



**The Association for Monitoring and Advocacy of Government Pensions: An independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.**

[www.amagp.co.za](http://www.amagp.co.za)



## NEWSLETTER NO 12 of 2018

**AMAGP – Association for Monitoring and Advocacy of Government Pensions**  
**BOT – Board of Trustees [of the GEPF]**  
**FSCA – Financial Sector Conduct Authority [previously the FSB]**  
**GEPF - Government Employees' Pension Fund**  
**PEO – Primary Executive Officer**  
**PIC – Public Investment Corporation**  
**PSA – Public Servants' Association**  
**ROI – return on investment**  
**SC – state capture**  
**SCF – Standing Committee on Finance**  
**SCOPA - Standing Committee on Public Accounts**  
**SOC – state owned company**  
**SOE – state owned entities**

***There are 1 273 784 active members, 437 051 pensioners, and “R 1 67 trillion in assets under management”. GEPF Advertisement for a Government Employees Pension Ombud. Rapport 4 February 2018.***

### The Editor's Word

Letters to the Editor. Many of us read newspapers but most prefer the sensation of

TV news. However, do you know that the newspapers pay focused albeit not urgent attention to the letters they receive from their readers, and that many sensational revelations originated from these readers' letters being followed up by the newspaper? How many times do we pass by this page in the newspaper? These letters give the newspapers an indication of real grass roots issues they should report on. The AMAGP have letters published regularly in many newspapers but it would promote the cause of our pensions hugely, dear reader, if **YOU** could also write a letter to the editor of your local newspaper. All it takes is a click or two to access the newspaper online, compile your letter about the dire status of your pension fund and another click to send it. Do it now! Repeat weekly!

The Public Defender's investigation. It is happening, we have to be patient for the results.

VBS bank. This newsletter is mostly about the VBS bank. As expected, the investigations just keep on turning up more to be investigated. The newspapers are enjoying the sudden source of sensation and the wolves are circling ever closer to the PIC and its primary client the GEPF [actually the BOT]. Take a good look at the BOT's silence and speculate why.

Read the last three pages for a realistic but cynical view of South Africa by Moeletsi Mbeki (Thabo Mbeki's brother). It really is worth reading [okay, 3½ pages].

Editor

*Synopsis*

South Africa

## **The steady erosion of the foundations of the GEPF. Is this cocoon of financial security showing signs of unravelling?**

Barbara Curson 17 July 2017



Picture: Shutterstock

With the recent R2.2 billion injection into SAA, the GEPF members were assured that their pension savings would not be impacted. In any event, being a defined benefit fund, the GEPF pension benefit is guaranteed by the government. Even in the worst case scenario, the fund members are protected from poor investment decisions. But is there a tipping point?

The investment manager for the GEPF is the PIC. The GEPF represents about 88.2% of the assets managed by the PIC. The GEPF has also appointed various other asset managers to manage part of the investment portfolio, but it is not possible to ascertain their independence, nor can one judge their investment performance. In order to do this, one would need to know the size of the portfolios that they manage, as well as the return per portfolio.

However, the financial future of the GEPF cannot be isolated from the financial demands placed on it by the PIC. After all, one of the PIC's investment strategies is to "contribute to the broader social and economic development of South Africa and the rest of Africa". And therein lies the rub. The PIC not only invests in good companies that earn healthy returns, but it also invests in up and coming companies. This is a riskier investment without any guarantee of a return, and should be closely monitored in order to preserve wealth.

The most recent audited GEPF financials are dated March 31 2016, and we will have to wait until at least October 2017 for the next set. These financials carry some warning signs. Only the top ten investments per investment category are disclosed, with the result that a significant percentage of assets are disclosed as "other", making it difficult to form any view on the risk of the assets included in "other".

The investments include direct loans of R22,2 billion. The largest loans granted include funds advanced to the IDC (R3,1 billion), Kilimanjaro Sakhumnotho Consortium (R1,9 billion), Tanga Cement Company (R1,4 billion), Independent News & Media (R1 billion), and Opiconsivia Investments 239 (R1,7 billion). It is noted that the fund also has a 66% equity investment in Opiconsivia Investments 239, an unlisted entity, which was valued at R4,8 billion in 2015, and marked down to R1,9 billion in 2016.

The rule of only disclosing the ten largest loans, results in incompleteness, as R9,6 billion (43.27%), of these loans are disclosed as "other". Crucial information in regard to the performance of these loans, such as interest rate, term of loan, security given, and risk rating, is lacking. There has been no disclosure of any default in payment of interest or capital.

There would also be investment risk in the R153,8 billion that has been invested in bills and bonds of struggling parastatals, the R318,9 billion invested in "other" equities, and the R41,1 billion in "unlisted equities". An unlisted equity is a particularly high-risk investment, not least because of the lack of regulatory framework, lack of formal market, difficulty in the valuation of the investment, lack of liquidity, limited operating history, and a zero possibility of a dividend.

Included in Financial Liabilities is a "funded equity collar finance with Bank of America Merrill Lynch on July 13 2015" of R4,2 billion. This "funded collar transaction unwinds in tranches with weekly expiries commencing on January 15 2016 and ending on December 22 2017. Each expiry consists of 366 583 shares with a repayment amount of R44,3 million". The JSE Sens announcement on July 16 2015 states that "the GEPF's shareholding in Vodacom is not impacted by this placement and it does not constitute a disposal". This begs the question, is this in substance a loan

from Merrill Lynch with the 25 million ordinary shares in the Vodacom Group providing collateral? Perhaps the March 2017 financials will throw more light on this transaction.

In conclusion, there should be full disclosure of all investments, including loans granted to enterprises. Despite the assurance that the state is obliged to pay in any shortfall in pension benefits that would result from poor investment decisions, it does not have a bottomless piggy bank that can carry on neutralising shortfalls caused by inefficiency and bad investment decisions. Continuing to raise taxes in a global world of falling taxes in order to replenish the government coffers isn't the answer either.

*Barbara Curson, is a CA(SA) and tax specialist.*

#### *Comment*

*This old release is included to allow all to think about what happened since.*

*Did you know we 'injected' R2,2 billion into SAA in 2017? And what did the SAA do with the money?*

*And what was the Merrill Lynch R 4,2 billion? The more we know the more we realise what we don't know.*

*The "bottomless piggy bank"? Yes we all know what the state thinks it is but we know it isn't.*

#### VERKLARING

Uitgereik namens die Vereniging vir die Monitering en Bevordering van die Staatsdienswerknemerspensioenfonds. (AMAGP)

#### VBS BANK : WIE NOG IS SKULDIG ?

Uiteindelik begin die sweer oopbars.

Twee senior lede van die OBK is as gevolg van gebeure by die VBS Mutual Bank nie meer by die OBK nie.

Die een na die ander skandaal in verband met die gebeure by die VBS word nou bekend. Ongelukkig nie oor deursigtigheid by die OBK en Raad van Trustees van die GEPF (RvT) nie. Die jongste onthullings oor gebeure rakende die twee senior OBK lede wat op die VBS se direksie gedien het, skok nie eens meer nie. Pensioentrekkers en werkers is al te vuisvoos van skande op

skande. Hulle het al gewoon geword daaraan dat daar roekeloos met hul pensioengeld omgegaan word en dat niks daaraan gedoen word nie.

Die AMAGP waarsku al lankal dat alles by die OBK en RvT van die GEPF moontlik nie pluis is nie. Die RvT wat veronderstel is om die gesagsliggaam van die GEPF te wees, swyg soos gewoonlik soos die graf of gee ontwykende antwoorde. Uit die jongste persberigte en gebeure wat ontbloot word, is dit nou duidelik hoekom deursigtigheid blykbaar vir die twee instansies 'n vreemde begrip is, wat deur hulle teengestaan moet word. Selfs in die parlement.

Dit is nou duidelik waarom daar so 'n stilswye oor gebeure by die VBS Mutual Bank was. Die een OBK gedelegeerde direkteur, Paul Magula, is reeds vroeër vanjaar volgens 'n verklaring deur die OBK, afgedank na 'n tugverhoor. Hoekom is dit dusver geheim gehou? Wat was die klagtes waaraan hy skuldig bevind is? Hou dit verband met korrupsie of ander misdade by die OBK? Die enigste eienaars van die pensioenfonds, die lede daarvan, is geregtig om volledig ingelig te word.

Ernest Nesane, Hoof van Regsdienste, Korporatiewe Bestuur en Voldoening van die OBK en ook 'n gedelegeerde direkteur het bedank. Hoekom?

Nesane het onlangs nog in 'n forensiese ondersoek na die VBS Mutual Bank getuig. Na berig word, het die OBK na sy getuienis bewus geword van ernstige bewerings van wangedrag teen hom. Watter bewerings? Werklik, nou eers? Watter beheer het die OBK dan oor hierdie belegging gehad? Is dit hoe werkers en pensioentrekkers se pensioengeld bestuur behoort te word?

Watter rol, indien enige, het die RvT gespeel in hierdie hele debakel? Is daar byvoorbeeld enige moniteringsaksies oor die jare uitgevoer?

Die OBK het in 2015 'n leningsgerief van R350 miljoen aan die VBS goedgekeur. Dit moes tog toe al duidelik gewees het dat daar fout is. Die ineenstorting het sekerlik nie oornag plaasgevind nie. Het die gedelegeerde direkteure daarvan geweet? En die OBK? En die RvT? Indien nie, hoekom nie?

Dit is verblydend dat die OBK n forensiese ondersoek na die gebeure by die VBS bank instel maar is dit nie 'n geval van dat die staldeur gesluit word nadat die perd ontsnap het nie? Kon die gebeure nie voorsien en voorkom gewees het nie?

Die AMAGP het al by herhaling die aandag gevestig op die bepalings van die Wet op die Voorkoming en Bekamping van Korrupsie Nr 12 van 2004. Volgens hierdie wet is sekere persone wat geweet het of redelikerwyse moes geweet het, vermoed of selfs 'n suspisie gehad het dat een van 'n hele reeks oortredings of misdade gepleeg is en dit nie aan 'n polisiebeampte rapporteer het nie, skuldig is aan 'n oortreding.

Die onafwendbare vraag is nou waar dit lede van die OBK en RvT laat. Wie het wat, wanneer geweet en wat is daaromtrent gedoen? Is die bepalings van die Wet nagekom? Of het mense hul plig versuim?

Dit is nog nie te laat om klagtes te gaan lê nie.

Die owerheid moet asseblief verstaan dat die gebeure die afgelope tyd veroorsaak het dat vertrouwe in die OBK en RvT n laagtepunt bereik het en moontlik onherstelbaar is. Die gebeure by die VBS bank is maar een van daardie gebeure.

Adamus P Stemmet  
Durbanville  
Segsman: AMAGP  
Kaaipstad  
16 Julie 2016

### Synopsis

## **VBS 'paid bribes to PIC, Prasa officials'**

8 July 2018 Dewald Van Rensburg News 24



The "epic" scale of the alleged fraud perpetrated at VBS Mutual Bank is detailed in an explosive new affidavit by VBS curator

Anoosh Rooplal, including the wanton creation of millions in fake deposits and bribes paid to politicians and "senior officials" of the PIC and Prasa to get them to deposit public money in the bank.

The directors of VBS Mutual Bank and its majority owner, Vele Investments, stole more than R1,5bn from the bank's depositors, claims the affidavit. It accompanied an urgent application to liquidate Vele, which was filed on Friday. Applications to sequester the bank's executives will follow shortly.

Most of the shocking details come from evidence provided by VBS's former treasurer, Phopi Mukhodobwane, who revealed how he and his colleagues allegedly pillaged depositors' money. He also provided evidence of the patronage network built to keep money flowing into the bank.

An unnamed "senior executive" of the PIC allegedly received R5m in cash. In return, the PIC gave VBS an R350m credit facility meant to fund VBS's tender finance business. VBS executives went on to pillage this loan by creating fake finance contracts. The amount of R1,5m was also allegedly paid to "individuals at Prasa" to facilitate a R1bn deposit which ultimately fell through.

Mukhodobwane's evidence also appears to implicate the ANC Limpopo treasurer, Daniel Msiza, and the ANC Youth League Gauteng leader, Kabelo Matsepe. On December 22 2017, a company owned by Matsepe was paid R1,5m via a shelf company that Mukhodobwane says was used to channel bribes.

In messages between VBS executives, they discuss "Kabelo" as well as "Bra Danny" in relation to their help with facilitating municipal deposits into VBS. City Press reported earlier how Msiza received a R9,5m loan from VBS to buy a conference centre in Polokwane, but he said at the time that it was a normal commercial loan.

The crux of the fraud was that VBS bosses fabricated money by manually entering fictitious "deposits" into the VBS system. These would either be transferred into their own VBS accounts from a so-called suspense account – or be simply fictitiously entered directly into their accounts and the accounts of their other companies, alleges Rooplal.



“VBS fell prey to a fraudulent scheme of epic proportions, which has resulted in a loss to the bank of at least R1 521 925 280.46,” claims Rooplal. Half of this amount was used by Vele to acquire its various businesses, effectively for free. These “free” acquisitions included Insure Group Management. Vele allegedly also acquired Malibongwe Petroleum, Anglo African Finance, Mvunonala and Fairsure with invented money.

### 'Main architect'

VBS chairperson Tshifhiwa Matodzi was the “main architect of the fraudulent scheme” and made the most money from it, alleges Rooplal. VBS chief executive Andile Ramavhunga, chief financial officer Philippus Truter, treasurer Mukhodobwane and chief operations officer Robert Madzonga were all part of it, he says.

Truter and Mukhodobwane made the fictitious entries and carried out fraudulent transactions on Matodzi’s instructions, Rooplal alleges. Rooplal procured an affidavit from Mukhodobwane testifying to how it was done: Matodzi instructed Truter and Mukhodobwane to facilitate the acquisition of Insure Group Managers for R250m with fictitious money. The imbalance in VBS’s balance sheet would then be fixed by having Insure deposit its real money back into VBS. The deal was done and the fake R250m ended up in an Insure account at VBS. From there it was paid out to other related parties, becoming real money. Vele, in effect, “paid nothing for the investment” in Insure, claims Rooplal. Other Vele subsidiaries were bought in the same way.

More shockingly, even the controlling share Vele has in VBS was bought without actually paying anything. VBS created a fake R350m deposit in favour of Vele, of which R90m was used to buy more shares in VBS. Another R80m in VBS shares was acquired by having Insure put money in VBS for unrelated purposes.

### Demand for liquidation

Despite the bank becoming a house of cards, KPMG auditor Siphon Malaba signed off VBS’s books last year.

Rooplal argues for the immediate liquidation of Vele so that he can recover whatever is left of the looted money. “I have attempted to

engage with the management of Vele, but it has become increasingly unclear as to who is in control, as there is a dispute as to the effective leadership of Vele and its subsidiaries. There is, as far as I am aware, no effective management due to the above dispute, which has led to a breakdown of the management and governance of Vele,” he says.

Matsepe also responded, saying: “I confirm that my company had a memorandum of understanding to do capital raising for VBS, which was signed in 2016, and I confirm to helping raise capital and being paid for it. “I confirm to helping raise capital from international bankers and I completely deny the mentioned transaction that is said to have happened on 22 December 2017.”

### Comment

*No mention of who the politicians and Prasa officials are, we would surely love to know. The PIC responded to a request for comment with the usual disclaimer.*

*It is incomprehensible the two directors from the PIC and the auditor from KPMG didn't realise wrongdoing, but not impossible if their credentials don't match up with their appointments.*

*Would similar schemes be possible in SOE? Horrifying thought!*

<https://www.sowetanlive.co.za/news/south-africa/2018-07-13-pic-to-have-forensic-investigators-look-into-all-transactions-with-vbs/>

## PIC to have forensic investigators look into all transactions with VBS

By Jana Marais 13 July 2018

The PIC will appoint forensic investigators to look at all transactions related to its investment in VBS Mutual Bank, with two former PIC executives implicated in “serious allegations of impropriety”. The aim of the forensic investigation is to determine “if any, or to what extent, PIC officials were involved in the demise of VBS Bank”, it said.

Ernest Nesane, the PIC’s executive head of legal services and one of the fund manager’s delegates on the VBS board, resigned with immediate effect on Friday. His resignation came after more information came to light following his testimony before the forensic investigation into VBS earlier this week, the

PIC said. Nesane did not respond to messages seeking comment.

Nesane's departure follows the exit of Paul Magula, the PIC's former executive head of risk and compliance and fellow VBS member. He was fired for poor performance in April. Since then, details have come to light of payments of hundreds of thousands of Rands to his accounts in 2016 and 2017 from Vele Investments, the biggest shareholder in VBS. The allegations were contained in an affidavit by Anoosh Rooplal, the curator of VBS. Magula has previously denied receiving money from VBS, and said he provided information to the investigators on Vele.

"As company directors and PIC executives, both Nesane and Magula were entrusted with duty of care to ensure that the institution and its business practices apply the highest standards of ethics and good corporate governance," it said in the statement.

The PIC said it will also investigate an allegation in Rooplal's affidavit that R5m in cash was paid to an unnamed senior PIC official in exchange for extending a R350m line of credit to VBS. According to its records, the R350m facility was approved in 2015, almost two years before the alleged bribe was paid, the PIC said. "Should there be any proof that a PIC employee has received such a bribe, the PIC will immediately institute the appropriate disciplinary proceedings and report the matter to law enforcement authorities," it said.

Our fellow AMAGP member and auditor colleague, Christo van Dyk, reacted to the above article in the Sowetan, below:

The outcome suggests strongly that there are root causes embedded in the PIC's processes related to due diligence and monitoring. The two departed employees were surely involved with other transactions. By only focussing on one case, and only parts of it, is not going to address the root causes.

The brief of the forensic investigation should actually start when the investment was initiated, the due diligence process followed, all the correspondence and minutes related to meetings (formal and informal). The investigation should also look in depth at the monitoring and feedback processes followed with this case. The investigation should then

move on to other cases where the two departed individuals were involved.

In all likelihood there will be more cases and other individuals involved. This would require the expansion of the Forensic investigators terms of reference. The question now is, is it conceivable that such an expansion of the terms of reference will be allowed by the people perhaps implicated by it?

Responsible investing requires some degree of activism. How many more cases do we need before the passive role of the GEPF regarding the PIC as investment agent is overhauled and replaced by a more active and direct approach.

As such, it may very well be time for the GEPF BoT to take control of the situation and stop acting like an absentee landlord. Anything less would be just a scapegoat finding exercise and create the illusion of control by the PIC.

*Comment*

*I think Christo's comments need no elaboration.*

*Synopsis*

## **VBS Mutual Bank: Calls for former PIC directors to be declared delinquent**

5/7/2018 Lameez Omarjee Fin 24

The Federation of Unions of South Africa (Fedusa) has called for two former PIC directors implicated in allegations surrounding VBS Mutual Bank to be declared delinquent. The trade federation issued a statement on Sunday calling for former executive head for legal counsel, governance and compliance Ernest Nesane and former executive head of risk management Paul Magula to be declared delinquent directors over alleged impropriety in their roles on the board at VBS Mutual Bank.

Fin24 on Friday reported that Ernest Nesane resigned from his position as executive head for legal counsel, governance and compliance. Magula was dismissed by the PIC earlier this year following a disciplinary hearing.

Fedusa wants the pair to be declared delinquent directors for "failing to apply the

highest standards of ethics and good corporate governance”, the federation said in its statement. “The effect of an order which declares a director delinquent is that the director is disqualified from being a director of a company in terms of Section 69(8)(a) [of the Company’s Act] in future,” said Fedusa General Secretary Dennis George.

According to the act, the court order could be unconditional and could last for the lifetime of the director or seven years or longer. “It is important to recognise that both Mr Nesane and Mr Magula have a duty of care to ensure they observe their fiduciary responsibilities relating to the business practices and apply the highest standards of ethics and good corporate governance,” Fedusa said.

The federation added that Magula and Nesane cannot “escape” a court order being issued against them, even though they are both no longer at the PIC.

The City Press reported on Sunday that the pair were allegedly paid millions by the mutual bank's majority shareholder Vele Investments. According to the City Press they both got paid R5m to "look the other way" while the bank was looted. “The latest revelation is an indictment on the PIC’s poor investment choices and lax internal control mechanisms which failed to detect that their representatives at VBS had ‘been bought’ and could no longer be trusted with fiduciary responsibilities,” said DA MP Kevin Mileham. The DA wants the South African Police Service investigation into VBS to be expanded to include the PIC and those implicated must face criminal charges and pay back all the money they received illegitimately.

#### *Comment*

*It is heartening to see the trade unions playing a role in their members’ pension interests. They seem to be monitoring the situation closely but more forceful action would be appreciated.*

#### *Synopsis* **POLITICS**



## **VBS used as front to facilitate corruption for the ANC - Kevin Mileham**

Kevin Mileham 13 July 2018

DA lays charges of fraud, racketeering and corruption against bank's executives and majority shareholder

Today, joined by my colleague, DA Gauteng Shadow MEC for Finance, Adriana Randall MPL, I laid charges of fraud, racketeering and corruption against VBS Mutual Bank executives and its majority shareholder, Vele Investments, at the Sandton Police Station in Johannesburg.

On Sunday, allegations emerged that the bank’s directors and Vele Investments had defrauded VBS of more than R1,5 billion. The DA is of the view that the implicated individuals breached Section 3 of the Prevention and Combating of Corrupt Activities Act as well as Section 2 of the Prevention of Organized Crime Act.

VBS has been marred by controversy for years. It is the same bank which gave Jacob Zuma a loan to pay for his Nkandla compound. Reports today also suggest that the ANC accepted donations from the Bank for a gala event from a questionable source. This essentially means that VBS has been used as a front for criminal activity in support of the uncaring ANC government.

While the executives defrauded the bank and the ANC seems to have benefitted from this, ordinary citizens are now left to line up for days on end just to get their savings out.

Earlier this year, it was revealed that 15 municipalities made deposits with VBS, despite an instruction by National Treasury against this practice. Some of the implicated municipalities are among the worst run and most financially unstable municipalities in the country.

The South African Police Service now has a responsibility to thoroughly investigate these charges and ensure that these individuals are held accountable.

The DA will not allow the ANC’s corruption to rob South Africans of efficient service delivery. We will ensure that the individuals who are responsible are held to account.

### Comment

To expand on the previous statement by Fedusa. Interesting that non-functioning municipalities have millions to invest but not to manage their municipality.

### Synopsis

## How PIC men got paid

Jul 15 2018 Dewald Van Rensburg

Both of the PIC's representatives at VBS Mutual Bank were paid millions to look the other way as the bank got looted into the ground by Vele Investments. City Press has established a credible reason for this: Magula received at least R5,05m from VBS's major shareholder, Vele, between December 2016 and February this year. He received these payments while he was a non-executive director of VBS meant to safeguard the interests of the PIC, which is a 25% shareholder in the bank. Magula also received a R4,8m mortgage from VBS last year.

Reams of bank statements included in VBS curator Anoosh Rooplal's liquidation application against Vele show that Magula was paid R1,75m between December 2016 and July 2017.

After that, similar monthly payments began being made to a company called Hekima Capital, which has Magula's home address as its registered business address. Hekima received monthly payments until February this year, totalling R3,3m. The payments to Magula and then Hekima total R5,05m – the same amount that was allegedly given as a bribe to an unnamed "senior PIC executive" in cash, according to Rooplal's explosive affidavit in support of the liquidation of Vele filed on Friday, July 6.

### New evidence

Two days ago, the PIC announced that its other representative at VBS, Ernest Nesane, had resigned after revealing new evidence to the investigators working for the VBS curator. This suggests Nesane was the "senior executive" paid in cash, meaning both PIC men got R5m.

Nesane was the PIC's executive head for legal counsel, governance and compliance, making the involvement of him and Magula, the PIC head of risk, in the VBS scandal deeply ironic and embarrassing for the continent's largest asset manager.

This week, Magula told City Press that he never received any cash or payment from VBS, but he would not comment on the bank transfers from Vele to him and Hekima which are visible in documents now before the court. "I would rather reserve comment. I would like the investigation to proceed. I have given my statement to the investigator," he said. He did say that Hekima was an "advisory company".

While Hekima is registered at Magula's home address, he was a director of Hekima for only a brief spell in 2016, and the company currently has only one director: Lot Magosha. Magosha told City Press he bought Hekima from Magula and that it was an "empty" shelf company at the time. He claims the money paid to Hekima in monthly instalments were all loans that will be paid back to Vele.

However, in Vele's bank statements, only one of the Hekima payments is identified as a "loan payment". Strangely, two Hekima payments are called "salaries".

### Top cop on the scene

Magula and Nesane are not the only non-executive directors of VBS in trouble. The suspended chief financial officer of the SAPS, Phalaphala Ramikosi, is also an independent nonexecutive director at VBS. He is also a member of the bank's board audit committee as well as its risk and compliance committee – theoretically, making him one of the key checks on the other VBS executives' alleged plundering of the bank.

Ramikosi is, however, currently on paid suspension from the police service. SAPS spokesperson Vishnu Naidoo would not reveal why Ramikosi was suspended. "We will neither be discussing the circumstances nor the merits of his suspension as this is an internal process, and it will be dealt with as such," Naidoo told City Press.

Ramikosi's suspension was revealed in Parliament last month by national police commissioner General Khehla Sitole. "There had been misconduct that he had committed in terms of the regulations, which warranted a



suspension,” Sitole told the parliamentary portfolio committee for police on June 14. Ramikosi obtained a R3,3m mortgage from VBS last year.

## Commissions

Last week, Rooplal claimed that VBS used a company called Robvet to pay bribes and commissions to individuals to help keep large deposits, mostly from impoverished municipalities, flowing into VBS to plug the R1,5bn hole left by the bank bosses’ alleged fraud.

An analysis of Robvet’s bank statements shows that the single largest recipient of commissions from VBS was politically connected businessman Kabelo Matsepe. His company, Moshate Investment Group, apparently received R12m between July 2017 and February this year.

Matsepe had said earlier that he had a legitimate capital-raising contract with VBS. “I really don’t understand why Moshate and other companies were paid from a shelf company,” he told City Press by message. “It is clear that there might have been governance issues and corruption at the bank of which I was not involved in their operations. I really don’t understand why I am being castigated for assisting what I considered the only black-owned bank in this country. I hope law enforcement agencies speed up their investigations and bring to book anyone who might have broken the law.”

Another company which allegedly received significant payments out of Robvet is Gundo Wealth Solutions, which received R2,3m from Robvet and another R1,5m from Vele Investments directly between October 2017 and January this year. Gundo director Ralliom Razwinane told City Press that Gundo was a registered financial services provider and was “engaged with various financial institutions, including VBS Mutual Bank, in the normal and ordinary course of business”.

“Like others in the market, we are horrified at the reported events unfolding at both VBS and Vele Investments, especially the losses suffered by the poor and vulnerable,” he said. “We are willing and prepared to co-operate with relevant authorities should we be called upon to do so.”

## Regulatory failure

This week, the SA Reserve Bank washed its hands of the apparently enormous alleged fraud that occurred at VBS. Central bank governor Lesetja Kganyago said at a media briefing that it was not the bank’s job to detect fraud. “Let’s be clear: what happened was fraud. The regulator is not there to detect if an institution is defrauded ...” he said.

The Reserve Bank can do very little if both the board of a bank and the external auditors – in this case, KPMG – wilfully mislead it, he said. The registrar of banks, Kuben Naidoo, accused VBS of regulatory arbitrage – using a less regulated mutual bank licence to conduct the business of a commercial bank. “For two years we asked them to upgrade to a commercial banking licence,” he said.

National Treasury has now provided a guarantee of R336m to the Reserve Bank. This covers money that the central bank is providing to the curator of VBS so that retail depositors can withdraw up to R100 000 each from VBS. This will cover almost all individuals with money at VBS, which will now be transferred to new Nedbank accounts. But the municipalities and companies that put money in VBS are still out of luck.

“Municipalities had no business placing deposits with VBS,” said Kganyago. “They knew what they were doing and will have to stand in line.”

### Comment

*The comment below is from one of the AMAGP members and was made in response to a report in the Burger of 10 July. Sums is up nicely don’t you think?*

Die OBK, die enigste agent wat toegelaat word om die geld van die Staatsdienspensioenfonds te belê, het twee verteenwoordigers op die direksie van die bank gehad.

Vrae ontstaan nou of hulle ook betrokke was by die bedrog? Sou hulle geweet het van die bedrog? Het hulle die OBK ingelig? Indien wel, wat het die OBK gedoen om die werkers en pensionarisse se geld te beveilig? Is hul mandaatgewer, Raad van Trustees van die GEPP, ingelig? Wat het die GEPP daaromtrent gedoen?

Die AMAGP het voorheen al die OBK en Raad van Trustees van die pensioenfonds se

aandag op die sogenaamde Korrupsiewet van 2004 gevestig. As jy weet van korrupsie of dit vermoed en dit nie aan die SAPD rapporteer nie, is jy skuldig aan 'n oortreding. Nou vra ons: Wie het almal geweet of vermoed? Gaan dit bekend gemaak word of, soos dit deesdae gebeur, toegesmeer word?

Die OBK het nou al herhaaldelik bewys dat hulle nie vertrou kan word met die pensioenfonds se geld nie. Dit is hoog tyd dat taak om hierdie fondse te bele by wyse van tender aan ten minste drie beleggingsagente in die private sektor toegeken word.

Die Raad van Trustees van die GEPF is veronderstel om na die belange van die werkers en pensionarisse om te sien. Bestaan hierdie Raad nog? Hul stilte is daverend.

*Final Comment: VBS*

*A tragedy in real life. Luckily the individual clients will get their money, transferred to Nedbank {how did that happen?} No so lucky are the municipalities who also didn't conduct proper due diligence, possibly also because bribery played a role if the Rooplal's affidavit proves to be true in all respects.*

## **The GEPF AMAGP: Invitation**

GEPF members, either still working or pensioned, are cordially invited to join the GEPF Monitoring Group/AMAGP. We always need members and co-workers, all contributing to the cause and in their own interest.

Soos meeste staatsdienspensioenarisse is u waarskynlik afhanklik van u maandelikse pensioen vir die gehalte van u lewe. Agv die swak toestand van regering in die RSA, die aanloklikheid en omvang van ons Fonds asook staatskaping, ontstaan die vraag hoe volhoubaar die pensioen is en gaan bly, dws hoe lank gaan ons nog die volle pensioen bly kry. Ons by die AMAGP se oorwoë mening is dat daar wel gevare is en dat ons, die aandeelhouers van die pensioenfonds, dringend hieraan aandag moet skenk. Verontagsaming hiervan kan lei tot 'n soortgelyke situasie as dit waarin Spoorweg pensioenarisse hulle steeds bevind. Om die rede versoek ons dat u ons ondersteun. Sluit aan by die AMAGP, 'n vrywillige organisasie, bestaande uit staatsdienswerknemers en -pensioenarisse, met die doel om ons Fonds te beskerm.

Contact any one of the following:

Hennie Roux

[hennie@nostalgie.co.za](mailto:hennie@nostalgie.co.za)

At Fourie

[atfourie15@gmail.com](mailto:atfourie15@gmail.com)

Alan Luck

[armyrenewal@vodamail.co.za](mailto:armyrenewal@vodamail.co.za)

Errol Massey-Hicks

[errolhicks@gmail.com](mailto:errolhicks@gmail.com)

## **FACEBOOK GROUP**

[Association for Monitoring and Advocacy of Government Pensions]

If you are interested in becoming a member of the organisation, please complete a membership application to be found on the FB page or on the website.

**Semper Vigilans!**

### **CONCLUSION**

*To ponder on...*

Dear Reader,

1. The AMAGP endeavours to ensure the sustainability of the GEPF to the benefit of current and future members of the GEPF. We want many more members for logical reasons – to ensure the GEPF Trustees carry out their assigned roles.
2. The MG was established in 2016 as a voluntary organisation and, as the AMAGP, will remain so for the foreseeable future. The AMAGP maintains good relations with the GEPF Trustees as well as the PIC. The AMAGP is also in continuous communication with other stakeholders and interested parties to ensure the widest possible concern for our current and future pensioners.
3. Although until about 2013 the GEPF performed satisfactory in its endeavour to provide sustainable pension benefits to pensioners and future beneficiaries, SC and its resultant tentacles started reaching out to the GEPF and PIC and created alarm. The blatant SC leading inevitably to degrading our democracy and the resultant downgrade in international financial grading still threatens our GEPF's sustained viability, including those very same politicians who eventually want to retire on their state pension. As SC recedes other dangers threaten our Fund, such as the non-performing SOE and bankrupt municipalities.
4. The financial woes of ESKOM, SAA and other SOE [PETROSA, PRASA, Transnet, etc] feature largely, making looting the GEPF very attractive.

5. In conclusion dear reader, decide if you want to risk the retirement you are excited about to be similar to other departed and failed pension funds, or are you prepared to become a paid up member of the AMAGP? Litigation and court interdicts are expensive.

**Comments, articles and recommendations about and for the newsletter are welcome. No anonymous submissions will be accepted; however, names may be withheld on request.**

Please submit to: [editorgepfmtg@gmail.co.za](mailto:editorgepfmtg@gmail.co.za)

#### VRYWARING

Die AMAGP maak die Nuusbrief beskikbaar as 'n diens aan beide die publiek en AMAGP lede.

The AMAGP is nie verantwoordelik en uitdruklik vrywaar alle aanspreeklikheid vir enige skade van enige aard wat sal ontstaan uit die gebruik of aanhaling of afhanklikheid van enige informasie vervat in die Nuusbrief nie. Alhoewel die information in die Nuusbrief gereeld opgedateer word kan geen waarborg gegee word dat die informasie reg, volledig en op datum is nie.

Alhoewel die AMAGP Nuusbrief skakels na ander internet bronne mag bevat, insluitende ander webtuistes, is the AMAGP nie verantwoordelik vir die akkuraatheid of inhoudelikheid van informasie van die bronne of tuistes nie.

#### DISCLAIMER

The AMAGP provides the Newsletter as a service to the public and AMAGP members.

The AMAGP is not responsible, and expressly disclaims all liability, for damages of any kind arising out of use, reference to, or reliance on any information contained within the Newsletter. While the information contained within the Newsletter is periodically updated, no guarantee is given that the information provided in the Newsletter is correct, complete, and up-to-date.

Although the AMAGP Newsletter may include links providing direct access to other internet resources, including websites, the AMAGP is not responsible for the accuracy or content of information contained in these resources or websites.



***Moeletsi Mbeki (Thabo Mbeki's brother) South Africa: Only a matter of time before the bomb explodes***

I can predict when SA's "Tunisia Day" will arrive. Tunisia Day is when the masses rise against the powers that be, as happened recently in Tunisia. The year will be 2020, give or take a couple of years. The year 2020 is when China estimates that its current minerals-intensive industrialisation phase will be concluded. For SA, this will mean the ANC government will have to cut back on social grants, which it uses to placate the black poor and to get their votes. China's current industrialisation phase has forced up the prices of SA's minerals, which has enabled the government to finance social welfare programmes.

The ANC is currently making SA a welfare state and tends to 'forget' that there is only a minority that pay all the taxes. They are often quick to say that if people (read whites) are not happy they should leave. The more people that leave, the more their tax base shrinks. Yes, they will fill the positions with BEE candidates (read blacks), but if they are not capable of doing the job then the company will eventually fold as well as their 'new' tax base. When there is no more money available for handouts they will then have a problem because they are breeding a culture of handouts instead of creating jobs so people can gain an idea of the value of money. If you keep getting things for free then you lose the sense of its value. The current trend of saying if the west won't help then China will be going to bite them. China will want payment – ie land for their people and will result in an influx of Chinese (there is no such thing as a free lunch!)

The ANC inherited a flawed, complex society it barely understood; its tinkering with it are

turning it into an explosive cocktail. The ANC leaders are like a group of children playing with a hand grenade. One day one of them will figure out how to pull out the pin and everyone will be killed. ...and 20 years on they still blame apartheid but have not done much to rectify things – changing names etc only costs money that could have been spent elsewhere. A famous African liberation movement, the National Liberation Front of Algeria, after tinkering for 30 years, pulled the grenade pin by cancelling an election in 1991 that was won by the opposition Islamic Salvation Front. In the civil war that ensued, 200 000 people were killed.

The 'new' leaders are forgetting the 'struggle' heroes and the reasons for it – their agenda is now power and money and it suits them for the masses to be ignorant – same as Mugabe did in Zim. If you do not agree with the leaders then the followers intimidate you. The former British Prime Minister, Margaret Thatcher, once commented that whoever thought that the ANC could rule SA was living in Cloud Cuckoo Land. Why was Thatcher right? In the 16 years of ANC rule, all the symptoms of a government out of its depth have grown worse:

- Life expectancy has declined from 65 years to 53 years since the ANC came to power; - a leader who did not believe that HIV causes AIDS (Mbeki) and another who believes having a shower after unprotected sex is the answer and has 5 wives and recently a child out of wedlock (Zuma). Great leaders for the masses to emulate!!- not!!

- In 2007, SA became a net food importer for the first time in its history; Yet they want to carry on with their struggle song 'kill the boer(farmer)' and stopping farm killings does not seem to be a priority. They do not seem to realise where food actually comes from.

- The elimination of agricultural subsidies by the government led to the loss of 600 000 farm workers' jobs and the eviction from the commercial farming sector of about 2,4-million people between 1997 and 2007; and – yet they want to create jobs and cause even more job losses – very short-sighted thinking.

- The ANC stopped controlling the borders, leading to a flood of poor people into SA, which has led to conflicts between SA's poor and foreign African migrants. Not much thought was given to this – their attitude was



to help fellow Africans by allowing them 'refuge' in SA. Not thinking that illegals cannot legally get jobs but they need to eat to live. I believe that most of our crime is by non-South Africans from north of the borders. They need to do something to survive! Remove the illegal problem and you solve most of the crime problem.

...but is it in their interest to solve crime? There are whole industries built on crime – each burglary, car hijacking etc results in more sales of product and contribute to GDP. What would sales be if crime was down? I do not believe that anyone has worked out how much electricity is consumed a day because of electric fencing and security lights at night. Reduce the need for this (crime) and Eskom would probably have a power surplus – or if they charged our African neighbours the correct rates at least make a decent profit to build more power stations.

What should the ANC have done, or be doing? The answer is quite straightforward. When they took control of the government in 1994, ANC leaders should have:

- identified what SA's strengths were;
- identified what SA's weaknesses were; and
- decided how to use the strengths to minimise and/or rectify the weaknesses.

Standard business principle – but they were too busy enriching themselves. People who were in prison or were non-entities 20 years ago are now billionaires – how? BEE?? A wise government would have persuaded the skilled white and Indian population to devote some of their time – even an hour a week – to train the black and coloured population to raise their skill levels. This done by lots of NGOs but should have been more constructively done by the ruling party. What the ANC did instead when it came to power was to identify what its leaders and supporters wanted. It then used SA's strengths to satisfy the short-term consumption demands of its supporters. In essence, this is what is called black economic empowerment (BEE). ...and put people in positions they could not cope with making them look stupid. Whereas if they'd had the necessary grounding they could have been good in the position at the right time.

You cannot 'create' a company CEO in a couple of years. It takes years of work starting at the bottom of the ladder – not in the middle. Only some things can be learnt in books –

experience is the most important factor and this is not found in text books or university corridors. BEE promotes a number of extremely negative socioeconomic trends in our country. It promotes a class of politicians dependent on big business and therefore promotes big business's interests in the upper echelons of government.

Second, BEE promotes an anti-entrepreneurial culture among the black middle class by legitimising an environment of entitlement.

Third, affirmative action, a subset of BEE, promotes incompetence (what I said above) and corruption in the public sector by using ruling party allegiance and connections as the criteria for entry and promotion in the public service, instead of having tough public service entry examinations. Nepotism is rife – jobs for friends and families who are nowhere near qualified – and then hire consultants to actually get the work done – at additional cost of course!

Let's see where BEE, as we know it today, actually comes from. I first came across the concept of BEE from a company, which no longer exists, called Sankor. Sankor was the industrial division of Sanlam and it invented the concept of BEE.

The first purpose of BEE was to create a buffer group among the black political class that would become an ally of big business in SA. This buffer group would use its newfound power as controllers of the government to protect the assets of big business. The buffer group would also protect the modus operandi of big business and thereby maintain the status quo in which South African business operates. That was the design of the big conglomerates. Sanlam was soon followed by Anglo American. Sanlam established BEE vehicle Nail; Anglo established Real Africa, Johnnic and so forth.

The conglomerates took their marginal assets, and gave them to politically influential black people, with the purpose, in my view, not to transform the economy but to create a black political class that is in alliance with the conglomerates and therefore wants to maintain the status quo of our economy and the way in which it operates. But what is wrong with protecting SA's conglomerates? Well, there are many things wrong with how conglomerates operate and how they have structured our economy:

□ The economy has a strong built-in dependence on cheap labour; With tight labour legislation they are preventing people from getting jobs. For some industries minimum wages are too high resulting in less people being employed. Because it is almost impossible to get rid of an incompetent employee without it costing lots of money in severance people rather do not employ – run on minimum with no incentive to grow the business – or alternatively automate. Result – more unemployment and employment of illegals at more affordable wages.

□ It has a strong built-in dependence on the exploitation of primary resources;

□ It is strongly unfavourable to the development of skills in our general population. Gone are the days of the artisan – no more structured learning to be artisans over a period of time. Try to fast track everything resulting in little on the job experience to be able to do the job. That is why Eskom has sub stations blowing up and catching fire – lack of skill and maintenance. A friend told me about 5 years that this would start happening after Tshwane (Pretoria) started qualifying electrical engineers who were not up to standard.

□ It has a strong bias towards importing technology and economic solutions; and at a higher cost.

□ It promotes inequality between citizens by creating a large, marginalised underclass who depend on handouts that cannot be maintained into perpetuity.

Conglomerates are a vehicle, not for creating development in SA but for exploiting natural resources without creating in-depth, inclusive social and economic development, which is what SA needs. That is what is wrong with protecting conglomerates.

The second problem with the formula of BEE is that it does not create entrepreneurs. People do not develop necessary skills when being fast-tracked into a position and being given a free ride. You are taking political leaders and politically connected people and giving them assets which, in the first instance, they don't know how to manage. So you are not adding value.

You are faced with the threat of undermining value by taking assets from people who were managing them and giving them to people

who cannot manage them (what I said earlier above).. BEE thus creates a class of idle rich ANC politicians. My quarrel with BEE is that what the conglomerates are doing is developing a new culture in SA — not a culture of entrepreneurship, but an entitlement culture, whereby black people who want to go into business think that they should acquire assets free, and that somebody is there to make them rich, rather than that they should build enterprises from the ground. Agree! But we cannot build black companies if what black entrepreneurs look forward to is the distribution of already existing assets from the conglomerates in return for becoming lobbyists for the conglomerates. All companies start from the bottom – when they are 'given' these businesses they are usually run into the ground because of inexperience. And when they are given loans to buy business the loans invariably are not repaid and the businesses go bankrupt.

The third worrying trend is that the ANC-controlled state has now internalised the BEE model. We are now seeing the state trying to implement the same model that the conglomerates developed. What is the state distributing? It is distributing jobs to party faithful and social welfare to the poor (what I said in different words). This is a recipe for incompetence and corruption, both of which are endemic in SA. This is what explains the service delivery upheavals that are becoming a normal part of our environment.

*So what is the correct road SA should be travelling? We all accept that a socialist model, along the lines of the Soviet Union, is not workable for SA today. The creation of a state-owned economy is not a formula that is an option for SA or for many parts of the world. Therefore, if we want to develop SA instead of shuffling pre-existing wealth, we have to create new entrepreneurs, and we need to support existing entrepreneurs to diversify into new economic sectors.*

Make people work for their 'handouts' even if it means they must sweep the streets or clean a park – just do something instead of getting all for nothing. Guaranteed there will then be less queuing for handouts because they would then be working and in most instances they do not want to work – they want everything for nothing.

And in my opinion the ANC created this culture before the first election in 1994 when

they promised the masses housing, electricity etc – they just neglected to tell them that they would have to pay for them. That is why the masses constantly do not want to pay for water, electricity, rates on their properties – they think the government must pay this – after all they were told by the ANC that they will be given these things – they just do not want to understand that the money to pay for this comes from somewhere and if you don't pay you will eventually not have these services.

And then when the tax base has left they can grow their mielies in front of their shack and stretch out their open palms to the UN for food

handouts and live a day to day existence that seems to be what they want – sit on their arse and do nothing.

*Mbeki is the author of "Architects of Poverty: Why African Capitalism Needs Changing." This article forms part of a series on transformation supplied by the Centre for Development and Enterprise.*

*Comment*

*A very cynical but relevant summation of the attitude prevalent in our country. It isn't going to change overnight.*