

In Numbers

30,000

The number of civil servants who could take early retirement and may do so if prescribed assets were implemented, according to Adamus Stemmet, spokesperson for the Association of Monitoring and Advocacy of Government Pensions.

Peril looms for state pension fund

Lobby group calls prescribed assets policy a disaster

By CHRIS BARRON

● Prescribed assets should be fought tooth and nail, says Adamus Stemmet, spokesperson for the Association of Monitoring and Advocacy of Government Pensions (AmaGP).

Such a policy would threaten the sustainability of the R1.8 trillion Government Employees Pension Fund (GEPF), he believes.

"In effect you're forcing pension funds to lend money to bankrupt state entities."

To pretend they'd be investing this money is laughable and disingenuous, he says.

"How can you invest in an absolutely bankrupt entity like Eskom?"

"You invest to get an increase in your capital, or to collect dividends. For Pete's sake, where are you going to get dividends from Eskom at this stage?"

He rejects the argument that it would be better than resorting to the International Monetary Fund (IMF) or allowing Eskom to collapse. Unless the government changes its economic policy Eskom will collapse anyway, he says.

The IMF will bring its own rules and regulations that might offer protection for the GEPF.

"The moment they come in they'll take control to a certain extent and then the pension fund cannot be reached. We hope this would protect pension funds but of course we can't be sure, because we cannot trust

this government at all."

Stemmet says the government's attitude to pension fund money can be gauged from a 1983 ANC document that pointed out that pension funds and insurance companies had collected billions over the years, "which will be at our disposal".

He says this was also the attitude of the apartheid government, which imposed a policy of prescribed assets.

"Exactly. And in 1989 they stopped it because they were harming the economy.

"The ANC government is making the basic mistake of referring to this as public money. It is not public money, it belongs to the members of the pension fund, not to the government."

He says he doubts that the government will prescribe the assets of private funds because the political costs might be too high.

As for whether the government will risk using the GEPF as a piggybank, it has already started, he says.

The Mpatl commission into the Public Investment Corporation (PIC), which invests

civil servants' pension money on behalf of the GEPF, has shown the extent of political interference in these investments.

"There is R94.5bn of GEPF money in Eskom already. And Denel, SABC, you name it. They've done it already. And it's illegal, of course."

According to section 3 of the GEPF Act the money must be invested in the interests of the fund. "To keep the fund going, not to keep a bankrupt government going."

Government pensioners had been raising their concerns about "reckless, politically motivated" investments with ministers, MPs and the board of trustees of the GEPF long before the Mpatl commission confirmed their worst fears, Stemmet says.

The lack of an adequate response prompted them to form AmaGP in 2016 to lobby for the sustainability of the fund, which they felt was being endangered by political investments.

Abel Sithole, the principal executive officer of the GEPF, responded to AmaGP's detailed and documented concerns with a "lecture" on how well the investments were performing and that there was nothing to be concerned about.

It's difficult to calculate how much has been lost but it's "billions and billions and billions", says Stemmet.

"Whether we'll ever arrive at the true figure, I doubt."

What is known is that in 2006 the GEPF had a long-term funding surplus of R9.1bn. By 2018 this had become a R583bn deficit.

How?

"We've asked that question many times. They say it's the poor economy."

"We say that's a lot of nonsense."

In addition to an astronomical rise in the fees paid by the GEPF to external fund man-



You're forcing pension funds to lend money to bankrupt state entities

Adamus Stemmet
Spokesperson, AmaGP



Adamus Stemmet of the Association of Monitoring and Advocacy of Government Pensions says the government can't be trusted with pension money. Picture: Esa Alexander

agers used by the PIC, he says, "it's the result of very, very risky, politically motivated investments. We've got lists and lists.

"The Mpatl commission has just touched the tip of the iceberg."

Sithole said in April that inflation-related pensions could no longer be guaranteed and government pensioners must expect to receive lower increments.

Two years ago an actuary recommended

that the government's contribution to the fund be increased.

"Nothing happened. He repeated it in 2018. We're now waiting for 2019, but I can assure you the government has not increased its contribution. And with a deficit of R583bn we have reason to be worried.

"If the government now wants to force us to invest in bankrupt state-owned enterprises [SOEs] then the GEPF is going down the drain."

As a defined-benefit fund, its payouts are supposedly guaranteed by the government. But this means very little in reality, he says.

"Would you accept a guarantee from a bankrupt guarantor? The government is bankrupt. That is why they want to use the GEPF to keep bankrupt SOEs going."

He says there are no conditions under which prescribing pension fund assets would be acceptable.

Magda Wierzycka, CEO of Sygnia asset management company, says pension funds should be allowed to invest 40% (up from 25%) abroad in exchange for investing 20% of pensions and savings in government debt.

"If we could have trusted the government this might have been an option," says Stemmet. "But we cannot trust this government. This government is bankrupting the country. Its economic policies are not working.

"There'd be a negative return on any money invested in Eskom or any of the other SOEs. It would be lost."

Even a government guarantee that the funds whose money was invested would have oversight of SOEs wouldn't be good enough.

"Even if the government could make such an agreement, how can we believe they'd honour it? Until it changes its economic policies we cannot trust them."

Stemmet says the implementation of prescribed assets could encourage 30,000 members who are entitled to go on early retirement to take their actuarial value in the GEPF and leave.

"This would be a hell of a knock to the fund.

"It is happening. People are leaving. They're scared that their pensions are going to be invested in SOEs and lost."

If it became a trend it would further erode the sustainability of the fund, he says.

"It can't take those knocks forever. There will come a day zero."