**Standing Committee on Finance**

**Resolution on Public Investment Corporation (PIC) and Government Employees Pension Fund (GEPF)**

**18 October 2017**

Following the briefing by the Government Employees Pension Fund (GEPF), Public Investment Corporation (PIC) and the trade unions to the Standing Committee on Finance (SCOF) yesterday on the use of public sector workers’ pension funds for investment purposes, the Committee met today and decided as follows:

1. The 17 October briefing will be followed up with a further briefing before the end of November by National Treasury, the GEPF and PIC, with the attendance of the PIC Chairperson, Deputy Minister Sifiso Buthelezi, who could not attend yesterday’s briefing because he was out of the country on government business.
2. It is after that briefing that the Committee will take its final decisions.
3. However, for now there is agreement of all parties in the Committee on the following:
   1. There should be appropriate representation of the trade unions of the GEPF members on the PIC Board.
   2. Consideration needs to be given to amending the Public Investment Corporation Act, 2004 to provide for this.
   3. The PIC should consider investing in projects that promote inclusive economic growth, job-creation, infrastructure development, the reduction of social inequalities, and the interests of mainly the poor and lower income strata; projects that serve the developmental needs of the country. The trade unions are correct that this should not include investing in ailing SOEs that are badly governed, mismanage their resources, serve the narrow interests of an elite, do not advance the country’s developmental needs and will not provide an adequate return on investment for the members of the GEPF.
   4. The PIC should seriously consider the trade unions proposals on an appropriate housing loan scheme for public sector employees who do not qualify for a loan from the commercial banks.
   5. Unions and the relevant pensioner organisations should consider engaging effectively with the PIC and the Minister and Deputy Minister of Finance to raise their concerns and proposals.
   6. While recognizing the onerous responsibilities of the Minister to finalise the Medium Term Budget Policy Statement in a very challenging economic and political climate and other pressing demands on him, the Committee recommends that he meet with the public sector unions and relevant pensioner organisations to address their concerns and proposals as soon as possible after presenting the MTBPS to Parliament.
   7. From what the Committee can tell, the PIC has performed well, including through securing above inflation returns on investment; receiving unqualified audit opinions over many years, including the AG Award for clean audit in 2017; contributing to socio-economic transformation, including through deracialisation, even if it should do more for transformation; and receiving numerous awards for its performance. It is not clear to the Committee why the Minister wants a forensic investigation of the PIC’s investment decisions and we believe he needs to consult the trade unions on this. If he insists that he wants such an investigation he will need to show that it is in the interests of the members of the GEPF and the public and provide rationale for and the Terms of Reference of the investigation to the Committee.
   8. The Board of the PIC needs to carry out a thorough inquiry into who was behind the allegations against its CEO and report back to Parliament on progress on this within 2 months.
4. In terms of the PIC Memorandum of Incorporation it is not required that the Board Chairperson be the Deputy Minister of Finance. The Committee notes that all the trade unions are opposed to a Deputy Minister of Finance chairing the PIC Board. They acknowledge however that the Minister and Deputy Minister have to have a relationship with the PIC for a variety of reasons, including the fact that the pension of public sector workers is in the form of “defined benefit pension fund”. The Committee proposes that the Minister and Deputy Minister engage with the trade unions on their proposals in this regard. The Committee will take this issue further at the November briefing.
5. The Committee needs to prepare notes for legislative amendments to give effect to the relevant decisions it takes. This should be done through working with Parliament’s Legal Services Unit and a draft Bill should be prepared before the end of this year. Consideration should be given to engaging with National Treasury on the processing of the legislative amendments.
6. The Committee will review its decisions if there is a need to and take further decisions after the November briefing on these matters.