

Association for Monitoring and
Advocacy of Government Pensions

(AMAGP)

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STATEMENT

Issued by A P Stemmet
On behalf of : The AMAGP
Cape Town

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GEPF TRUSTEES : IS THE PENSION FUND TRULY STILL SOLVENT TODAY?

Following the release of the GEPF's 2018 Actuarial Report in Feb/March 2019 The AMAGP issued a statement on 17 March 2019. In that statement it was inter alia stated :

1. "It is abundantly clear that the pension fund is on a steep down road spiral and if the trend continues the strain on the fund to honour its long term responsibilities will continue to increase ... ;
2. the actuary now recommends increases by the government ...;
3. the income on investments is not sufficient ...; and
4. only 59% of the contributions by serving members ... for their pensions when they retire, have been channelled to the PIC to be invested for that purpose ..."

The full statement and annexure is available at this link :

<https://www.amagp.co.za/media/amagpstatementgefactuarialreport17mar19complete.pdf>

Our retired auditor colleague then came to the following conclusion :

"As can be seen, at this time , because of the last 4 years, any hope of progressing towards achieving the long term funding level has been abandoned."

The following basic, yet important question directed to the TRUSTEES of the GEPF, is a follow up of that review by him :

"Is the fund still truly solvent today?"

The Actuary in his 2018 valuation report of the GEPF stated the following:

*"In order to determine the level of solvency of the fund, it is necessary to compare the total assets of the fund with the total liabilities. **The fund is solvent when the value of the assets is equal to or greater than the value of the liabilities, i.e. a funding level of 100% or greater. The funding level is the ratio of the value of the assets to the value of the liabilities of the fund at the valuation date.**"*

For information to be relevant it needs to be timely.

A persistent problem with information about the Fund, is that by the time that the information is released by the GEPF to members, it is indeed already outdated.

The GEPF released its 2018/9 Annual report (AR), dated September 2019, only in December, basically when we are already more than midway through the 2019/20 financial year.

The funding rate of 108,3% was calculated **as at the end of March 2018** by the Actuary in November 2018 already.

The report released three months later in February 2019, confirmed that the assets /pension liabilities. Unfortunately this funding ratio is already 21 months old and based on the trends since 2014, and may indeed not be valid today.

The GEPF's pension liabilities, on average, increase by +- R125 billion per year.

The 2018/9 AR reveals that assets ONLY increased by R17 billion since the prior year. The fact that the annual increase in assets cannot match or exceed the increase in pension liabilities, indicates and ensure that the funding ratio is decreasing by +-5% per annum, all things being equal.

Over the aforementioned 21 months, the rate of deterioration of the minimum funding ratio then equates to +-8,75% and as a result, reduces the buffer (the Reserves) the Fund had at the end of March 2018, effectively to zero.

With due consideration that it has been more than 21 months since **March 2018**, we may very well have reached the point where assets/pension liabilities **and IF SO, we have the unfortunate situation where the Fund is not solvent anymore.**

The solvency (or not) of the FUND is a material fact which should be urgently disclosed in full to members without delay, especially those members contemplating early retirement. It is the duty and responsibility of the GEPF Trustees to communicate fully and transparently at all times with its internal and external clients members. The Trustees must come clean and talk to their members and other clients MUCH MORE regularly. "

We are keenly waiting for the report by the 'Mpati Commission' as well as the government's decisions and recommendations on the report.

It should, however, be kept in mind that the GEPF as such was not investigated. Yet, it is very clear that the situation at that body should also receive serious attention from the authorities. Failing to scrutinize the doings of the GEPF and its

Trustees on a regular basis is to fail the taxpayers, pensioners and still active members of the Fund in a huge way.

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