

Association for Monitoring and
Advocacy of Government Pensions

(AMAGP)

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STATEMENT

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On behalf of : The AMAGP
Cape Town

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THE VBS SCANDAL : WHAT NEXT, GEPF ?

1. The 12 October 2018 Daily Maverick article by Aidan Jones on “VBS scandal: PRASA employee hailed for her role in saving R1 billion” has reference and needs further in-depth discussion.
2. The AMAGP wishes to join the accolade in respect of the PRASA employee, Yvonne Page who despite instructions from her seniors, thwarted attempts to lure PRASA into investing R1 billion in the VBS Mutual Bank. We should, however, not forget another heroine in this sad saga, Me Venter, who tried hard to prevent the Capricorn Municipality from making illegal investments in the VBS Mutual Bank and who was suspended for her efforts. It is hoped that these two ladies will be honoured suitably.
3. The VBS Mutual Bank scandal, the role of whistle blowers and the detrimental effect of financial losses on human psychology, accentuate the content and urgency demonstrated in the above Daily Maverick article. Within context of the PIC and GEPF investment relationship domain, one must take cognisance that although the PIC, in the VBS Mutual Bank case study was the primary investment agency, approximately 87% of the PIC investment capacity is executed on behalf of the GEPF.
4. During the recent past, many dubious PIC investments came to the fore. There are many questions regarding ‘foresight’ and who were supposedly informed of the wrongdoings. Without shaming and blaming, one is prompted to pose the question, what to do next?
5. The GEPF Responsible Investment Policy dated 16 November 2017 states in this regard that ‘...according to the GEPF’s investment policy, the GEPF’s assets are invested to deliver optimal returns at acceptable levels of risk. The Board of Trustees of the GEPF are the fiduciaries entrusted with the achievement of the investment objectives...’. With this in mind, two critical factors must be emphasized, namely what next in terms of legal

responsibilities and does the GEPF Board of Trustees financially perform in accordance with its own promulgated Responsible Investment Policy?

6. The GEPF Trustees have a duty of care towards the investments made on behalf of members. How good are they at this? Well, the ink was barely dry on the Steinhoff bolt out of the blue and now we have the VBS Mutual Bank heist.

7. Like with Steinhoff, early warning signals appear to be ignored. The result, another failed investment. This time, in addition to GEPF pension funds being misused and abused, we have depositors and the workers at the Bank itself who will suffer the consequences. Surely, earlier action could have stemmed the outflow of funds.

8. But why are there no consequences to those entrusted with the duty of stewardship?

9. With the bribery revealed thus far in the VBS Mutual Bank scandal in mind, it is inconceivable that those in control of the largest pension fund in SA and its investment agent have never been on the receiving end of an attempted bribe or acts regarded as corruption which warranted reporting to the Directorate for Priority Crime Investigations (DPCI). This is what we are led to believe as not a single case has been reported to the DPCI in terms of section 34 of the PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT 12 OF 2004 (PCCA). (Source: Question RNW1649 to the Minister of Finance. <https://pmg.org.za/files/RNW1649-180704.docx>)

10. Section 34(1) of this Act is very clear and read as follows: "**Any person who holds a position of authority** and who knows **or ought reasonably to have known** that any other person has committed -- (a) an offence . . . or (b) the offence of theft, fraud . . . ' involving an amount of R100 000 or more must report such knowledge **or suspicion** to any police official."(*Our underlining*)

11. Section 34(2) reads as follows: Subject to the provisions of "... any person who fails to ... comply with subsection (1), is guilty of an offence. Failure to report suspicions of corruption is in itself an offence". We hope the DPCI will start to interrogate Those Charged With Governance (TCWG) at the GEPF and the PIC for what appears to be an absence of visible support in the fight against corruption as envisaged in the PCCA. Furthermore, this absence of visible and active support by the GEPF leads us to the conclusion that the current reluctance to report without delay, actually facilitates corruption.

12. At VBS Mutual Bank, this failure to report ito PCCA not only impacts the pension funds invested but the savings of rural depositors AND municipalities. The negative ripples of this case travel wide and affect various communities.

13. We hope TCWG at the GEPF and PIC continue to sleep easy at night. We know that members of the GEPF, the VBS depositors and employees who will lose their jobs won't.

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