

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 INVESTMENT EXPENSES IS CAUSE FOR CONCERN

Is the Board of Trustees really in control of the investment of the funds of the Government Employees Pension Fund (GEPF)?

When analysing the 2018 Annual Report of the GEPF our auditor colleague raised the matter of Investment Expenses of the pension fund.

He came to the conclusion that the investment expenses are visibly out of line with the growth in the investment balance and the productiveness of those underlying assets. (The Net Investment income)

The Mpati Commission also considered this matter and made the following recommendation:

"A detailed investigation should be initiated by PIC management (potentially with the support of appropriate governmental prosecuting bodies) to create an exhaustive list of all fees paid over R5 million since 2014. This list must then be interrogated to aggressively initiate legal processes of recovery where appropriate."

Our auditor colleague's comments on the recommendation of the commission can be found at the following link

<https://www.amagp.co.za/projects-reports/thegepfanditsblueprintinvestmentexpensesdec18.pdf>

AMAGP agrees fully with the recommendation of the Mpati Commission as well as the conclusions of our colleague.

We have noted with gratitude that the Public Investment Corporation (PIC) is already giving attention to the recommendations of the Commission with regards to the recommendation referred to above. AMAGP suggests that auditors be involved in the detailed investigations into transaction fees.

Like our colleague we must ask: Where exactly does the GEPF Board as principal in the asset manager relationship feature in this matter? Did the members of the BoT not become aware that the investment expenses rocketed to an estimated R14 billion since 2014? It should be remembered that they annually signed off their statement of responsibility certifying that they -

- ensured that proper internal control systems were implemented by or on behalf of the Fund;
- ensured that investments of the Fund were made and maintained in accordance with the Fund's investment strategy.

The Mpati Commission proved beyond doubt that the control over investments including transaction fees was serious lacking.

So, is the Board of Trustees really in control? The facts indicate otherwise.

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