

Address by GEPF Deputy Chairperson, at the Housing scheme launch on 13 July 2016

Honourable Deputy Minister of DPSA,

Director Generals,

Executives of PIC, SA Home Loans, Colleagues

Members of the media,

Ladies and Gentlemen:

Good morning, and welcome

The primary role of the Government Employees Pension Fund (GEPF) is to protect the wealth of our members and pensioners by safeguarding their retirement benefits through proper administration and prudent investment.

Given its size, the GEPF realises that it can leverage its administration and investments to meet its primary responsibility while contributing meaningfully to the development of our country, our continent and planet.

This is why the Government Employees Pension Fund was a founding signatory of the United Nations Principles for Responsible Investing (UNPRI) in 2006 and was instrumental in the establishment the Code for Responsible Investing in SA (CRISA) in 2011 which correlates with the UNPRI.

However, all these initiatives were preceded by the GEPF's investment in the South Africa Infrastructure Fund in 1996 through the Public Investment Commissioners now Public Investment Corporation (PIC) which spearheaded its developmental investments. This year the GEPF has given the PIC a mandate valued at R70 billion for developmental investments over the next five to ten years. Before this, the GEPF had already invested in excess of R18 billion in developmental and other unlisted investments.

The GEPF is aware of the challenges facing us in South Africa, from the lack of adequate access to clean water to poor transport infrastructure, inadequate and unsecured supplies of energy to the inadequate supply and funding of affordable houses in general, for our members and pensioners in particular.

These challenges can be seen as investment opportunities aimed at investing in a sustainable future. We believe that institutional investors can make good financial returns for members and pensioners of funds while helping to make South Africa more competitive, by reducing social backlogs, creating jobs, and supporting transformation which should build a sustainable economy.

GEPF's promise to public service employees and retirees is to secure and pay benefits when due. However, it also is important for members and pensioners to benefit directly from the Fund where possible before receiving fund benefits, hence this investment in affordable housing amongst other developmental investments.

The GEPF's Developmental Investment policy focuses on targeted investments that contribute to positive economic, social and environmental outcomes for South Africa, while earning good returns for members and pensioners.

The GEPF attaches great importance to the close relationship and co-operation that has developed between DPSA, PIC and SA Home Loans. This will ultimately ensure that we have strong sustainable partnerships and that we can successfully play our part in affording our members and pensioners the opportunity to acquire a place they can call home.

Through this partnership, we are using the Fund's assets to spur economic development, which will in turn benefit not only the investment portfolio but the quality of life of our members and pensioners. We believe we can make good financial returns for our members and pensioners while helping those who qualify to access affordable housing.

Investment in affordable housing will take a number of forms, housing projects, companies building affordable houses, as well as housing finance for low-income home buyers.

Decent housing is a basic human need and is key to economic development because a house sits at the intersection of improved security, better health, familial development, small businesses, and a store of wealth, an investment vehicle, and collateral against which to borrow money and start a business.

In addition, urban housing allows people to live closer to employment opportunities; construction of housing is labour-absorbing, while backward and forward linkages

stimulate the demand for and supply of a range of related goods and services. There is a particular need for housing for middle income earners who earn “too much” to qualify for a subsidised house and too little to afford new housing on the market.

Pension fund financing of affordable home projects can help to fill the gap: not only is more long-term funding for housing needed, but in general, pension funds are underinvested in residential property, particularly affordable developments. The market size of this developmental investment is large as it is unlikely the backlog of gap housing will ever catch up to population growth.

Possible investment categories:

- Debt or equity investment in low-income and affordable housing developers;
- Investment in low-income and affordable housing funds;
- Investment in low-income and affordable housing developments;
- Investment in housing finance institutions;
- Investment in funds and providers of urban rented housing;

GEPF's members are men and women who are dedicating their lives to serving South Africa. Funding of affordable houses, especially for middle-income earners, which makes up the majority of our own members is important to us. These are investment opportunities that signify steps towards investing in a sustainable future.

As a long-term investor, GEPF understands that its success cannot be isolated from the development of the country. Any constraints on South Africa's economic growth will have a similar impact on the Fund. Therefore investments in infrastructure help improve the lives and prospects of South African citizens, and in this case, especially GEPF members and pensioners.

As former president Nelson Mandela once said ‘our task is to create the conditions in which every South African has the opportunity to create a better life for themselves’.

In closing, our members' future financial security is our primary concern and today we are pleased to have the opportunity to bring their aspiration of owning a home closer to reality.

