MEDIA RELEASE	**PIC Commission of Inquiry: PSA concerned about gaps related to JSE-listed companies**
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The Public Servants Association (PSA) has noted with great concern the failure of PIC investments in large corporate companies listed on the Johannesburg Stock Exchange (JSE) and failure by the PIC Commission of Inquiry to interrogate this matter that is to the detriment of the future value of public servants' pensions.

The PSA represents more than 230 000 public-sector employees with a keen interest in the Government Employees' Pension Fund (GEPF). The PSA is concerned that the erosion of the Fund poses a risk the fiscus that could come under pressure if the GEPF's funding levels decline significantly. The PSA is also worried about obvious gaps in PIC Commission of Inquiry, especially the absence of rigorous interrogation of JSE-listed companies and large corporates. "A key task of the inquiry is to probe alleged impropriety regarding PIC investment decisions. Excessive abuse of power by the PIC leadership, corporate governance failure, deficiencies in internal controls, and bad investments by the asset manager have been revealed. However, Ayo Technologies and other smaller entities seem to be the focus of this sham. None of the companies that have underperformed or are implicated in accounting scandals has come under scrutiny. What has emerged from the inquiry so far is the tip of the ice berg with many unanswered questions," said the Union.

The PSA pointed out that, for example, very little has been revealed on the dark side of various entities and major corporate entities such as Naspers in which the PIC holds a 12.37% stake. "In mid-2018, the Naspers share price dropped by nearly 20% when it was hard-hit by various international developments and Naspers shed R121bn from its market value. It is concerning that the judgement that led to investments that incurred such huge losses has not been questioned and examined. Such errors are likely to be repeated," warned the PSA.

The PIC is heavily exposed in JSE-listed companies, with its investments accounting for 12.5% of listed capital and an asset base of some R1.6 trillion. Listed investments make up 94% of assets under management. "This exposes it to risks associated with external economic environment, emerging markets contagion, and weak growth in the domestic economy. Many of the companies in the JSE that the PIC is invested in are the very companies that are responsible for high levels of concentration and at times anti-competitive behaviour in the domestic market. Some of these companies have been in sensitive sectors, such as for example the JSE-listed construction company Group 5. In mid-2017, the PIC increased its stake in Group 5 from 19% to 20%. Group 5 was one of the companies that was implicated in tender collusion for the building of the 2010 World Cup stadia in South Africa. Hardly two years later, early in March 2019, Group 5 announced that it was being placed on business rescue. This gloomy state represents another loss for PIC investment," said the PSA.

“Aspen is another conglomerate that has recently suffered a debt strain, with the share price collapsing by 30% in March 2019. Aspen is laden with R53.3bn in debt, which is more than its market value. This bodes ill for public servants, as the GEPF owns more than 12% of Aspen, via the PIC,” said the PSA.

Some 80% of the PIC equities’ portfolio is managed internally on an enhanced-index or ‘passive’ basis, with 20% managed by external managers. About 5% of total assets under management are invested off-shore, and another 5% designated for African investments, based on a GEPF mandate. “There seems to be over-exuberance by the PIC to invest in conglomerates in the stock exchange, and then close its eyes and wish for a miracle. This blind faith in the highly-concentrated JSE exposes the PIC to yet more risks. Despite the existence of corporate governance frameworks such as the *Company Act* and King Codes, blue-chip companies suffer serious corporate governance failures. This the PIC does not seem to have a grip on and it is doubtful that it is an active shareholder in these companies and with a strategic intent to achieve both high returns and transformation objectives,” said the PSA.

The PSA pointed out that criticism has been levelled at the PIC for focussing on quantity over quality. It stated that: “The PIC has an obsession to get as many deals as possible without really probing the underlying value of companies it invests in. It does not take a long-term view of performance against economic uncertainties. Companies such as Steinhoff International Holdings is an example. It does not seem that the PIC played a role in watching over these investments and was taken by surprise when this retailer collapsed under the weight of accounting fraud.”

The PSA indicated that the ongoing probe into the PIC has a narrow focus.” There is a need to examine closely the investments by the PIC in JSE-listed companies, the rationale that informed these investments, and whether the GEPF mandate was adhered to. When companies that the PIC invests in fail, the value of the returns to the GEPF decline to the point where if there is a short-fall, government bailout will be sought. This exposes the South African public, the taxpayers, to social risks. The PIC mandate process, as given by the GEPF, should be reviewed. All PIC investments on the JSE that have failed must to come to light, with greater scrutiny on the failure to exercise stewardship over these investments. What has happened thus far amounts to gambling with the future wealth of public servants in some form of casino capitalism with poor returns that cannot continue,” said the PSA.

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