

STATEMENT

SUBJECT: SOME CONCERNS OF THE GEPF MONITOR GROUP

Date: 09/02/2017

Not a day goes by without reports in the media about State Owned Enterprises (SOE'S) having financial problems or landing in some scandalous situations.

A typical example is the report in Business Tech of 22nd August, 2017. "The state companies running on empty in S A." In this report it is repeated that SOE's have been marked by rating agencies as one of the biggest risks to the country's crawling economy. The SOE's incurred a combined loss of over R15.5 billion in the 2014/15 financial year.

The Government Employees Pension Fund (GEPF) through its investment agency, the Public Investment Corporation is despite huge losses and flickering red lights keeping on pumping billions into these bottomless pits. When queried about this the assurance is always given that such loans are guaranteed by the Government. Our question, however, remains how an equally bankrupt government can guarantee these loans, and if they do, the taxpayer will eventually suffer.

Our latest concern is the announcement by the Minister of Finance that Treasury is planning to sell R10 billion worth of shares in Telkom with a view to save the always sinking SAL. Although it is denied that funds of the Government Pension Fund will be used to save SAL. The strong possibility is obviously there that the Government will force the PIC to buy these shares. This is exactly what happened in 2015 when the Government sold its share of 14% in Vodacom to the PIC to recapitalise Eskom. We therefore, have reason to fear that this will happen again. Remember that the Deputy Minister of Finance is the chairman of the PIC.

Certain developments during the past years have given the GEPF Monitor Group (MG) hope for some responsibility regarding investments, loans, etc. of the funds of their pension fund. On 18th October, 2016 under the leadership of the opposition the PIC and GEPF were forced to give particulars to the Parliamentary Standing Committee on Finance of unlisted (secret) investments/loans. Particulars of 250 were given. The DA, FF+ and us immediately doubted whether all secret particulars were disclosed. Unfortunately we all were right. The MG analysed the investments and loans and found the 65 of the 250 disclosed projects showed a return of between minus 55.02% and 0%. In 39 cases no rate of return was declared. So much for transparency and openness to parliament.

On 11th March, 2016 the MG forwarded a list of questions to members of the Board of Trustees of the GEPF. We duly received the usual lecture containing assurances about investments but did not receive answers to any one of our questions.

The questions were inter alia about the "old" and "new" African Banks. When the "old" one became bankrupt in 2014 a loss of R4 billion was incurred on behalf of the pension fund. The GEPF however, immediately started funding its successor in which it has presumably an

interest of 25%; SOEs like Sanral, Eskom, ACSA, Transnet to the amount of R186,13 billion for the 2014/15 financial year; investments in Lonmin, Bridge City Mall, Centre Point (Milnerton), Malelani Travel Lodge, and more.

In Independent Media the GEPF bought a share at R500 million and granted a loan of about R800 million in this very risky venture. The declared reason for making these millions available to buy Independent Media was, according to Dr Dan Matjila, CEO of the PIC, to create a black Naspers. Really? With money belonging to pensioners?

Nowhere in all these investments/loans will you find any particulars about the required by law purpose of investments on behalf of a pension fund, namely the benefit of the fund.

When no replies to our questions were received by 18th October, 2016 and after the meeting of the Portfolio Committee on Finance, the PIC undertook to supply the required answers. Members of the GEPF were present. They (PIC) were of the opinion that the questions really required simple answers.

Again no answers came forth although meetings between the MG, PIC and GEPF took place and also despite correspondence about the questions.

On 19 July, 2017 at another meeting between these three organisations a trustee member of the GEPF out of the blue announced that no questions will be answered. This effectively blocked the PIC from giving the required answers. Some nonsensical reasons for this decision were given. They knew very well since 18 October, 2016 that the PIC undertook to furnish the answers and never objected to them doing so. At a meeting on 9 November, 2016 in Cape Town a trustee member partially answered without objection a question from the floor about African Bank and listened to an answer by the member of the PIC to another question. Both questions referred to matters included in the list of questions dated 11 March, 2016. No objections were raised.

Despite the slap in the face on 19 July, 2017 the PIC and GEPF were invited to address and answer questions at the Annual General Meeting of the MG on 11 August, 2017. Again no answers were forthcoming. This time for other reasons by the GEPF inter alia that reports will be made available after the meeting of the Parliamentary Committee on Public accounts. This about matters raised on 11 March, 2016 already.

This new secrecy about investments/loans is to say the least shocking. It inevitably creates the impression that something untoward is happening and that the GEPF is not accountable to the only owners of the pension fund, the members of the fund. It is therefore, doubted if the full picture will be given to the parliamentary committees concerned. The only hope remaining is that of parliament and the media will see that this does not happen. The time has now arrived for the Monitor Group to employ less friendly ways to extract answers about matters concerning their pension fund.

Next time the MG had cause of high hopes for the safeguarding of the fund came when Mr Themba Godi, Chairman of the Standing Committee on Public Accounts announced that his committee wanted action to be taken against those implicated corruption in SOE'S . He also

said “What is clear is that there are serious governance issues in our SOE’S.” We presumed a full scale investigation would follow.

This belief was strengthened when the chairman of parliamentary committees, Mr Frolick, announced that there would be four committees investigating SOE’s. This together with a full scale investigation by a Commission into the so called state capture also as favoured by the Deputy President, Mr Ramaphosa raised high hopes.

Any hope of proper investigation by Parliamentary Committees was dashed when it was announced that Parliament does not have the necessary funds for such investments. Seeing that such investigations can help so much to safeguard our pension fund it is wondered if the Board of Trustees could not instruct the PIC to make the necessary funds available for the investigations.

The Monitor Group has no direct interest in a commission of enquiry into the state capture but has taken note of a report by academics entitled “Betrayal of promise: How South Africa is being stolen” because the Public Investment Corporation is referred to in a few places in the report. For example: “Zuma’s power elite realised that to effectively centralise control over rent seeking they needed control of the The Public Investment Corporation and the unique power available in the Minister of Finance to issue guarantees. This is only possible if a loyal Minister of Finance is in place.”

In this report reference is made of the capture of SOE’s by the Guptas and the role(s) played by Brian Molefe.

Much information in this report strengthens our severe distrust in SOE’s.

It is high time that everything about the SOE’s be made public. Unfortunately we do not believe the Minister of Finance when he gives assurances. Regarding SAA it is really a matter of the lady doth protest too much. He issues a statement every few hours about the financing of the bankrupt SAA. Time and time again we are assured that the funds of the GEPP will not be used.

We, however, have reasons to distrust him. At the recent ANC Policy Conference he suggested that the role of the Public Investment Corporation be changed so that its funds can be invested to accelerate Radical Economic Transformation. According to him it at present only serves the elite whites.

We have news for the Minister. At least 80% of the members, and therefore owners, of the fund are not white.

The Minister and his deputy often speak as if the money in the fund belongs to them. We are very much aware that the deputy is the Chairman of the PIC.

The assurances by the Minister about the SAA and the possible sale of Government shares in Telkom reminds us of what happened in 2015 when the Government sold shares in Vodacom to save Eskom. The buyer? The PIC of course using the money of our pension fund. Why

would this not happen again. Our pension fund is therefore again in jeopardy. Nor can the assurances by the GEFP be accepted. How can we if they withhold other information from pensioners.

The financing of the SOE's is in such a bad state that many SOE's have suspended their bond auctions. There are simply no interested buyers. This leaves the SOE's as the only buyers which of course again lead to distrust.

The Minister of Finance recently, in one of his many statements about the SAA said that the fundamental problem of the SAA is how it has been led. In an article in Moneyweb it is stated that the troubles of the SAA are indicative of the poor governance of SOE's.

Minister Des van Rooyen recently said that we will always have cadre deployment with us.

This really brings us to the crux of our problems with especially the SOE's but also with reckless and negligent investments by and behalf of our pension fund.

Why are the people responsible for bad management, plain incompetence, bad governance, etc. not taken to task? The instruments for doing this and holding them responsible through criminal and civil law are there but are not used.

Everybody knows what is wrong but nothing is done about it be it for political or any other reason.

A good example is the African Bank saga. According to the Myburgh Committee management and directors dealt in reckless and negligent ways with deposits, thus money belonging to somebody else. (like our pension fund losing R4 billion). Opposition members of Parliament insisted that the report be referred to the Public Prosecuting Authority and then? Silence. Incidentally should the people responsible for the investment of our pension money not also be investigated? Not only criminal action but also financial accountability should be looked at, of all concerned.

All of us will be well advised to again read the excellent and informative article by Dr Dale McKinley in Engineering News on 5 July, 2017. "The legal weapons in the ongoing battle against impunity at parastatals." He skilfully points the legal instruments available to bring culprits and incompetent cadres, especially in SOE's but actually everywhere to book.

I quote only one paragraph from this comprehensive article: "Nonetheless, despite the overwhelming evidence, both past and present, coupled with mounting citizen anger and frustration, impunity still reigns supreme. Precious few of those implicated SOE leaders and board members have had to pay any price whatsoever, something political (party and State) protection has gone a long way to ensure."

Dr McKinley refers to the Public Finance Management Act of 1999, making provision for an accounting authority "wilfully or in a grossly negligent way" fails to protect "...." act with fidelity, honesty, integrity and in the best interests of the public entity". There are of course also remedies available in other laws as well as the common law.

Why are these measure not used?

The GEPF Monitor Group is sick and tired of pensioners being bullied and the pension fund being used as a piggy bank to keep up bankrupt/corrupt government instances. Every time anything has to be financially supported or saved, the fund is under threat. Recent instances were SAA, Nuclear Power Project, Eskom, Prasa, Transal, Petro SA, Fees must fall, and many more.

We do not believe assurances by the Government and are worried about this new secrecy veil drawn over investments/loans as recently announced openly by the Trustees of the fund. We hope that members of parliament will be able to stop this.

The MG has noted that it has become the custom, especially by parliamentarians, to hold the PIC responsible for all the ills of the investment/loans which they made on behalf of the PIC. We believe that this is wrong. The PIC is merely an investment agency used by the Board of Trustees. Others can also be used.

The Board of Trustees and not the PIC is accountable to the owners of the fund, namely the members of the fund, and it is the Board who should really be called upon to explain to parliament.