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

GEPF Watchdog - Waghond

NEWSLETTER NO 10 of 2019

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
SCOF – Standing Committee on Finance
SCOPA - Standing Committee on Public Accounts
SOC – state owned company
SOE – state owned entities

"The GEPF now has R1,8 trillion assets under management, up 8,3% (R1,7 trillion) from 2017. There are 1 273 125 active members, and 450 322 pensioners and beneficiaries." Moneyweb, 10 December 2018

The Editor's Word

For those of us who follow the Mpati Commission's activities diligently, the AMAGP contribution is listed under day 4 or 28 January. Either on the AMAGP website or the Mpati section of the internet.

The view by Paul Trewhela on the ANC and China takeover of the English media in SA is terrifying. The mismanagement of the media group is placing it under serious threat, however, what is worrying is how the PIC/GEPF is going to recoup its loans.

The debate on investment in prescribed assets for pension funds isn't going to go away soon. It's just too easy to use it solve the government's immediate cash flow challenges caused by corruption, fraud, self enrichment, etc, to the long term detriment of us all. Later on in the newsletter you will read about the long term solution available if the politicians can get themselves over themselves.

There are a number of press releases and letters to the press included below, indicating a high level of activity in the media about pensions; and not just from the AMAGP either.

The GEPF will be in Saldanha, White City Multipurpose Centre, Cnr Diaz Way and Trichardt St. 5 October. Session 09:00 - 10:00. Queries 10:00 - 16:00. GEPF members only. Your opportunity to grill them

NEWS NEWS NEWS

Synopsis

China-ANC alliance a threat to media freedom in SA

Paul Trewhela | 12 March 2014 Politicsweb

Paul Trewhela on the disturbing implications of the Sekunjalo consortium's takeover of the Independent Newspaper group

The Communist Party of China - the ruling party of a totalitarian state in the second biggest economic power in the world - has taken a 20% stake in the second biggest press corporation in South Africa.

According to a statement of the Competition Commission, a first acquiring firm is Sekunjalo Independent Media (Pty) Ltd. A second acquiring firm, Newco, is "a newly formed entity to be incorporated in the Republic of Mauritius." The announcement continues: "In the Shareholders Agreement entered between China International Television Corporation (CITVC) and China Africa Development fund (CADF), it is indicated that Newco shall be called Interacom Investment Holdings Limited."

What the Competition Commission did not state is that CITVC and CADF are wholly owned instruments of the Chinese state, which in turn is wholly controlled by a single political organisation, the [Chinese] Communist Party.

The Chinese state carried through this deal in conjunction with the ANC government, which has taken 25% state ownership of the same company via the PIC. In the hands of an openly ANC-sympathetic company, Sekunjalo, this has facilitated ANC/Chinese state entry into most of the main English morning newspapers in the country.

The press corporation now 45 percent owned by these two governments is the former Argus Company, previously owned by Anglo American, which it sold to the Independent News and Media Group in 1994. INM sold it to the consortium led by Sekunjalo, a BEE company.

With its 55 percent shareholding of INM in South Africa, Sekunjalo now controls 14 newspapers including the nationally circulated Sunday Independent; The Star and Pretoria News in Gauteng; the Cape Times, Cape Argus, Daily Voice and Weekend Argus; The Mercury, Post, Isolezwe, Daily News, Sunday Tribune and Independent on Saturday; and the Diamond Fields Advertiser.

The group's titles are reported to account for 28 percent of the total advertising spend in paid newspapers in South Africa, 22 percent of all newspapers sold in the country, and 63 percent of the English language market. This makes it a powerful presence in the most widely-read language medium of print journalism in the country.

Never before has the state acted so arrogantly in relation to the English language press in South Africa; and never before has a foreign state - let alone a communist state - been in such a position of influence over the press in South Africa or anywhere in the world.

The whole affair was masked in South Africa and internationally by a global wave of attention to the decline, death, and funeral of Nelson Mandela, despite acknowledgement by the South African

Communist Party on the day after his death that in the two years before he was arrested in August 1962 he had been a member of SACP Central Committee.

The same awkward fact was missed also in no less than five biographies of Mandela written since his release from prison in 1990.

Apart from a few perfunctory reports, and with no analysis, the immense implications of the transfer of the most important sector in English-language newspapers in South Africa to a company heavily backed by the Communist and ANC governments has received no attention in South Africa itself, and next to nothing elsewhere.

Immediately following Mandela's death, a purge of editorial staff in South Africa's morning newspapers got under way.

More to the point is Dr Survé's announcement that his China-and-ANC-backed media empire will in future report more "positive aspects" of the country.

With such powerful joint state financial influence over the Independent group, this is potentially one of the most dangerous attacks on press freedom in South Africa since the founding of the Cape Times as the first daily newspaper in the country in 1872, and a breach of the spirit of the Constitution.

Paul Trewhela

Comment
Check the date. Eminently worth repeating. According to the author, a clear alliance between the ANC and China, controlling what the English newspapers are allowed to inform us. And then Sekunjalo, financed by loans from the PIC. Except it seems from recent news the INM is facing major financial problems. See the statement below from the AMAGP about Independent Media.

STATEMENT
On behalf of the Association for Monitoring and Advocacy of the Govt Employees Pension Fund (AMAGP)

Cape Town

22 September 2019

Independent Media: More problems for the GEPF?

The AMAGP notes with alarm that the AYO shares, which the Public Investment Corporation bought for R48 each at a total cost of R4,3 billion, are now worth R6 each.

This has clearly resulted in a substantial long-term loss to almost two million currently employed civil servants and civil service pensioners, who trusted the Public Investment Corporation under the supervision of the Board of Trustees of the GEPF, to invest their money with prudence.

Furthermore, news that Iqbal Survé is retrenching half the staff at his African News Agency company, does not engender confidence that the GEPF will be able to recoup the more than R1 billion loan that it is trying to recover from the technically-insolvent Sekunjalo Independent Media company, which Surve is refusing to repay.

AMAGP looks forward to the President releasing the findings of the Mpati commission of inquiry into malfeasance at the PIC in the near future. However, we expect from the Board of Trustees of the GEPF in the meantime to act immediately with speed to minimize the expected loss to the fund as much as possible.

Adamus P Stemmet

An open letter to the GEPF from a concerned Fund member.
From: Olefile Mngqibisa
Sent: 2019-08-26 12:17 AM
To: enquiries@gepf.co.za
Subject: Peril looms for state pension fund: Business Times/Sunday Times: 25/8/2019

Mr. Abel Sithole/Principal Executive Officer

This Sunday I read Business Times with the above title.

According to Business Times, 30 000 is the number of civil servants who could take early retirement and may do so if prescribed assets were implemented, according to Adamus Stemmet, spokesperson of the Association of Monitoring and Advocacy of Government Pensions (AMAGP).

Lobby groups call the prescribed assets policy a disaster.

[The article is by Chris Barron]

para 1 – 8

* Prescribed assets should be fought tooth and nail, says Adamus Stemmet, spokesperson for the AMAGP.

Such a policy would threaten the sustainability of the R1,8 trillion GEPF he believes. "In effect you're forcing pension funds to lend money to bankrupt state entities."

To pretend they'd be investing this money is laughable and disingenuous, he says. "How can you invest in an absolutely bankrupt entity like Eskom?" "You invest to get an increase in your capital, or to collect dividends. For Pete's sake, where are you going to get dividends from Eskom at this stage?"

He rejects the argument that it would be better than resorting to the International Monetary Fund (IMF) or allowing Eskom to collapse. Unless the government changes its economic policy, Eskom will collapse anyway, he says.

The IMF will bring its own rules and regulations that might offer protection for the GEPF. "The moment they come in they'll take control to a certain extent and then the pension fund cannot be reached. We hope this would protect pension funds but of course we can't be sure, because we cannot trust this government at all."

I jump para 9-11 and go to para 12 which mentions that: "The ANC government is making the basic mistake of referring this as public money. It is not public money, it belongs to the members of the pension fund, not the government."

para 14:

As for whether the government will risk using the GEPF as a piggybank, it has already started, he says.

The Mpati commission into the Public Investment Corporation (PIC) has shown the extent of political interference in these investments.

There is R94,5bn of GEPF money in Eskom already. And Denel, SABC, you name it. They've done it already. And it's illegal, of course.

According to section 3 of the GEPF Act the money must be invested in the interests of the fund. "To keep the fund going, not to keep a bankrupt government going."

Government pensioners had been raising their concerns about "reckless, politically motivated" investments with ministers, MPs and the board of trustees of the GEPF, long before the Mpati commission confirmed the worst fears, Stemmet says.

The lack of an adequate response prompted them to form AMAGP in 2016 to lobby for the sustainability of the fund, which they felt was being endangered by political investments.

Abel Sithole, the principal executive officer of the GEPF, responded to AMAGP's detailed and documented concerns with a "lecture" on how well the investments were performing and that there was nothing to be concerned about.

It's difficult to calculate how much has been lost but it's "billions and billions and billions", says Stemmet. "Whether we'll arrive at the true figure, I doubt."

What is known is that in 2016 the GEPF had a long-term funding surplus of R9,1bn. By 2018 this had become a R583bn deficit. How? "We've asked that question many times. They said it's the poor economy. We say that's a lot of nonsense."

In addition to an astronomical rise in the fees paid by the GEPF to external fund managers used by the PIC, he says, "it's the result of very, very risky, politically motivated investments. We've lists and lists. "The Mpati commission has just touched the tip of the iceberg."

Sithole said in April that inflation-related pensions could no longer be guaranteed, and government pensioners must expect to receive lower increments. (Sithole is right because in April I was shocked to receive an increment of R700, when life in South Africa is so expensive).

Two years ago, an actuary recommended that the government's contribution to the fund be increased. "Nothing happened. He repeated it 2018. We're now waiting for 2019, but I can assure you the government has not increased its contribution. And with a deficit of R583bn we have reason to be worried.

"If the government now want to force us to invest in bankrupt state-owned enterprises (SOE) then the GEPF is going down the drain."

As a defined-benefit fund, its payouts are supposedly guaranteed by the government. But this means very little in reality, he says. "Would you accept a guarantee from a bankrupt guarantor? The government is bankrupt. That is why they want to use the GEPF to keep bankrupt SOE going."

He says there are conditions under which prescribing pension fund assets would be acceptable.

Magda Wierzycka, CEO of Sygnia asset management company, says pension funds should be allowed to invest 40% (up from 25%) abroad in exchange for investing 20% of pensions and savings in government debt.

"If we could have trusted the government this might have been an option," says Stemmet. "But we cannot trust this government. This government is bankrupting the country. Its economic policies are not working." "There'd be a negative return on any money invested in Eskom or any other of the SOE. It would be lost."

Even a government guarantee that the funds whose money was invested who have oversight of SOE wouldn't be good enough. "Even if the government could make such an agreement, how can we believe they'd honour it? Until it changes its economic policies we cannot trust them."

Stemmet says the implementation of prescribed assets could encourage 30 000 numbers who are entitled to go on early retirement to take their actuarial value in the GEPF and leave. "This would be a hell of a knock to the fund.” "It is happening. People are leaving. They're scared that their pensions are going to be invested in SOEs and lost."

If it became a trend it would further erode the sustainability of the fund, he says. "It can't take those knocks forever. There will come a day zero.

I am shocked of what Adamus Stemmet is relating here and I couldn't sleep early tonight. I decided to write this down and forward to President Cyril Ramaphosa.

I am fortunate to have come across this shocking article because I read different Sunday newspapers every Sunday. I also read newspapers during the week because it is said knowledge is power.

As a member of the GEPF, a poor, retired SANDF soldier, I don't know and I think majority of GEPF members don't know that their money R94,5bn is invested at or have bailed-out Eskom.

I am extremely disappointed about the level of corruption myself, and even blind people can see in this country under the ANC "democracy".

When I challenged this corruption in Lusaka, Zambia in 1978, Joe Modise ordered my harsh detention at a Zimbabwe African People's Union (ZAPU) prison outside Lusaka where I suffered immensely. ZAPU was in an unholy political alliance with the ANC.

When I arrived in Tanzania in 1976 from SA, I found the ANC very, very poor. The huge influx of the 1976 Soweto Students uprising into the ANC, led to the following international donors to pump assistance into the ANC:
Donors for finance
Donors for scholarships
Donors for clothes
Donors for food

The ANC leadership, especially OR Tambo handled us with care, like eggs - we were very special to the ANC. But, immediately after our military training, and that we started to understand ANC leaders, we were now labelled enemy agents, locked up, brutally tortured and many MK members were killed by mbokodo in Tanzania, Zambia and in the ANC notorious Quatro prison/concentration camp in Angola.

I repeat this which is directed to president Cyril Ramaphosa that, on the 2nd August 2018, I wrote a 5-page email to him, requesting him to please assist in the exhumation and repatriation of MK members’ remains, from these countries, and especially from Angola, and he has since given me a deaf ear.

Today, the corruption which started in Lusaka is out of order/uncontrollable. Once more I was detained by mbokodo, the notorious ANC killers in 1991, accused of talking too much.

Thank You

Olefile Samuel Mngqibisa
(GEPF/SANDF retired member)

copy:
presidentrsa@presidency.gov.za
khusela@presidency.gov.za (president PA)
communication@npa.gov.za (adv. Shamila Batohi)

Comment
A very clear statement and request from an ANC member, who is also a member of the Fund. We are all in this together.

PRESS STATEMENT

For immediate release

On behalf of The Association for Monitoring and Advocacy of Government Employee Pension Funds. (AMAGP)

Cape Town 30 August 2019

DEAFENING SILENCE FROM THE GEPF BOARD OF TRUSTEES

Does the Board of Trustees of the GEPF still exist?

We at the AMAGP have been asking questions over the years and up to date have received no coherent answer from anyone on the Board of Trustees. Openness and transparency apparently do not exist within the Board of Trustees.

Yes, AMAGP has received some communication from the Board of Trustees some years ago on some questions posed to the Board. However, the answers then given by the Board were very evasive and lacking the information and answers that was requested. Instead AMAGP were lectured about how "well the Fund is being managed". We at AMAGP know differently.

AMAGP have in their midst recently retired auditors, researchers, analysts, legal experts and financial and investment experts of note. AMAGP also have among their more than 3 000 registered members and over 10 000 members on their Facebook page, also various experts in many other relevant fields. Thus, AMAGP has grown considerably over the past few years. Therefore, the questions we ask are legitimate and in line with AMAGP's mission and goals, namely the long-term protection and sustainability of the GEPF and its members.

Evidence given at the Public Investment Commission, as well as many reports in the media, paints a very dark picture indeed for the future of the Fund. As of late the members of AMAGP and the GEPF are also very concerned about the government's announcements and comments concerning prescribed assets and related matters. Yet, there is a deafening silence from the GEPF Board of Trustees on all these matters. It almost appears as if they condone everything the government says and what they plan to do with pension funds. Hard earned money was invested by GEPF members and then their concerns and questions are not at all properly and fully answered.

In several of our press statements we have included reports by one of our retired auditor members about the declining situation of the Fund. Four such reports on the 2018 Annual Report alone have been released. The reaction to these media reports by the Board of Trustees? None! Even when it was pointed out that since 2006 a surplus of R9,1 billion spiralled down a deficit of R583 billion in 2018, and that the long-term funding has decreased to 79% in 2018, and further that only 51% of the monthly contributions of serving members is invested for their pension in future, etc. There was no reaction from the Board of Trustees. The very people that are supposed to protect the Fund and its members remain silent? Why can they not for once stand up and condemn what is going on with the Fund and the PIC? Or did the government swear them to silence on any of these issues that we need answers to?

Recently, on 1 August 2019 in a press statement, we pointed out the really bad state of the service rendered by the GEPF. We have evidence that this statement was received by the GEPF. Again, there was no reaction. The deafening silence continues. We have, however, noticed that in one of the matters raised by us, there have been results. The increase in pensions of associated members of the GEPF (retired academics) was eventually paid to them ------ almost five months late. And only after AMAGP made a noise about the lack of interest by the GEPF on this important matter.

Why turn to the media in attempts to facilitate meaningful communication with the Board of Trustees? Attempts to discuss matters of concern were unilaterally stopped by the GEPF Board of

Trustees in 2017. We at AMAGP eventually concluded that a policy of secrecy about almost any matter concerning the GEPF still seems to prevail.

The Board of Trustees is supposedly in control of the pension fund and that obviously also includes the control of the assets of the fund... all R2 trillion of it. Even this they seem to have abdicated to the Public Investment Corporation (PIC). How successful the PIC really was and still is in handling the matter of financial management and the investments made with the monies belonging to the members of the GEPF will hopefully be seen in the report of the Mpati Commission of inquiry when it is received after the end of October 2019. Newspaper reports and the evidence given at the Commission really are not assuring. Unfortunately, the interim report of the commission dated 15 February 2019 was not made public.

All these things raise more questions than answers, as well as many more reasons for great concern regarding the long term sustainability of the Fund.

The past few weeks much was said and published about the ANC's policy on prescribed assets. The silence of the Board of Trustees on this policy of a political party can perhaps be understood as they maintain choose to maintain secrecy and a policy of silence. On 22 August 2019 with his statement in parliament, the President made the issue of prescribed assets a government policy. His statement caused a lot of concern and even panic amongst pensioners and members of the GEPF in general, who expected the Board of Trustees to react and clearly state its strong opposition. But what happened? As usual, NOTHING. Only a deafening silence followed.

Considering all the mentioned concerns and given information nobody could blame the members of the GEPF and AMAGP asking the question: **Is the Board of Trustees still operational, are they truly still doing what is expected by them?** Perhaps the members have followed our advice and resigned, secretly of course!!

Anybody can also follow the comments of concerned GEPF members and AMAGP on its Facebook pages “AMAGP Watchdog” and “GEPF Forum”.

ENQUIRIES:

Adamus P Stemmet
Spokesman: AMAGP

Comment
There are many reasons for secrecy and confidentiality in a fund as large as ours, the functioning of the BOT shouldn’t be included in this. However, we are the constituents the BOT represent, and are entitled to honest answers to our concerns. Maintaining a stone wall reflects poorly on the BOT in our culture of transparency. A good case for a new commission of inquiry, especially considering the size of the Fund’s funds.

Synopsis

SA taxpayers must demand that civil servant pensions are invested for the greater good - report

3 Sep 2019

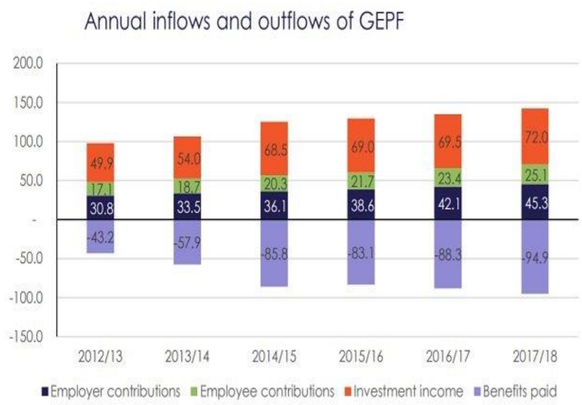
fin24

Given that they are funding civil servant pensions, all South African taxpayers should be entitled to know where their money is being invested – and demand that those investments make the country a better place.

This is according to a submission by Stuart Theobald and Peter Attard Montalto of the research firm Intellidex to the Commission of Inquiry into the PIC. The PIC has been mired in controversy after investing billions in the bankrupt VBS Bank, companies controlled by Iqbal Surve and in Steinhoff's empowerment shareholder, Lancaster.

The pension fund is considered "fully funded" if its assets are sufficient to cover the present value of future obligations. But Treasury estimates that, using the strictest measures, there may be a shortfall of R583bn. Theobald and Montalto point out that this is more than total debt of Eskom and threatens to undermine the solvency of government as a whole.

The shortfall has widened in recent years in part due to outflows and weak investment returns: The GEPF's portfolio earned a return of 8,5% in the 2017/18 financial year and 4,3% in the 2016/17 financial year.



Almost a fifth of all new government debt is used to fund the GEPF - and the interest on this debt (currently above 9%) is higher than the fund's returns.

The means it is "economically rational" for the government to demand that the PIC buy government bonds as it does not in fact harm returns, say Theobald and Montalto. Given that taxpayer money is used for the GEPF and that government is taking on more debt to fund civil servant pensions, which will add to the tax burden in coming years, "the taxpayer has a right to expect some return from that investment".

The Intellidex report says that taxpayers should demand that the Fund makes investments for the greater good in South Africa. "The PIC can indeed, as the biggest single investor on the JSE, have a dramatic and positive effect by using its influence to improve the governance and sustainability of South African companies, which would have spill over public benefits for all."

This could include bailing out government institutions where the public benefit can be clearly demonstrated, according to the report. But there will have to be strict controls:

"This benefit should be measured and the sacrifice of financial return (or increased risks) should be calculated and justified in terms of the public benefits and reported in disclosures. This can include supporting government in managing crisis situations, but such decisions should always be made by the PIC independently with the case independently developed for the public good by the PIC's investment committee. Such investing should never be directed to political ends that happen to fit short term political interests. The public benefits should be measured by independent third parties who report directly to the board and not to the investment decision makers themselves."

Other Intellidex proposals include:

- **Radical transparency.** The PIC's entire portfolio should be available in near real time on its website. It should post closing values and holdings of all listed assets as well as all unlisted assets as at the latest valuation date. "Given our view that the PIC should be delivering a social good and not just a financial good, such a level of transparency would allow the public to monitor whether those public goods are being delivered." This is done with civil servant pensions in California.

- **A separate investment decision-making process.** The Chief Investment Officer should report to the board and not the CEO and should be evaluated against investment and social return objectives. The CIO and CEO roles should never be conflated. This prevents conflicts of interest arising between the operational needs of the PIC and the investment strategy.

- **Taxpayers should know what the internal costs are.** The PIC should provide detailed disclosure of its own costs and efficiency levels. The financial returns to investments should be shown as well as the costs of managing those investments.

Compiled by Helena Wasserman

Comment
Good points, that if implemented, may indeed improve the PIC's functioning as public scrutiny makes for diligent officials.

Synopsis

BUSINESS MAVERICK

A case for the PIC to bail out ailing state-owned enterprises

By Ray Mahlaka 4 September 2019

Research firm Intellidex has joined calls by market watchers, including former PIC CEO Dan Matjila and others, for PIC funds to bail out state entities. However, Intellidex is not proposing a blank cheque for state entities. Intellidex believes that one of the ways in which the PIC can commit to environmental, social and corporate governance and social impacting, is by bailing out state entities only if the 'public benefit can be clearly demonstrated'.

As Eskom and South African Airways battle with crippling debt and working capital crunches, policy gurus have proposed the use of pension fund savings belonging to government employees to rescue these state-owned enterprises (SoE).

The rationale for this proposal is that the pension fund savings of the 1,7 million current and retired government employees are already guaranteed by the state or taxpayers. This means that if the PIC cannot pay out the pension money, the government would step in and pay any shortfall from the fiscus.

Eskom alone requires R128-billion in bailouts over the next three years to stay afloat because it cannot generate enough income to cover its costs, service a debt of R440-billion and interest. If GEPF funds are used to bail out Eskom and the power utility couldn't pay back the money, the government would also step in to inherit the debt to government employees.

Accordingly, it makes sense for government employees to take on the risk of ailing SOE rather than South Africa's asset management industry that manages R5-trillion (according to a 27four Investment Managers 2018 survey), which includes pension funds, insurers and other investors.

In its submissions to a commission of inquiry probing corporate governance affairs at the PIC, Intellidex said policies on explicit environmental, social and corporate governance considerations and impact investing should be formulated for the state asset manager.

Intellidex wants the PIC to be compelled to support investments that stimulate economic growth and have "highly impactful social outcomes" even at the expense of financial returns. In other words, the firm wants the PIC to not only invest in JSE-listed and unlisted companies but to also include investments that support South Africa's broader development agenda and benefits the public at large – instead of only government employees.

"The South African economy is still dealing with the legacy of apartheid and colonialism, requiring transformation of many industries and the funding of the growth of black business. This is in part a social concern that should fit in an ESG (social and corporate governance) mandate," the firm said.

Over the last six years, the government (as an employer) has contributed an average of R37,7-billion per year to the GEPF (through taxpayer funds), amounting to 64% of contributions while employees contributed 36%. The government has increased its borrowing to fund total expenditure, which includes contributions to the GEPF.

"This broad taxpayer contribution can in part be justified if the GEPF is used to further national interests beyond the interests of pension beneficiaries only."

The PIC has an ESG policy for its listed and unlisted investments. However, Peter Attard Montalto, the Intellidex head of capital markets research, told *Business Maverick* that the policy isn't coherent – thus proposed policies will standardise the state asset manager's social and corporate governance considerations with those of the broader asset management industry.

At the PIC inquiry, some witnesses testified that social and corporate governance considerations on investments by the state asset manager were an afterthought and not a priority. And in some cases, the PIC failed to meet its social and corporate governance targets.

Intellidex has proposed wide-ranging governance measures including independent third parties measuring public benefits linked to the bailout of state entities by the PIC, strengthening the PIC's independence in supporting government's developmental objectives, separating the CEO and chief investment officer role and having the chief investment officer (tasked with investment decisions) reporting to the PIC board and not the CEO. **BM**

Comment
A different view of Intellidex's submission. Much is made of the PIC's role in the public good, little of the Fund's role to provide sustained pensions.

Synopsis

So, taxpayers must demand that civil service pensions are invested for the greater good?

FIN 24 3 September 2019

For the greater good of whom? Invest in a country governed into bankruptcy, State Owned Enterprises corruptly managed into a deep black hole or for the good of the pension fund as prescribed by Law? A law ignored daily without any regard to Section 3 of the Government Employees Pension Fund Act, 1996?

Is it becoming practice to ignore the laws of the country? The GEPF is doing it already by not complying with Section 3 and, as AMAGP has pointed out in a statement on 4 September 2019, the government is well on its way to do so by contravening Section 30 of THE OLDER PERSONS ACT (Act 13 of 2006) when we asked who will wear the orange jacket on behalf of the President.

Current working members of the GEPF are, for obvious reasons, careful of what they say in public because after all, they are serving public servants who should always remain professional. However, this restriction does not apply to we as pensioners. We can speak our mind and believe we are saying what a lot of public servants may be thinking.

YES, we are gatvol because every time the SA economy turns south, the public servants and their Pension Fund are under attack.

The normal public servant bashing seems to be not enough this time around and has not satisfied the urges for retribution by our compatriots in the private sector who want to blame someone for the common hardship. This time they really want to sock it to public servants and pensioners, hit them where it really hurts. What better way than to go after their pension fund.?

So, the GEPF must now be deployed for the common good., divert more money to be placed under the control of corrupt cadres?

We say to our private sector countrymen and women, please show us any of your pension funds where:

Investment in your employer (fund sponsor) exceeds 5%? At the GEPF its already sitting at 29%. Investments of a developmental nature is 5% of your AuM? The GEPF has such investments. Where is yours?

And the trade unions, where do they invest their spare billions in cash? How many developmental projects have they sponsored? Most of them do not care a hoot about pensioners but they want to have a say in pension matters.

But we note that the private sector taxpayers want more because if the GEPF covers that developmental need, the private sector and other Defined Benefit Pension funds, like the Eskom Pension fund and the trade unions, can stay off the radar in as far as developmental investments are concerned, not so?

It is funny how everyone shouts for teamwork when faced with a crisis, but immediately volunteers someone else's money and efforts to get us out of the crisis. So, to the authors of the article, we say, step up with your own money to invest in these common good projects.

Let us see you apply the same principles you propose to the GEPF. See if you can match what the GEPF has already done before asking for more. After all, you really made a strong investment case and, if it is good enough to deploy further GEPF funds, it follows that it should be good enough for ALL PENSION FUNDS.

Christo van Dyk
Pensioner
A P Stemmet
Pensioner

Warning

With all the negative news in the media about the GEPF, we hear of many people who contemplate taking their actuarial interest in the Pension Fund to retire early. Members of the Fund should remember that when they contributed to the Fund, they were allowed to deduct their contributions from their taxable income. If they now take their money out of the Fund, SARS will claim its share. According to experts, this can amount to up to R350 000 out of R1 million. Then investment and fees paid to agents for advice must also be added. Other benefits will also be lost.

It is imperative that members of GEPF get independent professional advice before even considering leaving the Fund in this way. AMAGP is convinced that it will not be to the interest of the member and will surely be damaging to the Pension Fund.

Adamus P Stemmet
Durbanville

Comment
Strong but true words. Especially the warning. Please, for those of you not yet retired, heed the warning!

PRESS RELEASE
By the Institute of Race Relations (IRR)
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IRR welcomes today's debate on prescribed assets

The IRR welcomes today's debate in Parliament on the issue of prescribed assets. The motion was brought by Geordin Hill-Lewis of the Democratic Alliance (DA) and follows statements by the President in parliament that there should be debate on the issue of prescribed assets.

Prescribed assets is a policy that enables the government to dictate to pension funds where they must invest a portion of the funds and savings of their members. It is increasingly likely that the government will implement such a policy in order to fill funding gaps in the government and in state-owned enterprises, which have resulted from reckless spending, corruption, and mismanagement.

The IRR is concerned that very few fund managers are raising the alarm about the risks to their members' assets. Some fund managers, such as Wayne McCurrie and Magda Wierzycka, have gone on record as saying that a policy of prescribed assets will be a sacrifice the country may have to make if it is to stave off a bailout from the International Monetary Fund (IMF).

Those who diligently contribute to a pension to provide for themselves in their old age should not be faced with having a portion of that money (no matter how small a proportion) being diverted to plug funding gaps caused by government failures. In addition, history shows that prescribed assets provide a far lower return for investors than equities, which means that if such a policy is implemented, South African savers will be worse off when they retire.

The debate in Parliament today is an important one and the IRR supports the DA in bringing this motion. Prescribed assets – like other policies which will make us all poorer, such as expropriation without compensation and National Health Insurance – must be debated and, if necessary, opposed.

The IRR has given South Africans who are worried about this issue the opportunity to raise their concerns with their fund managers, and to demand answers on what they are doing to protect the pensions of ordinary South Africans. They can do so by going to this link.

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Comment
We find allies in the strangest places. See below for an independent view of the same topic.

POLITICSWEB
OPINION

Prescribed assets: fraudulent excuses for legalised theft

John Kane-Berman | 23 September 2019

John Kane-Berman says there has been a rare, but welcome, pushback to the plan from business.

In a country where the bulk of business habitually acquiesces in economically destructive policies, it is gratifying to see the forthright opposition to the ruling party's plans to compel pension funds to invest some of their assets with the government.

Although the ANC has so far stated only that it intends to "investigate the introduction of prescribed assets", it has been toying with this idea since 2002, if not earlier. Compelling pension funds to hand over some of their assets to the state is an assault upon property rights which threatens substantial reductions in future payments from pension funds to their members (which is what happened when the National Party government did it). This is tantamount to the expropriation of part of future pensions without compensation.

Leon Campher, chief executive of the Association for Savings and Investment South Africa, is one of the most trenchant public critics of the idea that the state should be empowered to order financial institutions to invest more of their assets with the government than they would otherwise choose to do. Earlier this year he warned that any such imposition would trigger a massive flight of foreign portfolio investment, and that it would be as "devastating" now as when the NP government did the same thing. There was no way his association would back such a plan.

Andrew Canter, chief investment officer of Futuregrowth Asset Management, said "We're very hostile to prescription; we think it is a terrible idea". The Financial Sector Conduct Authority, a statutory body, says the "strong objections" to prescription are "sound and justified".

In contrast to her predecessor, Bonang Mohale, who once said that business backed expropriation without compensation, the new CEO of Business Leadership South Africa, Busisiwe Mavuso, earlier this month denounced plans to take anyone's pension money as neither right nor fair. "You can't steal money" from the fiscus, she said, and then say that "to fix the mess I have created over the past ten years I am going to take your pension money" and pour it into struggling SOE.

Last month, Adamus Stemmet, spokesman for the Association for Monitoring and Advocacy of Government Pensions, said any prescribed assets proposal should be fought tooth and nail. Compelling pension funds to lend money to bankrupt entities such as Eskom, and then pretend that this was an investment was laughable. According to Chris Barron in the *Sunday Times,* Mr Stemmet cited an1983 ANC document in which that organisation had said that the billions collected over the years by pension funds and insurance companies "will be at our disposal".

Unfortunately, not all asset managers endorse the forthright views quoted above. Some have adopted a Ja/Nee attitude to prescription – indefensible equivocation given that the ANC's proposals would involve legalised theft from pensioners and using the money to finance the profligate and often corrupt public sector.

The ANC claims that prescription is necessary to generate funds for infrastructural development. This is a fraudulent argument.

Mr Campher and others have repeatedly pointed out that vast sums are in fact available for investment in infrastructure. The problem is not the shortage of money. It is the absence of projects in which it can be profitably and responsibly invested. As Mr Campher put it in a statement widely publicised last week, "the savings industry would gladly invest in infrastructure for development projects provided they are properly done".

In July, David Jones, an "infrastructure finance transactor at Rand Merchant Bank, said "there is an estimated $100 trillion of public and private money under management worldwide potentially looking for a home. If we get the right projects together at the right rates of return, with transparency and certainly of outcome, the money will flow."

Earlier this month Chinese ambassador in South Africa wrote that his country's investment in Africa had increased from less than $1 billion in 2000 to more than $110 billion in 2018. Not long before that, he had pointed out that while other African nations had seen a boom in infrastructure development, projects proposed by the South African authorities had lacked feasibility studies capable of reassuring the Chinese government and banks of their profitability and sustainability.

We therefore have our own asset management industry and the Chinese ambassador pointing to the same problem: absence of what the industry describes as "bankable" projects to attract risk capital. Further evidence of the scarcity of such projects is the plight of the South African construction industry.

South Africa has a pressing need for repairing and extending infrastructure. The money is available. But the ANC cannot put the two together. Like a child with a box of matches, it rather plays around with threats to property rights. Far better, as the Institute of Race Relations (IRR) argues in *Reaching the Promised Land,* published last week, to jettison threats to property rights and devise public-private partnerships to stimulate all the necessary additional infrastructure investment. That of course would automatically encourage all kinds of other investment.

John Kane-Berman is a policy fellow at the IRR, a think-tank that promotes political and economic freedom.

Comment
We have several articles on prescribed assets, mostly against with some cautiously for. Fact – it didn't work for the previous NP government. Now the ANC wants to reinstate a failed policy while the solution is clearly stated by all including China?
It might be a good idea to spread the word far and wide that the <u>ANC intends to implement failed apartheid policies!</u>

ROLE OF THE FACEBOOK PAGE - GEPF WATCHDOG/WAGHOND

This page is the social media platform of the non-profit organisation "The Association for the Monitoring and Advocacy of Government Pensions" (AMAGP). The AMAGP has only one agenda point – safeguarding of the GEPF against looting and mismanagement.

Most of our GEPF members are content with the fact that pensioners still get their monthly pension (and some increases on an annual basis), and they are convinced by GEPF newsletters and ambitious briefings by GEPF Board of Trustees members that our Pension Fund is in a super condition. There is, however, another side to the coin!

As a member of the GEPF (working or retired), this page will keep you updated regarding any developments affecting the health of YOUR Pension Fund. It also provides you with the opportunity to participate in the debate and raise issues of concern. Although it is not part of the core business of this page, you may also raise matters regarding the day to day management of your pension administration, which we will gladly refer to the Government Pensions Administration Agency (GPAA). Please read the articles that are posted on the wall, BUT also read items saved under "Announcements" and "Files". You can get further information on our website – there is no reason to be in the dark regarding our Pension Fund, and what you have to do as a member.

This page will only have any value for you if you join the AMAGP. Kindly take note that you do not have to pay membership fees, or do any work for the AMAGP if you do not wish to do so – BUT your membership will add one brick to the wall that the AMAGP is building to protect our money. You can complete the online registration form under “Announcements” (English and Afrikaans) at the top of the Facebook page, or you can visit our website at www.AMAGP.co.za, and complete the online application form that you will find under “Membership”. There are also registration forms in English and Afrikaans that you can print, complete and return to us under “Files” on the Facebook page.

The AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension Fund in the RSA – BUT, we as members and owners of the Fund have to protect it against abuse.

Welcome to our page – please help us to get thousands more GEPF members to join this page and the AMAGP, so that we will have the required bargaining power. We are the owners of the GEPF, and we have the right and the power to force the GEPF Board of Trustees, and the Public Investment Corporation (PIC), to manage and invest OUR money in a responsible and profitable way.