The real PIC scandal is what we do with workers' trillions

The governance crisis engulfing the Public Investment Corporation should force public-sector unions to ask a bigger question: Why are workers' pension assets being managed principally according to the priorities of financial markets when they could help rebuild South Africa?

The latest turmoil at the Public Investment Corporation (PIC) should deeply concern every public servant in South Africa.

The PIC's chief executive was recently suspended (although reinstated following a High Court judgement) in relation to allegations contained in a whistle-blower report. A forensic investigation has raised serious questions about the handling of the transactions with the company Acapulco involving the Lanseria airport, where the PIC ultimately paid the company more than R400 million.[1] The Financial Sector Conduct Authority has intervened over governance concerns. A succession of directors resigned, culminating in the resignation of PIC chair and Deputy Finance Minister David Masondo in July.[2]

Public-sector unions are understandably alarmed. 89% of PIC's funds belong to the Government Employee Pension Funds (GEPF). The Public Servants Association (PSA) has called for a review of the investment mandate and raised concerns about losses associated with some unlisted investments.

But if the response to the latest scandal is simply to demand better managers, tighter governance and more profitable investments, we will have missed the bigger issue.

For a decade, the Alternative Information and Development Centre (AIDC) has argued that the fundamental question facing the PIC is not only whether particular investments are corrupt or badly managed.[3] It is: **What should this enormous concentration of workers' and public money be used for?**

That question is now more urgent than ever.

---

[1] South Africa: Pic Paid Another R21m After Arbitration Award Was Certified Settled in Full, PWC Finds - allAfrica.com
[2] PIC drama is about control of R4-trillion in workers' money, Daily Maverick, 2026
[3] There are alternatives to permanent economic depression, Daily Maverick, 2018

How the GEPF decides the size of worker pensions

The first thing public servants need to know is that the Government Employees Pension Fund is a **defined-benefit fund**. This means that:

Pension payments are a defined amount and do not depend on the performance of the fund.

The pension of a teacher, nurse or police officer is not the same as the value of an individual investment account that rises and falls with company share prices on the Johannesburg Securities Exchange (JSE). There are no individual investment accounts. It doesn't matter for the individual pension if the GEPF is brimming over with assets.

Benefits are determined according to the GEPF Law and its rules.[4] The size of a pension depends on years of service and the salary in the final year. There is no defined benefit state pension system in the world that gives even long serving workers more than 50-70% of their final pensionable salary. The GEPF is no exception. A public servant with very long employment, like 40 years, can reach a little over 70 percent of their final salary. That is good by international standards. Once in retirement, a person's pension grows at most at the rate of inflation. If the total GEPF funds grow (or shrink) doesn't matter.

This matters enormously, because the fear that any attempt to use the GEPF differently will necessarily "raid workers' pensions" has paralysed debate for years. The GEPF is already used for different purposes than for paying pensions and other benefits including to spouses.

"Fully (over) Funded"

The GEPF is extraordinarily well funded. Its latest statutory actuarial valuation found that, before contingency reserves, it had assets equal to 119% of its accrued liabilities: R119 for every R100 that it would owe to members for as long as they live. Its net assets in March 2024 stood at R2.34 trillion against accrued liabilities of R1.97 trillion. 89% of GEPF's funds are managed by the PIC. This has made PIC into the biggest asset manager on the entire continent.

Again: those R1.97 trillion in liabilities are calculated from a "fully funded" perspective. The calculation is based in a theoretical assumption that the state can fire all 1 267 500 million public servants at once and then pay both their pensions and the pensions to 565 000 already retired members until all 1 832 500 have passed away.

[4] GEPF Law and Rules, GEPF, 2026

Such a rule of caution is relevant for private company pension funds. A corporation can indeed go bust and fire all staff. As for state pension funds, it became a part of the worldwide neoliberal restructuring of state pensions in the 1990s. The finance industry was the beneficiary from that change. With over half of the GEPF's funds invested in the stock market, the GEPF owns over 10% of the share value on the JSE, being its single largest buyer of shares every year.

Thus, GEPF has accumulated enormous assets. But it also always runs with a surplus after paying all pensions and benefits to members. The average surplus since the 2011/2012 financial year is R50 billion. This surplus is, for example, equivalent to the state's spending on provincial health services in 2026.

Table 1: GEPF Performance 2012-2025 (Rand Billions)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contributions	51	49	50	56	60	66	70	75	80	81	85	83	92	96
Net income	62	69	53	43	62	70	70	80	85	78	93	107	109	109
Benefits paid	37	43	58	86	83	88	95	103	110	109	135	137	141	167
Cash surpluses	76	75	45	13	39	48	45	52	55	50	43	53	60	37

Source: GEPF Annual Reports and AIDC calculations

The above cash surplus view on the financial health of a state pension system dominated before the neoliberal political revolution. It lingers on: On the last page of the Budget Reviews the Treasury always describes the financial health of the GEPF from this perspective, but without mentioning the bottom line as in AIDC's Table 1: The annual surpluses.

AIDC has argued since well before the Covid crisis that this creates a fundamental contradiction.[5] Workers are repeatedly told that every rand must be invested according to essentially commercial criteria and that the overriding imperative must be to grow the fund.

Yet the purpose of a public-sector pension system is not to accumulate capital without limit. Its primary purpose is to guarantee decent and secure pensions.

This distinction opens an entirely different debate about investments. Because when this primary purpose is reached, a public pension system can also serve other purposes.

[5] The Government Employee Pension Fund, budget austerity and the Eskom debt crisis, Daily Maverick, 2019

Public servants already lend hundreds of billions to government

One of the most persistent objections to using GEPF resources for public investment is that lending to the government would somehow expose workers to an unacceptable new risk.

Not only is lending to the state through government bonds one of the safest investments you can make, but the GEPF already lends enormous sums to the government, as well as to parastatals.

By March 2025 it held approximately **R630.8 billion in South African government bonds**, compared with R558.3 billion a year earlier. GEPF held R112.4 billion in parastatal bonds. Of this R89.5 was invested in the debt of ESKOM (and R84.2 billion a year earlier).

For ten years we have heard about ESKOM's unsustainable debt costs. Well, close to 20% of ESKOM's debt costs have for many years been income to the GEPF, which is owned by the state.

So, the debate should not be whether the GEPF should lend to government and parastatals or not - **it already does –** but the real questions are: at what interest rates is the GEPF lending money to the government and a crucial state company like ESKOM? Through what kind of financial agreements? For what purposes? And according to whose priorities?

It cannot be stressed enough how important these questions are. For the whole setting of the crisis in public service, and for the public servants who are GEPF members

At present, the GEPF/PIC relationship largely reproduces the logic of financial markets. The government issues debt in the form of interest bearing bonds. The GEPF purchases the bonds on the markets, like any financial investor.

Using the debt service costs published in the Budget Review as an estimate, the average interest rate on the government's domestic debt in 2025 was about 7%.[6] GEPF's interest income from the domestic state debt in 2025 can be estimated to be over R40 billion.

The interest rates on GEPF's long term government bonds are close to 11%. The Treasury then repeats to the country, and to public servants, that escalating debt-service costs require cuts to public expenditure, like in the 2026 Budget Review: "*Fiscal policy balances the need to narrow the budget deficit and reduce debt with the obligation to protect public services and support the economy. Low growth and high debt service costs have made this balance difficult*".[7]

[6] treasury.gov.za/documents/National Budget/2025Mar/review/FullBR.pdf
[7] treasury.gov.za/documents/national budget/2026/review/FullBR.pdf

Public sector employees, and tens of millions of people dependent on public services, can testify that the Treasury, and the Parliament that approves the austerity budgets, have not succeeded in making that balance.

There is something perverse about public-sector workers indirectly lending money to their own government at rates that contribute to the fiscal pressures subsequently invoked to restrain their wages, reduce public employment and keep the hospitals, schools, municipalities and other services in which they work in a debilitating crisis.

AIDC has repeatedly proposed breaking this vicious circle. The GEPF could allocate a larger share of its portfolio to carefully structured public investment, providing finance at concessional (low interest) rates, if pensions remain actuarially secure and projects are subject to stringent democratic, social and environmental criteria. This would lower the government's debt burden and finance developmental spending, while still satisfying cautious members who want to see the fund growing. Most importantly, it would allow workers' money to be used in order to protect and create jobs and grow the economy, rather than simply propping up overvalued stocks on the JSE.

That is not a raid on pensions but a rethinking of how Africa's largest pension fund can work for the benefit of the country.

The deeper problem at the PIC

The present scandal also needs to be located in a longer history.

The Mpati Commission already exposed serious failures of governance, accountability and investment decision-making at the PIC.[8] The latest crisis demonstrates that the problem was not resolved simply by changing individuals and governance structures.

AIDC argued during the Mpati Commission that corruption at the PIC could not be understood simply as created by dishonest individuals.

[8] http://www.thepresidency.gov.za/press-statements/release-report

Part of the PIC's post-apartheid role has been to finance "transformation", including the creation and expansion of black-owned businesses. In principle, overcoming the racial concentration of capital is obviously necessary in a society produced by colonialism and apartheid.

But transformation became heavily identified with changing the racial composition of the capitalist class rather than transforming the economy in the interests of the black working-class majority.

In doing so, PIC financing consequently became one of the mechanisms through which politically connected entrepreneurs without substantial capital of their own could gain access to major assets and transactions. AIDC warned in 2019 that the project of constructing a black capitalist class and the growth of corruption had become deeply intertwined.[9]

The AYO controversy later provided another stark illustration. AIDC argued then that the problem went beyond whether an individual transaction complied with procedures: GEPF capital was being mobilised for a model of empowerment centred on producing a small group of elites rather than broad social transformation.

The present Acapulco affair should therefore not be viewed in isolation, as Masondo himself has acknowledged: the pressure created by powerful commercial interests competing for access to the enormous pool of capital controlled by the PIC.

But that competition is not an aberration from the system. It is substantially what the system produces.

When trillions of rand are organised principally as investment capital seeking financial returns, businesses will compete to get access to them. Political connections, lobbying and patronage then hover permanently around the allocation process.

Corruption represents an extreme and criminalised form of this struggle for accumulation. But the underlying contest over who gets access to capital is perfectly normal to capitalism.

---

[9] PIC: The financing of a Black Capitalist Class, Daily Maverick, 2019

Corruption is not peculiar to a black elite

This point is essential.

Criticism of politically connected black capital must not become an alibi for established corporate South Africa.

South Africa's history provides abundant evidence that large established companies, banks, auditors, construction companies and multinational corporations are perfectly capable of corruption, collusion, tax avoidance and other forms of predatory accumulation.

AIDC's investigation of Lonmin documented the use of payments to related entities and an offshore subsidiary in Bermuda in the context of profit shifting, while workers at Marikana were being told that the company could not afford their wage demands. 34 striking Lonmin workers were subsequently massacred.[10]

AIDC's work with AMCU on Samancor similarly exposed allegations of massive profit shifting through related companies and tax havens—practices that deprived workers and the government of resources.[11]

The point is not that all business activity is equivalent to corruption – it is that:

> We should reject the comforting fiction that South Africa's problem is a corrupt politically connected black elite standing in contrast to a productive, ethical and established capitalist class.

Different fractions of capital use different mechanisms and possess different degrees of power, legality and respectability, with access to the state being just one such mechanism of accumulation, but corruption and greed are pervasive across this spectrum.

The question is whether workers want their pension capital put into the service of the "great game" played by members of South Africa's capitalist class (whether old or new), or whether it should be mobilised for a fundamentally different form of development that puts workers and the majority of South Africans first.

[10] Marikana: Don't touch Lonmin on its Bermuda, Daily Maverick, 2014
[11] The great Samancor 'heist', Daily Maverick, 2019

Imagine what workers' capital could do

South Africa is living through several emergencies simultaneously.

We have mass unemployment, an enormous housing shortage, collapsing commuter transport, failing municipal infrastructure, an electricity transition that has barely begun, and a climate crisis that will intensify every one of these problems.

At the same time, we possess one of the largest pools of public investment capital on the African continent.

Why are these two facts rarely discussed together?

Imagine if organised labour demanded that part of the GEPF's investment capacity be used to underpin a **mass social and public housing programme**.

The objective would not be speculative property development or another round of public-private deals designed around developer margins – or "PPP" deals at the political centre of the borrowing in US Dollars from the World Bank.[12] Since the first US$3.75 billion borrowed for Medupi in 2009, US$9.285 has been borrowed from the World Bank. Since 2021, South Africa has borrowed from the World Bank loans in an openly political partnership.[13] [14]

Financed from the GEPF/PIC, a **mass social and public housing programme** would instead be to build hundreds of thousands of energy-efficient homes close to employment and transport, retrofit existing public housing, install solar water heating and renewable energy, rehabilitate degraded urban land and dramatically expand the country's construction capacity.

Such a programme would generate employment directly in construction and indirectly through cement, steel, glass, timber, appliances, renewable-energy equipment and other supply chains.

It could become one pillar of a national climate-jobs programme.

Or consider public transport.

Millions of working-class South Africans spend an extraordinary share of their wages and several hours every day travelling between apartheid-era townships and centres of employment.

What if GEPF-backed public finance helped rebuild PRASA, expand electrified commuter rail as well as rail transport in service of industry, establish integrated municipal bus networks and finance the domestic production of trains, buses and components?

The return would not merely appear on a PIC balance sheet.

---

[12] WBG Finances One - South Africa, World Bank, 2026
[13] World Bank Document, World Bank, 2026
[14] The real reasons behind SA's R11-billion loan from the World Bank, Daily Maverick, 2022

It would appear as lower transport costs for workers, shorter commuting times, lower carbon emissions, increased economic productivity, revived manufacturing and hundreds of thousands of direct and indirect jobs.

These are **social returns**.

Very soon and inevitably such social returns translate into sound and long term economic growth, and to development from the ground up; truly inclusive this time and not only "inclusive" in terms of a mandatory but empty label.

A genuinely public investment institution should be capable of recognising such social returns and invest accordingly.

Public investment requires public control

None of this means handing trillions of rand to government departments or politically connected companies.

The corruption crisis makes precisely the opposite case.

> A new mandate for the GEPF and PIC would require far stronger democratic governance than exists today.

Public-sector workers and pensioners need meaningful representation and power over investment policy. Investment mandates should be transparent. Major developmental investments should be publicly disclosed and subjected to independent technical evaluation. Beneficial ownership must be transparent. Projects should be assessed against employment, localisation, inequality, gender, climate and service-delivery criteria as well as financial sustainability.

And unions themselves would have to develop the capacity to scrutinise these investments rather than leaving financial questions to asset managers and Treasury officials.

That is the crucial challenge to COSATU, SAFTU, FEDUSA and public-sector unions.

For three decades workers have largely been spectators while one of the greatest concentrations of worker-owned capital in Africa has been accumulated in their name, despite worker representation on the board.

The present PIC crisis creates an opportunity to change that.

The trade union movement should certainly demand that every allegation of corruption and maladministration at the PIC be investigated and that those responsible for wrongdoing be held accountable.

But it should demand much more.

It should insist on a national debate over the investment mandate of the GEPF and the PIC.

The choice should not be between a corrupt PIC and a cleaner version of the same investment model.

Workers should ask why their deferred wages should finance financial accumulation, speculative investments and the enrichment of asset managers and executives of top JSE-listed companies, while the society in which they will retire is scarred by unemployment, homelessness, collapsing infrastructure and climate breakdown.

The real choice is between continuing to manage workers' trillions primarily as capital seeking the highest financial returns or beginning to manage them as a strategic social resource—while fully protecting the defined pension benefits of public servants.

A mass social housing programme, a rebuilt public transport system, renewable energy and climate-resilient water infrastructure, revived local manufacturing and strengthened public services creating millions of decent jobs.These are not charitable uses of workers' money.

They are investments in the society in which workers live, work and eventually retire.

The scandal at the PIC should therefore become the starting point for a much larger argument.

Workers' money should work for

workers and the broader society.