



STATEMENT

Issued by A P Stemmet
On behalf of : The AMAGP
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GOVERNMENT PENSIONS ARE NOT SAFE OR GUARANTEED AT THIS MOMENT

Some commentators and many pensioners are, after the State of the Nation Address, under the incorrect impression that their pensions are now safe. However, clearly it is not at all safe!

The President's choice of words, and the context in which it was communicated during his speech, are ambiguous. From what he said it is clear that no pensions are safe or guaranteed. Not now and not in future.

The President clearly stated that the government has its own financial woes. Therefore the government **is in no position to guarantee anything** related to finance and pensions.

On 13 February 2020, President Ramaphosa delivered his State of the Nation Address (SONA). Many South Africans were eager to hear government's plans in respect of ESKOM and especially the use of the Government Employees' Pension Fund (GEPF) to rescue the failing SOE. The President failed to address the concerns of pensioners.

President Ramaphosa said: The social partners – trade unions, business, community and government – are committed to mobilising funding to address Eskom's financial crisis in a financially sustainable manner. They would like to do this in a manner that does not put worker's pensions at risk and that does not compromise the integrity of the financial system.

It is assumed that this comment was directed at members and pensioners of the GEPF and not to members of all the other pension funds in the country. One cannot

be too careful – what a politician says and means are not always the same. He did not say that GEPF funds would not be used. All that was said was: “They would like to do this in a manner that does not put workers’ pensions at risk”.

The Association for the Monitoring and Advocacy of Government Pensions (AMAGP) is very aware of the fact that the collapse of ESKOM will be a national disaster.

However, the AMAGP is totally opposed to using the GEPF to rescue ESKOM.

In the past, the GEPF and PIC have played down losses of 2 or 3 billion Rand as being insignificant when compared to the total assets of the GEPF. A “loan” of R200 billion, as proposed by COSATU, can certainly not be dismissed as being insignificant under the current circumstances.

Minister Mbowene during his Medium Term Budget Speech (Oct 2019) stated: “Pouring money directly into Eskom in its current form is like pouring water into a sieve . . . I want to make it clear: the national government is not taking on Eskom’s debt.” Strong words from the Minister of Finance indeed.

However four months later the scenario is to pour GEPF money into the sieve.

The GEPF has on more than one occasion told members and pensioners that their pension is a defined benefit and that it is protected by law and that the government has to guarantee the fund.

That is true, but where is the logic in all of this? This is simply a case of robbing Peter to pay Paul. All that has happened is that ESKOM’s debt is alleviated by the GEPF and then it becomes a government debt. The government is proposing a short term solution and creating a long term risk. How will government repay the GEPF? Will it raise taxes?

According to STATS SA, since 2007/08, the government has consistently spent more than it earns.

Minister Mboweni indicated in 2019 that the national debt is now in excess of R3 trillion. This debt must be serviced.

An interesting omission in the SONA is the national water crisis. In December 2019, Minister Sisulu stated that her department would need approximately R900 billion over the next 10 years for water supply and water storage. She was silenced. Here is clearly yet another pending national crisis. Will government once again look to the GEPF? What about all the other failing SOEs? Will there be another proposal to use GEPF funds? The red lights are flickering from beginning to end...

The AMAGP is not alone in expressing its concern regarding the use of GEPF funds to rescue ESKOM.

The government would be well advised to listen to the concerns being raised by the politically non-aligned unions that represent public servants. What is interesting is

that on 12 February 2020, COSATU admitted that there is some unease amongst its own members regarding the security of their pensions and that COSATU should move slowly and consult its members.

One is reminded of those oft quoted lines from Ernest Hemingway's *The Sun Also Rises*.

“How did you go bankrupt?” – “Two ways. Gradually, then suddenly”.

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