

**NATIONAL ASSEMBLY  
QUESTION FOR ORAL REPLY  
QUESTION NUMBER: 410 [NO3747E]  
DATE OF PUBLICATION: 25 AUGUST 2015**

**Mr F N Shivambu (EFF) to ask the Minister of Finance:**

Why is the Government not utilising accumulated reserves and idling cash in the Government Employees Pension Fund to assist employees who have accumulated enough pension by using a portion of it to pay off their bonds and to build homes?

NO3747E

**REPLY:**

I am sure the Honourable Member is aware that it is the investment strategy of the GEPF is determined jointly between the Board (trustees) and the Minister of Finance. The investment strategy of any investment fund seeks to diversify its exposure to different asset classes, including holding a portion in cash for liquidity reasons. There is generally no cash that is idle, as any pension fund needs to hold a small amount of cash so it can pay benefits where they fall due. The GEPF only holds a small proportion of its portfolio in cash for this reason.

Of the R1.425 trillion in GEPF assets on 31<sup>st</sup> March 2014, around 3.1% was invested in cash. The rest is invested in equities (59%), hence supporting economic growth and development of South African companies and the employment of their workers. A further 30 per cent was invested in bonds, which finances Eskom's efforts to build power stations, SANRAL's road-building program as well as general government investment in schools, hospitals and other social infrastructure projects through the purchase of Government bonds. So to suggest that the GEPF is idling its funds in cash is not correct.

The GEPF is also a defined benefit (DB) fund, so the assets of the GEPF are held in respect of its liabilities. Estimates of the liabilities differ, but the latest actuarial valuation of the fund, dated 31<sup>st</sup> March 2014, shows that the long-term funding level of the GEPF is only 83%, indicating that its liabilities are actually greater than its assets.

As with any pension fund, the primary objective of the GEPF is to provide members with a secure retirement income, and to ensure that their dependents are well looked after should the members, unfortunately, die or become disabled before they are due to retire. To the extent that any pension fund goes beyond this primary objective to deal with other goals, this could expose other members of the Fund – and the Fiscus – to unanticipated additional risks. The Honourable Member raises an important point on whether members of pension funds should use their accumulated retirement funds as collateral for home loans, as some funds currently allow. Given that many government employees are highly indebted, we need to be very careful

that, in trying to assist them on their housing needs, that we do not make their underlying indebtedness worse by easing access to pension fund moneys, leaving them with no income when they retire. We will consider this proposal as part of our retirement reform programme, and I would like to invite the Honourable Member to submit any research he has done to support his proposal.