

## Give gov't your pension funds or have the country turn to the IMF? No need for either, says DA

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Give gov't your pension funds or have the country turn to the IMF? No need for either, says DA 6 minutes ago Fin24 Correspondent The ANC should work towards reforms that will avoid seeing the introduction of asset prescription or seeking money from the International Monetary Fund (IMF), the DA urged on Sunday. As the ANC eyes the asset management industry with R6-trillion to help save state-owned entities (SOEs), the party's economic policy head Enoch Godongwana has suggested borrowing from domestic markets instead of seeking money from the International Monetary Fund (IMF) or World Bank. Subscribe to Fin24's newsletter here Speaking to the Sunday Times, Godongwana stated that borrowing from domestic markets would be a separate process from the investigation to prescribed assets, which would force fund managers to invest in government-approved instruments. DA spokesperson on finance Geordin Hill-Lewis said in a statement on Sunday that the ANC's prescribed assets policy proposal is "irresponsible and unacceptable". "It should be rejected by every South African who has their life savings in their pension funds, and whose future financial security depends on the responsible management of those funds. The Democratic Alliance will oppose any effort by the ANC to impose prescribed assets. We will act to protect the pension savings of hard-working South Africans." Hill-Lewis said the term "prescribed assets" is a euphemism for forcing pension funds, banks and insurance companies to lend money to bankrupt state entities like Eskom and SAA. "These financial institutions hold the private savings of millions of ordinary South Africans, and for many (if not most) of these people, their pension savings are their only life savings. That is why there is a duty to ensure their money is managed with the utmost care and responsibility, and that nothing is done that actively harms their long term financial interests." Hill-Lewis said the ANC and Godongwana should consider what reforms are necessary to avoid a situation where either asset prescription or an IMF bailout programme are ever needed. "That the ANC is not doing this is an admission of defeat and failure." South African pension funds are already subject to some prescription under Regulation 28 of the Pension Fund Act which limits the extent to which retirement funds may be invested in particular categories of assets. The Public Servants Association (PSA), whose members contribute most to the funds overseen by South Africa's state pension manager, already indicated that it wants the institution to stop investing in the debt of Eskom, Bloomberg reported in June. The 240 000-strong PSA said by buying Eskom's bonds, the Public Investment Corporation (PIC) is exposing pensioners to excessive risk as the state-owned power company is not selling enough electricity to cover its costs and has had to be bailed out by the government. The Government Employees Pension Fund (GEPF), managed by the PIC, holds R54.8bn of Eskom bonds, or 16.8% of all the debt outstanding, more than five times the next-biggest holder, according to data compiled by Bloomberg. The PIC owns an additional R8.5bn of Eskom bonds on behalf of other clients. A risky move Although there's uncertainty around prescribed assets, it is risky, said Brenthurst Wealth Management's Magnus Heystek in a sponsored post published on Fin24. "The risks to investors in pension funds, would be that they would have to increase their contributions and possibly work and contribute longer due to the poor performance of their investments," he explained. "Prescribed assets will unfortunately place even further financial pressure on an already overburdened population, and the government should rather work on restructuring the management and current debt levels from SOE's," Heystek suggested. Meanwhile, the IMF doesn't see a balance-of-payments problem in South Africa, which means there's no need for IMF support, said Montfort Mlachila, who is the IMF's senior resident representative in South Africa at a conference hosted by the Bureau for Economic Research in Johannesburg on Thursday..