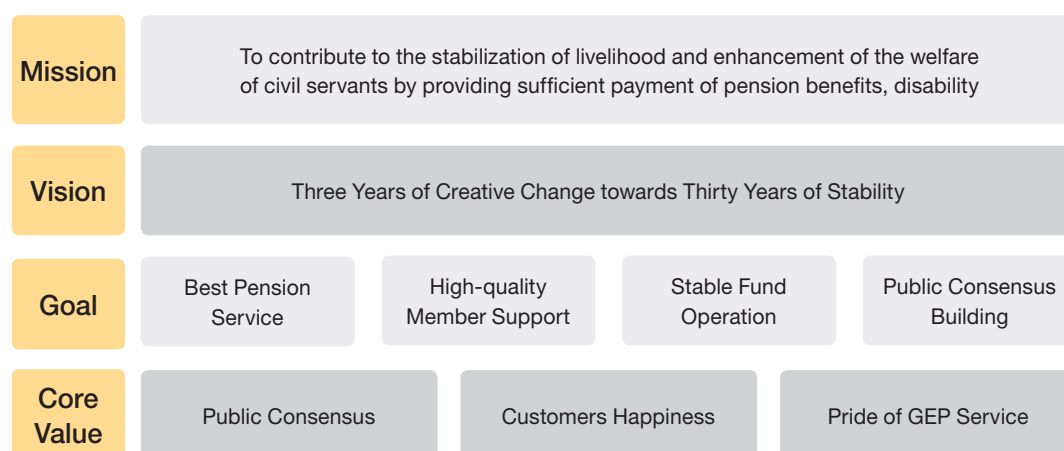
As specified in article 1 of the Government Employees Pension Act, the mission of the GEP Service is “to contribute to the stabilization of livelihood and enhancement of the welfare of civil servants by providing payment of pension benefits, disability compensation and welfare service.”

Also, it presents the direction of its business promotion with the vision, “3 Years of Creative Change towards 30 Years of Stability.”

Since the current CEO took office in 2015, a new strategic system was reestablished through constituting a T/F on setting up a strategy and putting together ideas from staff to achieve its objective of establishment and to proactively cope with the constantly changing environment.

Moreover, the GEP Service established strategic goals, tasks, and detailed promotion plans in order to strengthen the link between establishment objective, value system, and mid/long-term management strategy and to maximize executive ability and efficiently allocated management resources through the restructuring of organization and reassignment of human resources, etc.

### ■ Mission and Business Strategy from a Mid and Long-run Perspective



### ■ CEO's Management Philosophy

- ① To create a new vision
- ② To be a change-oriented leader
- ③ To build brand power with creativity
- ④ To get used to systematic thinking



## Members of the Board

(May 2017)



**Je sik Choe**  
/ CEO & President Director

- Executive Director of Pension Division in GEP Service
- Head of Strategy and Planning DPT, Head of GEP Research Center in GEP Service
- Public Officer in Ministry of Government Affairs



**Byeong Chan Roh**  
/ Auditor

- Vice Governor of Daejeon Metropolitan City.
- Director General of Local Finance and Taxation in Ministry of Public Administration and Security



**Hong Jeep Kwon**  
/ Executive Director of Pension Division

- Head of General Affairs and Personnel Management DPT in GEP Service
- Head of Daejeon Branch Office
- Head of facility business DPT in GEP Service



**Jun Lee**  
/ Executive Director of Customer Service Division

- Head of Strategy and Planning DPT,
- Head of Management Support DPT in GEP Service
- Head of Jun-Buk Branch Office



**Gong Hyu Choi**  
/ Executive Director of Member Support Division

- Director of Jeon-In CM Architecture Office
- CEO of Shilla Millennium Park
- CEO of Daejeon Smart City SPC



**Jin Sun Shin**  
/ Executive Director of Change & Creation Division

- Director of Appeals Commission in Ministry of Public Administration and Security
- Vice Governor of Chung-Buk Province
- Consul General of the Korean Embassy in Thailand



# **1. Government Employees Pension System**

**1.1 Overview**

**1.2 Brief History**

**1.3 Financial Outlook**

**1.4 Administrative Structure**

## 1.1 Overview

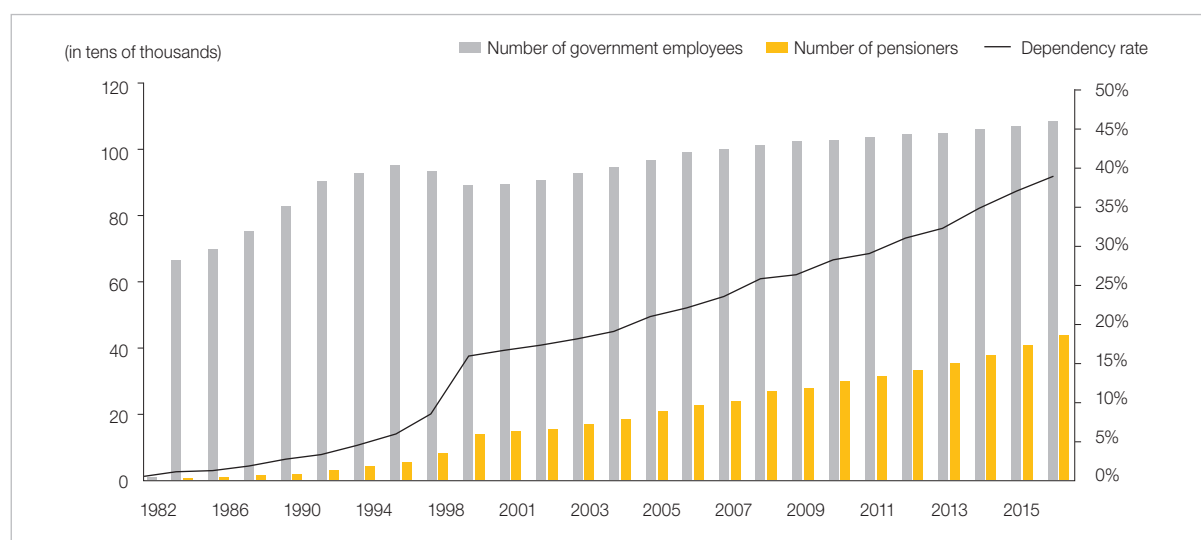
The Government Employees Pension System (GEPS) was introduced in 1960 as the first public pension system in Korea. The Military Personnel Pension System was separated from the GEPS in 1963, while the Private School Teachers Pension System and the National Pension System was established in 1975 and 1988 respectively. The aim of the GEPS is to guarantee social protection for civil servants and their survivors by providing comprehensive benefits such as retirement (old-age), survivors and disability pensions or lump-sum payments. The GEPS is also a special pension system that reflects the career-based system characteristic of the Korean civil service. The GEPS has thus played a significant role in Government policy related to personnel management by making public service attractive to potential and new employees and incentivized existing employees, thus improving retention against opportunities in the private sector.

### ■ Coverage and Contributions

The GEPS is a unique civil service pension program in Korea as it includes all civil servants who are employed both in central and in local governments such as public school teachers, police officers, fire fighters, judges, and prosecutors as well as general civil servants. The only group excluded from the GEPS are civil servants appointed by election.

As of the end of 2016, the number of the participants of the GEPS was 1,557,125 in total with 1,107,972 active employees in service and 449,153 pensioners (including 13,273 deferred members). Current estimations suggest the rate of pension expenditures as a share of GDP will increase continuously until the late 2040s. The growing number of pensioners is attributed to the increasing life expectancy in Korea.

### Past Flow of Government Employees and Pensioners



The GEPS provides both contributory benefits and noncontributory benefits. Contributory benefits such as retirement pension and survivors' pension are disbursed from contributions of both the government and government employees. The contribution rates in 2016 were at 16.0% and, by 2020, this is set to increase to 18.0% (9% of Government and 9% of GEs). Since 2001, contributory benefits have partly relied on subsidies by the government to the amount of any annual deficit. Noncontributory benefits on the other hand, such as Disability Benefits and Retirement Allowance are allocated from the central and local government budget.

## ■ Benefits

The benefits of the GEPS are broadly divided into two types: short-term benefits and long-term benefits. Short-term benefits are prepared for short-term insured accidents and long-term benefits for income security after retirement. The short-term benefits consist of Medical Treatment Payment, Disaster Condolence Payment, and Death Condolence Payment. The long-term benefits include Retirement Benefits, Disability Benefits, Survivor's Benefits and Retirement Allowance.

As the main benefit of the GEPS, the Retirement Pension Benefit requires the claimant to be at least 60 years of age with at least 10 years of contributions. The retirement age will be extended to 65 years in 2033. Retirees can choose the Lump-sum Payment or the Deducted Lump-sum Payment instead of a monthly pension. A retiree whose service term is less than 10 years can take the Lump-sum Refund, which is a refund of contributions with interest. That said, if the retiree joins the National Pension System again while working in the private sector and the total term of contributions is over 20 years in both pension systems, he/she is entitled to the Combined Pension System. Under this system, retirees are eligible to receive monthly pensions from each public pension system instead of a lump-sum payment. The amount of Retirement Pension per recipient is determined by the recipients' average career salary and the period of contributions. In 2016, the accrual rate of the pension was 1.878%, however, the government plans to reduce this figure gradually to 1.7% by 2035. The maximum term of contributions and calculation of pension benefits is 36 years. Given these conditions, the replacement rate of the Retirement Pension is calculated based on the average of the retirees revalued career salary. The final compensation will, therefore, range anywhere between 17% (for 10 years in service) to 61.2% (for over 36 years in service). Pension benefits are currently adjusted annually in line with the consumer's price index. However, the amount of pension benefits is temporarily frozen until 2020 without the CPI indexation.

Regardless of the length of service, the Disability Benefits are paid to retirees who have partially or totally lost any part of their body or have suffered physical injury or mental illness while on duty. The amount of

the Disability Pension depends on the degree of disability, which ranges between 52% (Grade 1) of the final salary to 9.75% (Grade 14). In the event a government employee dies due to illness or injury while working, the Death-on-duty Pension is paid to their surviving dependents. The amount of the Death-on-duty Pension varies depending on the number of years in service. For deceased retirees who have served over 20 years, compensation is 32.5% of the final salary of the deceased whereas those who have given under 20 years receive 26% of the final salary. The Death-on-duty Compensation which is also paid in a lump-sum is equivalent to 23.4 times that of the final salary. Retirees who suffer accidents or injuries unrelated to their duties still receive Disability Benefits receive 50% of the benefits.

For cases where the deceased was receiving a retirement or disability pension at the time of death, surviving dependents receive Survivors' Benefits. Dependents who qualify for Survivors' benefits receive remuneration equal to 60% of the basic pension.

The Retirement Allowance (RA) is an additional lump-sum payment added to the basic retirement benefits. Government employees who have served for more than one year before retirement qualify for RA. The amount of the RA multiplies the final salary by the ratio for each year in service. The ratio varies from the service years, which ranges from 6.5% (1~5 years) to 39% (over 20 years).

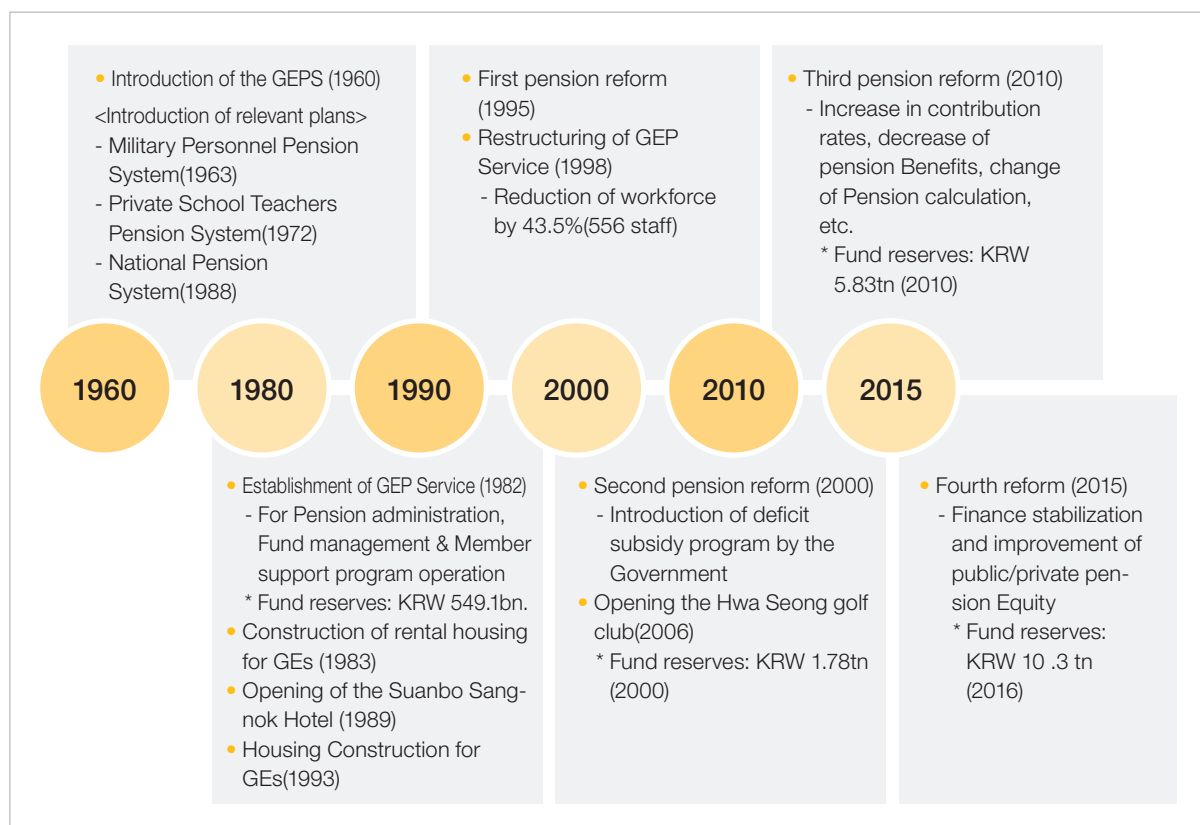
## 1.2 Brief History

The Government Employees Pension Act has been revised more than 30 times since its introduction.

Over this period, the revisions made to the GEPA can be split into two phases before and after the early 1990s. From its establishment until the early 1990s, changes focused on expanding the scope of pension benefits. Revisions made since the mid-1990s, however, have noticeably been implemented with the opposite goal of shrinking the scope of benefits to achieve greater financial stability. This shift in focus since the mid-1990s can be illustrated with four major pension reforms in GEPS as follows.

Firstly, the pension reform introduced in 2000 increased the fiscal burden of the employer and made the government subsidize pension deficits. Secondly, in 2009, another significant pension reform was implemented which diversified income generation and reduced expenditures – the resulting impact led to an increase in contribution rates and raised the pension age. Finally, in 2015, pension reform had been introduced which enhanced pension equity with the national pension for the general public. This reform was aimed at achieving long-term sustainability of the system and focused on financial stabilization.

### Key Events of the GEPS History



The major reforms of the GEPS and its operations are as follows.

## ■ 1960~1962

- The Government Employees Pension System (GEPS) started in 1960.
- Five long-term benefits were provided including Retirement Pension, Lump-sum Payment to Survivors and Disability Pension Benefit.
- The combined contribution rates were 4.6% for both civil servants (2.3%) and the Government (2.3%).

## ■ 1963~1966

- In August 1962, the Government Employees Pension Act was revised to establish a comprehensive benefits programs for government employees.
- Five short-term benefits were newly introduced including Medical Treatment Expenses, Childbirth Expenses, and Funeral Expenses. One new long-term benefits, namely the Survivors' Pension, was also added.
- Since its establishment in 1960, Military personnel were also recipients of GEPA. As the fund and recipient base grew, however, two years later, an exclusive fund was enacted through the Military Personnel Pension Act (MPPA) to service their specific needs. As a result of this, military personnel were thereafter excluded from GEPA and instead covered exclusively by the newly established, MPPA.

## ■ 1967~1981

- In April 1966, the Special Law for the Government Employees Pension Account (SLGEPA) was enacted
- Based on the Act, the Government Employees Pension Fund (GEPF) was established apart from the government budget, which accrued a yearly surplus from revenue and expenditure of the GEPS.
- As a result of this, instead of investing the government fund totally, the GEPF could be used for members' benefits such as buying land for GEs' recreational facilities; providing loans to GEs & pensioners and depositing surplus funds into the banks.
- Regarding pension benefits, the replacement rate of retirement pension increased from 40%~50% to 50%~70%. The amount of Lump-Sum payment also increased by 1.5 times compared to the previous one.



## ■ 1982~1995

- The Government Employees Pension Service was founded in 1982.
  - As a quasi-government body, the GEP Service has taken over the management of the GEPS as well as the investment of the GEPF under the control of the Ministry of Government Administration (currently, the Ministry of Personnel Management.)
- Due to the development of the national economy and its budgetary soundness, there were many changes to the GEPS providing government employees with better benefits: many new types of benefits were created. This can be seen in the higher rate of the Retirement Allowance and Survivors' Pensions which both rose from 50% to 70%. Parallel to this, various member support programs were actively pushed forward with pension funds such as housing supply and leasing support; the construction of resort facilities & hotels for GEs and the provision loans.

## ■ 1996 to present

- Entering into the 1990s, the issue of pension finance began to arise along with the increase in the number of pensioners. Accordingly, the policy to expand benefits for government employees so far was suspended, and pension reforms to reduce benefits were promoted. To stabilize its financial status, the GEPA was revised in many ways since 1996. During this time, there were four significant pension reforms as follows:

### <The 1995 Reform>

- The 1995 reform can be marked as the beginning of the retrenchment of GEPS. The reform was led by the Ministry of Administration. The main changes included:
  - An increase of contribution rates from 11% (government: 5.5%, employee: 5.5%) to 15% (government: 7.5%, employee: 7.5%.)
  - The standardization of the retirement age to 60 years for new entrants from 1 Jan 1996.
  - An expansion of the range of the retirement earnings-test applicants to all pensioners who are working in the public sector
  - The transfer of financial resources for the Death Condolence payment, the Disaster Condolence Payment, and the Retirement Allowance to the state Budget.

## <The 2000 Reform>

- Amongst other socioeconomic factors, the 2000 reform was primarily driven by the economic crisis of 1997-1998. Amidst the huge layoff of government employees and the dramatic surge of pension expenditures, the GEPF was widely projected to default in 2001. The widespread cuts characteristic of the 2000 pension reform was ultimately a response to the challenges of its time. In comparison to the 1995 reform which modified the revenue structure (e.g. increase in the contribution rates), the 2000 pension reform altered the expenditures variables as well as income sources. The main changes included:
  - An increase in contribution rates from 15% to 17%
  - An additional charge to the Government for the annual deficit.
  - A progressive rise in retirement age from 50 to 60 (this was enforced over the span of 20 years)
  - Shifting the pension index from salary base to CPI (this included recalculation every five years)
  - Changing the formula of pension calculation from final salary to a 3-year average of the claimants revalued salary
  - Reinforcing earnings test for civil servants in higher income brackets
  - Financial recalculation per every five years

## <The 2009 Reform>

- In 2006, the government launched a special committee called ‘the Development Committee of the GEPS’ which consisted of stake holders from various fields to initiate discussions on reform. After long debates through the 1st and 2nd committees, the final reform bill was passed by the National Assembly in December 2009.
- As a result of this reform, the pensionable salary was changed from ‘basic pay and a part of allowances (65% of gross pay)’ to ‘gross pay (subject to taxable salary)’. Therefore, both contribution rates and all benefit rates provided by the GEPS were recalculated based on the gross pay. The main changes included:
  - An increase in contribution rates from 11% (17% of the previous pensionable salary) to 14%.
  - A new formula to calculate pension from using the final 3-year average revalued salary to assessing the average of a claimants’ career salary.
  - An increase in the retirement age from 60 to 65 (this was only applicable to employees who were newly-hired after the revision.)
  - The pension indexation link to pure CPI and policy adjustment was abolished.
  - Survivors’ pension rating fell from 70% to 60% (this was only applicable to employees who were newly-hired after the revision.).

- Earning tests for pensioners was strengthened
- A cap was placed on the amount of pensionable salary at 1.8 times the average monthly salary across all government employees.

## <The 2015 Reform>

- The 2015 pension reform was characterized by its impact and creation. On the one hand, it remains the most recent and aggressive reform of its kind in terms cost reduction. In terms of its development, the 2015 pension reform used social consensus mechanisms and the participation of a wide range of stakeholders.
- Since its establishment, subsidies by the government budgets structure for the GEPS expenditures had risen continuously for two reasons. Firstly, the provision of benefits far exceeded the contribution rates. Secondly, the demographic peak in aging as a result of the increased life expectancy led to a rapid rise in the number of pensioners. Additional pressure for reform also arose from wide-spread criticism of the GEPS for the pension benefit disparity between public employees and private sector employees.
- To solve these problems, the President expressed a clear resolve to reform the GEPS in February 2014.
- In the month after the Presidents statement in February 2014, the government commissioned a research institute in the same year, namely the Korea Development Institute (KDI), to draft reform proposals. The institute presented its proposals to the government later that year.
- In October 2014, the ruling party submitted a reform bill in the name of all members. In reality, however, civil service unions and the opposition parties strongly opposed the reform bill.
- In an attempt to foster consensus on pension reform, the National Assembly forged a Special National Assembly Committee and a Grand Compromise Committee. The latter was comprised of rival parties' members of Congress, government officials, civil service unions and experts. After having close to sixty conferences over the course of six months, a grand consensus on the pension reform was finally achieved in May 2015.
- On May 29, 2015, the final reform bill was submitted to the National Assembly, and the bill passed 233-0 with 13 abstentions.
- On June 22, 2015, the government made the law public, and the law was scheduled for implementation from January 1, 2016.
- The main changes are as follows:

## Main Changes after the 2015 reform

Category		Before	After
Contribution rates		14.0% (7% of GEs+7% of Gov't)	18.0% (in 5 transition years) (9% of GEs+9% of Gov't)
Pension Calculation		$1.9\% \times n \times w$	$1.7\% \times n \times w$ (20 years' transition)
		* n: years in service * w: revalued average career pay	
Ceiling of Pensionable pay		1.8 times of average monthly pay for all full-time GEs	1.6 times of average monthly pay for all full-time GEs
Maximum of Pensionable period		33 years	36 years
Minimum service years for Pension entitlement		20 years in service	10 years in service
Full Pension Age	Employed before 2009	60 years	65 regardless of the entry year (in 18 transition years)
	Employed after 2010	65 years	
Pension Indexation		CPI	CPI (But no indexation for the next 5 years)
Minimum service years		20	10
Lump-sum alternatives		Yes (no change)	
Survivors' pension	Employed before 2009	70%	60%
	Employed after 2010	60%	
Non-job related Disability Pension		No	Yes
Income redistribution		No	Yes (only to National Pension equilibrant and up to 30 years in service)
Pension splitting on Divorce		No	yes
Earnings-test	Reference earning	average salary	average pension
	Target (coverage)	Income from wage and earnings from self-employment (Real estate rental income Excluded)	Income from wage and earnings from self-employment (Real estate income Included)

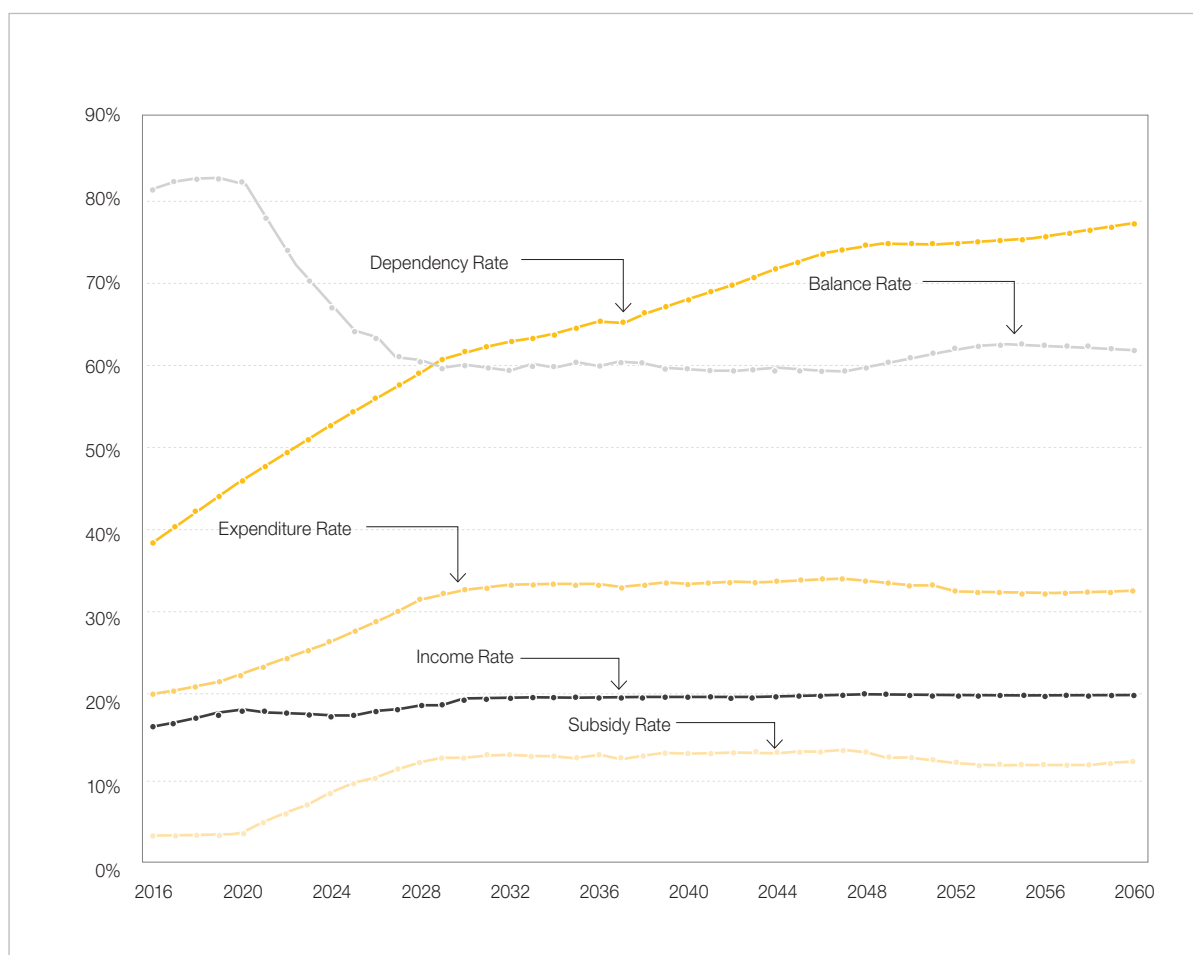
## 1.3 Financial Outlook

According to the actuarial estimates, the financial status of the GEPS after the 2015 reform is expected to stabilize in the mid/long-term. The dependency ratio (the ratio of the number of pensioners to that of contributors) is expected to rise from 41% in 2017 to 77% in 2060. Consequently, the deficit rates of the GEPS is estimated to increase from 3.8% to 12.6% over the same period. Nevertheless, the highest rate of pension expenditures is projected to remain within 34.5% of annual payroll (salary budget) for the government employees or 1.0% of GDP by the 2040s. In comparison to other OECD member countries, the average expenditure on government employees' pension schemes is projected to be about 1.5% of GDP. As a result of these reforms, Korea's projected spending is therefore set to be relatively lower.

Year	Dependency Ratio	Expenditure Rate		Income Rate	Balance Rate	Subsidy Rate
		Percentage of Total Payroll	Percentage of GDP*			
2017	40.7%	21.1%	0.8%	17.4%	82.2%	3.8%
2018	42.6%	21.7%	0.8%	17.9%	82.4%	3.8%
2019	44.4%	22.3%	0.8%	18.4%	82.5%	3.9%
2020	46.4%	22.9%	0.8%	18.8%	82.1%	4.1%
2025	54.6%	28.3%	0.9%	18.2%	64.4%	10.1%
2030	61.7%	33.3%	1.0%	20.1%	60.3%	13.2%
2035	64.6%	33.8%	1.0%	20.5%	60.6%	13.3%
2040	68.0%	34.1%	1.0%	20.4%	59.7%	13.7%
2045	72.7%	34.5%	1.0%	20.5%	59.5%	14.0%
2050	74.8%	33.8%	1.0%	20.7%	61.2%	13.1%
2055	75.2%	32.9%	1.0%	20.6%	62.7%	12.3%
2060	76.9%	33.1%	1.0%	20.6%	62.1%	12.6%

## ■ Projected Flow of Major Financial Indicators

### Projected Income and Expenditure Rates(2016-2060)



#### Definition of Financial Indicators

- Dependency Ratio:  $\text{number of pension recipients at the end of the year} \div \text{number of incumbents at the end of the year}$
- Expenditure Rate:  $\text{amount of pension expenditure} \div \text{total amount of income}$
- Income Rate:  $\text{amount of pension income} \div \text{total amount of income}$
- Balance Rate:  $\text{amount of pension income} \div \text{amount of pension income}$
- Subsidy Rate:  $\text{amount of deficit of balance of pension} \div \text{total amount of income}$



## 1.4 Administrative Structure

The management structure of the GEPS consists of three parts: The Ministry of Personnel Management (MPM) in charge of supervision; the Government Employees Pension Service which oversees administration; and Government agencies which assist with pension services.

As shown in the figure below, the MPM takes charge of the GEPS and supervises the activities of the GEP Service. There are three committees related to the GEPS under the control of the MPM.

The Government Employees Pension Service is responsible for overall management of the GEPS such as collecting contributions, providing pension benefits and the other employee benefits as well as fundraising. There is a committee concerning the GEPS administration under the control of the GEP Service. The board of directors is responsible for the overall policy decisions of the business regarding pension administration.

The GEP Service can manage its activities effectively with the help of government agencies from central and local governments. They collect contributions belonging to their agencies before transferring to the GEP Service and provide pension-related information of individuals of the agency where they belong. There are 1,560 agencies which have been chosen to assist the GEP Service closely.



## **2. Government Employees Pension Service**

**2.1 Overview**

**2.2 Business Structure**

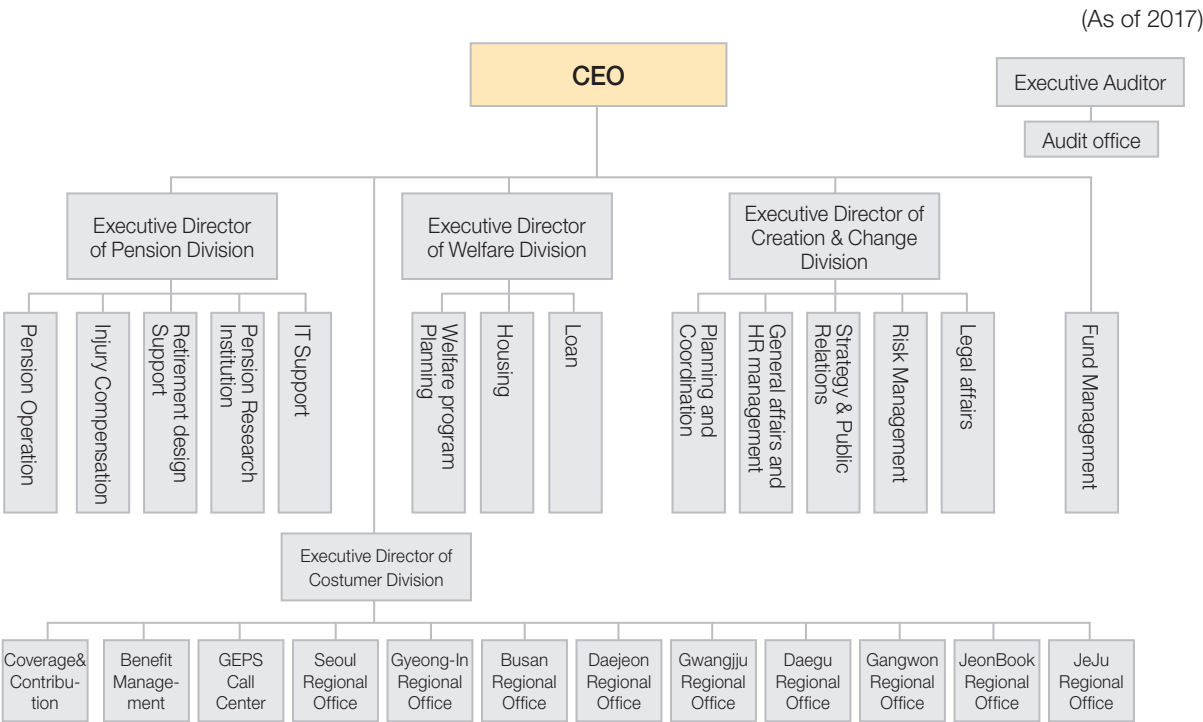
**2.3 Major Activities**

**2.4 Innovation of Service**

## 2.1 Overview

The GEP Service was established on February 1st, 1982 to effectively administer the pension system. At its core, the role of the GEP service is to thus support the livelihood of government employees and their families by ensuring the stable operation and maintenance of all government employees' pension-related affairs.

### ■ Organizational Chart



### ■ Number of Organization and Employees

(As of 2017)

	Number of Organization	Number of staff
Executive	-	6
Pension Division	4 Departments+ 1 Research Institution	133
Customer Division	2 Departments+ 10 Regional Offices	173
Welfare Division	3 Departments	79
Creation & Change Division	5 Departments	95
Fund Management Division	1 Division	29
Audit Department	1 Department	11
Total	4 Divisions, 16 Departments, 10 regional offices & Research Institute	526

## 2.2 Business Structure

The business operation of the GEP Service can be divided into three parts: pension service, fund management and the other member support programs commissioned by the Government as described below.

### ■ Business Units of GEP Service

Pension Operation	<ul style="list-style-type: none"> <li>Collection of contributions from both employer (central and local governments) and employees (civil servants)</li> <li>Payment of retirement benefits, injury compensation benefits and the other benefits</li> </ul>
Fund Management	<ul style="list-style-type: none"> <li>Investment in securities such as stocks and bonds; Deposits into financial institutions.</li> <li>Loans to members (government employees)</li> <li>Construction, Supply, and Rent of Housing</li> <li>Operation of other employee benefit programs and resort facilities by using the GEPF</li> </ul>
Other programs	<ul style="list-style-type: none"> <li>Student loan for members' children</li> <li>Customized employee benefits programs</li> <li>Retirement support programs</li> </ul>

The GEP Service provides customized employee benefit services as well as pension services according to the different stages of a government employees' life cycle. These activities can be explained from entry in the civil service to retirement to death of a government employee in chronological order as follows.



## 2.3 Major Activities

### ■ Pension Operation

Pension Operation is the core activity provided by the GEP Service. The purpose of Pension Operation is to help government employees and their survivors maintain a stable livelihood at the end of their public service and their lives thereafter. Pension Operation consists of many activities including collecting contributions and paying various retirement benefits. The tasks of Pension Operation can be described in further detail from government employees’ entry into the civil service to retirement and /or death in chronological order as follows.

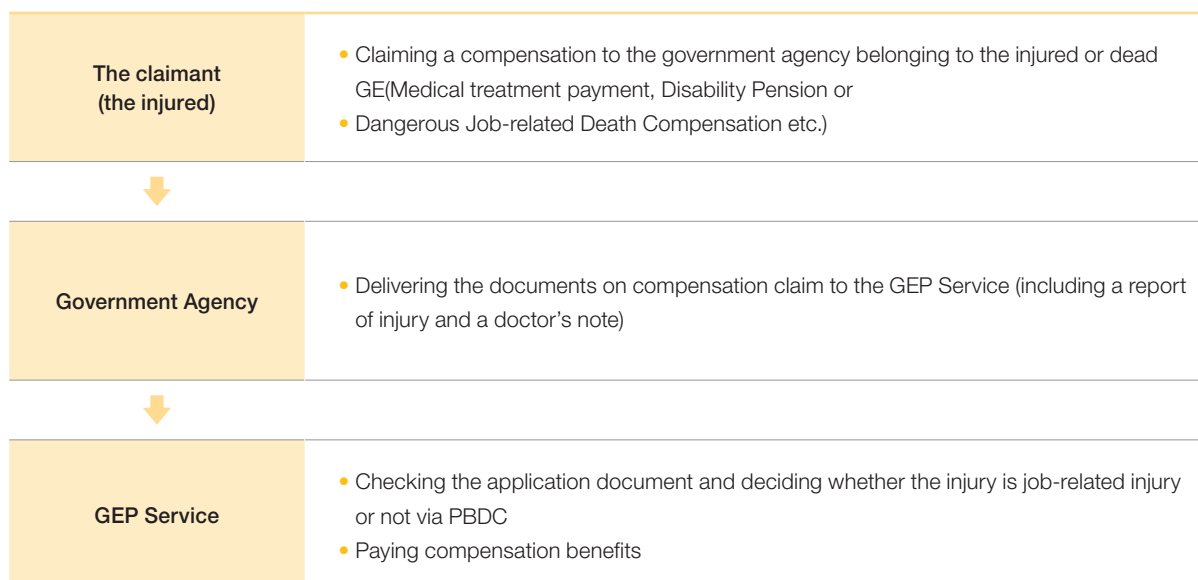
Check list of Pension Operations through the life cycle of a government employee

Appointment		Retirement		Death
<ul style="list-style-type: none"><li>• New appointment</li><li>• Addition of military service to the term insured in civil service</li><li>• Addition of the period of former civil service to the current term insured in civil service</li><li>• Temporary retirement and return to office</li><li>• Termination of paying contributions</li></ul>	➡ (Paying contributions)	<ul style="list-style-type: none"><li>• Claiming of pension or lump-sum benefits</li><li>• Decision to pay benefits</li><li>• Payment of benefits</li><li>• Informing each pensioner of their retirement age</li><li>• Reminder to employees of their right to claim pension benefits</li></ul>	➡ (Receiving pensions)	<ul style="list-style-type: none"><li>• Collection of benefits paid illegally or improperly</li><li>• Termination of retired pension or survivors pension benefit</li></ul>

### ■ Injury Compensation Service

Injury compensations are awarded when government employees become disabled or die due to illness or injury incurred on duty. Allocation of this is determined by the Pension Benefits Deliberation Committee (PBDC) which determines the grade of disability and the correlation between the injury and work. The process of injury compensation can be summarized as follows.





## ■ Fund Investment

The GEP fund investments take stability, liquidity, and profitability into careful consideration so as to enhance both the short and long-term sustainability of the fund.

The Asset Operation Committee (AOC) oversees all systematic investments. Comprised of outside experts and specialists in various fields, the AOC prepares the allocation plan for financial assets which takes into account the market situation and profit rates to make more informed investments. To safeguard investment assets against threats, the AOC also conducts risk management assessments before and after the investment is made. Further to this, the AOC also carries out regular internal and external performance evaluations.

Also, a detailed Asset Management System (AMS) is implemented to systematically link asset allocation, performance evaluation, and risk management. These systematic operations are in place to secure stable, long-term profits.

## ■ Loans

Loan management is whereby money is temporarily lent from the GEP fund or state coffers to government employees when a lump-sum of money is in need. There are three types of loans provided

### <Student loan>

The student loan scheme provides interest-free loans within the actual amount of tuition for university overseas or at home. Loans can be up to US\$10,000 a year in the case of overseas universities.

### <Pension loan>

For pension loans, government employees can claim up to half the expected lump-sum benefits from their expected date of retirement. The maximum amount of pension loan a retiree can be remunerated is 30 million won.

### <Mediation program of the bank loan for household capital demand>

To help finance the demand for loans, the GEP services have annual contracts with commercial banks. As the compensation is calculated as half of their lump-sum benefits at their expected time of retirement, government employees can receive a maximum of 50million won.

## ■ Housing

The GEP Service also constructs and supplies permanent housing for GEs. For GEs who do not want to purchase homes, the GEP Service also provides leased housing as an alternative. The subsidized housing options provided by the GEP service is especially appealing to government employees. The high demand for this particular service is also advantageous for the government as it helps increase GEP funds.

### <Construction and Supply of Housing>

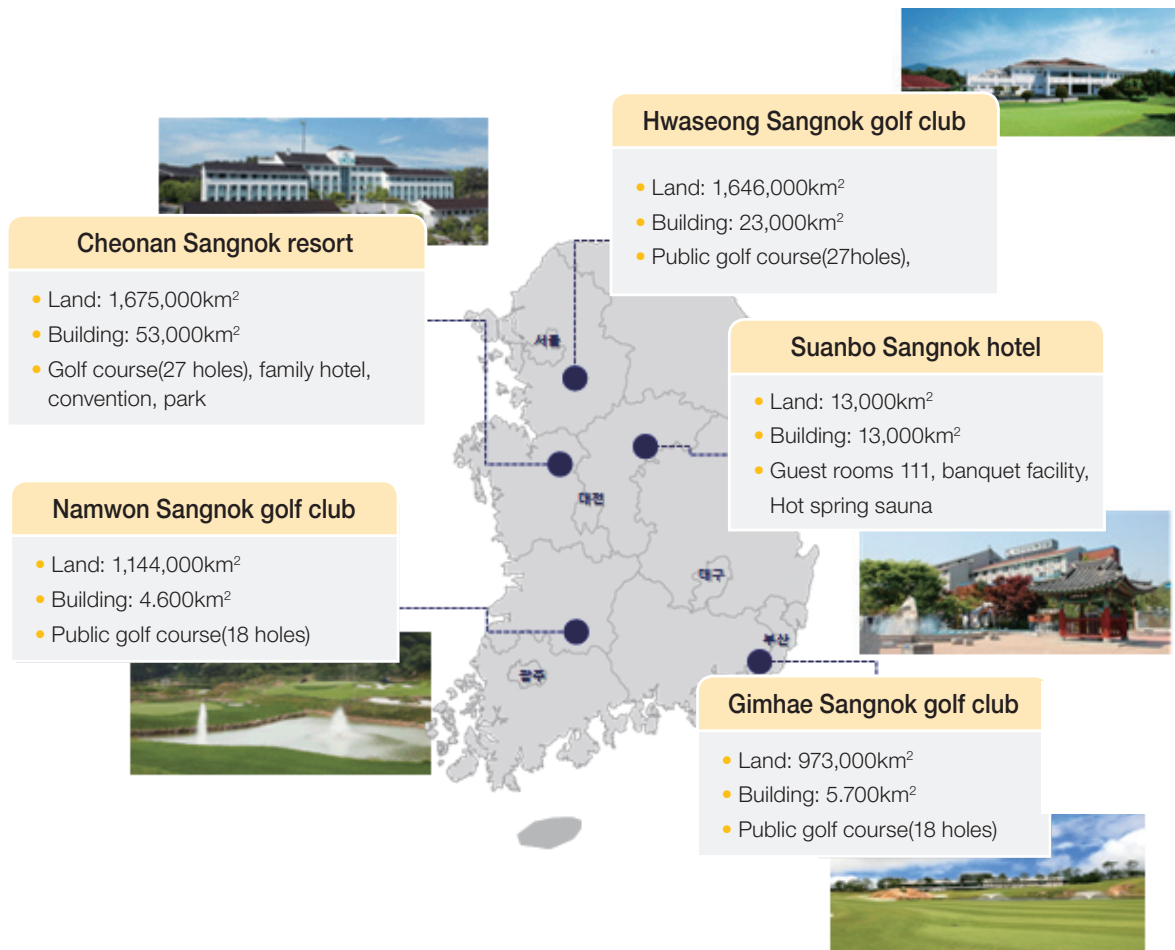
Housing is constructed and supplied for GEs and pensioners who do not own houses at lower prices than those at the market. To date, the GEP Service has supplied 32,058 houses in 33 complexes including the metropolitan area since 1982.

### <Leasing>

Currently, the GEP Service leases 20,781 houses for GEs in 77 complexes nationwide including Seoul, Busan, and Daegu. The prices are around 60~80% to prices to the market. The tenancy can be up to four years, the first two years being the initial contract with the additional two years as an optional extension. For single parent households however, the lease can be extended up to six years.

## ■ Resort and Sport Facilities for Members

The GEP Service runs various facilities such as a family-friendly hotel, an indoor water park and four golf courses to encourage an active and happy life for government employees and their families. Currently, there are a resort and leisure facility, a family hotel and four golf courses around the country.



## ■ Customized Employee Benefit Plan

The Customized Employee Benefit Plan allows government employees to use additional payment besides salaries, to pick and choose various services and benefits provided by the government according to their specific wants and needs. These self-styled benefits are provided by the government in advance.

This plan can enhance the productivity of government employees by making them use extra benefits according to their necessities such as health management, leisure, self-development and family-friendly activities.

The GEP Service established a comprehensive operating system for this plan in November 2006 before launching the programs in January 2007 as commissioned by the government. Currently, there are around 600,000 GEs (over 60% of whole GEs) from 72 organizations using the GEP service program.

## ■ Supporting Programs for Retired Life

This is a program for government employees to systematically prepare for their retired life in advance while in service. The programs are divided into two categories as follows.

### <Pre-Retirement>

The programs before retirement currently focus on educating GEs on retirement preparation such as future-design education and career-change education etc. For this purpose, the programs are provided differently according to the length of the remaining period of service before retirement (in 10yrs, 5yrs, and 1yr before retirement, etc.).

### <Retirement>

There are various programs provided to help GEs adjust to life after retirement such as educational courses for social participation, cultural courses, and social contribution projects. Also, the GEP service is opening the Retired Civil Servants Support Program (RCSSP) to promote volunteerism and active aging. The RCSSP program can help them to give back their experiences and talents while in civil service to society and their community. This program has been linked with 240 organizations including the Ministry of Health and Welfare, local governments, and related organizations. Currently, there are around 250 organizations of the Sangnok Volunteer Group nationwide consisting of retired government employees.

## 2.4 Innovation of Service

Since its establishment, the Government Employees Pension Service has continuously pushed for improvement in the administration of the pension system to adapt to the changing socio-economic environment. These measures to safeguard the system for the long-run were done in various stages. First, various pension administration measures were adopted for the successful implementation of the 2015 pension reform to increase the effectiveness of the pension administration system. Second, the GEP Service strengthened public responsibility for all job-related compensation of government employees. In addition to this, a separate enactment of an Injury Compensation Act was also introduced. Third, at a time where the pension fund was valued at 10 trillion won, the Service changed the fundamental role of the trust fund from being a liability reserve into a buffer fund to effectively resolve any cash-flow risks faced by the pension system. Fourth, the Service looked for a new business area with growth potential and made bold efforts to offer a set of well-customized life-cycle programs for all government employees from the time of appointment to death. Finally, the Service also made various efforts to create an administrative environment where the Service should appropriately fulfill social responsibility, and the general public can empathize with the Service's effort.

### ■ Successful and Efficient Implementation of the Revised Pension Act and Effective Administration of the New Pension System

Since its revision in 2015, the GEP Service has established a new computerized system for the stable and efficient implementation of the Government Employees Pension Act. In particular, the administrative service established a significant improvement in payment accuracy. By reinforcing a constant and repetitive verification system, potential errors that may occur for example from the reorganization in the business can be prevented.

Following the revision, the Service bolstered its promotion and communication with stakeholders. For government employees and pensioners who raised complaints due to the reduction in benefits upon the reform, more frequent and consistent customer-tailored guidance and information sessions were held. In doing so, the Service was able to sway displeased customers to understand and accept the revised pension system. These efforts to improve communication drastically helped with the transition and stabilization of the new system in a timely manner. In addition to this, major efforts to improve the pension administrative service were achieved to further stabilize the new system as follows.

Firstly, the process of making a benefit request was made more convenient. In the past, benefit requests could only be made through his/her affiliated organization on retirement but, nowadays he/she can make a direct request to the Service's newly implemented computerized system. For pensioners, personal information (e.g. bank accounts, addresses, etc.) had been administered in print form across multiple organizations. Any changes that had to be made had to be done in person or via post which was often time-consuming and tedious. Through the Service's new computerized system, pensioners now have access to their personal information through a digital system that synchronized all of their personal information. Thus, today any necessary changes can be done with ease via the internet or by phone.

Secondly, the payment procedure time was drastically shortened by establishing a real-time operating system. The Service's computerized systems were linked with pension-related state organizations, pension operating organizations, and other financial organizations. Through this digital synchronization of systems, all administrative works (e.g. identification of membership change, benefit payments, etc.) can now be altered in almost real time. This paperless system marked a drastic improvement in convenience for stakeholders. Upon implementation, it was dubbed the 'Three 'No's' System' meaning 'No document, No visit and No phone call,' is necessary to claim pension benefits. As a result of this, the processing period from request to approval decreased from 9 days to 1 day.

Finally, by fully utilizing big data collected by the government, errors in the management of members and benefit payment to pensioners were greatly reduced. In fact, the rate of error in benefit payment operation went from 0.06% in 2012 down to 0.004% in 2016 (16 cases out of 449 thousand cases in total). As a result of this, errors could be corrected immediately after the first incidence which has further reduce the incidence of errors to virtually zero.

## ■ Proper Reinforcement of State Responsibility for Government Employees with Job-related Injury

The pension system provides compensation benefits for job-related injuries as well as retirement benefits for old-age income security. However, the 2015 reform focused only on pension benefits. To remedy this, a separate enactment of an Injury Compensation Act from the current Government Employees Pension Act was pushed forward this year. The newly proposed job-related compensation system increases the compensation level and enhances the provision of both the preventive service and rehabilitation service together. In cases where an injury was incurred in high-risk tasks such as fire, criminal arrest, etc. the level of compensation was raised. In addition to improving the compensation, recipients now had access to a more streamlined system. The improvement in speed and quality has been a marked improvement since the previous compen-



sation procedure which was complicated and time-consuming. To accelerate the process, expert staff with extensive experiences were hired and assigned to the 'Help Desk' to accelerate the compensation process and accurately evaluate the benefit approval. At the moment, the Government Employees Injury Compensation Act including these reform measures have been drafted and will be submitted to the National Assembly in 2017 for final approval.

## ■ Opening of the 10 Trillion Won Fund Era: Strengthening the Capability to Cope with Liquidity Risk

The Government Employees Pension system ran on a partially funded basis in its initial stage, and the pension fund continued to increase up to triple the annual pension expenditures until the mid-1990s. However, due to the continuous increase in the number of pension recipients and large scale layoffs of government employees during the Asian economic crisis (1997~1999), the size of the fund decreased dramatically. Faced with serious financial instability, the government conducted parametric reform in 2000.

One of the reforms' modifications was to subsidize pension deficits with the government's general budget. In later years, however, the plan has begun to operate under a pay-as-you-go (PAYGO) basis, only with a small sum of the contingency fund. Given the revised role of the contingency fund, the Service established a sound and balanced fund management strategy with objectives of profitability, liquidity, and financial stability, emphasizing the liquidity of cash-flow in the system. The return of financial assets in the fund has thus had a consistent rise over the last three years from 3.6% in 2014 to 3.9% in 2015 and 4.1% in 2016. Over the same period, the fund has also increased, exceeding 10 trillion won last year for the first time since its inception. Today, the fund is equivalent to 86% of annual benefit expenditures in 2016.

## ■ Widening of Retirement Support and Customized Welfare Service: Pursuing Future Business

Alongside ensuring the continued operation of Korea's welfare support, the Service has also continually sought out new opportunities with business potential to expand its services. In fact, it has made bold efforts to offer a set of fully-customized life-cycle programs for public employees from the time of appointment, throughout retirement until to death. The Service also took various initiatives to create an environment that enabled staff to fulfill its social responsibility, and thus win the recognition and respect of the general public.

As part of these efforts, the Service launched the Lifetime Retirement Planning Education program, which was designed to help identify business opportunities with the potential for future growth. As South Korea enters the Homo-hundreds Era, this new retirement education program for active government employees would systematically support their effort to prepare their retirement life with a sufficient level of pension in the future.

The Service has also provided various support programs where retired government employees with expertise could share their seasoned skills and experience to society in general. For instance, the ‘G-senior’ portal was established so that various information sharing club activities could be engaged among pensioners. For education only, there were 14,069 employees and 23,424 pensioners who attended the Service’ programs in 2016. Also, around 250 volunteer groups were recruited, and a further 39,000 people enrolled in social participation activities in 2016.

For current employees, the government also introduced the Cafeteria Plan which allowed individuals to choose benefits within a set of allotted points according to their personal preferences. Today, the coverage of the Service has increased from 41% of total government employees in 2015 to 57% in 2016. Using big data from 8 credit companies, the consumption patterns from previous and current government employees were analyzed to see the impact. The results showed the amount of welfare benefits received, more than doubled the previous year under the Cafeteria Plan (6.8billion to 13.8 billion won).

## ■ Aligning Corporate Social Responsibility with Public Opinion

As a final achievement, the Service made various efforts to create an administrative environment where the Service could appropriately fulfill social responsibility and win public opinion. As a public organization mandated to carry out its duty, the Service enforced greater transparency into the administration to win the confidence of the general public. As a result of these initiatives, the Service was awarded several renowned management prizes in 2016 including:

- The Grand-prize for the Best Management in Public Sector by [Name of awarding body]
- ‘Outstanding Organization of Government 3.0 Service’ for its innovation of management by [Name of awarding body]
- The Korean Management Grand Prize for its excellent pension service, two times consecutively by [Name of awarding body] ( this is the most prestigious management award in the Republic of South Korea)

## **3. Government Employees Pension Fund**

**3.1 Overview**

**3.2 Operation Results**

## 3.1 Overview

### 3.1.1 Past Flows of Plan Fund and Investment in 2016

According to the Government Employees Pension Act, the Government Employees Pension Fund is a liability reserve pays for annuities such retirement pensions, survivors' pensions and disability pensions. The pension fund is raised from the plan's contributions and investment's income. In the initial stage of the plan's implementation, pension contribution exceeded pension expenditure and, accordingly, the pension fund continued to increase. However, the fund began to decrease in 1995 when the plan ran into deficit for the first time in its history. This is mainly due to demographic aging and large-scale layoffs in the public sector during the Asian economic crisis (1997~1999). Over the two-year crisis, the fund was rapidly depleted from 6.2 trillion won in 1997 to 1.8 trillion won at the end of 2000. Faced with serious financial instability, the government conducted parametric reform in 2000. One of the reforms implemented was to subsidize pension deficits with the governments general budget. In the months that ensued, the plan transferred to a pay-as-you-go (PAYGO) system, using a small sum of the contingency fund. Aided by the funds' investment income, the reserve has steadily recovered and was valued 10 trillion-321billion won as of the end of 2016.

#### Past Flows of the Financial Status and Plan Fund

(Unit: 100 million of won, As of the end of December, 2016)

Year	Financial Status*		Balance	Investment Income	Net Assets End of Year
	Income	Expenditure			
1981					5,491
1982	2,684	1,611	1,073	1,140	7,704
1984	3,673	1,841	1,832	1,461	14,672
1986	3,931	2,897	1,034	2,087	20,951
1988	5,418	4,596	822	2,641	27,893
1990	7,898	7,236	662	3,345	35,786
1992	12,767	12,095	672	3,810	44,918
1994	17,520	19,351	△1,831	5,242	52,414
1996	24,760	24,321	439	4,871	56,805
1998	33,164	50,698	△17,534	3,363	47,844
2000	34,374	43,832	△9,458	920	17,752
2002	39,512	35,736	3,776	2,604	27,276
2004	49,264	49,264	-	2,543	33,218
2006	61,775	61,775	-	3,934	42,229
2008	78,293	78,293	-	△1,182	46,861
2010	84,232	84,232	-	6,434	58,307
2011	89,391	89,391	-	1,798	60,105
2012	103,520	103,520	-	3,471	63,576
2013	107,624	107,624	-	20,094	83,670
2014	125,417	125,417	-	1,602	85,272
2015	136,769	136,769	-	2,270	87,542
2016	140,203	140,203	-	15,669	103,211

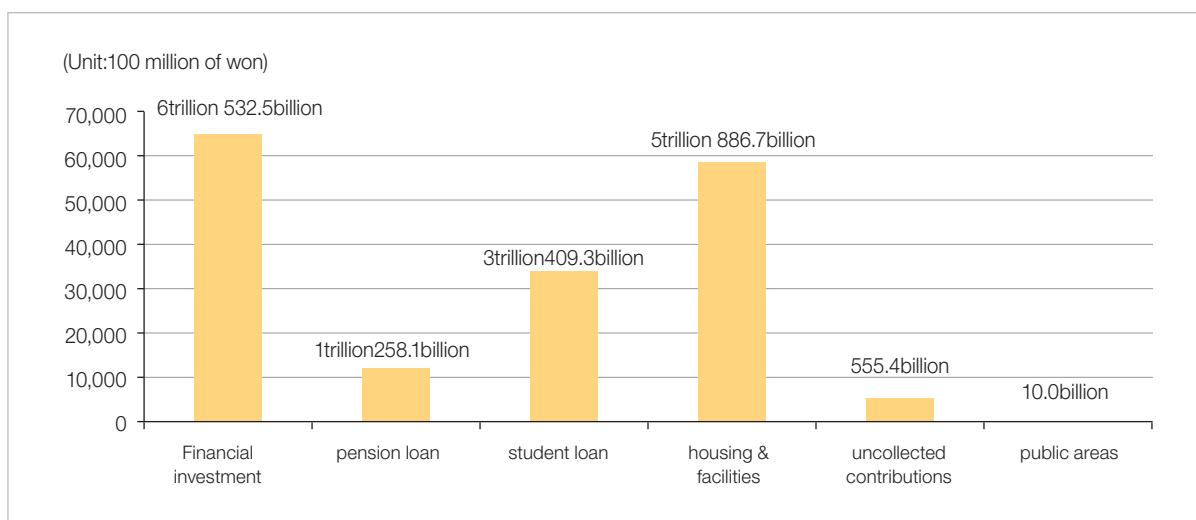
\* Fund balance includes retirement allowance, excludes injury compensation and relief benefit

Invested amounts by sector in 2016 are as follows: the pension assets of 17 trillion 652 billion won consist of 6 trillion 532.5 billion won (37.0%); in the financial sector, 1 trillion 258.1 billion won (7.1%); in pension loan, 3 trillion 409.3 billion won (19.3%); in student loan, 5 trillion 886.7 billion won (33.4%) in housing facilities, and 5.654 billion won (3.1%) in other outstanding charges.

### Investment of the Plan Fund by Sector

(Unit: 100 million of won, As of the end of December 2016)

Classi- fication	Financial Sector	Pension Loan	Student Loan	Housing	Outstanding charges etc.	Public Sector	Total
Amount	65,325	12,581	34,093	58,867	5,554	100	176,520



## 3.1.2 Pension Fund Management

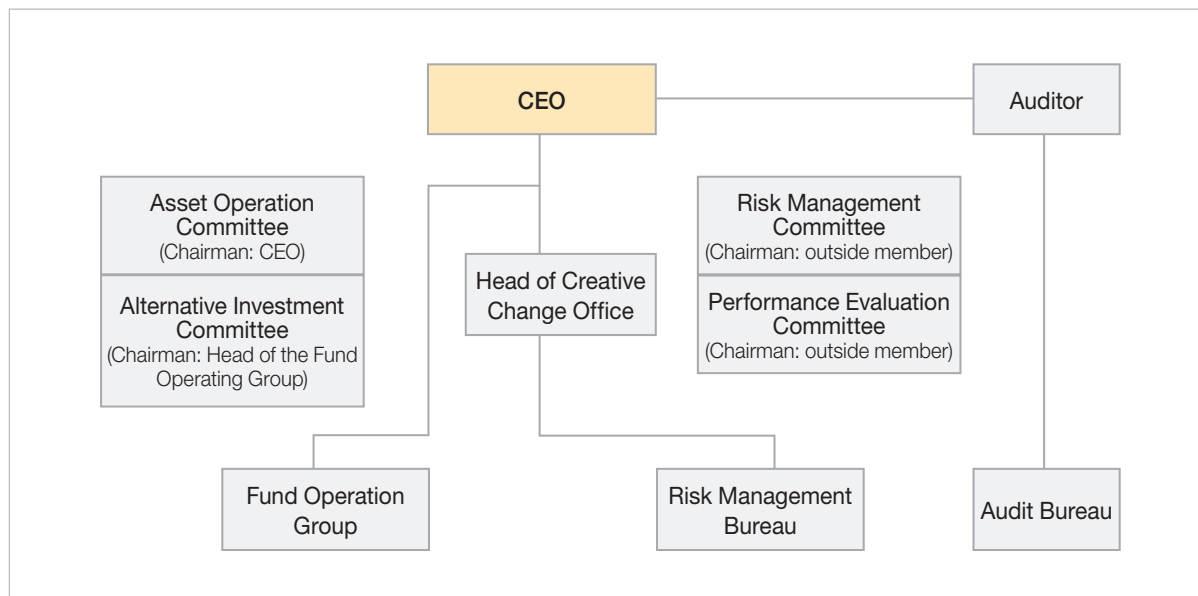
The management of the Government Employees Pension Fund is subject to the Article 74 of the Government Employees Pension Act. The Fund Management Regulation of the GEP Service therefore outlines important matters for investment based on Article 74. Aside from general cases, this is also includes the investment portfolio of financial assets. The Regulation prescribes matters related to the whole management of the fund such as management objectives; investment policy and strategy; performance evaluation and matters not prescribed in relevant laws and regulations such as the Government Employees Pension Act and the National Finance Act. The by-laws of the GEP Service about the management and operation of the fund are legally bound to follow the Fund Management Regulation. Matters related to the management of financial assets in detail are prescribed in the Management Guideline of Financial Assets.

The Fund Management Group of the GEP Service actively utilizes various committees consisting of experts in financial and academic circles, to ensure professional risk management and to objective asset evaluation.

The Fund Management Group consists of several committees such as the 「Fund Management Committee」, 「Alternative Investment Committee」 and internal management organization in charge of implementing operating policy. For risk management and performance evaluation, there are two committees namely the 「Performance Evaluation Committee」 and 「Risk Management Committee」. In addition, the 「Real Asset Operation Committee」 exists to operate real assets such as housing and facility business.

## Organizational Structure of the Pension Fund Management

(as of the end of December 2016)



## Committees of the Pension Fund Operation

(As of the end of December 2016)

Classification	Asset Management Committee	Alternative Investment Committee	Real Asset Operation Committee	Performance Evaluation Committee
Objective(Function)	allocation and operation of whole assets	deliberation on alternative investment	allocation and operation of real assets	deliberation on performance evaluation
Number	14	21	11	8
Members	CEO	Head of Asset Operation Group	Head of Welfare Office	outside member

## 3.1.3 Investment Management

### ■ Investment Policy

The objective of the Government Employees Pension Fund is to carry out the role as a liability reserve for paying benefits of the Government Employees Pension by growing the fund and maintaining liquidity. As prescribed in Article 4 of the Fund Management Regulation, the fund is managed according to by four investment principles:

- 1) Stability which minimizes risk of loss in the event of fluctuating assets.
- 2) Profitability which maximizes surplus income while maintaining the value of the fund.
- 3) Liquidity which enables the smooth payment of pension benefits and self-supply of financial sources for investment.
- 4) Public welfare which contributes to the stability of life and greater well-being of government employees and families.

Every year, the GEP Service creates a five-year asset allocation strategy and fund operation plan, based on target return rate and risk limits. The asset allocation strategy thereby sets the allowable scope of investment to adequately reflect changes in financial situations.

### Classification of the Plan Assets Investment

#### • Financial Assets

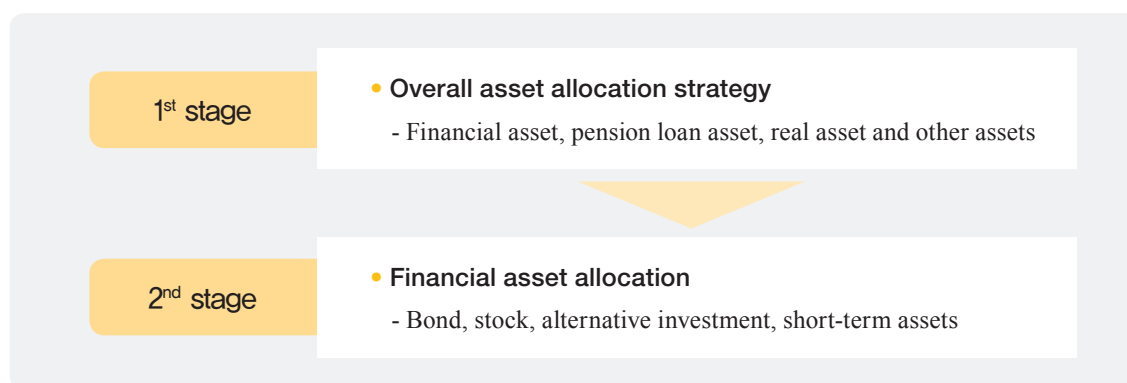
- Bonds (domestic, overseas/ direct, entrusted/ national, special, corporate, financial etc.)
- Stocks (domestic, overseas/ direct, entrusted/ stocks, pure stock type, social responsibility investment type fund etc.)
- Alternative investment (real estate fund, private fund, SOC fund etc.)
- Short-term fund (cash reserve/short-term specific money trust, MMF, MMDA, deposit etc.)

#### • Housing and Facility Assets

- Civil servant housing asset
- Civil servant facility operation asset

## ■ Asset Allocation Strategy

Based on mid/long-term perspectives, the Asset Allocation Strategy determines the portfolio of asset allocation. The process is split into two stages. In the first stage, the Asset Management Committee establishes the overall asset allocation strategy. This includes financial assets, loan assets, housing assets, facility assets and other assets, each of which is taken as indicators of asset management of the GEP Service. In the second stage, the financial asset allocation strategy is established through bonds, stock, alternative investment, etc.



The fund was established to pay for annuities such as retirement pensions, survivors' pensions, and disability pensions. The fund should, therefore, maintain and increase the value of the fund to secure long-term financial stability. The asset is divided into mid/long-term assets, short-term assets, and overall assets. It should be noted that based on the characteristics of the fund, the proportion of short-term assets tends to be high. The target return rate of mid/long-term assets is set at "real economic growth rate (GDP) + consumer price index rate (CPI)," reflecting the liquidity limit of the fund. The target return rate of short-term assets is set at not less than one-month CP rate and, as for overall assets, it is set at the weighted average of target return rates of mid/long-term assets and short-term assets.

The allowable risk limit of the financial asset is set at the maximum of endurable risk against the decrease of return rate. The return rate of mid/long-term assets (excluding short-term assets from overall assets), is set not to drop below a certain level of return rate (e.g., consumer price index rate).

The tactical asset allocation is a process to adjust assets within the permissible scope of strategic asset allocation to address changes in market conditions. In the case of financial assets, the Financial Asset Investment Committee conducts the tactical asset allocation within the scope of the ratio of strategic asset allocation set by the Asset Management Committee.



## ■ Risk Management

The ultimate objective of risk management is to secure the long-term financial stability of the fund and the soundness of assets by minimizing risks and to preventing fund shortages by identifying, measuring and controlling various risks (market risk, credit risk, liquidity risk, legal and regulatory risk, operational risk, etc.)

### Risk types of asset management

- **Market risk:** risk that value of retained securities decrease due to changes of market value of stock price, interest rate and exchange rate etc.
- **Credit risk:** risk that investment principal etc. cannot be retrieved as agreed due to default of the other party of a contract
- **Liquidity risk:** risk that may occur because transaction at normal price cannot be made due to shortage of liquidity or poor trade in market etc.
- **Law and regulation risk:** risk that the fund may suffer loss due to errors in interpretation of law or in contract etc.
- **Operational risk:** risk that fund may suffer loss due to improper internal control system or business processing procedures, errors in system and mistakes of staff.

## ■ Performance Evaluation

Performance evaluation aims to enhance efficiency and accountability in asset management. Evaluation results are reflected in the asset management and compensation system (i.e. feedback). To ensure transparency and objectivity in employees' appraisals, the evaluation is conducted in conjunction with an external organization.

## ■ Public Announcement of all Investment Results and the Right to Vote

All results related to fund management must be publicized at an accrual accounting basis, as per the recommendations of the Global Performance Evaluation Standard (GIPS). Necessary items for the public announcement include the performance evaluation of more than five years' period, the use of time weighted return rate, benchmarks, the use of leverage and derivative, the inclusion of fees, etc. Also, it is recommended to acquire verification by an independent third party to assess internal company matters (i.e. personnel movement, risk index, etc. The following items are publicized on the homepage of the GEP Service ([www.geps.or.kr](http://www.geps.or.kr)).

### Major items for public announcement

- **Monthly and quarterly announcement:** investment status and rate of earnings by investment products, etc.
- **Yearly announcement:** financial status statement, statement of profit and loss, yearly income and expenditure, fund accumulation status, total investment status and rate of earning by investment products and fund operation guideline etc.
- **Unscheduled announcement:** items that the chief director deems necessary concerning.

In accordance with Article 64 of the National Finance Act, the voting right of shares should be sincerely exercised in good faith for the benefit of the fund, and the content of its exercise should be publicized too.

### ■ Investment Criterion

In accordance with Articles, 4 and 16 of the Fund Management Guideline, the investment management of financial assets aims to achieve performance above standard return rate, maintaining the following management principles: financial stability, profitability, liquidity and public welfare.

- The decision-making system of investment management consists of committees (namely the 「Asset Management Committee」, 「Alternative Investment Committee」 etc, the Fund Operation Group, and an internal operation organization which oversees the actual implementation of the investment policy.
- In accordance with the Government Employees Pension Act and its enforcement decree; the GEPS' Fund Management Guideline and its enforcement regulation, financial investment assets are to be invested in separate categories such as a bond, stock, alternative investment, cash reserve etc.

## ■ Investment Portfolio of Financial Assets

### Target Investment Portfolio Ratio and Allowable Scope by Asset Groups, 2016

(Unit: 100 million of won, %, %p)

		Total	Domestic bond	Overseas bond	Domestic stock	Overseas stock	Domestic alternative	Overseas alternative
Ratio criteria	Target ratio	100.0	41.5	5.0	24.8	8.7	16.2	3.8
	allowable scope	-	±8.0	±3.0	±9.0	±3.5	±4.0	±4.0
Amount		53,966	22,403	2,695	13,385	4,692	8,749	2,042

\* Allocated by reflecting 16 implementation portfolio etc. of '16~'20 mid/long-term allocation plan under the Financial Asset Operation Guideline

### Target Return Rate by Asset Groups, 2016

(Unit: 100 million of won, %)

	Total	Bond	Stock	Alternative investment	Short-term asset
Average outstanding of operation	59,262	22,493	17,243	9,590	9,936
Target return	2,350	572	1,081	537	160
Target return rate	4.0	2.5	6.3	5.6	1.6

## 3.2 Operation Results

### ■ Fund Investment Portfolio in 2015 and 2016<sup>1)</sup>

#### Investment Portfolio of the Government Employees Pension Fund

(Unit: 100 million of won, %)

	End of 2015		End of 2016	
	Amount	%	Amount	%
• public fund deposit	100	(0.1)	100	(0.1)
• financial asset management	52,647	(33.1)	65,325	(37.0)
- bond	22,583		28,843	
- stock	16,094		20,609	
- alternative investment	7,219		8,866	
- cash reserve	6,751		7,007	
Assets • pension loan	12,670	(8.0)	12,581	(7.1)
• student loan	35,319	(22.2)	34,093	(19.3)
• housing business	41,727	(26.2)	48,656	(27.6)
• facility operating business	7,909	(5.0)	10,211	(5.8)
• outstanding charges etc.	8,717	(5.4)	5,554	(3.1)
Total	159,089	(100.0)	176,520	(100.0)
• housing lease deposit	17,154		16,253	
• loan from Housing & Urban Fund	4,946		3,187	
• lease deposit and repair reserve	461		474	
Liabilities • trust student loan	45,339		45,231	
• sales advance of rental housing etc.	3,647		8,164	
Total	71,547	(45.0)	73,309	(41.5)
Total amount of fund	87,542	(55.0)	103,211	(58.5)
Increase of fund	2,270		15,669	

1) Publicized on 「Information publication-Management announcement-Management performance」 of the GEP Service homepage([www.geps.or.kr](http://www.geps.or.kr))

## ■ Investment Portfolio of Financial Assets in 2015 and 2016

### Investment Portfolio of Financial Assets in 2015 and 2016

(Unit: 100 million of won, %, as of the end of December 2016)

		2015		2016	
		Amount	%	Amount	%
Bond	Domestic	21,328	40.5	26,968	41.3
	Overseas	1,255	2.4	1,876	2.9
	Total	22,583	42.9	28,844	44.2
Stock	Domestic	12,672	24.1	14,979	22.9
	Overseas	3,422	6.5	5,629	8.6
	Total	16,094	30.6	20,608	31.5
Alternative investment		7,219	13.7	8,866	13.6
Short-term fund		6,751	12.8	7,007	10.7
Total		52,647	100.0	65,325	100.0

### Return Rate of Recent 5 Years Period

(Unit: %)

2011	2012	2013	2014	2015	2016
0.8	3.5	3.5	3.4	3.4	3.5

### Return on Investment Portfolio of Financial Assets

(Unit: 100 million of won, %, as of the end of December 2016)

		Average outstanding	Return	%
Bond	Domestic	23,836	498	2.1
	Overseas	1,421	43	3.0
	Total	25,257	541	2.1
Stock	Domestic	13,780	786	5.7
	Overseas	4,530	486	10.7
	Total	18,310	1,272	7.0
Alternative investment		8,820	337	3.8
Short-term fund		16,248	257	1.6
Total		68,635	2,407	3.5

## ■ Outcome of Pension Loan

### Pension Loan by Year

(Unit: 100 million of won, as of the end of December 2016)

Year	No. of cases	Loan amount	Repaid amount	Outstanding amount
2011	33,224	4,999	5,319	8,312
2012	51,444	7,397	5,533	10,176
2013	60,144	8,898	6,226	12,847
2014	45,241	7,000	7,119	12,728
2015	44,301	6,997	7,055	12,670
2016	37,031	6,300	6,389	12,581

### Comparison of Performance by Year

(Unit: person, 100 million of won, %)

	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
No. of persons	31,315	38,423	35,070	34,629	31,264	34,889	33,224	51,444	60,144	45,241	44,301	37,031
Amount of loan	4,793	4,947	4,995	5,000	4,996	4,998	4,999	7,397	8,898	7,000	6,997	6,300
average operational outstanding	7,678	9,073	9,600	10,169	9,667	9,284	9,832	11,249	12,855	14,538	14,970	15,053
interest earnings	471	536	613	662	565	526	526	600	589	594	501	470
Earnings rate (%)	6.13	5.91	6.39	6.51	5.84	5.67	5.35	5.34	4.58	4.09	3.35	3.12

※ Changes of loan interest (recent five years)

- 4.84%('13 Jan) → 4.21%('14 Jan) → 3.64%('15 Jan) → 3.06%('16 Jan) → 3.08% ('17 Jan)

## ■ Outcome of Real Assets Investment

### • Housing

#### Housing Investment by Year

(Unit: 100 million of won, as of the end of December 2016)

	2012	2013	2014	2015	2016
investment amount	17,980	38,385	39,700	42,652	43,431

※ Based on investment amount on books

#### Return on Housing Investment by Year

(Unit: 100 million of won, %, as of the end of December 2016)

	2012	2013	2014	2015	2016
return	1,746	381	1,029	1,765	2,152
%	9.7	1.0	2.6	4.1	5.0

※ Including sales of rental housing and appraisal profit reconstruction (based on investment amount on books)

### • Facility Operation

#### Facility Operation Investment by Year

(unit : 100 million of won, as of the end of December, 2016)

	2012	2013	2014	2015	2016
Investment amount	1,467	1,455	1,484	1,463	1,760

※ Investment amount: Cheonan Sangnok Resort · Hwaseong Golf Club

## Return on Facility Operation Investment by Year

(Unit: 100 million of won, %, as of the end of December 2016)

	2012	2013	2014	2015	2016
return	143	131	138	119	157
%	9.7	9.0	9.3	8.1	8.9

※ Return: Net profit during the term of Cheonan Sangnok Resort-Hwaseong Golf Club



## **4. Financial Statement**

**4.1 Consolidated Balance  
Statement**

**4.2 Consolidated Statement of  
Income & Expenses**

## 4.1 Consolidated Balance Statement

(unit : won)

Fund Assets			Liabilities and Net Assets		
Subject	2015	2016	Subject	2015	2016
Asset	15,908,864,895,388	17,651,988,201,289	Debt	7,154,643,133,486	7,330,885,190,490
I. liquid asset	3,706,260,162,339	3,478,482,878,559	I. liquid debt	359,949,447,134	813,173,478,579
(1) current asset	2,898,158,768,455	2,827,430,521,509	(1) liquid debt	359,949,447,134	813,173,478,579
1.cash	32,084,020	36,932,591	1. buying debt	293,751,069	298,758,245
2. current account	214,709	486,134	2. arrears	3,480,821,615	5,719,131,908
3. ordinary deposit	350,088,870,806	93,004,569,116	3. advance received	193,557,723,096	598,329,214,692
4. cash reserve	675,122,000,000	700,737,000,000	4. surtax deposit	433,007,506	-
5. short-term deposit	28,479,785,720	31,967,238,577	5. deposit	657,514,058	462,800,500
6. uncollected income	6,875,551,062	9,992,845,025	6. uncollected expenses	365,682,590	177,710,775
7. benefit fund advance	-	1,192,843	7. advance profit	517,643,540	313,015,911
8. short-term pension loan	414,890,000,182	396,297,201,522	8. deposit received for guarantee	61,871,070	468,509,667
9. short-term member loan	439,312,050	354,846,750	9. lease deposit	16,965,379,025	13,409,583,016
appropriation for short-term irrecoverable loan	△4,153,294,000	△2,155,641,000	10. advance contribution	1,204,335,247	849,621,387
10. short-term debt security	220,988,429,242	416,327,142,598	11. advance charge	121,705,954,360	161,020,231,618
11. short-term share security	892,773,065,266	847,597,569,961	12. unpaid benefit	5,929,809,680	11,068,887,490
12. short-term derivative product asset	-	939,061	13. pension income deposit	1,460,072,430	1,841,791,440
13. uncollected goods and service supply income	12,124,036,841	31,864,193,064	14. short-term debt from Housing & Urban Fund	2,189,933,240	2,456,125,550
14. uncollected pension income	154,996,833,301	86,521,047,951	15. short-term debt charge settlement advance	4,338,196,608	3,135,946,869
15. other uncollected income	2,641,140,088	3,322,521,504	16. short-term relocation deposit	6,787,752,000	-
16. other uncollected money	162,400,814,398	227,154,869,258	17. short-term derivative product debt	-	13,622,149,511
17. uncollected income of cash asset	829,173,015	1,080,448,015	II. non-liquid debt	2,260,798,288,917	1,994,633,390,966
appropriation for uncollected bond	△19,484,787,123	△15,785,425,556	(1) non-liquid debt	2,260,798,288,917	1,994,633,390,966
appropriation for other uncollected money	△884,398,122	△889,455,905	1. debt from Housing & Urban Fund	492,361,560,010	316,280,934,460
appropriation for current asset	△63,000	-	2. appropriation for retirement benefit	21,867,525,342	23,949,225,341

Fund Assets			Liabilities and Net Assets		
(2) inventory assets	275,280,847,080	114,909,616,374	3. fund change into retirement benefit	△70,007,931	△49,926,996
1. goods	39,274,890	37,069,481	4. deposit for retirement insurance	△556,000,000	△4,883,754,295
2. drinks	149,370	36,774	5. debt for company housing rental	△2,000,000,000	-
3. stored goods	482,749,636	529,865,574	6. rental housing repair reserve	29,138,571,477	33,927,643,456
4. rental housing	117,659,297,447	7,616,612,506	7. housing rental deposit	1,715,423,813,150	1,625,322,869,000
5. unfinished distributed housing	157,099,375,737	106,726,032,039	8. charge settlement advance	3,135,946,869	-
(3) other liquid assets	12,400,488,233	11,708,489,587	9. bachelor housing deposit	1,496,880,000	86,400,000
1. advance	1,624,801,000	57,130,000	III. student loan deposit(new)	4,533,895,397,435	4,523,078,320,945
2. advance expenditure	213,958,400	152,955,987	(1) student loan deposit	4,533,895,397,435	4,523,078,320,945
3. surtax loan	179,071,984	-	1. student loan deposit _central government	1,512,856,864,807	1,511,844,518,818
4. advance corporate tax	10,382,656,849	11,498,403,600	2. student loan deposit _local government	3,021,038,532,628	3,011,233,802,127
(4) loan asset	520,420,058,571	524,434,251,089	(debt total)	7,154,643,133,486	7,330,885,190,490
1. student loan	537,775,995,983	542,316,040,391	capital	-	-
Short-term loan appropriation	△17,355,937,412	△17,881,789,302	IV. pension fund	8,754,221,761,902	10,321,103,010,799
II. non-liquid asset	12,202,604,733,049	14,173,505,322,730	(1) capital	5,299,967,430,225	5,606,796,498,207
(1) investment asset	4,337,938,357,824	5,439,614,257,935	1. transfer into fund	828,946,992,859	828,946,992,859
1. deposit to Housing & Urban Fund	10,000,000,000	10,000,000,000	2. deposit	763,927,722,000	763,927,722,000
2. pension loan	852,116,441,385	861,774,950,940	3. surplus increase in settlement	3,707,092,715,366	4,013,921,783,348
3. debt security	1,540,546,800,264	2,068,629,106,739	(2) other comprehensive profit and loss accumulation	2,465,335,358,294	3,670,062,963,191
4. share security	1,935,275,116,175	2,499,210,200,256	1. Appraisal profit of securities	272,769,514,337	306,110,704,750
(2) loan asset	3,011,518,326,174	2,884,844,500,463	Appraisal profit of debt security	42,987,755,348	30,534,996,428
1. long-term student loan	3,472,287,178,702	3,257,206,379,164	Appraisal profit of share security	229,781,758,989	275,575,708,322
Loan appropriation	△460,768,852,528	△372,361,878,701	2. Appraisal loss of securities	△81,960,566,039	△62,311,779,793
(3) tangible assets	4,642,591,231,942	5,705,894,515,240	Appraisal loss of debt security	△2,198,482,037	△20,346,210,102
1. land	2,835,502,957,760	4,054,236,001,633	Appraisal loss of share security	△79,762,084,002	△41,965,569,691
2. building	1,604,733,506,742	1,741,246,263,394	3. Appraisal profit of tangible assets	2,274,526,409,996	3,426,264,038,234
building depreciation accumulation	△198,783,368,503	△227,611,455,388	Appraisal profit of land	2,139,629,792,854	3,327,494,444,426
3. asset in construction	311,977,529,432	17,714,613,324	Appraisal profit of building	134,896,617,142	98,769,593,808

Fund Assets			Liabilities and Net Assets		
4. vehicle transportation equipment	11,700,815,977	11,964,362,996	(3) profit surplus	988,918,973,383	1,044,243,549,401
vehicle transportation equipment depreciation accumulation	△6,361,197,177	△7,947,094,572	1. increase of profit deposits	1,261,392,806,971	1,044,243,549,401
5. equipments/supplies	25,638,195,392	37,492,789,440	2. decrease of profit deposits	△272,473,833,588	-
equipments/supplies depreciation accumulation	△14,187,294,442	△18,443,036,011	(capital total)	8,754,221,761,902	10,321,103,010,799
6. mechanical equipments	18,422,831,945	28,057,645,580			-
mechanical equipments depreciation accumulation	△8,616,656,485	△12,194,140,108			-
7. structure	85,315,113,155	108,022,176,762			-
structure depreciation accumulation	△22,751,201,854	△26,643,611,810			-
(4) intangible assets	8,546,288,626	7,140,053,162			-
1. software	8,546,288,626	7,140,053,162			-
(5) other non-liquid assets	202,010,528,483	136,011,995,930			-
1. staff loan	1,989,854,320	1,525,896,970			-
2. other securities	940,180,000	872,510,000			-
3. telephone/telegraph subscription right	1,170,000	726,000			-
4. rental deposit	10,986,065,308	15,294,038,000			-
5. business deposit	116,920	145,640			-
6. long-term uncollected subsidy	161,263,006,273	88,141,811,683			-
7. uncollected charge settlements	-	486,376,287			-
8. long-term uncollected profit	35,498,594,970	34,272,071,350			-
9. lawsuit deposit	-	95,450,000			-
long-term uncollected money appropriation	△127,397,308				-
long-term loan asset appropriation	△8,541,062,000	△4,677,030,000			-
III. headquarter/branch accounts	-	-			-
(1) headquarter/branch accounts	-	-			-
1. headquarter	△3,328,013,205,346	△3,351,327,197,269			-
2. branch	3,328,013,205,346	3,351,327,197,269			-
(asset total)	15,908,864,895,388	17,651,988,201,289	(debt and capital total)		17,651,988,201,289

## 4.2 Consolidated Statement of Income and Expenses

(unit : won)

Expenses			Income		
Subject	2015	2016	Subject	2015	2016
I. business expenses	14,434,543,278,002	14,619,683,341,849	I. business earnings	14,751,564,677,572	14,958,909,097,627
(1) financial expenses	110,235,524,050	137,944,731,686	(1) pension income	13,787,052,925,012	14,141,396,133,023
1. Payment fees	3,466,080,149	3,081,555,345	1. pension contributions	3,818,540,807,140	4,469,180,730,515
2. tax/duty	1,333,153,440	344,596,701	2. pension charges	4,347,892,029,000	5,170,030,248,400
3. loan interest	68,054,790	-	3. accident compensation contributions	123,429,768,556	134,865,351,635
4. lawsuit expense	1,076,782,408	321,549,435	4. retirement allowance contributions	2,247,894,055,840	1,930,234,575,390
5. asset management expense	226,926,801	278,139,968	5. pension transfer contributions	48,219,380,350	51,062,277,900
6. research expense	547,153,000	249,470,000	6. subsidy	3,072,736,884,126	2,318,852,949,183
7. short-term security disposal loss	40,701,746,544	9,752,199,595	7. fund subsidy	128,340,000,000	67,170,000,000
8. security disposal loss	4,944,247,498	12,617,806,744	(2) financial asset operating profit	412,037,891,290	459,291,583,413
9. security damage loss	242,253,712	45,391,926,416	1. ordinary deposit interest	96,623,023	75,627,457
10. derivative product appraisal loss	-	13,622,149,511	2. cash reserve interest	24,140,013,469	25,650,932,607
11. loan aid expense	57,629,125,708	52,285,337,971	3. Housing & Urban Fund interest	274,401,917	147,101,918
(2) welfare and real estate business	562,268,040,686	368,152,922,174	4. student loan interest	140,166,459,908	140,166,459,908
1. real estate management expense	618,414,470	1,921,740,234	5. pension loan interest	50,103,315,939	46,991,298,466
2. paid rental fee	594,972,392	660,375,253	6. short-term security disposal profit	55,739,833,652	80,868,286,726
3. payment fee	6,041,702,017	4,854,653,273	7. security disposal profit	38,512,168,572	10,833,091,470
4. lawsuit expense	143,783,524	205,153,090	8. security loss retrieval	1,312,561,205	21,963,871
5. maintenance/repair expense	332,118,690	332,559,337	9. security interest income	89,526,405,126	111,830,339,449
6. facility maintenance expense	16,940,072,090	16,063,076,293	10. share security dividend income	12,166,108,479	27,871,778,157
7. interests on loan from Housing & Urban Fund	16,681,811,030	9,663,057,855	11. appraisal profit of derivative products	-	939,061
8. rental housing business expense	425,509,124,232	227,864,672,333	12. other financial asset	-	14,833,764,323
9. rental housing sales expense	2,136,328,381	293,678,492	(3) loan income	744,373,680	1,438,097,323

Expenses			Income		
10. product purchase	5,597,809,607	5,473,572,922	1. student loan operating contributions	744,373,680	1,438,097,323
11. food ingredient expense	7,118,861,342	7,432,723,476	(4) welfare and real estate business income	551,729,487,590	356,783,283,868
12. beverage ingredient expense	698,720,530	690,257,201	1. real estate rental income	10,462,722,815	9,527,747,718
13. other material expense	473,101,726	523,172,751	2. housing rental income	6,468,968,782	12,683,735,623
14. tax/duty	13,051,484,817	13,756,079,546	3. housing supply income	462,916,622,167	258,528,777,951
15. depreciation	44,283,612,665	54,600,901,085	4. bachelor housing operating income	1,927,312,740	954,374,240
16. insurance	202,187,624	172,484,887	5. product sale income	6,389,938,308	6,253,890,910
17. electricity/water	3,250,896,647	3,114,000,346	6. food sale income	8,642,475,148	8,986,306,614
18. fuel expense	2,291,848,798	1,587,187,201	7. beverage sale income	819,490,459	830,478,402
19. research service fees	13,533,926,463	14,868,237,108	8. accomodation fees	4,758,190,982	4,959,872,405
20. business expenses	2,252,518,721	2,226,507,945	9.sauna fees	2,266,944,790	1,823,900,370
21. irrecoverable debt	110,956,042	619,609,956	10. swimming pool fees	1,804,862,456	1,759,914,058
22. supply housing management fees	388,788,878	1,026,882,499	11. other benefit & welfare operating income	4,062,715,999	4,875,989,106
23. R & D fees	15,000,000	202,339,091	12. golf club fees	39,602,430,447	44,100,946,017
(3) pension benefit expenses	13,756,327,879,150	14,107,373,345,777	13. park fees	1,606,812,497	1,497,350,454
1. retirement benefit	11,376,634,724,820	12,036,189,456,730	II. non-business income	192,746,019,820	195,342,278,338
2. duty-related accident benefit	80,185,913,240	88,531,725,110	(1) non-business income	192,746,019,820	195,342,278,338
3. retirement allowance	2,247,894,055,840	1,930,234,575,390	1. staff housing rental income	68,937,637	72,399,611
4. relief benefit	38,726,712,530	39,608,905,450	2. staff loan interest	16,735,300	9,160,670
5. pension transfer benefit	9,100,152,210	9,597,079,970	3. foreign exchange profit	1,840	1,500
6. duty-related death	3,786,320,510	2,795,298,760	4. late fee income	1,296,667,802	1,225,032,348
7. lawsuit fees	-	108,721,511	5. interests on deposit	1,527,276,335	1,605,380,916
8. pension business operating expense	-	307,582,856	6. interests on uncollected contributions	626,654,060	263,406,000
(4) computer systems expenses	3,682,925,554	4,215,245,807	7. other income	5,975,284,384	5,110,422,951
1. computer product expense	246,999,645	256,700,908	8. retrieval of appropriation for irrecoverable debt	59,956,544	6,656,492,229
2. computer facility repair expense	2,802,374,909	3,358,067,899	9. retrieved payments	8,445,077,757	9,912,801,846

Expenses			Income		
3. computer services expense	633,551,000	600,477,000	10. other security interest	13,436,083	11,905,053
(5) business consignment expense	2,028,908,562	1,997,096,405	11. pension magazine advertising fees	137,960,000	50,100,000
1. consignment fees	2,028,908,562	1,997,096,405	12. pension magazine subscription fees	2,122,439,000	2,181,604,003
II. management/operation expense	57,722,788,166	60,638,949,929	13. tangible asset disposal income	165,059,613,633	155,278,525,327
(1) personnel expenses	40,776,079,544	42,011,170,596	14. education income	4,716,723,083	6,374,798,833
1. retirement benefits	4,307,301,626	5,037,418,848	15. retrieved interest income	905,111,863	335,569,305
2. personnel expenses	36,468,777,918	36,973,751,748	16. reimbursement income	1,774,144,499	738,513,462
(2) general expenses	16,946,708,622	18,627,779,333	17. retrieval of reappraised loss	-	5,516,164,284
1. benefit and welfare expense	1,108,603,295	1,648,794,253		-	-
2. statutory contribution	2,811,227,904	2,935,972,566		-	-
3. travel/transportation	823,667,207	719,500,960		-	-
4. electricity/water	26,511,830	-		-	-
5. clothing	67,373,000	137,554,300		-	-
6. rental fees	63,551,477	65,946,921		-	-
7. vehicle	69,133,349	69,355,671		-	-
8. R & D	593,171,570	387,674,278		-	-
9. transportation & storage	125,240,403	-		-	-
10. general expenses	1,059,272,003	856,787,010		-	-
11. tax/public utility charges	1,170,457,628	1,152,060,634		-	-
12. business operating expenses	494,953,365	501,087,997		-	-
13. meeting	343,339,970	229,296,272		-	-
14. education & training	892,252,972	1,183,971,805		-	-
15. prize	76,985,780	69,735,000		-	-
16. depreciation	1,798,404,325	3,164,419,762		-	-
17. intangible asset depreciation expenses	5,422,562,544	5,505,621,904		-	-
III. non-business expenses	16,875,563,242	111,775,440,187		-	-
(1) non-business expenses	8,531,571,166	36,477,304,615		-	-
1. tangible asset disposal loss	497,149,772	13,699,290		-	-

Expenses			Income		
2. pension magazine production expenses	1,840,707,428	1,917,127,178	-	-	-
3. interests on excessive contribution payment	73,863,340	96,659,930	-	-	-
4. education	4,897,520,327	6,568,128,357	-	-	-
5. social participation activity support expenses	1,222,330,299	1,147,096,231	-	-	-
6. tangible asset reappraisal loss	-	26,734,593,629	-	-	-
(2) other non-business expenses	8,343,992,076	75,298,135,572	-	-	-
1. exchange rate loss	578	-	-	-	-
2. other losses	265,639,257	1,391,966,037	-	-	-
3. pension transfer(expenses)	-	67,170,000,000	-	-	-
4. advance discounts	5,047,245,537	-	-	-	-
5. customized welfare operating fees	126,156,810	193,854,071	-	-	-
6. other special loss	2,008,711,744	6,399,599,825	-	-	-
7. other irrecoverable debts	896,238,150	142,715,639	-	-	-
(total expenditures)	14,509,141,629,410	14,792,097,731,965	(total income)	14,944,310,697,392	15,154,251,375,965
IV. pension account support fund	625,105,567,370	602,624,123,803			
(1) pension account support fund	625,105,567,370	602,624,123,803			
1. retirement benefit cash reserve	496,765,567,370	602,624,123,803			
2. pension account transfer	128,340,000,000	-			
V. fund contribution	496,765,567,370	602,624,123,803			
(1) fund contribution	496,765,567,370	602,624,123,803			
1. transfer	496,765,567,370	602,624,123,803			
VI. net profit during the term	△189,936,499,388	△240,470,479,803			
(1) net profit during the term	△189,936,499,388	△240,470,479,803			
1. net profit during the term	△189,936,499,388	△240,470,479,803			



## 5. Major Statistics

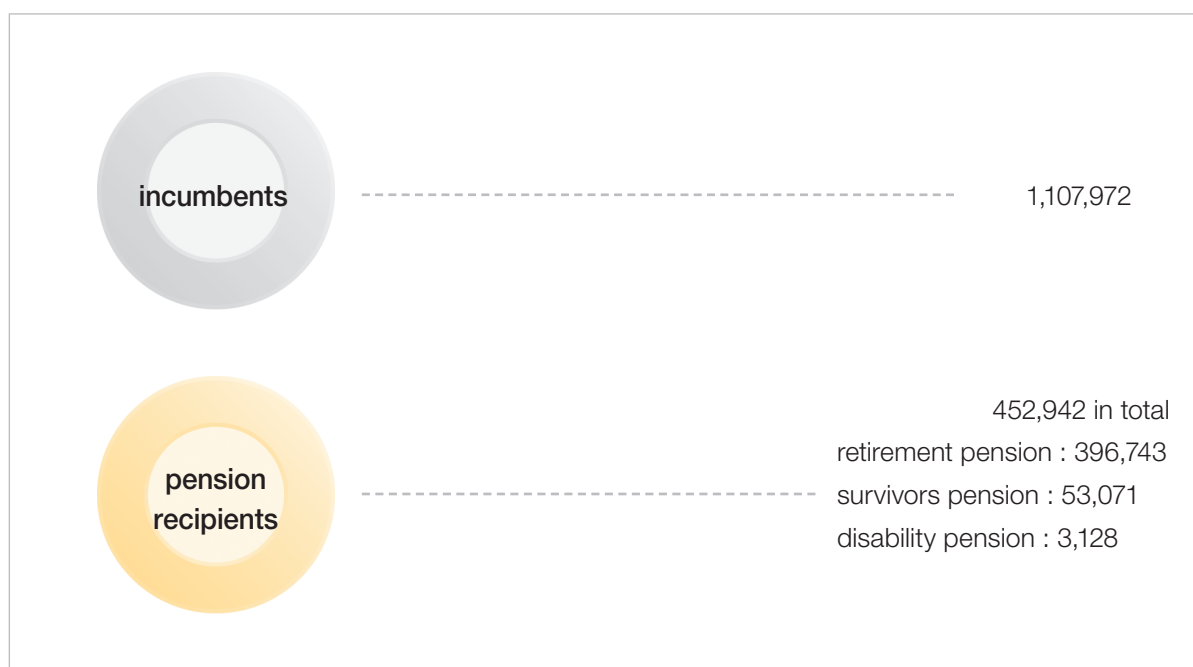
- Status of persons subject to the Government Employees Pension Act
- Progress of increase and decrease of government employees subject to the Act
- Progress of pension recipients
- Progress of selection
- Progress of increase of the Government Employees Pension Fund
- Asset, debt and capital of the Fund

## ■ Plan Participants at the End of 2016

(Unit: person, as of the end of December 2016)

Classification	Number of persons
Employees	1,107,972
Pension Recipients	452,942
retirement pension recipients	396,743
survivors pension recipients	53,071
disability pension recipients	3,128

### Plan Participants


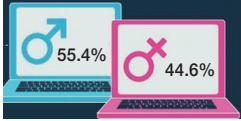








## ■ Demographic Structure of Government Employees

- ❖ As of the end of 2016, the number of incumbents is 1,107,972 and the gender ratio is 55.4%(male) versus 44.6%(female)
- ❖ As of the end of 2016, the average age of incumbent government employees is 42.5 years old and the average period of public service is 17.2 years.
- Incumbents with 20-year service and with not less than 10-year service are respectively 41.6% and 70.1% of the total incumbents.

### Demographic Structure of Government Employees

(as of the end of December 2016)


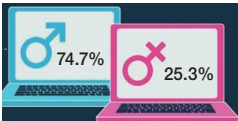





Classification		Number of persons and %
• Number of employees		1,107,972
• Gender ratio		55.4%(male) : 44.6%(female)
• Ratio of type of occupation		67.0%(non-education) : 33.0%(education)
• Average age		42.5 years old
• Average years of service		17.2 years
• Ratio of 20 years and more in service		41.6%
• Ratio of 10 years and more in service		70.1%
• Total amount of contributions		4 trillion 469.2 billion

## ■ Demographic Structure of Retired Government Employees

- ✦ In 2016, the number of retirees is 38,398, and the gender ratio of retirees is 74.7% (male) versus 25.3%(female).
- ✦ In 2016, the average age of retirees is 52.7 years old and the average period of public service is 26.1 years.
- Retirees with 20 years and not less than 10 years respectively account for 75.9% / 80.4% of the entire retirees.

### Demographic Structure of Retired Government Employees

(as of the end of December, 2016)

Classification	Number of persons and %
<ul style="list-style-type: none"> <li>Number of retirees</li> </ul> 	38,398
<ul style="list-style-type: none"> <li>Gender ratio</li> </ul> 	74.7%(male) : 25.3%(female)
<ul style="list-style-type: none"> <li>Average age</li> </ul> 	52.7 years old
<ul style="list-style-type: none"> <li>Average years of service</li> </ul> 	26.1 years
<ul style="list-style-type: none"> <li>Ratio of 20 years and more in service</li> </ul> 	75.9%
<ul style="list-style-type: none"> <li>Ratio of 10 years and more in service</li> </ul> 	80.4%
<ul style="list-style-type: none"> <li>Ratio of type of occupation</li> </ul> 	74.8%(non-education) : 25.2% (education)



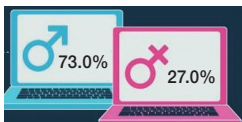
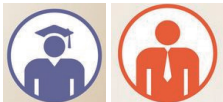
※ Retired government employees: received pension benefits from Jan. 1 2016 ~ Dec. 31, 2016 due to retirement (death)

## ■ Demographic Structure of Pension Recipients

- ✦ The number of recipients of the government employees' pension is around 4.5 billion, and the dependency rate (i.e. the number of recipients over incumbents) is 40.5%.
  - Retirement pension recipients account for 88.3%(396,743 persons) and survivors pension recipients account for the remaining 11.7%(52,410 persons).
- ✦ The average age of pension recipients in 2016 is 67.0 years old, and recipients in education account for 30.8% of the whole recipients and the gender ratio is 73.0%(male) versus 27.0%(female).

### Demographic Structure of Pension Recipients

(As of the end of December 2016)

Classification	Number of persons and %
<ul style="list-style-type: none"> <li>Number of pension recipients</li> </ul> 	449,153
<ul style="list-style-type: none"> <li>Average age</li> </ul> 	67.0 years old
<ul style="list-style-type: none"> <li>Gender ratio</li> </ul> 	73.0%(male) : 27.0%(female)
<ul style="list-style-type: none"> <li>Type of occupation</li> </ul> 	69.2%(non-education) : 30.8%(education)

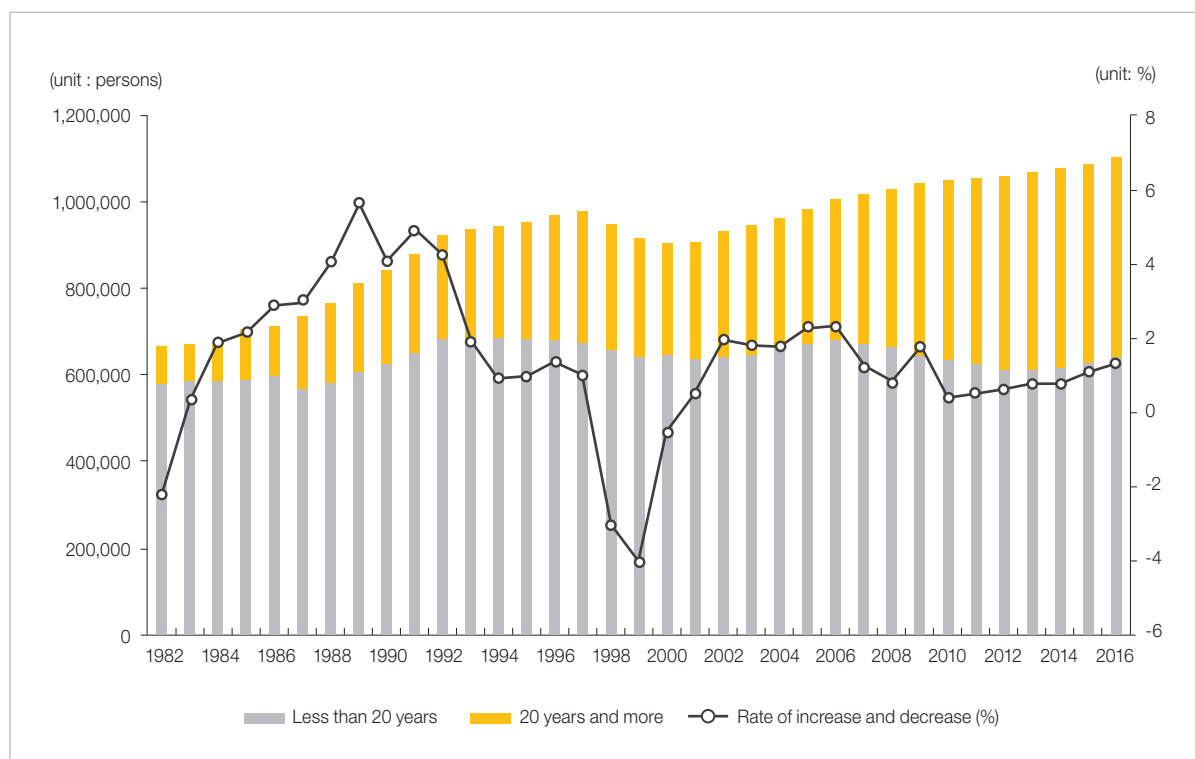
### Benefits Distribution of Pension Recipients

(As of the end of December 2016))

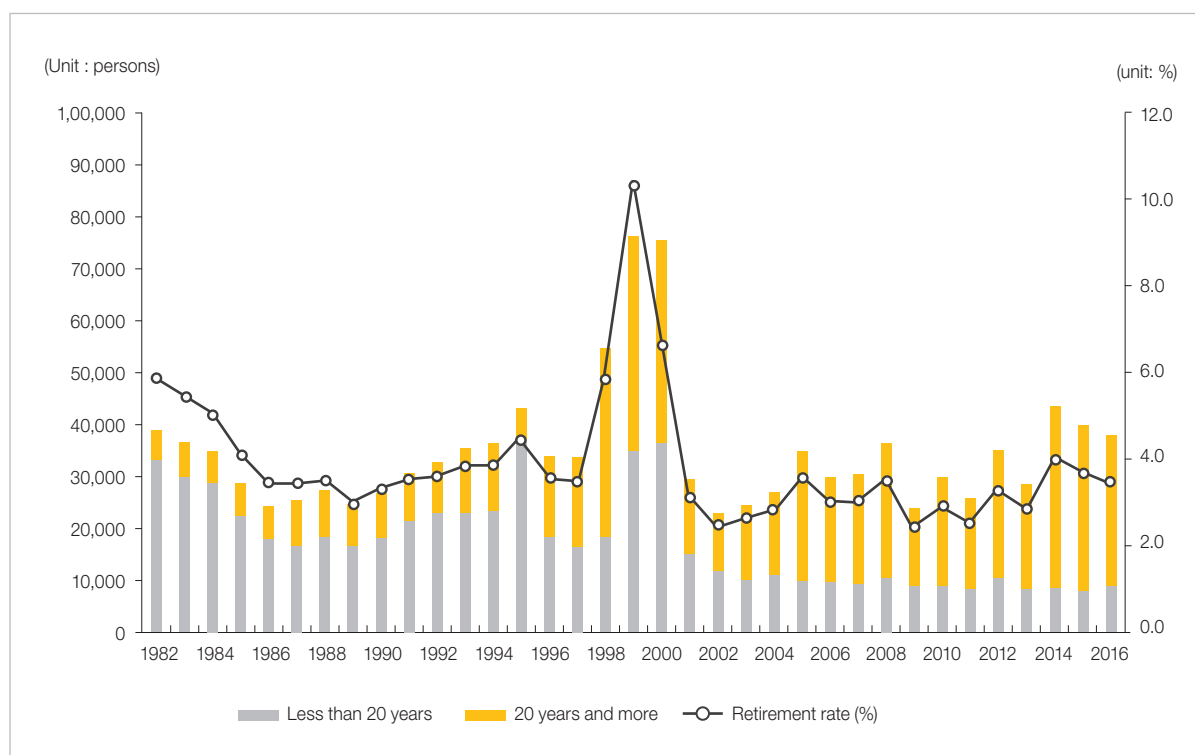
Total	Retirement pension	Survivors pension
449,153	396,743	52,410

※ Excluding disability pension recipients (3,128) and disability survivors pension recipients (661)

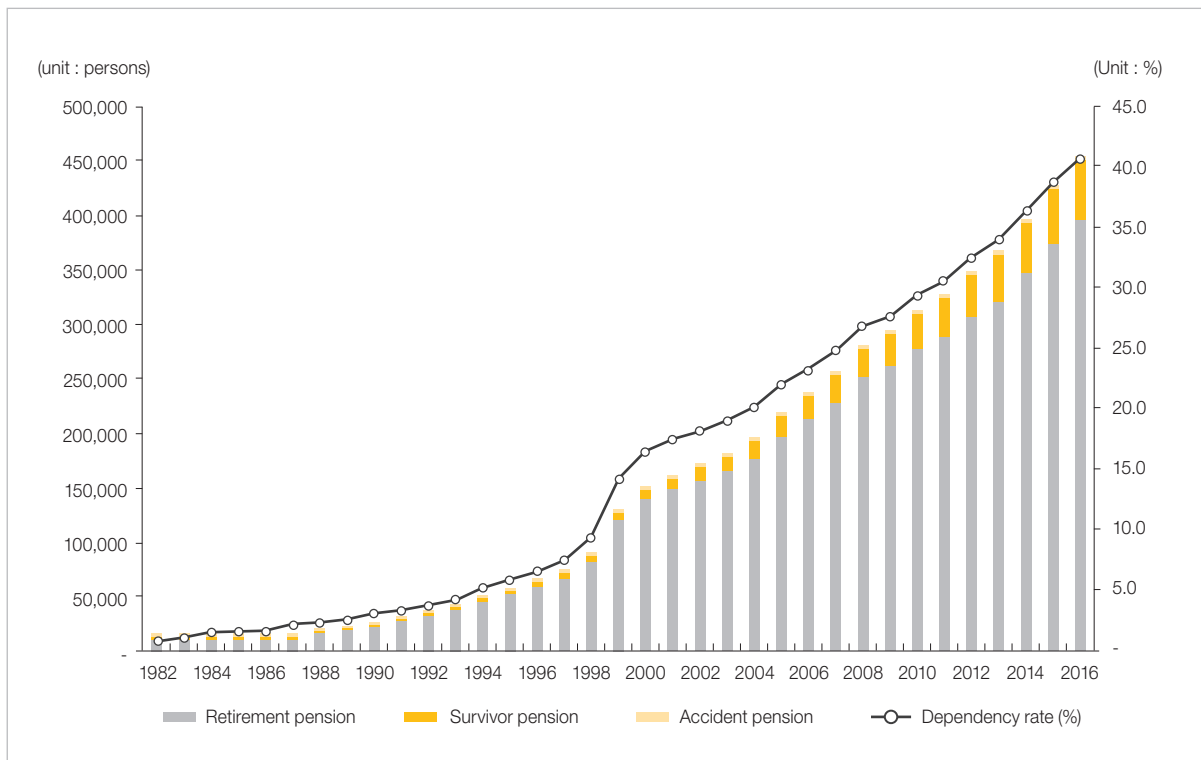
## ■ Flow of Government Employees by Service Years since 1982



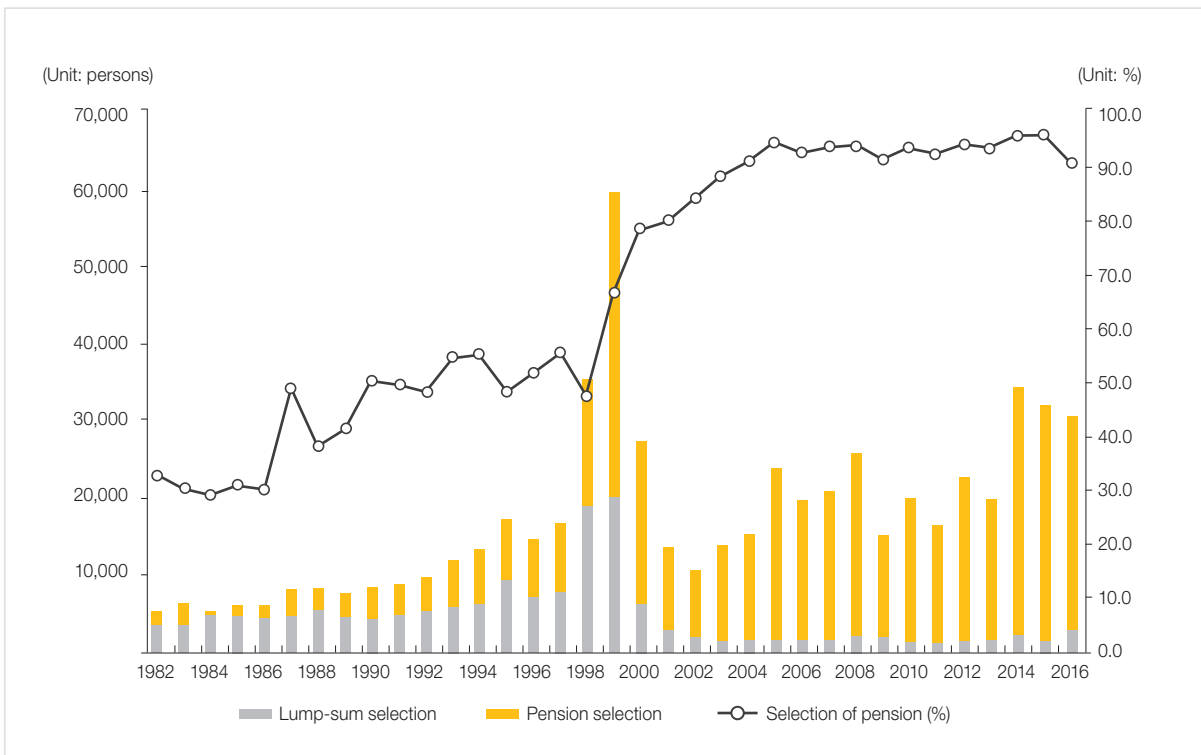
## ■ Flow of Government Employees by Occupation and Service Years since 1982



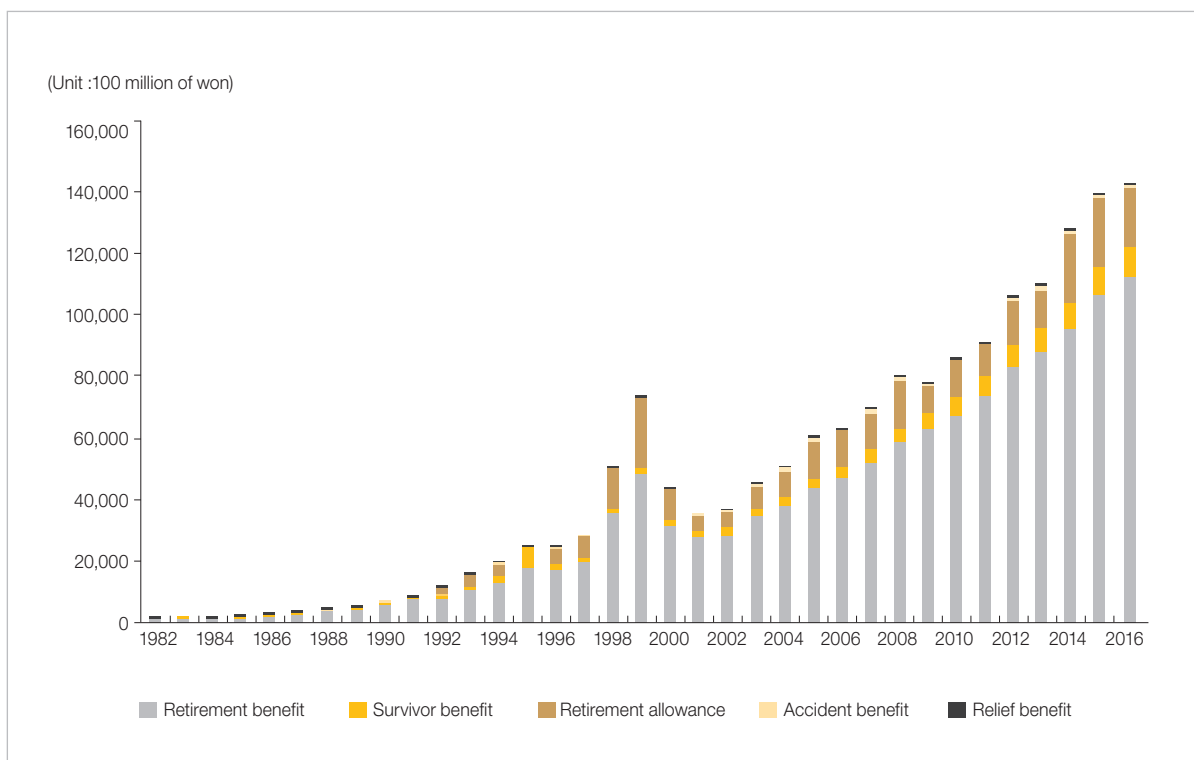
## ■ Past Flow of Pension Recipients since 1982



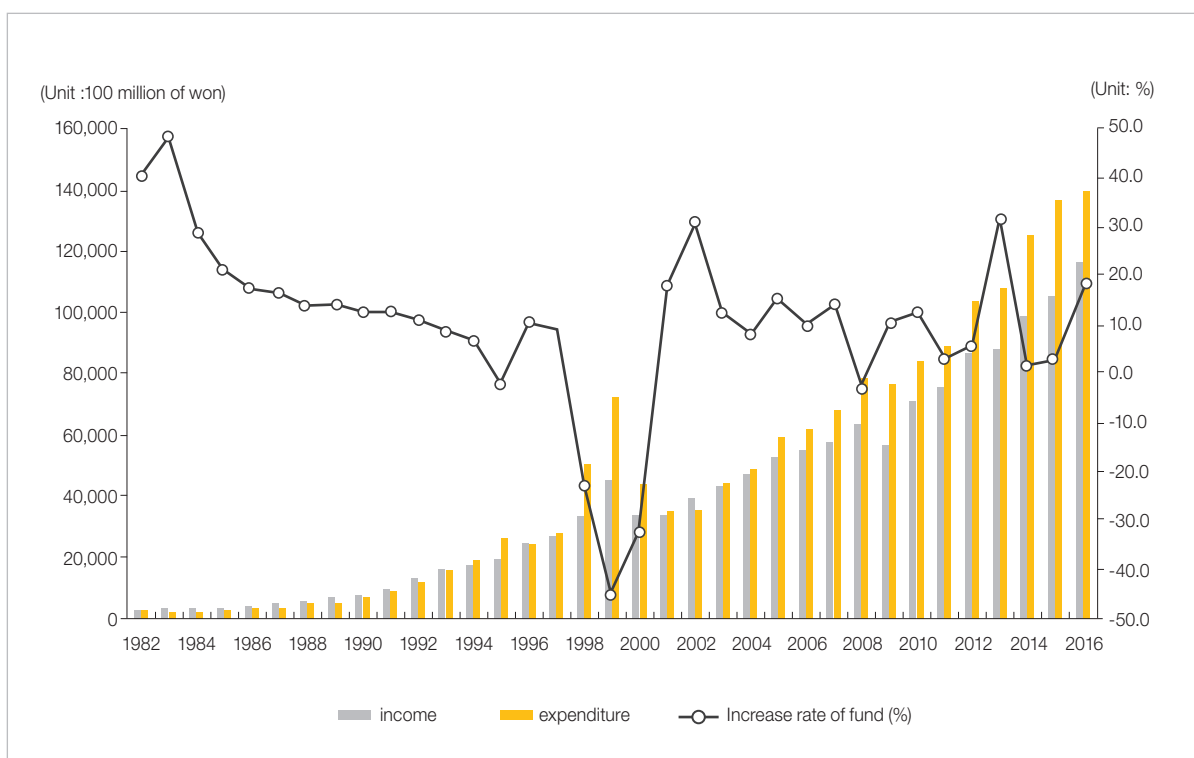
## ■ Past Flow of Pension Selection since 1982



## ■ Past Flow of Pension Payment by Type of Benefits since 1982



## ■ Past Trends in the Government Employees Pension Fund since 1982





## ■ Assets, Liabilities and Net Assets of the Fund between 2007-2016

(unit: 100 million of won)

Classification		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
asset	Housing & Urban Fund	100	100	100	100	100	100	100	100	100	100
	Investment security	41,412	32,844	38,992	42,828	42,361	38,344	38,037	38,938	45,896	58,182
	Pension payment	8,456	8,396	8,539	8,632	8,312	10,176	12,847	12,728	12,670	12,581
	Loan business										
	Loan with purpose	-	-	-	-	-	-	-	-	-	-
	Student loan	-	-	-	-	-	-	36,207	35,973	35,319	34,092
	Sum	8,456	8,396	8,539	8,632	8,312	10,176	49,054	48,701	47,989	46,673
	Housing business	12,173	15,086	18,019	20,414	21,705	25,432	44,911	46,756	41,727	48,656
	Facility operating business	3,561	3,525	3,478	3,316	3,860	4,130	8,432	8,612	7,909	10,211
	Cash reserve etc.	3,078	4,874	2,000	3,766	5,081	9,327	11,737	13,985	15,468	12,697
	Sum	68,780	64,825	71,128	79,056	81,419	87,509	152,271	157,092	159,089	176,519
	Loan business										
	Student loan	-	-	-	-	-	-	45,084	45,291	45,339	45,231
Debt	Housing business	10,285	11,198	11,268	14,175	15,795	18,934	21,173	24,868	24,376	25,765
	Facility operating business	341	331	319	377	360	306	324	408	199	137
	others	10,111	6,435	7,668	6,197	5,159	4,693	2,020	1,253	1,633	2,175
	sum	20,737	17,964	19,255	20,749	21,314	23,933	68,601	71,820	71,547	73,308
	Capital	48,043	46,861	51,873	58,307	60,105	63,576	83,670	85,272	87,542	103,211

Note)

1. Investment securities of assets include bonds, deposits, stocks, trust goods and SOC investments. 2. Housing business of debts includes housing rental deposits, loans from Housing & Urban Fund.
2. Others of debts include loans from the financial fund, advance contributions, etc.
3. The National Accounting Guideline (reflecting the market valuation of real assets etc.) was applied according to the National Accounting Act from 2013.

# Government Employees Pension

## Annual Report 2016

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