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

GEPF Watchdog - Waghond

GEPF your investment, your future

NEWSLETTER NO 5 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

The various Commissions continue to provide the truth to what we have always suspected the politicians and SOE are up to. If it wasn't so serious it would have been enjoyable to watch decades of conspiracy movies - Eskom, African Bank, VBS bank, Steinhoff, PIC, GEPF, Ayo/Independent Media, etc. Just the shenanigans of the PIC and its investments should provide for at least twenty good full length exposé/conspiracy films. Having said that, I would insist on royalties when the films are made, as it was my idea originally.

Simmering quietly on the stove [wood, paraffin, or gas, load shedding you see] is the one amalgamated pension fund that is still being planned, mentioned in two of the reports below. Yes, already mentioned in previous newsletters, the danger of allowing access to huge funding to replace that squandered by poor governance, leaving pensioners with a bleak future.

You will note that the AMAGP is increasingly being quoted and referred to in news, articles and reports. Some aren't direct but we can see from the contents where the information originated. I would go so far as to say much of the agitating happening in parliament and in some of the Commissions are directly as a result of the continued persistence of the AMAGP warnings and information campaigns. All at no cost to you…

The various commissions are ever more providing juicy stuff to rival the best soaps on TV; the exciting part is the prosecutions envisaged. This is going to result in asset forfeiture, court cases, appeals, re-appeals and Constitutional Court appeals as those called to account tenaciously and determinedly refuse to return the money or go to jail. Fix firmly in your mind the question – where are they getting the money to pay the legal costs?! The court dramas will justify some more investigative movies [remember my royalties please].

Steinhoff's share price hasn't recovered, probably won't ever. Although the share price won't recover, our Fund still receives dividends. This won't make up the netto loss to the Fund ever.

NEWS NEWS NEWS

Synopsis

Tito Mboweni wants to halt PIC Amendment Bill process

Cosatu says the Finance Minister's interference is unconstitutional, and the Treasury says his letter can have no impact on the NCOP process.

12 March 2019 Linda Ensor Business Day

The Finance Minister has written to the chair of the National Council of Provinces' (NCOP) select Committee on Finance to prevent the passage of the PIC Amendment Bill.

Treasury Chief Director for Financial Markets Roy Havemann mentioned the letter during public hearings held by the Committee on Tuesday. However, comments made by Committee chair in an interview afterwards indicated that the Committee would not be influenced by the Minister's letter and that its process of considering the bill would proceed, saying "We were asked not to go forward with the process."

Havemann said Mboweni is concerned about two outstanding issues. One relates to a governance issue as to whether a political office bearer should be the chair of the PIC board. The bill provides that the Deputy Minister of Finance or another deputy minister in the economics cluster will be the chair.

The second issue relates to the work of the Commission of Inquiry under retired judge Mpati, who wrote to Mboweni highlighting the fact that the Commission is still considering matters around the governance of the PIC Board. The judge asked that this be taken into account during the parliamentary process of deliberating on the bill.

"The Commission is considering the appropriate governance structure of the Board at the moment and it has written to the Finance Minister to ask that it be allowed to complete its work on that," Havemann said.

'**Surprised and alarmed'**

The bill is proposed by the Standing Committee on Finance, which has held extensive deliberations and public hearings on its proposals. The letter from the Minister has been noted but can have no impact on the NCOP process.

De Beer said that the bill is an interim measure. There will definitely be recommendations arising from the Commission of Inquiry but these will definitely be incorporated into another bill that could be considered by the next parliament, which will take office after the elections, he said.

Cosatu's parliamentary co-ordinator Matthew Parks said it was "surprised and alarmed to hear from the media that the Commission wrote to the Minister requesting his intervention in stopping the bill". Cosatu is also "deeply shocked and angered" to hear that Mboweni has written to parliament.

"Both acts are tantamount to undermining the constitutionally guaranteed independence of parliament. The Commission is an extension of the executive [and] the executive accounts to parliament. Under no circumstances can the executive issue an instruction to parliament. It is completely unacceptable that the Minister did this," Parks said.

"The [intrusion] by the Minister ... is reckless, constitutionally undermining and politically dangerous at best. It plays straight into the hands of those who have looted, are looting and want to continue to loot at the PIC. A single day delaying passing the bill is one more day where looting and governance chaos remains rampant at the PIC."

Cosatu is adamant that the NCOP pass the bill before its term comes to an end at the end of the month.

ensorl@businesslive.co.za

Comment
Don't you just love the rhetoric, always good for a quiet chuckle.
Good that Cosatu is condemning also the looting.

VERKLARING

Deur: A.P Stemmet
Namens: AMAGP

STAATSDIENSPENSIOENFONDS: AKTUARIëLE VERSLAG 2018

Die aktuariële verslag van die Staatsdienspensioenfonds wat die feitelike situasie van die bates teenoor die pensioenverantwoordelikhede soos op 31 Maart 2018 weergee, toon 'n sombere afwaartse prentjie wat ongetwyfeld sedertdien nog verder versleg het.

Ons heg vir u inligting ons afgetrede ouditeurkollega se oorhoofse kommentaar op die verslag en ander verbandhoudende dokumente hierby aan en lig slegs die volgende uit:

1) Dit is onteenseglik duidelik dat die pensioenfonds op n steil afdraande pad is en as dit onbeheerd voortgaan, die druk op die pensioenfonds om sy langtermynverpligtinge na te kom sal toeneem. In die vorige aktuariele verslag van 2016 is reeds aangetoon dat die regering in die nabye toekoms verplig sal wees om sy skaal van bydraes te verhoog. Die aktuaris beveel nou die volgende verhogings van die staat se bydraes aan: Dienslede van 16% tot 18,9% en gewone lede van 13% tot 14,4% van hul maandelikse salaris. Die las van die belastingbetaler word dus groter.

2) Die ongesonde situasie is nou bereik waar die inkomste op beleggings nie meer voldoende is om die lopende betalings aan pensionarisse asook die totale koste van die fonds te dek nie. Administrasiekoste en veral beleggingskoste het tot 'n onaanvaarbare vlak die hoogte in geskiet vanaf 2014. Tans word slegs 59% van die bydraes van dienende lede van die pensioenfonds vir hul pensioen wanneer hulle aftree na die OBK gekanaliseer om belê te word. Vir daardie doel tussen 2015 en 2018 is bydraes vir die bedrag van R107 biljoen nie belê nie. Dit is verbasend dat vakbonde en personeelverenigings hierdie wanaanwending van pensioenbydraes blykbaar gelate aanvaar; en

3) Dit is duidelik dat die regering nie langer toegelaat moet word om die pensioenfonds as sy se spaarvarkie te gebruik nie. Politici kan gerus ook ophou om funksies uit te dink wat nie by ‘n pensioenfonds tuishoort nie. Roekelose beleggings en spekulatiewe avonture soos Independent Media en Ayo moet summier beëindig word.

Die vraag ontstaan of daar nie ernstig na die aanspreeklikheid van verliese deur die beleggingsbestuurder asook lede van die Raad van Trustees gekyk moet word nie. Die pensioenfonds kan nie meer uitspattighede soos Steinhoff, African Bank, VBS Bank en ander bekostig nie.

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Adamus P Stemmet
Segsman: AMAGP
Durbanville
082 320 9245
adamusp2602@gmail.co

GEPF ACTUARIAL VALUATIONS: 22 FEBRUARY 2019

GEPF and its actuarial valuations

It’s strongly suggested that the 2018 actuary’s valuation report be read together with the GEPF’s annual report. At the end of this document there is a list of web links to the sources used in this report.

Herewith a summary of the biannual valuations done since 2006. The purpose of this table is primarily to reflect the funding levels: *[sorry, the table won’t fit in, but the conclusions make up for it. Ed]*

GEPF FUNDING LEVELS

Rbn 2006 2008 2010 2012 2014 2016 2018
Total best estimate liabilities 436,6 621,1 736,7 1 011,6 1 173,5 1 407,2 1 662,6
Recommended reserves 99,8 217,7 344,9 464,2 541,4 647,0 720,9
Total best estimate liabilities & reserves 536,4 838,8 1 081,6 1 475,8 1 714,9 2 054,2 2 383,5
NET ASSETS 545,5 715,5 801,0 1 038,9 1 425,7 1 629,9 1 800,1
Minimum funding level 128,2% 115,2% 108,7% 102,7% 121,5% 115,8% 108,3%
Long term funding level 101,7% 85,3% 74,1% 70,4% 83,1% 79,3% 75,5%
Excess assets > liabilities 108,9 94,4 64,3 27,3 252,2 222,7 137,5
Excess assets % 24,9% 15,2% 8,7% 2,7% 21,5% 15,8% 8,3%
Recommended reserves shortfall/
(surplus) -9,1 123,3 280,6 436,9 289,2 424,3 583,4

Overall trends

Both the funding levels continued its decline since 2014, the minimum funding level is now at its second lowest point over the 12 years analysed (this also applies to the excess assets over liabilities %). The long term funding shortfall has breached the half a trillion mark! (the 2018 shortfall is R583 billion) and finally, via the 2018 actuary's report it's now official and confirmed, for the 12th year in a row, the long term funding (LTF) ratio is less than 100%, the GEPF BOT's own target.

Recap of the sustainability issue

Earlier in the year a review was performed on the 2018 annual report with specific focus on the sustainability. That review's high level summary is herewith.

In summary - sustainability of the GEPF. The long term funding ratio is less than 100%. For 12 consecutive years pension liabilities increases cannot be quantified because the 2018 actuary valuation was not completed in time (report received 21 February 2019)

The production capacity of investments has reduced. Interest on investments has not kept pace with the growth of investments overall.

Escalating investment expenses vs reduced returns...

The actuary regarded the below expected Investment returns in 2016 already as a significant strain to the Fund. It does appear that the investments have already reached the point of diminishing returns.

An update of pension Fund liabilities increases

Herewith a summary of the pension liabilities:

GEPF PENSION LIABILITIES

Rbn	2006	2008	2010	2012	2014	2016	2018
Total best estimate liabilities	436,6	621,1	736,7	1011,6	1173,5	1407,2	1662,6
Biannual increases	0	184,5	115,6	274,9	161,9	233,7	255,4
Biannual increases %	42,3	18,6	37,3	16,0	16,0	19,9	18,2

And a graph showing the trends of these increases. *[couldn't get it loaded. Ed]*

What this graph Indicates is that the pension liabilities are increasing, but that the increases between 2014 and 2018 are less than the overall averages.

This should actually be good news and assist with the improvement of both funding ratios....but that doesn't happen. The reason for this is that the assets (investments) at no point outgrow the liabilities and/ or the combined liabilities and reserves over the biannual periods.

The GEPF and the PIC, via their media releases, the annual reports and on the GEPF website focus on the investments mainly....

Using the actuary's information and comparing the growth in balances since 2006, the following picture emerges...
[couldn't get it loaded. Ed]

The green line (investments) represents the "good news" as also highlighted and emphasized on the GEPF website. Note the modest, but in proportion, increases depicted in the graph. Compare this to the one on the GEPF website.

When the actual purpose of the Fund is added to the picture to provide context, namely for the GEPF to provide for the pension liabilities and to safeguard this via adequate reserves in future, things look a bit different - not so?

Change in the financial position

The extent to which assets exceed the pension liabilities provides a buffer and creates a leeway for the Fund to absorb market volatility amongst others. It "insures" the Fund and provides the platform to the long term security and sustainability of the Fund. It takes time to build up this reserve and therefore any deterioration should require decisive action.

The following indicates the deterioration that has escalated per the most recent valuation:

Change in financial position (Rbn)	2 014	2 016	2018
Excess assets > liabilities	252,2	222,7	137,5
Deterioration		-29,5	-85,3
Deterioration %		-12%	-38%

So in summary, the total deterioration since the start of 2015 up to the end of 2018 amounts to R114,8 billion (29,5 + 85,3).

Some context to the Rand values of the deterioration, is that total benefits paid in 2018 amounts to R95 billion. If this rate of deterioration continues, what would the level of reserves be in two years' time?

Please do the math.

Factors that negatively impact the funding ratios

The factors are summarised above and for most part impacts the asset side of the funding ratio calculation. Central to the assets is the actual production capability of those investments.

The 2016 valuation provided forewarning in so far as the actuary reported the areas that cause strain to the Fund. In the 2016 valuation report, the highest Rand value of strain on the Fund came from two issues, namely the investment returns and economic assumptions.

In the 2018 valuation, the investment returns remained as the single biggest factor that causes strain to the Fund.

Substantial strain to the Fund: investment returns

According to the actuary, a "substantial strain" to the Fund relates to the below expected investment returns. Herewith the combined strain per the 2016 and 2018 actuary valuations:

Substantial strain on the Fund	Investment income Rbn
Actuary 2016 report	62,8
Actuary 2018 report	225,2
Total Strain 2016 + 2018	287,9

As far back as in 2016 already, the actual investment returns were less than the assumed and expected rates used to underpin the actuary's valuations. Based on in year indicators, it was foreseen that the 2018 actuarial report will repeat this observation, which in fact it did.

In the 2018 valuation, the actuary indicated that the Fund earned approximately 6,49% per annum on the market value of assets. The actuary's assumption was that the assets would earn 12,5% per annum. As a result, over the 2018 valuation period, a substantial strain on the Fund of R225 billion was the result (actuary report 2018 page 52).

THE NEXT FOUR YEARS

Because of the timing of the release of the valuation, the current Board effectively has only three more years to address the deterioration of the Fund and to restore the sustainability ratio to its 2014 level.

Considering that the majority of the current Board members is in office since 2015, it's only fair to expect them to restore the funding ratio to its level at that time (perhaps add a modest 1% to leave the Fund in slightly better shape than in 2015), this gives us a minimum funding rate target of 122,5% (121,5 plus 1%)
As can be seen, at this time, because of the last 4 years, any hope of progressing towards achieving the long term funding level has been abandoned.

Web links
http:/
/www.gepf.co.za/uploads/policydocumentsuploads/gepf
_statutory_actuarial_valution_31_march_2018.pdf
http://www.gepf.gov.za/uploads/policydocumntsuploads/
actuarial_valuation_as_at_20160331_-
_actuaries_report_final.pdf
http://www.gepf.gov.za/index.php/annual_reports

Comment
Christo says it all. There are more views below, from different perspectives.
The missing graphs on the report may be accessed on www.amagp.co.za and/or GEPF Watchdog – Waghond.

Synopsis

What now? Five unanswered questions from Iqbal Survé's PIC inquiry testimony

6April 2019 Jan Cronje, Fin24

Chairperson of media group Independent Media and the head of Sekunjalo, Iqbal Surve gives evidence during the Judicial Commission of Inquiry into the PIC on 2 April 2019. (Photo by Gallo Images/Phill Magakoe)

Iqbal Survé testified for two days before the judicial Commission of inquiry into the PIC this week. The Commission had previously heard testimony about how three companies linked to Survé - AYO Technology Solutions, Independent Media and Sagarmatha - sought billions in funding from the PIC.

Survé used the opportunity to sing the praises of companies under the Sekunjalo umbrella, hit out at the white business community and rival media houses, and criticise those he views as his adversaries, including Deputy Finance Minister Mondli Gungubele.

But his testimony raised as many questions as it answered.

Here are five unanswered questions:

1. What will Magda Wierzycka say when she testifies?

The Commission heard from evidence leader, Advocate Jannie Lubbe, that he may call Sygnia boss Madga Wierzycka to give evidence of how Survé boasted at a function they attended in 2016 of having a top PIC official in his pocket. Survé denied the claim, saying Wierzycka was "delusional" and said she needed to go and see a psychologist.

Wierzycka, meanwhile, told Fin24 she was ready to testify.

2. Will Dan Matjila be as positive about Survé as Survé was about him?

Survé tried to paint the former head of the PIC, Dan Matjila, in a positive light. "Dr Matjila is a very important person in this country," said Survé. "He is the CEO, or was the CEO, of the PIC, one of the largest asset managers on the African continent, someone that I have enormous respect for as a professor."

Survé denied he and Matjila had improper direct interactions ahead of the listing or attempted listing of two companies in the Sekunjalo group. But he did acknowledge the two traded emails about the valuation of Sagarmatha Technologies.

3. What will happen to Independent Media if it is not recapitalised?

Survé, testified that Independent Media had not been making interest payments to PIC. Independent Media now owes an outstanding balance of about R1,5bn, given the interest that has accrued on the initial investment.

Survé said the media group was only surviving with its current staff levels because Sekunjalo was pumping money into it on a monthly basis, adding that without recapitalisation job cuts may result.

4. Will the Deputy Finance Minister respond to Survé?

Deputy Minister of Finance Mondli Gungubele is not at the moment planning to respond to Survé's allegation that he vowed to "crush" the Independent Newspaper group for not "toeing the line". Survé told the inquiry that he heard this from high-ranking ANC members at a breakfast meeting. He did not say what "toeing the line" meant.

Gungubele who has frequently been criticised by newspapers in the Independent Media group stable has kept mum so far.

"Note that the Deputy Minister has already expressed that he won’t be responding to the Dr Surve’s allegations," National Treasury said in response to a request for comment.

The ANC, meanwhile, has said it is waiting for the Commission to end before commenting. The GEPF has also said it would wait for the inquiry to end.

5. How is the PIC intending to recoup its investment in AYO?

Some of Survé's most heated testimony occurred when he spoke about the PIC's plans to recoup its R4,3bn investments in AYO Technology Solutions.

The CIPC earlier this year instructed the PIC to recoup its investment within 15 days. "It's disgraceful that a state regulator and [an] institution can be used in this way for either political or commercial objectives to undermine a legitimate business. That is not the rule of law. That is not what I as a committed South African and African expect in this country," said Survé.

The PIC went to court to try and get the order annulled, saying while it did want to recoup the funds, the time-frame given by the CIPC was too tight, and the original order contained inaccuracies. The order was set aside, but the PIC says it still wants to recoup the funds. "The PIC remains committed to carry out to conclusion the steps that it had already taken to recover the invested funds without any delay," the asset manager said in a statement after the order was annulled.

Survé, meanwhile, told the Commission the R4,3bn investment was sound, and claimed the PIC was treating him with "disdain" by not answering his emails pleading for a meeting.

Comment
The Commission is circling ever closer to the part of getting the money back.
Quiet chuckle at the rhetoric in point 5 above.

Synopsis

Ayo manufactured financials to secure R4,3bn investment from PIC says ex-CIO

8 April 2019 by Stuart Lowman

JOHANNESBURG —The latest to come out of the PIC puts the relationship of the chair of Independent Media Iqbal Survé and former CEO Dan Matjila in the crosshairs, following the R4,3bn investment in the technology group. Correspondent Ed Herbst earlier laid out a case suggesting Survé actually perjured himself when submitting evidence to the Commission last week. The JSE has been summoned following his testimony. – Stuart Lowman

By Ana Monteiro

(Bloomberg) – Ayo is at least partly an illegitimate business and has fabricated financial statements even while securing a R4,3bn ($304m) investment by Africa's biggest money manager, according to Ayo's former chief investment officer.

In a statement prior to listing in Johannesburg a year ago, Ayo set a "very high revenue target" but showed "no urgency to conclude transactions," ex-CIO Siphiwe Nodwele told the PIC inquiry Monday in Pretoria. He and former CEO Kevin Hardy quit with immediate effect in August, after the board didn't address governance concerns raised by the executives.

The funds generated by Ayo from its initial public offering were mainly used on related-party transactions, Nodwele said, and even its financial statements "are manufactured." The ex-CIO added that parts of the company are above reproach, such as the Puleng Technologies division.

In July, the board proposed a resolution to invest R1,5bn of the company's cash, about one third of what Ayo held, with asset managers, which Hardy, who also gave testimony Monday, labelled a "blatant attempt" to move money out of the company. The resolution was eventually withdrawn.

Victor Seanie, who was an assistant portfolio manager at the PIC before he was suspended in January, told the inquiry earlier this year that the organisation moved too quickly to invest in Ayo, and that Matjila was key to signing off on the deal before the PIC's portfolio management committee had met to discuss it properly.

Ayo didn't immediately respond to questions seeking comment after asking for them in email form.

Survé has also been accused of interfering in the editorial process of newspaper owner Independent Media. The close relationship between Ayo and Independent meant it was "easy" for Survé to ask for favourable articles to be published, Nodwele said. “Editorial independence of Independent Media does not exist,” he said.

Survé told the Commission he doesn’t have undue influence at Independent Media.

Comment
I would also have said the same were I Survé, however it doesn’t change the approach followed by those newspapers.
Isn’t fascinating to read how much of the company’s dividends and profits relate to this vast sum still securely retained by them, with little or no relationship to real company performance.

Synopsis

Pressly: Pensioners prop up Independent newspapers. PIC’s R1,2bn gift.

20 May 2016 by Stuart Lowman

While the ‘perceived’ agreement between former Cape Times editor Alide Dasnois and Independent newspaper group may have brought some quiet relief, what it has done is put all eyes back on the Independent group. The story goes beyond Dasnois’ axing, to when the PIC plunged R888 million into the purchase of the Independent group. It was structured as a five year loan with no interest payments, with the bulk able to be converted into equity when the term runs up. In parliament DA MP David Maynier said investing in newspapers was tantamount to investing in horses and carts when the Model T was already out of the streets. And they blatantly ignored the interests of its pensioners. The PIC acknowledged they had political motive behind the purchase, so what happens next, surely there has to be accountability for sub-par investments, and worse yet, those that hang under a cloud? And as Maynier alluded to, has the PIC carried out its mandate of protecting pensioners’ interests? Stuart Lowman

By Donwald Pressly*

Teachers, nurses and police officers are propping up Independent Newspapers, which dominates the English language print media market, to the tune of nearly R1 billion, and counting. This has to be the scandal of the month, if not the decade.

It so happened that Alide Dasnois, who was fired as editor of the group’s the Cape Times in December 2013, got a settlement out of Independent in the same week the story of the pillaging of public money – in this case pensioners’ money – came out in the open for the first time since Sekunjalo bought the newspaper group in August of that same year.

It is now emerging that Independent’s capture of pensioners’ money is likely to eclipse anything going on at the Gupta empire, at least in money terms. The story of Iqbal Surve, the Independent Newspapers chairman and Sekunjalo chairman, is a remarkable one. What he has pulled off is so clever, so crafty. When he told Dasnois in her disciplinary hearing that he would “use every single cent” to prove she was an irrational woman consumed with hate, he was actually talking about his access to public money, just short of a billion rands of it.

Thanks to the efforts of DA finance spokesman David Maynier, the PIC acknowledged in Parliament last week that they had a political motive for plunging R888 million into the purchase of the newspaper group. They asked for no interest payments for five years and at the end of 2018, the bulk of this can be converted to equity. That is equity in a failing newspaper group. The CEO Dan Matjila said that the investment was intended to create “a black Naspers”. Naspers is a massive media group which had its roots in newspapers but now is hugely diversified, but still owned and dominated by Afrikaners. What the PIC has done is ignored the interests of its pensioners and would-be pensioners to achieve the aim set out by the SACP that the state needed to capture independent, that is with a little ‘i’, media.

It is instructive that Dasnois was fired for carrying a lead story about Sekunjalo’s marine patrol vessel tender. On the day of Nelson Mandela’s death, Dasnois chose to carry the story showing that the public protector Thuli Madonsela wanted the Sekunjalo bid further investigated by the Competition Commission.

While Survé lost the marine patrol tender he went on to persuade the PIC to loan him R888 million instead. As no interest payments are required for five years, this amount has gone up to nearly R1 billion. He has thus been able to use pensioners’ money to turn Independent Newspapers into a propaganda vehicle for the ruling ANC.

Not a day has gone by without ample evidence provided that the Cape Times in particular is used as a medium to hammer opposition parties and to sing and dance to the ANC's tune. If there had been a legitimate sale of Independent to Sekunjalo, it would be perfectly acceptable for Surve to determine the political line of the newspaper company.

But many questions are raised about whether the PIC has carried out its mandate of protecting pensioners' interests by openly aiding and abetting state capture of South Africa's biggest English media group.

When the five year interest payment holiday is up, the amount owed to the PIC will be about R1,2 billion. Of course most of that will be converted into equity in Independent Newspapers, so this deal will effectively mean that the Independent Newspapers' deal is, essentially, *a very expensive gift* to a ruling party agent.

Donwald Pressly, Editor of Cape Messenger

Comment
I know, this is quite old, but the comments are still valid, especially now the Commissions are circling the flow of money and there is gratifying signs of prosecution going to be instituted.
Fits nicely into the Ayo/loan/Independent Media mess.

Synopsis

amaBhungane: Another front in the perception war exposed – Kenny Kunene, founder and Funder of Weekly Xposé

By amaBhungane 2 February 2017 Daily Maverick

Flamboyant businessman and socialite Kenny Kunene is the latest prominent figure linked to an online campaign that appears designed to support the Gupta family and the narrative that they are victims of "White Monopoly Capital", amaBhungane can reveal.

By Micah Reddy for AMABHUNGANE.

Recent media reports and research by data analysts have begun to uncover a web of fake twitter accounts and real, but strident opinion sites peddling a remarkably consistent narrative that aims to discredit key figures seen as standing in the way of Gupta family interests.

Enter Weekly Xposé – a website set up on 16 November 2018 and registered in the name of Thapelo Kenneth Kunene.

This week Kunene confirmed to amaBhungane that he is the founder and Funder of the website. He added that Weekly Xposé aims to deliver ethical journalism and that it was undergoing a trial phase while "a team is being put together" to run it.

Comment
Where else have we heard the rhetoric 'white monopoly capital" recently?

Synopsis

PIC board suspends acting CEO Matshepo More

Economy / 22 March 2019 Sizwe Dlamini

Photo: Supplied

CAPE TOWN The PIC Board has suspended its acting chief executive, Matshepo More, according to inside sources. The suspension, which has been kept under wraps, comes after a Board meeting held on Wednesday, where sources say, Deputy Finance Minister and PIC chairperson, Mondli Gungubele, was left with no choice but to suspend More.

Contacted for comment, PIC officials confirmed that there was a Board meeting on Wednesday, but refused to be drawn to comment on the outcome of the Board meeting or More's suspension.

Gungubele said he prefered not to comment on the matter at this time, without denying or confirming whether this was true.

More has been in the media recently after being implicated in corruption by a whistle-blower, who goes by the pseudonym James Nogu/Noko. Former and current PIC executives have also made some serious allegations against More when testifying at the PIC Commission of Inquiry over the last few weeks.

The allegations by Noko led to the Board being forced to resign on 1 February after Finance Minister Tito Mboweni got whiff of the allegations. Mboweni has kept the Board on pending the appointment of a new PIC Board.

Comment
Not commenting actually confirms the suspension. Since the beginning of 2019 the entire top management of the PIC has resigned, been suspended or fired. Some with a handsome payoff.
Who's minding the shop now do you think? Those left behind are probably not doing much in fear of being in line for departure, therefore, what's happening to our investments?

Synopsis

Bad investments leave pension Fund with shortfall of R583bn

Justin Brown 25 March 2019 News24

Picture: iStock

It has now reached a point when the income on investments is not sufficient to provide for pensions being paid, as well as for the total costs of the Fund

The GEPF faces a record long-term funding shortfall of R583 billion, partly due to bad investment decisions. This gap might ultimately have to be plugged by under-pressure taxpayers.

This emerged from the Fund's latest actuarial valuation at the end of March 2018, prepared by Alexander Forbes Financial Services in November 2018. The Minister of Finance approved the public release of the actuarial valuation in February. "As at the valuation date the Fund meets the minimum funding level, but as the contingency reserves are only partially funded they do not meet its long-term funding objectives," the valuation said.

Christo van Dyk, an independent auditor and Fund pensioner, said that if the Fund continued as it was its liabilities could equal its assets as early as next year, leaving itself without a buffer. The Fund has 1,281 million active members and 441 633 pensioners and is a defined benefit pension fund, which means the government and ultimately taxpayers will cover any shortfall in the benefits of the Fund's members, pensioners or their beneficiaries.

DOWNWARD SPIRAL

Ivan Fredericks, the general manager of the PSA, said this week that the pension Fund's actuarial valuation showed that it was "on a steep downward spiral if this trend continues unchecked". The valuation determines the Pension Fund's capacity to fulfil its obligations towards members, as well as to retired public servants, in the medium and long term.

According to the valuation, the Fund could still meet its minimum obligations but its position was worsening. In particular, the latest long-term funding shortfall reflected a steady decline in its financial position. In 2006 the Fund had a long-term funding surplus of R9,1 billion.

Two years later, in 2008, the Fund had a R123 billion long-term funding deficit. By 2012 that deficit had widened to R436,9 billion before climbing to R583 billion by March 2018.

In a bad sign for taxpayers, the fund's actuarial valuation recommended that the government contribution to the Fund increase from 16% to 18,9%, as a percentage of pensionable emoluments for state workers employed in the SA Defence Force, the SA Police Service, the Correctional Services and the State Security Agency; for all other state employees the actuarial report recommended the government hike its contribution from 13% to 14,4% of pensionable emoluments.

These recommendations meant the taxpayer's burden related to the Fund was likely to increase, Fredericks said.

However, for now taxpayers were safe because, in the February budget speech, the Fund was listed by Treasury as a potential contingent liability; but from the 2008/09 to the 2021/22 fiscal years no value was assigned to this contingent liability.

CONTINGENT LIABILITY

A contingent liability is recorded in the accounting records if the contingency is probable and the amount of the liability can be reasonably estimated.

“The situation has now reached a point when the income on investments is not sufficient to provide for pensions being paid, as well as for the total costs of the Fund. Administration costs, especially investment costs, have been increasing from an unacceptable level since 2014,” Fredericks said.

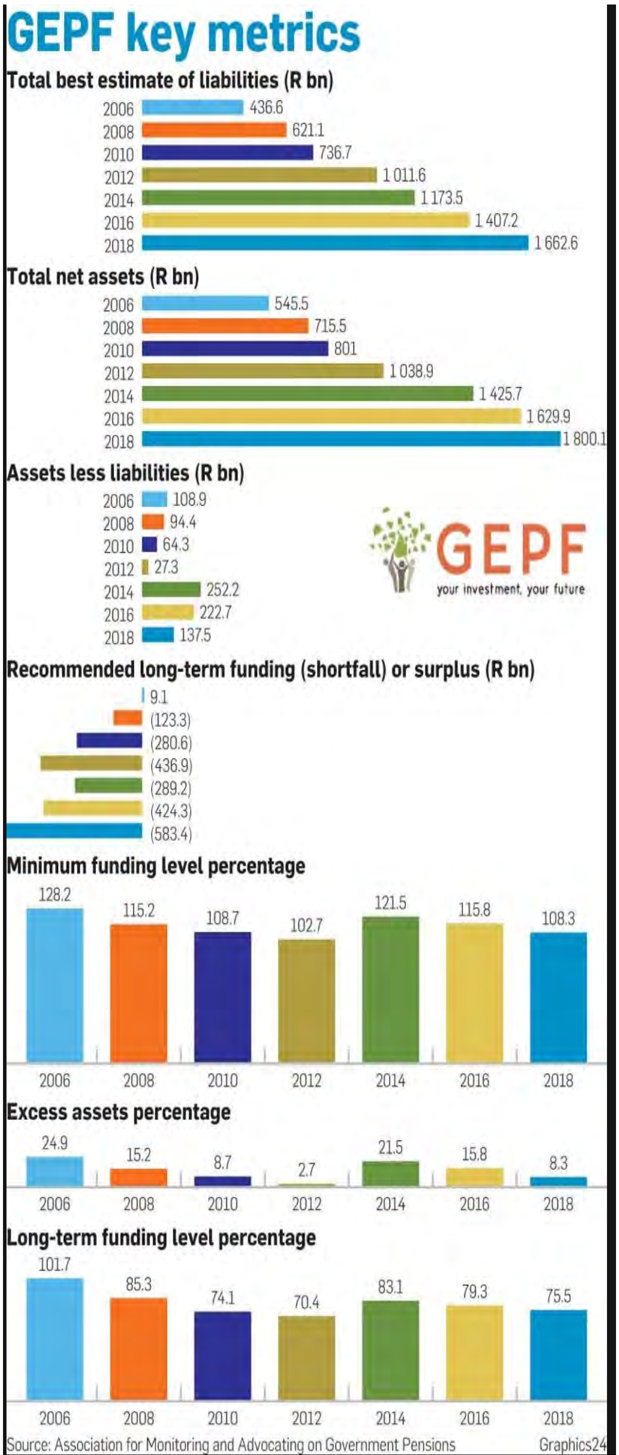
Van Dyk said the trend had been negative since 2014 and might well get worse. “At a particular point, there is no buffer to protect the Fund in respect of solvency and the peace of mind of 100% inflation adjustments for pensioners,” he said.

A large amount of money such as the Fund had could be misleading because it was not an indication of the ability to give increases linked to inflation every year, Van Dyk said. He said there was still time to intervene. “But if there is a plan to change the trend, it’s a secret. And it’s the silence of the Fund that is worrying pensioners and people who are being required to go on early retirement.”

André Prakke, a forensic auditor, said if the Fund couldn’t turn the ship around, it could lead to a similar debacle as the one involving Transnet’s Second Defined Benefit Fund, in which assets could not provide pensioners with inflation-related increases.

The AMAGP was concerned that the Fund wasn’t investing all the contributions it received. In the four-year period between 2015 and 2018 only R150 billion of the Fund’s contributions of R257 billion went to new investments. Previously, all contributions were invested.

At the minimum-funding level, the Pension Fund had 108,3% of its requirement as at March 2018, meaning it exceeded its minimum funding level of R1,6 trillion by R137 billion. However, this level of meeting its minimum funding was the lowest since 2012 when the Fund had a 102,7% minimum funding level. These contingency reserves were costed at R721 billion by the latest Fund actuarial valuation. The total long-term funding level was put at R2,38 trillion at March 2018. However, the Fund had assets of only R1,8 trillion.



GEPF key metrics

The long-term funding level was at 75,5% at the valuation date, based on fully funded contingency reserves. At the previous valuation it was 79,3%. A long-term funding level of less than 100% did not mean the Fund would be unable to meet its obligations, because it received new contributions and the assets that were invested well would grow.

That was why the Fund used the so-called “minimum funding level” to give a short-term indication of Fund stability. This ignored reserves and other factors and examined only present assets.

Molapo said on Friday that the Fund would not respond to questions and it would elaborate on the actuarial valuation and downward trend at a later stage.

Alexander Forbes pointed to various factors that contributed to the Fund’s worsening trend:

- Weak returns, even before the controversies surrounding the PIC came to light in the PIC inquiry.
- 2018 was a tough investment year for most investors due to poor stock market performance. By 31 March the Fund’s annual return for the previous two years was 6,4% a year; the Trustees had been seeking a 12,5% annual return.
- The Fund’s unrealistic expectations. When the Trustees determined how much money the state should contribute, they accepted their investment in shares would grow by five percentage points more than the return on the long term, which was about 8,6%. Alexander Forbes said three percentage points would be realistic.
- The Fund annually paid out more benefits to the 441 633 pensioners than the 1,2 million working members and the government contributed. This led to a cash-flow shortage of R13,6 billion a year. This could be made worse if the state continued with plans to send employees, who earn large salaries and make significant contributions, on early retirement.
- The government simply was not contributing enough to make the Fund sustainable.

Comment
This article says the same as the AMAGP press release and Christo’s report, but in other words. One of the sources is AMAGP. Coming from a respected news agency it gives so much more credibility to the dangers AMAGP has been highlighting for years. The danger to all taxpayers is clearly not recognised or understood yet.

Synopsis

Government Employees’ Pension Fund: Alarm bells can no longer be ignored

Ivan Fredericks 3 April 2019

As the GEPF bleeds money, the next target may be the pensions of ordinary citizens, writes Ivan Fredericks.

Government’s approach to public servants and their vested interests is creating the perfect storm for expanding poverty and causing a situation in which, in years to come, public servants will also be standing in SA Social Security Agency queues.

The GEPF is regarded as the “custodian of a significant portion of public servants’ wealth”, a guarantee of financial independence for public servants in the years following retirement. The PSA represents about 207 000 of those members, including pensioners, which gives it a vested interest in the management of not only the GEPF, but also the PIC, which manages about 95% of the GEPF’s assets.

For several years, alarm bells have been ringing out with increasing volume about the misuse of the fund by means of investments made by the PIC. The recent release of the GEPF’s actuarial report indicates a steep, worrisome downward spiral in the value of the fund.

In 2016, signs were already showing that government would have to increase its contribution rate to the fund in future, and now the actuary recommends an increase in government contributions from 16% to 18,9% and others from 13% to 14,4% of monthly salaries.

The stage has been reached where investment income is no longer enough to provide for current pension payments and the total costs of the fund. Since 2014, administration and investment costs have increased to an unacceptable level.

Currently, only 59% of the contributions by serving GEPF members are channelled to the PIC for investment purposes. Between 2015 and 2018, contributions of R107 billion were not invested.

This worrying scenario is unfolding against the backdrop of significant investment losses by the PIC. To date, no executive has been held accountable for these losses by means of decisive action being taken against those responsible.

Adding to mounting pressure on the GEPF's funding is government's apparent drive to push public servants into early retirement, with the only apparent benefit being that members can now take early retirement without being penalised, between tomorrow and 30 September.

The PSA, on behalf of its members, had filed submissions with the judicial Commission of Inquiry into allegations of impropriety regarding the PIC. The PSA also took legal action through PAIA to secure documents related to the appointment of the PIC Board as well as documents relating to a R5 billion loan granted to Eskom in February 2018.

In particular, documents were sought showing that the "loan" was, in fact, guaranteed by government. The PSA remains extremely concerned about the contradictory messages from the National Treasury regarding the appointment of the PIC Board and the awarding of the Eskom loan.

As guardian of public servants' rights and interests, the PSA has consistently called for labour representation on the boards of these two institutions to ensure that public servants' pension money is not misused to bail out, among other entities, failing state-owned enterprises that are purging money because of corruption and mismanagement.

Data from the SA Institute of Race Relations confirm the fact that "government is running out of money". The ratio of government debt to GDP has reached a historical high. Tax hikes are not an option as taxpayers have little left to offer.

The Institute of Race Relations warns that the only other option will be to target the pensions of ordinary, hard-working South Africans, including public servants. The Institute further pointed out that, according to economist Mike Schussler, South African pension assets are huge – ranking eighth highest internationally. At least a third of South African adults has or is investing in a pension.

Schussler has also shown that it will not be difficult for government to force pension funds including the GEPF and asset managers to invest in certain sectors, and that no legislative amendment will be required to do so. The ANC's election manifesto says prescribed assets (where pension funds and other investors are mandated to invest in certain sectors or companies) will be investigated as a source of funding for economic and social development.

This could mean using the pensions of workers to fund these expenses. Any attempt to tamper with pensions taking into account dependants of pensioners, will directly affect half of all South Africans, while any move that damages the value of pensions will have a broader damaging knock-on effect on the South African economy, making everyone poorer.

The PSA is convinced that, should mismanagement of the GEPF and the PIC continue, the impact will not only be felt by public servants, but all taxpayers who are increasingly overburdened by the high cost of living.

The time has come for the accountability of asset managers and members of the GEPF board of Trustees to be prioritised. The GEPF can no longer afford "small" mistakes and generosity at the expense of public servants.

Fredericks is the general manager of the PSA

Comment
The PSA is one of the number of trade unions with Fund members, which also isn't afraid to clearly state the case for pensioners.
Its use of PAIA to obtain information from the GEPF is, as far as I know, still not fully resolved after more than a year.
If only 59% is invested, what is the other 41% doing, where is it resting unused?

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 send back 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.