

MEDIA RELEASE	Eskom: PSA rejects any form of bailout in converting bonds to equity
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The Public Servants Association (PSA) will strongly oppose any proposal for the Government Employees Pension Fund (GEPF), as the biggest investor in Eskom Debt, to consider its bonds being converted into equity to assist in rescuing Eskom.

Recent media reports on such proposals to the GEPF have resulted in renewed major uncertainty amongst the more than 235 000 PSA members who also belong to the GEPF. Such a bailout of the struggling state-owned entity (SOE) will have a detrimental impact on the GEPF and its members. Any such consideration by the Public Investment Corporation (PIC) will be an irrational, irresponsible gamble with government employees' pension money.

The PSA, on behalf of the Union's members, has a significant, direct interest in how GEPF assets are invested and in the PIC governance structure and management. The PSA is aware that the GEPF lent a substantial amount to National Treasury for government to pay Eskom a grant to assist with the debt crisis. Such conduct is of grave concern to the PSA, especially since public servants are still waiting for their 2020-annual salary increase. It is concerning that money can be found to bail out a struggling SOE but for its own workers, government pleads poverty. These continued "investments" in Eskom, without following a consultative process with relevant stakeholders, raise serious concerns about PIC's commitment to agreed processes. There is also concern about the way the PIC administers "social responsibility" loans or grants.

The PSA was shocked to learn that the PIC has tabled a proposal to convert Eskom bonds into equity, which may result in overweighting in local equities and underweight in more stable asset local bonds. Such a decision may impact negatively on the asset liability model read together with the Fund's developmental investment policy of which the objective is to earn good returns for the Fund's members and pensioners while supporting positive, long-term economic, social, and environmental outcomes for South Africa. The developmental investment policy has four key pillars, including a sustainable future (i.e., green economy). As Eskom is one of the main users of fossil fuels the GEPF, as a responsible investor, should also consider the environmental impact before taking a decision. This proposal will further create new challenges for the GEPF to rebalance its holdings across asset classes to comply with its rules.

The PSA condemns the latest Eskom proposal as reckless and irresponsible, given the current economic environment and the fact that Eskom cannot fulfil its financial obligations and depends on government handouts. The PSA has continuously warned against reckless bailouts to struggling SOEs and even made submissions to the Zondo Commission on Eskom bailouts. Although the GEPF is a defined-benefit fund, it does not give government and the PIC leeway to continue with such irresponsible practices. If the GEPF or the PIC even considers such a bailout, this will be against their own decision, as captured in annual reports, indicating that there will be no investment in any struggling SOE. The PSA will not hesitate to institute legal action, should this become necessary, to protect GEPF members' pension investments.

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