



STATEMENT

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

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MISCONCEPTIONS ABOUT USE OF GOVERNMENT PENSIONS BY GOVERNMENT EXPLAINED

There is a growing perception that the government is so bankrupt that it is prepared to contravene laws of the country even if it is in direct conflict with the interests of workers and pensioners.

The speculation about prescribed assets and recent statements that the Minister of Finance is now in favour of the possible change of Regulation 28 have been the cause of serious concern of pensioners and working members in the private and public sectors for a while already.

Regulation 28 is applicable to Pension Funds governed in terms of the Pension Fund Act (PFA).

The Government Employees Pension Fund (GEPF) does not fall under the PFA.

Notwithstanding this, the Trustees voluntarily adopted the guidance of Regulation 28 some years back. Under present circumstances this in itself leaves the door wide open for the illegal misuse of the Government Employees Pension Fund (GEPF). The question also arises whether the present situation benefits the GEPF and its members.

In addition, the GEPF's historical asset allocations have been skewed away from foreign exposure. This increases diversification risk and is something the actuaries have commented on during the 2018 statutory valuation as follows:

“The fund holds a lower percentage of foreign assets than might otherwise be suggested purely in terms of the risk diversification of assets.”

AMAGP, based on the 2018 and previous actuary valuations, highlighted the inadequacies of the GEPF's investment portfolio.

<https://www.amagp.co.za/media/amagpstatementgepfactuarialreport17mar19complete.pdf>

Furthermore, AMAGP's position against the notion of prescribed assets in general is already documented

<https://www.amagp.co.za/media/mediareleaseprescribedassetpolicy4sep2019.pdf>

A critical important point missed by the general public and commentators is that the contributions collected from GEPF members during their working years should only be invested and used to provide for the pension benefits of those members.

ANY INVESTMENT OR USE FOR ANY OTHER PURPOSE AMOUNTS TO ABUSE OF THE PENSION FUND AND IS ILLEGAL

The following two media releases from AMAGP emphasised this point.

<https://www.amagp.co.za/media/amagpstatement19april20usingfundillegal.pdf>

<https://www.amagp.co.za/media/amagpstatement20Junmisuseofmonies.pdf>

In 2016, the GEPF Trustees did a detailed Asset Liability study where-after they revisited the Strategic Asset Allocations of the Fund, including an increase of foreign exposure. To give effect to these changes, the Trustees are compelled to consult with the Finance Minister in terms of the GEP Law. This they duly did BUT unfortunately, for reasons not disclosed to GEPF members, the Minister of Finance has to date NOT signed off on these revised allocations and the plan of action to transition to the recommended portfolio structure.

This matter was also raised at the Mpati Commission where the GEPF indicated that because the Trustees have already considered and decided on the matter, the Minister should have considered the matter so that they could implement it as soon as possible.

It needs to be emphasised that one of the most important decisions a board of trustees can make that directly affects the portfolio performance, is the Strategic Asset Allocations.

Again, AMAGP has issued various media releases highlighting the continued deterioration of the FUND since 2014. Our questions regarding the solvency of the Fund remain unanswered.

<https://www.amagp.co.za/media/amagpstatement8jan20ispensionfundsolvent.pdf>

The continued inaction (indecisiveness?) of the Finance Minister and the inability of the Board of Trustees of the GEPF to move him to conclude the consultations, notwithstanding various reminders by AMAGP and the independent actuaries, appear not only to be unreasonable but is also to the detriment of the fund. Some pensioners even suspect ulterior motives.

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