



STATEMENT R6/21

Issued on behalf of the Association for the Monitoring and Advocacy of Government Employees Pension Funds (AMAGP)

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RED LIGHTS FLICKERING AND A CLEAR WARNING TO THE GOVERNMENT EMPLOYEES PENSION FUND

The Auditor General's (AGSA) report for 2020 contains a clear although unwritten warning to the Government Employees Pension Fund (GEPF) namely ... **Stay away from State Owned Enterprises (SOE's).**

The GEPF, at the end of March 2020, held R billions in investments, primarily through Bills and Bonds in State Owned Instances (SOE's) and parastatals.

With the release of its report related to the audit outcomes of National and Provincial Governments, the AGSA confirmed yet again that the governance and controls at SOE's remain weak. This fact also remains a major concern of the GEPF members always.

As GEPF pensioners we have witnessed first hand the continuous annual ritual whereby Ministers, Board Members and Senior Government Officials make promises to correct and improve, only to again fail to deliver on their promises.

The SOE's are now synonymous with overpromise, under deliver and zero consequence management. The absence of consequence management was also highlighted by the Auditor General (AGSA) in her report.

We are entering a phase where public infrastructure investments by Pension Funds are encouraged by the Government. Because this is public infrastructure, these investments necessitates the interaction with government officials and SOE board members, all who already have a miserable track record. Poor governance, under delivery and incompetence still remain in the order of the day.

The AGSA (Maluleke) expressed concern that some SOE's are in serious financial trouble, and some of them disclosed uncertainty in their financial statements as to

whether they will be able to continue as a viable financial concern.

The SOE's over which there is huge concern include *inter alia* the likes of Eskom, Prasa, SAA, DBSA and Denel.

When we consider the Strategic Infrastructure Projects identified by the Government, it is evident that SOE's and public entities in the fields of electricity, transport etc. will have an immediate pivotal and prominent role to play. This needs to continue over the next 30 to 40 years.

The concern, however, is that pension funds are required to commit funds and to have investments of a long term nature in failing SOE's that already have sizeable financial difficulties. They themselves know that they find themselves in uncertain times and environments for a long time still to come.

This environment is clearly a potential breeding ground for fraud, bribery and corruption. There is a high likelihood of late, partial or incomplete delivery of their infrastructure projects. When these projects are completed, the risk of no maintenance and upkeep is extremely high. These risks increase where the SOE involved is hamstrung by its own inherent limitations and inability to address Corporate Governance failures.

This is not at all a favourable environment where any pension fund's savings should be deployed by prudent trustees without proper and rigorous due diligence of all the technical as well as financial and legal considerations.

B. L. SA published some research recently wherein the financial scale of envisaged/required infrastructure investment was calculated. The amounts are indeed eye watering i.e. infrastructure spending needs to be increased by R1.6 billion **per day** (i.e. from 2.5bn to 4.1bn)

We all can be sure of looting and plundering on a grand scale with amounts like that, and the environment in which it will take place.

We at AMAGP repeat our call that the GEPF should only consider investments once SOE's has demonstrated 3-4 years of corporate governance excellence. This is actually in line with the comment of the chair of the GEPF at the height of the Steinhoff scandal. She then said: "**The GEPF demands the highest standards of corporate governance of those that it invests in.**". Unfortunately this is not what has happened over the past number of years now.

The AGSA confirms each and every year that proper corporate governance remains an elusive goal. With this in mind, and seeing what has recently happened at an SOE, namely the Land Bank, it is clear that no investments in SOE's should be considered by the GEPF. It was stated earlier that the PIC could lose its R6,8

billion investment. In this regard a newspaper recently, and also Reuters on 1 April 2021, carried the following headlines:

“Bank misses deadline for debt restructuring plan”,
“The state bank has missed debt repayments since 2020.”

If the GEPF trustees are serious about their requirement of the highest standards, they will stay as far as possible away from the government’s investment drive in public infrastructure. They should also make sure that investments on behalf of the pension fund are made for the purpose as determined by law.

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VERKLARING R 6/21

Uitgereik deur die Vereniging vir die Monitoring en Bevordering van Staatsdienspensioene (AMAGP)

ROOI LIGTE FLIKKER EN N DUIDELIKE WAARSKUWING AAN DIE STAATSDIENSWERKNEMERSPENSIOENFONDS (GEPF)

Die Ouditeur-generaal (OGSA) se verslag vir 2020 bevat 'n duidelike dog ongeskrewe waarskuwing aan die Pensioenfonds vir Staatsamptenare (GEPF), naamlik ... **Bly weg van Staatsbeheerde Instansies (SBI's)**

Aan die einde van Maart 2020, het die GEPF miljarde rande in beleggings gehou, hoofsaaklik deur wissels en obligasies, in ondernemings in staatsbesit (SBI's)) en semi-staatsinstellings.

Met die vrystelling van haar verslag ten opsigte van die audit-uitkomst van nasionale en provinsiale regerings, het die OGSA weereens bevestig dat die staatsbeheer en beheermaatreëls by SBI's swak bly. Hierdie feit bly ook altyd 'n groot bekommernis vir GEPF-lede.

As GEPF-pensionarisse was ons eerstehands getuies van die voortgesette jaarlikse ritueel waardeur ministers, raadslede en senior regeringsbeamptes beloftes maak om reg te stel en te verbeter, om net weer in hulle beloftes te faal.

Die SBI's' is nou sinoniem met oormatige beloftes, ondergemiddelde nakoming en bestuur met geen gevolge. Die afwesigheid van bestuur van gevolge is ook deur die OGSA in haar verslag beklemtoon..

Ons betree 'n fase waar die regering pensioenfondse aanmoedig om in openbare infrastruktuurprojekte te belê. Omdat dit openbare infrastruktuur is, noodsaak hierdie beleggings interaksie met regeringsamptenare en SBI-raadslede, wat almal reeds 'n ellendige prestasierekord het. Swak staatsbeheer, ondervoorsiening en onbevoegdheid bly steeds aan die orde van die dag.

Die OGSA (Maluleke) spreek kommer uit dat sommige SBI's in ernstige finansiële moeilikheid is, en sommige van hulle het int finansiële state onsekerheid uitgespreek of hulle in staat sal wees om as lewensvatbare finansiële ondernemings voort te gaan.

Die SBI's waaroor daar groot kommer is, sluit onder andere diesulkes soos Eskom, Prasa, SAA, DBSA en Denel in.

Wanneer ons die strategiese infrastruktuurprojekte oorweeg wat deur die regering geïdentifiseer is, is dit duidelik dat die SBI's en openbare entiteite op die terreine van elektrisiteit, vervoer ens. 'n onmiddellike sentrale en prominente rol het om te speel. Dit is nodig dat dit oor die volgende 30 tot 40 jaar voortgaan.

Die bekommernis is egter dat van pensioenfondse verwag word om fondse te verbind en om beleggings van 'n langtermyn aard in gebrekkige SBI's te hê wat reeds aansienlike finansiële probleme het. Hulle weet self dat hulle hul vir 'n lang tyd die toekoms in onseker tye en omgewings sal bevind. Hierdie omgewing is duidelik 'n potensiële broeiplek vir bedrog, omkoperij en korrupsie.

Daar is 'n hoë waarskynlikheid van laat, gedeeltelike of onvoltooide lewering van hul infrastruktuur-projekte. Wanneer hierdie projekte voltooi is, is die risiko van geen onderhoud en instandhouding uiters hoog. Hierdie risiko's verhoog waar die betrokke OSB gekniehalter word deur sy eie innerlike beperkings en onvermoë om mislukking van korporatiewe staatsbestuur te hanteer.

Dit is glad nie 'n gunstige omgewing waar enige pensioenfonds se spaargeld ontplooi behoort te word deur verstandige trustees sonder behoorlike en nougesette omsigtigheidsondersoek van al die tegniese asook finansiële en regsoorwegings nie.

B. L. SA het onlangs navorsing gepubliseer waarin die finansiële skaal van beoogde/vereiste belegging in infrastruktuur bereken is. Die bedrae dryf 'n mens inderdaad tot tranes; dit is nodig dat spandering op infrastruktuur met R1.6 miljard per dag (d.w.s. van 2.5 miljard tot 4.1 miljard) verhoog word.

Met bedrae soos daardie en die omgewing waarin dit sal plaasvind, kan ons almal seker wees van grootskaalse plundering en buitmaking.

Ons by AMAGP herhaal ons oproep dat die GEPF slegs beleggings behoort te oorweeg wanneer OSB's 3-4 jaar van uitnemende korporatiewe staatsbestuur gedemonstreer het. Dit strook eintlik met die kommentaar van die voorsitter van die GEPF toe die Steinhof-skandaal op sy hoogtepunt was. Sy het toe gesê: "**Die Gepf vereis die hoogste standaard van korporatiewe bestuur van diegene waarin dit bele.**". Ongelukkig is dit nie wat oor die afgelope aantal jare gebeur het nie.

Die OGSA bevestig elke jaar dat behoorlike staatsbestuur 'n ontwykende doel bly. Met dit in gedagte, en siende wat onlangs by 'n SBI, naamlik die Landbank, gebeur het, is dit duidelik dat die GEPF in die nabye toekoms geen beleggings in SBI's behoort te oorweeg nie. Dit is vroeër berig dat die PIC in hierdie geval sy belegging van R6,8 miljard kan verloor. Ten opsigte hiervan het 'n koerant onlangs en ook Reuters op 1 April 2021 die volgende hoofopskrifte gedra:

"BANK MISSES DEADLINE FOR DEBT RESTRUCTURING PLAN. "

"The state bank has missed debt repayments since 2020" .

As die GEPF-trustees ernstig is oor hulle vereiste van die hoogste standarde, sal hulle so ver as moontlik wegbly van die regering se veldtog om in openbare infrastruktuur te belê. Hulle behoort ook seker te maak dat beleggings namens die pensioenfonds net gemaak word vir die doel soos deur die wet bepaal.

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