Association for Monitoring and Advocacy of Government Pensions (AMAGP)
NPO Registration No: 198-822
SEMPER VIGILANS

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

NEWSLETTER NO 13 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. Reminding you to write please. Yes, to the editor of your local newspaper, irrespective of the size of the circulation.

It is a continuing matter of deep concern that the PIC/GEPF maintains a wall of secrecy. They maintain that transparency will skew the market due to the huge sums the PIC invests. While this is true, there is nothing that compels the PIC to notify the world of their intentions, such can always be done well after the fact. Also, by splitting the pot evenly between at least three brokers any such impact is softened; all of them won't buy or sell the same stocks at the same time. Diligent search and attention to large share movements on the JSE will immediately reveal trading by the PIC in any case, but will, of course, not reveal much about private equity. These remain the PIC's and BOT's secrets.
The PICs further defence that disclosure needs the approval of each of the instances invested in, when most of such information is in the public domain in the annual report and the JSE, is pure obfuscation.
It appears this secrecy is to hide the use of the 'Piggy Bank' the [GEPF] to keep South Africa going despite the atrocious record of SOE mismanagement, and non-performing investments.

Eskom's debt keeps raising its ugly head and keeps slobbering over hopes of the economy improving. There are prospects of improvement but any serious improvement, sadly, is going to take a decade to realise.

Although the PIC's investment disasters in ABIL and VBS banks were horrifying, their investments in other banks aren't. I believe they have shares in all the other major and less than major banks in South Africa. What is concerning about the failed two is the PIC representation on the boards that weren't able to see what was coming, and that the PIC's vaunted due diligence wasn't. The representation clearly was only that, nothing else.

Comment from one of our members wrt the VBS and ABIL banks tragedies:
Hulle bevind hulle dus in ‘n Catch 22 situasie. As hulle ontken dat hulle geweet het van ongerymdhede, was hulle nalatig en het hulle nie hul werk gedoen nie en kan hulle sivielregtelik aangespreek word vir skade gely. As hulle geweet het, vermoed het of selfs net ‘n suspisie gehad het nie, het hulle Artikel 34 van die Korrupsiewet oortree en kan hulle strafregtelik vervolg word. Daarom glo ek ons het nou ‘n geleentheid om die OBK en RvT hard tot orde te roep en moet hierdie geleentheid nie laat verbygaan nie. Vir hulle is hier nie ‘n wegkomkans nie.

Editor

NEWS NEWS NEWS

Synopsis
A letter from the AMAGP spokesman explaining some of the ABIL catastrophe.

Wat African Bank (ABIL) betref:

Die hooffigure was wyle Sekoto (van “f …. the poor“ faam) en Leon Kirkinis, uitvoerende hoof van African Bank. Die bewering is dat ABIL vir Ellerines gekoop het toe Ellerines alreeds bankrot was.

ABIL het gespesialiseer in ongesekureerde lenings hoofsaaklik aan mynwerkers. Hulle nekslag het gekom met die 5 maande staking by platinamyne, veral by Lonmin, wat ook uitgebrei het na die goudmyne en steenkoolmyne in noord Natal. Daar was bewerings van voorverkope en moontlike daalverkope deur Kirkinis en Sekoto. Ek het JSE state gehad wat aantoon dat Kirkinis miljoene rande se aandele gekoop het en verkoop het, die OB kan dit by die JSE kry.

Sekoto en kommentators het in ‘n onderhoud in die Sunday Times beweer dat die direksie en bestuur twee jaar voor die ineenstorting op 10 Augustus 2014 bewus was van die probleem. Volgens ‘n verklaring van die JSE op 4 Junie 2016, het die OBK sy aandeel in ABIL verhoog tot 15,163%. Die verklaring is nie duidelik oor die OBK se aandeel vooraf nie, maar die eintlike verlies vir die OBK was, volgens Minister Nene, R 4 miljard. ABIL is kort na die JSE se verklaring op 10 Aug 2016 onder kuratorskap geplaas. Die vraag ontstaan of die OBK se verteenwoordigers op ABIL se direksie nie bewus moes gewees het op 4 Junie van die probleme nie en toegelaat dat die aandeelhouding desnieteenstaande verhoog word.

Dit is belangrik dat die OB die Myburgh Kommissie se verslag bestudeer. Hierdie Kommissie plaas die skuld vir die bank se ondergang direk op die swak toesig van die direksie. Hierdie verslag is op versoek van die DA in 2017 aan die NVG gestuur met die oog op moontlike vervolging. Die AMAGP het versoek dat die SA Institute for Chartered Accountants ondersoek instel na die optrede van die ouditeursfirma Deloitte en Touche, wat ‘n skoon ouditverslag 3 maande voor hulle ondergang vir ABIL gegee het. Ek merk op dat firmas dagvaardigings vir skadevergoeding teen Deloite, vir verliese deur hulle gely, uitgereik het.

Daar heers nog steeds groot ontevredenheid by pensioenarisse oor die gebeure in hierdie geval. Hier in die Kaap is hulle veral ontevrede omdat Kirkinis ‘n rykmansbestaan voer; sy vakansiehuis by Rooi Els in die mark is vir R70 miljoen.

Wat New African Bank aanbetref het AMAGP en pensioenarisse se ontevredenheid ontstaan omdat die OBK spoedig na ABIL se ineenstorting R 2,6 miljard beskikbaar gestel het as deel van die aanvangskapitaal van die New African Bank, wat onmiddellik luukse nuwe takke oopgemaak het. Die OBK besit glo tans 25% van hierdie bank. Alhoewel hulle resultate positief is, bestaan die vrees dat dit soos sy ouboet in duie gaan stort as daar weer mynstakings is.

Groete
A P STEMMET

Comment
Two banks that the PIC invested in had major issues, both going under and being placed under curatorship. Both banks had PIC representation on the board, which paints a dismal picture of the PIC’s due diligence and oversight of its [our] investments.

Synopsis

DAILY MAVERICK

The closure of the New Age/Afro Voice newspaper hopefully signals the beginning of the end of a destructive phase in South African media control. *The New Age* newspaper and its sister 24/7 television news channel *ANN7* were part of a project by elements of the ANC and business allies to create media owners who were not just subservient to the party, but aligned to a faction within it.

Rajesh Sundaram, who was brought from India to start up the television station, published a book earlier in 2018, *Behind the Scenes at Gupta TV,* which told the tragicomic story of President Jacob Zuma's hands-on and personal involvement in the planning of the station. Sundaram fled the chaos of the station early, fearing for his life.

Vuyo Mvoko, the first prospective editor of *New Age*, wrote last week that the first approach to run the paper came from Zuma himself. Mvoko didn't even last for the first edition, resigning with his team in the chaotic run-up.

The Guptas argued that they were importing a new business model from India: give the government positive coverage in exchange for advertising and subscriptions. They delivered their side of the bargain, with fawning coverage, but government never quite came through with enough support to make the operation viable. It did not matter too much, as the Guptas' payback came in other crooked ways and the paper served to keep them on side with what was then the dominant faction in the governing party.

But when Zuma fell and the Guptas had to relocate to Dubai, they passed their media operation on to someone they could rely on to continue in the same fashion, former government spokesperson Mzwanele Manyi. At the time, I called this a "hospital pass", the rugby expression for a desperate throw that is likely to put the recipient into high care.

Manyi announced about two months ago that he was rebranding and going "respectable" and "mainstream", breaking all ties with the Guptas, replacing the imported managers with locals and promoting fair and balanced reporting. He took the first few steps to cleaning up the operation, but it was too late. He closed the newspaper at the end of June 2018.

His television channel, now named *Afro View*, loses its contract with pay-TV provider MultiChoice in six weeks, and there is open bidding under way for this channel. While *Afro View* is among the shortlisted bidders, and Manyi is confident that giving it to him is the only "rational" decision because he has the infrastructure and staff, this is unlikely. The association with the Guptas and Manyi have damaged MultiChoice's credibility and integrity.

At about the same time as the rise of the Gupta media group, Cape Town doctor and businessman Iqbal Survé took over the Independent Group, with political backing from the ANC, and financial backing from the ANC's Chinese allies and the PIC, which invests state pension fund money.

These developments signalled an important change in the ANC approach to the media. Having tried to use political and financial pressure to knock the private media into shape, and being frustrated, they had turned to the law, proposing a statutory media tribunal to oversee the print media and secrecy laws that would restrict the work of investigative reporters. When that met resistance, the new approach was to assist their friends and allies – the Guptas and Survés – to take control of significant national media interests. Those who criticised this approach were branded as "anti-ANC" or "anti-transformation".

It was no coincidence that it was at this time that the ANC took its most direct control over the SABC and it became little more than a crude mouthpiece of the Zuma presidency.

These new owners and managers also worked hard to undermine industry institutions and structures. They left the SA National Editors Forum (Sanef), the self-regulatory Media Council and the Audit Bureau of Circulation (ABC) and effectively destroyed the Newspaper Press Union.

The industry was left reeling, with the bodies that spoke for it as an organised force much weakened. It seemed like a systematic, multi-pronged attack. Most damaging was the attempt to destroy the Media Council, as this put a large section of the media outside self-regulation. Since the ANC had long argued that there needed to be stronger self-regulation, it was ironic that its closest allies worked hard to destroy what self-regulation there was.

New Age/Afro Voice boasted that it would cover all nine provinces and end the news dominance of the big cities, but their amateurish, one-person bureaus in these areas only seemed to reinforce the prejudice that nothing interesting happened in the rural areas. Most blatant though was *ANN7/Afro WorldView*, who paraded as their experts and analysts some of the country's most discredited scoundrels and thugs.

There are important lessons from the imminent failure of these attempts to install government-friendly media owners.

The first is that it is tough – if not impossible – to run government-supporting media when the ruling party is fractious and directionless. It is hard to follow your generals when they themselves are not sure where they are headed.

The second is that media that sets out determinedly to support the government produces bad and dull journalism, and has little interest for those who really want to know what is going on. Most of all, it lacks credibility, and that means it has little impact.

South Africa's most credible and effective journalists – the ones government itself follows avidly – are those who produce good, thorough, independent and critical journalism. At the moment, the most influential journalists are the investigative reporters who have tackled corruption and bad governance, and been the toughest on the ANC. Jacques Pauw's book *The President's Keepers*, on "those who keep Zuma out of prison", sold more copies in a few weeks than the Gupta newspaper did in a year.

What effective government needs – and few recognise – is authoritative, credible, authentic mass media. This means letting journalists get on with it. The attempt to control large swathes of our media has left the industry weaker, the country bereft and the ANC itself short of the kind of information and public debate they need to dig themselves out of the hole they are in.

We have already heard hints that ANC leaders are trying to influence the bidding for a new news channel. EFF chief Julius Malema – who often seems to know more about what is going on in the ANC than the ANC itself – tweeted that ANC national chairman Gwede Mantashe is linked to one bidder.

Let's hope a lesson has been learnt. Nothing will doom that station quicker than the involvement of someone like Mantashe, even behind the scenes, and for MultiChoice to compound the damage to its integrity. **DM**

Harber is Caxton Professor of Journalism at Wits University and a former editor-in-chief of news channel eNCA (an ANN7 rival).

Comment

What the government believes it wants to be known as the truth is often exposed by good journalism as not really the truth, allowing us to see what is actually happening, to the detriment of inept government activities. Government's strong ally is an open press with robust reporting. We don't always like that but like medicine, it is good for you.

A letter by one of our very active members to the Daily Dispatch Briefing about the article: Pic snipes at critics over investments

Letter to the editor

The article by Linda Ensor on page 8 in today's (6 July 2018) edition refers.

The PIC actually invests on behalf of a number of clients, of which the GEPF is by far the biggest. From an individual GEPF member point of view, can I point out that the PIC's performance with ALL OF THE GEPF's assets should ACTUALLY be compared against the objects and the need of the FUND itself.

The object of the GEPF as per the GEPLaw is stated "The object of the FUND shall be to provide the pensions and certain other related benefits as determined in the GEPLaw to members and pensioners and their beneficiaries."

The GEPF's funding need is quantified every two years by a qualified and independent actuary and articulated as amounts required for the long term pension liabilities and recommended reserves. This is referred to as the Long Term Funding level (LTF) and the extent to which investments covers the liabilities + reserves are expressed as a ratio.

According to the GEPF's 2017 Annual Report, the LTF ratio of the GEPF was 101.7% in 2006. From this excellent and solid foundation, the PIC, acting as the external asset manager, could not maintain the ratio of a 100%, the target set by the GEPF trustees.

Over the 10 years up to 2016, the PIC through ALL of its investments, has managed to reduce this ratio to 79.3%.... a deterioration of 20.7%! Expressed in Rand terms, the required investments to ensure 100% coverage was already R 2 trillion in 2016! At this date, the GEPF's investments amounted to R1.6trillion, some R400bn short.

We are awaiting the 2018 actuarial report to be released to the public, as well as the audited financial statements. But based on the unaudited information on the investments circulated by the PIC currently, it is doubtful if the GEPF's LTF ratio has been restored to the 2006 level.

Perhaps the PIC should protest less, and refocus their energy on restoring the GEPF Long term Funding level.

Regards
Christo van Dyk

Comment
See how easy it is to write and send a letter to the editor?

A letter by the AMAGP spokesman to the Ministers and MPs about the to-be-discussed PIC amendment bill:

Honourable Ministers and Members of Parliament.

Pursuant to my email of 2 July 2018 I submit for your information the following additional comments on the above Bill.

Whilst any steps taken by parliament to safeguard the Government Employees Pension Fund is welcomed, it is respectfully pointed out that the real control of the pension fund vests in the Board of Trustees of the pension fund and not with the Public Investment Corporation which is a mere asset manager. It can only act on behalf of the GEPF by way of a mandate given by the board of the GEPF.

Although it is, therefore, welcomed that attention is given by parliament to composition of the board of the PIC, it must be pointed out that it is the Board of Trustees also really needs parliament's attention. The requirements of experience, qualifications and good character as suggested by Mr Maynier for members of the Pic board should really be required for trustees of the BoT.

Attention must be drawn to the following:

The object of the Government Employees Pension fund is determined by the GEPF Law of 1996 as follows: "The object of the FUND should be to provide the pensions and certain other related benefits as determined in the GEPF Law to members and pensioners and their beneficiaries ".

It is submitted that the above clear intention of the legislator should always be kept in mind when considering matters regarding the GEPF. It can be argued that the following provisions of the Bill are in conflict with the purpose of the fund when it provides for the following type of investments:
Clause 2(2)
(b) creating and protecting local jobs;
(c) industrialising the economy of the Republic, building the manufacturing sector and boosting exports;
(f) the Republic's development objectives;
(g) building a capacitated development state; and
Clause 2(3).

It should also be pointed out that the GEPF already contributes towards housing for the poor by making funds available via SA Home Loans. During 2016 for example R10,5 billion was provided for this purpose. Obviously the AMAGP supports these investments provided it is firstly made for the benefit of the pension fund.

A scheme whereby the Pension Fund directly gets involved in the administration of a housing scheme is strongly opposed by the AMAGP. Functions of this nature should really be left to the private sector. The GEPF simply do not have the capacity for this function.

The test to be applied to this proposal is again simply to apply the test as determined by Section 3 of the Government Employees Pension fund, 1996: "Will this investment be in the interest of the fund!"

Regarding the matter of transparency it must be stated that the AMAGP strongly opposed to any form of secrecy regarding the pension fund. This gives rise to suspicion as developments regarding the pension fund the last few years have proved to be justified.

It has been reported that Treasury and the PIC are in opposition to the clauses in the making provision for more transparency because of the affect it could have on the RSA economy. The obvious solution to these fears is by allocating he right to make investments on behalf of the GEPF to more than one, say at least three, asset managers. The GEPF Act already provides for this and only a decision by the BoT is required. Obviously such an allocation must be transparent and should be made by way of a tender process. The PIC being an asset manager can off course also tender. Such a system will have the effect of breaking the present monopolistic system.

Yours faithfully,

Adamus P Stemmet

Another letter to the PIC by one of our very regular corresponders:

10 July 2018
To: Sekgoela.sekgoela@pic.gov.za
Subject: Re: Pic media release City Press and UDM Questions of clarity. Update.
Good day Mr Sekgoela

Whilst I am waiting for your reply to my prior enquiry (see below) I have taken the liberty to update my own calculations based on your media statement. This will allow you to have context to my concerns.

First prize obviously would be to obtain the 2018 detail from the actuarial report. However, certain trends do emerge from the study of the prior actuary reports which I used in my calculations above. I don't think my estimates for 2018 would be far off the mark.

The funding level referred to in your media statement is described as the "short term funding level" in the table and graphs. As indicated, my focus and request for comments relates to the long term level, which as can be seen from the graph, remains BELOW the target of the Trustees.

Translating the percentages into Rand provides a rather disturbing picture. The graph clearly shows that investments (the PIC's area of expertise) are not catching up to the LTF requirement. The long term funding (LTF) shortfall is now estimated at R469billion, up from R424billion barely two years ago. We are rapidly approaching a shortfall of half a trillion rand!

To place this amount in context to the national budget... the total tax (2018/19) to be collected from ALL South Africans (personal income tax) is R505billion.

And lest we forget, in 2006 there was NO shortfall.

I am looking forward to your comments.

Regards
Christo van Dyk

Comment
It should be clear the PIC does not answer directed questions, except with the standard 'we know what we are doing' answer. The warning Christo poses is very real.

Synopsis

Public servants cash out pension then return to work, report finds

12/0/2018 Lameez Omarjee Fin 24

Public servants are resigning to cash out their pensions only to rejoin the public service, according to a report by the Public Service Commission. The commission on Wednesday released its report on efficiency and effectiveness in the public service for the period 1 January – 31 March 2018. It observed a "lack of control" of resignations by public servants to cash out their pensions.

The commission has recommended to the Department of Public Service and Administration and the Government Pension and Administration Agency [GPAA] probe the trend further. "There is a long-term risk for Public Servants who are engaging in this practice," the report read.

The GPAA similarly observed this trend as far back as 2015. At the time, chief operating officer Jay Morar said that this behaviour was mainly due to public servants being misinformed about pension reforms.

The report also revealed that during the quarter, there were more appointments than terminations of service. The amount of appointments between 1 July 2017 and 31 March 2018 increased by 50%.

Among the reasons for terminations of service were retirement, resignations, abscondment, contract expiry, death and dismissals, the report said.

Is Bad Publicity About the PIC and Board of Trustees of the GEPF the Reason for the Exit of Public Servants?

This is the question to be asked after the report by the Public Service Commission.

At the first meeting of the AMAGP, which at that stage did not yet even have a name, on 3 May 2016, this practise was noted with concern and we have since issued several serious warnings about it. The GEPF has also then warned that this practise must stop.

It should be obvious that resigning to claim the actuarial interest in the fund can neither be in the interest of the member of the pension fund nor of the fund itself.

These resignations occurred at an alarming rate amongst teachers during 2015 and caused considerable harm to the pension fund.

Despite many warnings we had a recurrence during 2016 but then amongst magistrates. Our enquiries then revealed that widows of magistrates had to wait for more than six months and some even nine months, before receiving their first pension pay-outs. This caused concern amongst magistrates nearing pensionable age and caused the early resignations. Again we warned against an exit and took the matter up with the GEPF. The problem, whatever it was, was solved by the GEPF and apparently the resignations stopped.

We have learned recently that the matter was repeating itself and the report by the Public Service Commission confirms our fears. We do not know in which occupations the resignations are taking place or whether it is of a general nature.

That AMAGP is concerned about the wellbeing of the GEPF and it is trusted that a proper investigation should this time take place.

Is it possible that all the bad publicity the Public Investment Corporation received recently and the obvious lack of control by the Board of Trustees is a contributing factor or even the cause of the problem?

Adamus P Stemmet

Comment
I have heard of the same from senior SANDF members, the reason cited was lack of trust in the sustainability of their pension. The recurring distrust in the ability of the Pension Fund to provide is worrying. It means our civil servants are more aware of their pension futures than we realise.
It looks like good sense to leave, get your pension payment, invest suitably and then return for a second career in the same job and department, with another pension in the future. All legal, not necessarily right.

Synopsis
GPAA: AFU, CCU Probing Corruption Cases Involving Unclaimed Pensions
The agency has also confirmed that over R400 million remains unclaimed by pensioners or their families.

Pelane Phakgadi | 12 days ago

JOHANNESBURG - The Government Pensions Administration Agency (GPAA) says that cases of corruption and maladministration involving unclaimed pensions are being investigated by the Commercial Crime and Assets Forfeiture Units.

The GPAA has also confirmed that over R400 million remains unclaimed by pensioners or their families.

Eyewitness News began investigating the unclaimed pensions after being approached by several people who claimed that pension funds were being looted.

The GPAA has dismissed reports that an internal investigation has found that at least R100 million is unaccounted for. However, the agency's Mack Lewele says corruption within the agency is receiving attention. "The corruption report that we received [was] investigated internally in the organisation and we found that there was cause to following them up."

Lewele has called on the families of deceased government employees to come forward so that the appropriate funds can be allocated.
(Edited by Thapelo Lekabe)

Comment by the AMAGP
In 2017 het Mnr Abel Sithole voorgestel dat die rente op die onopge-eiste R400 miljoen vir 'Fees must Fall' aangewend moet word. AMAGP het beswaar aangeteken en ons het nooit weer daarvan gehoor nie.
Miskien moet ons vir die GEPF vra wat aangaan. Die R400 is deel van die bates van die pensioenfonds en ons is geregtig om te weet.

Synopsis
July 2018
WELCOMING LIFESTYLE AUDITS AT STATE-OWNED ENTERPRISES

The FW de Klerk Foundation welcomes the announcement of the Minister of Public Enterprises, Pravin Gordhan, that lifestyle audits for senior managers of state-owned enterprises (SOE) have started and will be completed by March 2019. As a country, we have too long concentrated only on 'big' Zupta-related corruption and state capture, forgetting that 'smaller' corruption in the public service is also endemic.

It is a well-known fact that most of the bigger SOE are in dire financial trouble, amongst others apparently because of sky-high salary bills. While legal battles are playing themselves out with regard to the Zupta-related issues, a start must be made on the other instances of corruption.

While a lifestyle audit will not be conclusive evidence of corruption, it would be a good indicator of possible ill-begotten income. This task will be undertaken by the Special Investigating Unit (SIU) and it must be hoped that they have the requisite skills to complete the task successfully. It is perhaps significant that the period for financial declarations goes back to 2009, the start of the Zuma administration.

Minster Gordhan has shown himself as a fearless talker but also a doer. Perhaps his colleagues in the ministries of the Public Service, Co-operative Governance and others must take a leaf out of his book. Lifestyle audits should become an integral part of the public service and for elected politicians. It is one of the best ways to stop the scourge of corruption in our country that is most harmful to those who cannot afford it: the poor.

Issued by the FW de Klerk Foundation
20 July 2018

For comment
Dr Theuns Eloff: Executive Director

BUSINESS

Nene to announce Matjila's fate before the weekend

23 July 2018 -By Jana Marais

Finance Minister Nhlanhla Nene says he believes that the measures he is going to take will strengthen the PIC's governance and restore public trust
Image: *Gallo Images / Foto24 / Mary-Ann Palmer*

Finance minister Nhlanhla Nene is expected to make an announcement on the fate of embattled CEO of the PIC Dan Matjila, before the end of the week. Nene said in a statement released on Tuesday that he will announce the "decisive steps" to be taken to address governance issues at the PIC, as well as allegations against Matjila, after he's met with the PIC's board of directors.

"I believe that the measures I will announce this week will ultimately strengthen the PIC's governance and restore public trust in this important public institution," Nene said.

The PIC has faced increased scrutiny over its governance and investment processes, notably the management of its investment in VBS Mutual Bank. The PIC owns 25,26 % of VBS and had two shareholder representatives on its board.

Nene said in the statement that he has gone through documents, internal audit and other reports related to the allegations, requested in May from the PIC's board, and the board's view on whether disciplinary action should be taken against the CEO and other PIC executives. "My approach to the oversight of state-owned entities is that the shareholder ministry should ensure that a board of directors and management with the requisite skills and experience are appointed, and that the shareholder ministry conveys (through a shareholder compact) to the board its expectations of the public institution," Nene said in the statement.

"Once this is done, and the entity lives up to expectations, the shareholder ministry should have no business second-guessing decisions by the board, so long as these decisions are in line with the mandate of the public institution and in keeping with the compact the board of directors entered into with the shareholder ministry.

"Of course, when the board and management of the entity fail to live up to expectations, the shareholder ministry should intervene appropriately, following due process," Nene said.

Comment
It all sounds like politicspeak to me. The Minister says he/they are going to appoint competent people to the various boards, and leave them alone to do their work. Sounds good, doesn't it? The reality of implementing what the Minister said isn't visible yet, please let me know when you see it happening.

Synopsis
NATIONAL

MATJILA PROBE

PIC board member quits amid divisions

24 July 2018 Jana Marais

The split at board level at the PIC over the handling of an investigation into embattled CEO Dan Matjila seems to be widening, with nonexecutive director Claudia Manning resigning at the weekend.

While Finance Minister Nhlanhla Nene moved on Monday to calm concerns over governance at the PIC, saying he will make an announcement on the "decisive steps" to be taken to restore trust in the institution before the end of the week, his assurances came too late to prevent Manning's departure.

It is understood Manning, a development finance expert who joined the PIC board in 2015, was unhappy about the stance taken by PIC board chairman Mondli Gungubele, who as Deputy Minister of Finance automatically serves as the PIC's chairman, on a court case related to the tenure of Matjila.

Several other board members are understood to be unhappy with the leadership of Gungubele, who has also come under fire from the Public Servants' Association, which has demanded his removal. Manning declined to comment.

Earlier in July, Gungubele, a former mayor of Ekurhuleni who was appointed to the Treasury in February, opted not to oppose an application brought by United Democratic Movement leader Bantu Holomisa to suspend Matjila. This stance pitted him directly against Nene and the majority of the PIC board.

In his court documents, Gungubele said he "cannot confidently state" that the PIC's board "acted properly" when it dealt with the Matjila matter, which predates his appointment as chairman. He opted not to oppose any aspects of Holomisa's application, despite signing a board resolution to oppose the request for a declaration that the board has a conflict of interest and therefore must be prohibited from taking decisions on Matjila's fate.

That resolution was only opposed by board member Sibusisiwe Zulu, who said the process being followed by the board in conducting the investigation into Matjila was "flawed and stands to be challenged".

Neither Gungubele nor the PIC responded to Business Day's requests for comment.
maraisj@businesslive.co.za

Comment
Is this the start of an exodus? Are they leaving ahead of developments they don't want to be associated with?

Synopsis
Mashatile: Private equity to save SOE

24 July 2018 By Andisiwe Makinana

Treasurer General Paul Mashatile says Eskom should be broken down in three parts, namely: production, transmission and distribution and perhaps then the cash strapped utility will work more efficiently ***Image:*** *Puxley Makgatho*

The ANC says it wants the government to convert some of Eskom's loans into equity in a bid to reduce the power utility's overwhelming debt. The governing party also wants the cash-strapped state-owned entity to be broken down into three manageable companies.

Treasurer-general of the ANC Paul Mashatile revealed on Tuesday that there was an agreement at the higher echelons of Luthuli House that because some of the SOE were lacking capital, private equity should be invited for those SOE, although this would not be outright privatisation of the companies. He was addressing the Cape Town Press Club.

"We have steered away from privatisation, so equity investments will be minority stakes in those SOE rather than complete outsourcing, except if we come across a situation where we think a particular government entity has no chance of being revived, we will sell it outrightly. But it is not our priority at the moment to go [for] outright privatisation," said Mashatile.

"You look at Eskom, debt in Eskom is seriously high. We need to look at other approaches including the possibility of changing some of the loans into equity particularly by the PIC..." He indicated that talks had already begun in this regard between the government, Eskom and the PIC. Mashatile confirmed that Eskom's debt was close to R300-billion.

He said the PIC was one of the biggest investors in Eskom and, having an exposure of close to R100-billion, in the ANC's view "if you change that into equity, it will make better the balance sheet of Eskom to be able to raise more money".

"Yes, people might say 'why PIC and why not the private sector?' But in fact, many corporates in South Africa listed on the stock exchange have PIC money, so why not Eskom?" he said responding to a question as to why invest PIC's funds in Eskom when the private sector was refusing to invest in the entity.

Mashatile explained that getting the institutional frameworks and governance of state-owned entities correct and dealing with past problems of these entities was central to the bigger plan to grow the economy. "We believe if you get SOE right, you have a vehicle to engage more positively in the economy and push for growth and therefore the issue of growing the economy and creating jobs will be addressed," he said.

But the governing party expects the private sector to be picky when it comes to entities like the South African Airways, adding in such instances, the state will have to inject some capital itself to get such entities to a level where they become attractive. "The government will engage with the private sector on the matter and will be fairly open for private equity investment in our SOE," he said.

"It's top of the agenda at Luthuli House, if you want to know what we are doing at Luthuli House meeting every Monday, it's this question. We have to get the economy right and be able to create the necessary employment, particularly for young people," he explained.

Mashatile also revealed plans to break Eskom down into "three pieces" - a company doing production, another doing transmission and a third doing distribution. "It's too big an elephant that is struggling to walk. We've realised that countries that have been successful in sorting out their electricity supply have actually done that," he said. He added that this would work because it would create companies "that will be manageable ... and obviously after sorting out the issues of the balance sheet, the debt and the assets".

While the ANC expected resistance on this move, Mashatile reiterated that this was a view of Luthuli House, and added that: "If we are a strategic centre of power, people must listen to us. That's the direction."

Comment
Interesting that people must listen to you if you say you are powerful.
The difference between a loan and equity; a loan has to be repaid with interest, equity brings in dividends. If the company doesn't perform there is no ROI. What are the dividends envisaged by Eskom for the next decade that would want investors to invest?

From: Christo van Dyk
Date: Fri, 20 July 2018
Subject: Re: **Eskom and labour close in on a wage increase deal**
Good day

So according to Minister Gordhan the Govt cannot provide the money for salary increases at Eskom. Eskom itself is already too deep in debt to afford it. The labour unions are insisting. So the money must be found elsewhere.

A business model where you have to look for money external to pay salaries is doomed for failure. You cannot fund operating expenditure through debt/loans/investments. Operating expenditure, especially a fixed cost such as salaries, should be covered by operating income.

All that's needed is political will because the new management actually tried to do that ie. keep the wage bill static by giving zero increases. Political interference removed this solution from management.

The other alternative is for Eskom to get its workforce numbers back to match productivity/output. From what I understand, the 7% increase can easily be afforded by cutting the excess staff numbers. Again, management won't find political backing for this initiative as the ruling party wants to remain in power. You can't do that if you fire potential voters.

For Government to have its cake and eat it requires someone else to pay for the effort. Guess who will subsidise this power play? The Government Employees Pension Fund of course!

Synopsis

DAILY MAVERICK

POWERING UP

ANC looks to PIC to stabilise financially troubled Eskom by turning R120bn loan into equity

By Marianne Merten 24 July 2018

The governing ANC wants the PIC to help financially troubled Eskom by turning its approximately R120-billion loan into equity. Discussions are under way, ANC Treasurer-General Paul Mashatile says. It's an interesting proposal from Luthuli House as state coffers are depleted and privatisation is simply not an option, ideologically speaking.

If there is something the ANC Top Six officials talk about in their regular Monday meetings, it's getting the economy going, according to ANC Treasurer-General Paul Mashatile: "It's top of the agenda at Luthuli House… We have to get the economy right and be able to create the necessary employment, particularly for young people".

But exactly how to do so is the question. Government is cash-strapped, in no small way by the under-collection of approximate R50-billion in tax revenue by the South African Revenue Service. And so the governing ANC, in government offices and Luthuli House, is getting innovative – with equity stakes looming large.

"If you look at Eskom the debt is seriously high. So we need to look at other approaches, including possibility of changing some of the loans in Eskom in to equity particularly by the PIC. Those are the discussions happening," Mashatile told the Cape Town Press Club.

"We don't think (Eskom debt) can be resolved through increased tariffs. The price of electricity is already very high… Our view is that if you change (PIC exposure) into equity then it will make better the balance sheet of Eskom to raise more money… Many corporates in South Africa listed on the stock exchange in fact have PIC money. So why not Eskom?"

Mashatile responded to questions, adding that breaking up Eskom into production, transmission and distribution entities would make what currently was "an elephant that is too big to walk", more manageable.

"Some people might resist this, but it's certainly the view from Luthuli House. If we are the strategic centre of power, you must listen to us. That's is the direction."

Effectively, by converting repayable debt into equity, the power utility's battered balance sheet would improve, and this would allow it a better chance to raise loans and financing in the markets. Commercial loans, rather than government under-written debt, would ease the pressure on South Africa's national purse. In February's Budget, Eskom was described as one of the biggest risks to the economy.

Eskom spokesperson Khulu Phasiwe on Tuesday referred inquiries regarding any PIC equity stake to Public Enterprises as "they are the ones who will make any decision on equity partners". The department told *Daily Maverick* "such a proposal has not yet reached government". PIC Corporate Affairs Head Deon Botha responded similarly in writing: "No decision has been taken to convert this bond exposure into equity. Such decision, including any request for additional funding, will be made in line with the investment mandates".

And the PIC may well be a bit gun-shy – its R5-billion short term loan to Eskom in February 2018 was sharply criticised, even if Eskom repaid in time, and according to *Fin24*, with some R30-million interest.

The ANC senior leader's touting of the PIC on Tuesday to help the Eskom balance sheet by turning loans into equity – and suggesting the power utility should be broken up into production, transmission and distribution entities – is curiously timed.

But none of that means the governing ANC is not getting an increased appetite for private equity stakes as a way to generate monies for SOE, particularly Eskom and SAA, in what remains South Africa's tight financial and still limited economic growth environment. Economic growth, and investment, is what President Cyril Ramaphosa has put centre-stage in his administration. But investments are difficult to raise as the US$20-billion pledges following his recent visits to United Arab Emirates (UAE) and Saudi Arabia demonstrate.

And as the ANC Treasurer-General told the Cape Town Press Club, while privatisation is not on the cards, engagement with the private sector regarding equity investment definitely is. "We are fairly open to equity investment in our SOEs," said Mashatile. "We've steered away from privatisation. Equity investment will be minority stakes rather than complete outsourcing, except when a particular government agency has no chance of being revived."

It's unclear whether any such government agency has been identified. But clearly, even the cash-strapped national airliner; SAA, according to Mashatile, may be one of those to receive a capital injection to make it attractive to equity investment.

After more than a year of just talk, the search for a strategic equity partner now is finally on for SAA, which was kept afloat last year with a series of bailouts of billions of rand. Eskom is also in a tough position. It has drawn down most of its R350-billion government guarantees, and its financial statements released on Monday show R2.3-billion net loss for the 2017/18 financial year – and R19.6-billion of irregular expenditure dating back to 2012.

"This was a result of us shaking the cupboard so hard that so many skeletons came tumbling down," said Eskom board chairperson Jabu Mabuza on Monday in the financials announcement broadcast by *eNCA*. It turned out at this financials announcement that Eskom has had a curious interpretation of determining the value of deviations, or changes to contracts, that meant these were under-reported to National Treasury. The power utility has been central to State Capture, as emerged in #GuptaLeaks, and subsequent parliamentary Eskom State Capture inquiry.

But SOE remain central to boosting economic growth and creating jobs. And with some R2-trillion in assets, the PIC may seem like low hanging fruit to provide for that which the national coffers can't, particularly in the months ahead of an election. In many ways the pressure is on. **DM**

Comment
Private equity may be the new buzz word to divert attention away from poor and incompetent management. Private equity will only work if the ROI justifies the risk in the investment.

Synopsis

China and the PIC may help keep Eskom's home fires burning

CAPE TOWN — Like an energy-saving bulb warming up, there's a glimmer of hope at the financially beleaguered and Zuptoid-plundered/mismanaged Eskom. That's because of a combination of a life-sustaining relatively small loan from China and potential debt underwriting by the PIC. The former seems set to keep the lights on in the short term while the latter would give it more debt flexibility, medium term. One wonders what the hundreds of thousands of civil servants, whose pensions are tied up in the PIC, feel about the current talks. The PIC doesn't exactly have a proud record of wise, non-partisan funding, the soft loan to the blatantly ANC-supporting Independent Newspapers being one example. Underwriting a shaky public enterprise like Eskom certainly aligns ideologically, given that the principals in both entities share similar world-views – which as history has taught us, ruling parties mistakenly assume is patriotic. This also makes it easy to paint striking Eskom workers as near-treasonous. Let's not knock that most precious of all South African commodities though – realistic hope. It seems there's finally reason for it, with ministerial talk of the Eskom debt-elephant being broken down into manageable entities. –

 Chris Bateman

By Paul Burkhardt

(Bloomberg) – South Africa is getting down to the business of fixing its debt-ridden state power utility. Eskom Holdings SOC Ltd. had R399 billion ($30 billion) of debt at the end of March, according to data compiled by Bloomberg, and has been flagged by ratings companies as a key risk to South Africa's economy. The utility has been mired in a series of scandals, struggled to raise funds and was forced to implement rolling blackouts last month after wage talks with unions broke down.

Eskom announced Tuesday it secured a $2.5 billion long-term loan facility from China Development Bank [CDB], giving a big boost to its fundraising efforts this year. About an hour later, a top official in the ANC told reporters the PIC is in talks about converting part of the debt it is owed by the state power utility into equity.

File Photo: Cooling towers operate at the Hendrina power station, operated by Eskom Holdings SOC Ltd. Photographer: Waldo Swiegers/Bloomberg

"We're seeing sufficient signs that management at Eskom cares about dealing with the problem and we're seeing progress," said Darias Jonker, an Africa analyst at risk-advisory firm Eurasia Group. The moves are "a sufficient encouragement that Eskom is too big to fail and that a default is unlikely," he said.

The CDB loan was announced as part of a series of investments by China in South Africa after a meeting between President Cyril Ramaphosa and his Chinese counterpart, Xi Jinping, in Pretoria. The facility takes Eskom's secured funding to more than 60% of requirements for this year, CEO Phakamani Hadebe said.

Proper consultation

"The process of developing a new business model is work in progress," Public Enterprises Minister Pravin Gordhan said. "There is no doubt that both financial and structural measures will be required to make Eskom sustainable. There will be proper consultation with all stakeholders."

Eskom's debt is projected to increase to R600 billion within four years, the company said on Monday. It reported a loss of R2,3 billion for the year through March and said it discovered R19,6 billion in irregular costs, a liability largely inherited from previous leadership.

The utility is also still in wage negotiations with unions, after backing down on a refusal to offer pay increases following last month's protests.

Eskom may consider a liability management exercise for its dollar bonds due 2021, people familiar with the matter said on Monday, asking not to be named because the talks were private. Liability management involves debt investors agreeing to changes such as maturity extensions or discounted buybacks.

Comment

Al the above Eskom news covers the same subject from different viewpoints. A serious overhaul of Eskom should take about a year if done properly, with implementation taking some two or three years. With politics and personal enrichment a higher priority and more important than the future of the country it isn't going to be easy but it can be done.

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 gee. 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

At Fourie
atfourieee15@gmail.com

Alan Luck
armyrenewal@vodamail.co.za

Errol Massey-Hicks
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 provide the 'voting power' 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. This ever increasingly includes members of parliament on all sides of the political spectrum, as soon as they realise their pension is also endangered.

3. Although until recently [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 that the government wants to use our Fund to fund.

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: editorgepfmg@gmail.co.za

VRYWARING
Die AMAGP maak dieNuussbrief 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 die geen waarborg gegee word dat die informasie reg, volledig en op datum is nie.
Alhowel die AMAGP Nuusbrief skakels na ander intenet 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 AMAPG 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.