Association for Monitoring and Advocacy of Government Pensions (AMAGP)
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SEMPER VIGILANS

STATEMENT

Issued by A P Stemmet
On behalf of : The AMAGP
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THE GOVERNMENT PENSION FUND CAN NOT AFFORD TO SAVE ESKOM

On 19 February 2020, representatives from the GEPF tabled the 2018/2019 Annual Report before the Parliamentary Finance Standing Committee.

As expected the GEPF painted, as usual, a positive picture of the state of the Fund. On the face of it , the GEPF is in a sound condition.

Whilst it is not alleged that the GEPF wilfully mislead the Standing Committee, a closer analysis of the Annual Report by our auditor colleague, however, reveals a different situation.

The Chairperson's concluding remarks in the Report reads as follows:

> *". . .reassurance to our members, pensioners, and beneficiaries that their, and their future generation's financial future is secure and set to grow." (Refer to page 5 of the Annual Report)*

The GEPF stated on its Twitter account that "*the fund had registered positive performance despite poor economic conditions in South Africa."*

As always, the devil is in the detail. Much of the detail is readily available in the Annual Report, however some of the detail requires further interpretation.

Consider the following : The contributions received in 2019 amounted to R75.1 billion, but the benefits paid were R95 billion – a shortfall of R19.9 billion. This trend, of the benefits paid exceeding the contributions, already began in 2015. *(Refer to page 48 of the Annual Report)*

The funding level has once again been quoted in an attempt to reassure members and pensioners that their pension is secure. The funding level in 2018 was, according to the actuaries, 108%. That statistic is compared to the funding level in 1996 which then was

72%. What is not highlighted, although the detail is in the annual Report, is that the funding level peaked in 2006 at 128% declined to 103% in 2012. The funding level peaked again in 2014 at 122% and has been declining since 2014. This is another downward trend. *(Refer to page 54 of the Annual Report)*

A third downward trend is the growth in investments.

The GEPF is quick to point out that the growth of the investments in 2019, although only 2.6% was better than many other pension funds and investment over the same period. There is also a statement that over the period 2009 to 2019 the accumulated investments reserves grew by an average rate of 11.2%. However another downward trend is revealed when one compares the growth with the CPI.

(See graph below and page 11 of the Annual Report).

The three trends highlighted above should be regarded as red flags.

It is convenient to attribute the poor performance to the South African economy. The truth is the GEPF is over exposed to local assets. The decision to remain 90% invested in the SA economy is one taken by the GEPF Board. They are not forced to do so. The GEPF Law allows the Trustees the freedom to invest anywhere globally. The prescripts and restrictions of Regulation 28 are not applicable to the GEPF as the Fund falls outside the reach of the Pension Fund Act. It is interesting that Mr Abel Sithole, the Principal Executive Officer, has acknowledged as much. *(See page 6 of the Annual Report)*

Given the trends highlighted above and also keeping in mind that such a step will be illegal, how can the GEPF, and Government even consider a R254 billion rescue plan for Eskom? Have they truly and correctly considered all the red-flags popping up all over the place?

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