



## **STATEMENT**

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

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### **IS THE GOVERNMENT EMPLOYEES PENSION FUND WELL GOVERNED?**

The Public Investment Corporation (PIC) recently received all the attention and focus during the PIC Commission's Inquiry into matters pertaining to its enterprise to such an extent that many people had forgotten that the Board of Trustees of the Government Employees Pension Fund (GEPF) is actually the real authority managing our huge pension fund.

It just appears strange that nobody acknowledged the fact that the GEPF's Board of Trustees is actually the authority managing the Pension Fund on behalf of its owners, the members of the Fund.

This impression might be caused because the Board does not even have an annual general meeting with its owners, the members of the Fund! It is at such meetings where the Board and its owners could interact. That is where the owners of the Fund could ask questions and perhaps even hold the Board accountable on a variety of matters.

In fact there are no meetings where the owners of the Fund may also attend. Nothing! The GEPF Board only reports to the Standing Committee on Finance of parliament. And then, with the greatest respect to this Committee, the Board reports very superficially with no information made available to members of this Committee before the meeting. Then one must also bear in mind that only three hours can be spared by this very important, but also very busy Committee to question the Board and fully hear their answers.

For the 2017/18 financial year the GEPF Board of Trustees did not even report to the Standing Committee on Finance at Parliament! This is the kind of unacceptable situation with the Board of Trustees that is also supposed to be the authority central to the management of a Fund with assets of almost two trillion rand.

It must also be borne in mind that the GEPF was not investigated by the Mpati Commission of Inquiry. However it must be made very clear that AMAGP intends having a much closer look in future at the management of the GEPF, also scrutinizing the activities of the Board and their quality of service to their clients, which includes the members of the Fund. Therefore this is the first statement from AMAGP in this regard. More will follow shortly.

The Government Employees Pension Fund (GEPF) presented its 2018/19 financial report to the Standing Committee for Finance (SCOF) in Parliament only on 19 February 2020.

To summarise this important matter:

The briefing of SCOF members by the GEPF did not include relevant and material matters such as:

- benefits being paid late to +- 17000 members over the last two years
- the unclaimed benefits balance that keeps on growing
- the continued absence of an GEPF ombudsman
- the Board of Trustees'(BoT) own remuneration increases which is far in excess of inflation compared to that afforded to pensioners.

Another opportunity to be fully transparent appears to have been lost.

In the report the financial results of the Fund were graphically portrayed as reflecting "positive performance despite poor economic conditions in South Africa". However these claims, when placed in context with other information contained in the report, present a very different picture.

The mission of the GEPF is inter alia to provide for efficient delivery of benefits and empower beneficiaries through effective communication and relevant management.

In 2019 total benefits of R102 million were paid out to beneficiaries, 59% of which went to pensioners receiving less than R10 000 per month.

An independent analysis of the report by an actuary shows that in order for the trustees to exercise their discretion of increasing pensions annually by 100% of the CPI, as has taken place the past few years, the funding level ratios and contingency reserves must be such that these increases can be afforded. However, funding level ratios and reserves have steadily declined over the past years and this threatens security of pension increases. Once pensions become payable to retirees, they are exposed to investment risks which may negatively impact on the ability of the Fund to grant increases.

Moreover, although the GEP law provides for a thirteenth cheque, the BoT has **never** yet granted such a payment, notwithstanding the fact that the GEPF with assets of R1.83 trillion is the largest pension fund in Africa. A trustee who ran for the latest elections to the Board committed himself to pursuing this issue, but there is not even the slightest reference made to this in the report.

A comparison between trustee remuneration and pension increases paints a startling picture. It would appear that the people who benefit most from the Fund are those charged with the governance thereof. The two pensioner-elected trustees between them earned just short of R1 million over the year. The elected custodians of pensioners' money received remuneration increases at a rate far in excess of inflation, up to as high as 20% in 2019 (45% in 2017!) compared with the pensioners' roughly 5%, yet no attention appears to have been given to a thirteenth cheque which would benefit the majority of pensioners with lower income suffering most from the current "poor economic conditions."

Since 2016 no annual board assessments, as required by corporate best practice codes, have been undertaken. This hardly matches up with the remuneration levels of the trustees. This could be remedied by capping the trustees' remuneration increases to the same rate that pensioners receive, should trustees not out of moral considerations decline such increases voluntarily. Trustees not having attended board assessments during their four year stint should not be eligible for re-election to the Board.

For 2019 the Government Pension Administration Agency (GPAA) reported that 80% of new beneficiaries received their benefits on time, implying that 20% of beneficiaries did not receive their benefits within the legal time frame of 60 days, amounting to over 17000 cases. This is unbecoming for a reputable pension fund like the GEPF.

This non-compliance with section 26(1) of the GEPF Act is NOT disclosed in the 2019 annual report and certainly falls short of "positive performance". Yet the trustees signed off their Statement of Responsibility, included in the annual report, stating that they have not been aware of any non-compliance to any relevant act.

This representation by the trustees could be true if indeed they did not know about this non-compliance, but considering that the trustees have fiduciary duties and responsibilities, does this not point to negligence?

Also, the balance of unclaimed benefits rose from 16 180 the previous year to 17 513 cases in 2019 (8.24%), but if the BoT exercised the necessary controls this figure should have actually steadily decreased.

With regard to the empowering of beneficiaries through effective communication, the lack of access to an ombudsman specifically for the GEPF beneficiaries deserves attention. In spite of having identified in the 2015 annual report the absence of, and in principle approved the establishment of such an independent complaints handling mechanism, to be implemented in 2016, to date nothing has materialised.

What does this tell one about the commitment of the BoT, when nothing is mentioned in subsequent annual reports – no apologies nor explanations! Yet the trustees receive quite exorbitant remuneration for performance that leaves a lot to be desired!

**Is the Government Employees' Pension Fund well run? Is our pension fund in good hands? Our next statement in this regard will give the answer as to whether the pension fund is truly still sustainable.**

*NOTE: For a more detailed explanation of this evaluation referred to in the article written by Christo van Dyk, is available on the AMAGP website [www.amagp.co.za](http://www.amagp.co.za), or direct enquiries could be directed to [x2vandyk@gmail.com](mailto:x2vandyk@gmail.com).*

Enquiries:

A P Stemmet  
Spokesman AMAGP  
0823209245  
0871580225  
[adamusp2602@gmail.com](mailto:adamusp2602@gmail.com)