

MEDIA RELEASE: PSA will not allow GEPF Funds to “bail out” Eskom

DATE: 01 June 2020

EMBARGO: None

ENQUIRIES: communication@psa.co.za

The Public Servants Association (PSA) condemns any form of a “bailout” for Eskom, through the Public Investment Corporation (PIC). Emanating from renewed media reports regarding the PIC discussion document that was tabled to National Treasury on its investment in Eskom, which is of grave concern to the PSA as one of the largest depositors of the fund. The PSA is once again making a call for good governance in protecting the monies for more than 250 000 PSA members and their families, who have entrusted their pensions with the Government Employees Pension Fund (GEPF).

The PSA is of the opinion that such a bail out, to a struggling State-Owned Entity, will have a detrimental impact on the GEPF and its members. Should the PIC consider such a request, it must be pointed out that it is regarded as an irrational and irresponsible risk to the GEPF. These continuous investments into Eskom, without following, in our view a consultative process with the relevant stakeholders to raise serious concerns regarding the PICs’ commitment to the agreed process. It also raises concerns regarding the manner in which “social responsibility” loans/grants are being administered by the PIC. The GEPF in its 2018\2019 Annual Report even expressed concerns with governance at the PIC. You will appreciate that the PSA on behalf of its members has a very significant and direct interest, in how the assets of the GEPF are invested and thus in the governance structure and management of the PIC. During the media interview with the Chairperson of the PIC Mr Reuel Khoza, the PSA discovered with shock, that the PIC has tabled a proposal to convert Eskom bonds into equity, which may result in overweighting in local equities and underweight in the more stable asset local bonds. Furthermore, such a decision may impact negatively on the asset liability model, read together with the fund’s Developmental Investment Policy, whose objectives are to earn good returns for the members and pensioners of the fund, while supporting positive, long-term economic, social, and environmental outcomes for South Africa.

The Investment Policy has four key pillars which amongst others is a sustainable future green economy. Eskom is one of the highest fossil fuels generators and the GEPF as a responsible investor should consider the environmental impact before taking any decision in this regard. This proposal entails that over R200 Billion of public servants hard earned pension fund money, be utilised for such a bailout. The PSA outrightly condemns such a proposal as it will be regarded as reckless and irresponsible given the economic environment and the fact that Eskom is not even in a position to fulfil its financial obligations. The PSA further disagrees with the view of the Finance Minister, that the PIC does not require approvals from any shareholder for its investment activities and wants to urge the Minister to refrain from making such irresponsible statements. The PSA continuously objected to such reckless investments or bail outs to struggling, SOE’s and articulated this in submissions to the Zondo Commission, regarding this reckless bailout again to Eskom. Although the Government Pension Fund is a defined benefit fund, it doesn’t give government and the PIC, carte blanche to continue with such irresponsible practices.

The PSA insists that the full discussion document that was tabled at National Treasury, be made available to the PSA, as one of the largest depositors within the fund in order to ensure transparency and that good governance principles are adhered to. If the GEPF or the PIC even consider such a bail out, it will be against their own decision as captured in their Annual Reports, that they will not invest in any struggling SOE. The PSA will not hesitate to institute legal action against such a reckless decision.

END