



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 GEFP and sustainability of its return on investments.

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

f GEFP Watchdog - Waghond



## NEWSLETTER NO 6 of 2019

AMAGP – Association for Monitoring and Advocacy of Government Pensions  
BOT – Board of Trustees [of the GEFP]  
FSCA – Financial Sector Conduct Authority [previously the FSB]  
GEFP - 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 GEFP 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

Parliamentarians are an immense resource for change, a prime example is Bantu Holomisa's testimony before the PIC Commission. He at the same time stirred the pot so more of the contents appear, and is involved in a court case with two of the actors in the PIC saga. Hopefully he is enjoying the

media sensation while contributing to our Fund's future.

The media briefing by Mr Sithole in April again confirms our concern about the Fund's future. The most terrifying words ever uttered anywhere are "we are from the government and we are here to help you". Almost the same as "The good news is that the GEFP is fine, thank you very much". See the two conflicting reports below.

The AMAGP and Adamus Stemmet had a spot in the Sake Rapport of 5 May; the Sunday Times 12 May a prominent spot in the Business Times; quoted Adamus Stemmet and the AMAGP profusely. When mainline newspapers give you space like that you know it means business!

The decline in the Fund's funds started about 10 years ago and won't stop declining soon, as a fund this size takes some time to turn around. But it can be done if the management commits to do it. That commitment doesn't seem to in stock currently, but we don't know what is happening behind the scenes...

Interesting the claims of the greater expense of using several broking houses/investment managers/asset managers/houses for PIC investments, when such expenses have already increased by 45% in the past few years without comparable increase in investments or ROI.

The well-known 'financial mogul' Survé is still in the news, firstly by being deeply implicated in cooking the AYO books and secondly by publically donating R 1 million to the ANC's election campaign. Better than any soapy.

VBS and the PIC are still in the news, linked to financing ventures they should probably not have. See the last pages for an extremely

short soapy on how millions are shifted but in reality aren't.

## **NEWS NEWS NEWS**

*Synopsis*

### **AMAGP CHAIRMAN ANNUAL REPORT 2019**

The AMAGP is still living its aim to assist that the GEPF is managed so each pensioner receives rightful pension and the Fund is invested to sustainability. If the BOT executes its fiduciary duties diligently with the priority to protect the interest of the pensioner, the AMAGP's reason for existence will fall away.

The Fund is managed with many agendas and beliefs, such as Mr Sithole's statement that we are mere beneficiaries. We, the pensioners, are the owners of the Fund and the BOT is legislatively responsible for its diligent management. The PIC is a state organisation and is responsible to invest to support government's objectives and even political imperatives, not always in line in the interest of the GEPF pensioner. That is why it is critical that the PIC's mandate must be clear and managed diligently, focusing on monitoring and evaluation. It also stresses that the Fund needs to be distributed to at least three investment houses with a clear and trustworthy record.

It is obvious that the Fund is seen as a solution to rescue an economy in distress. The latest proposed solution for all pension funds to invest in certain prescribed initiatives makes many pensioners uncomfortable.

The AMAGP principles and values are held in high esteem. Although organisations are acknowledged and respected, the focus is to hold organisations responsible and accountable for their actions in respect of their mandates. It was also clear that formal organisations like the GEPF and PIC misuse confidentiality not to communicate important or uncomfortable issues.

In the challenge to get correct information AMAGP is forced to use secondary information. However, some members, especially Albert and Christo, did an enormous task to compile a loss register and detail reports of the GEPF Annual Report and Actuary Report, which are respected in many circles outside the AMAGP.

After unsatisfactory responses from the GEPF and the PIC, a letter was sent to the Minister of Finance stressing known and probable losses with recommendations, with no formal response. However, seeing that one of the recommendations was an inquiry into the work of the GEPF and the BOT, it is believed this contributed to the decision about the Commissions.

The letter to the Minister of Finance was followed up by a letter to the Public Protector to clarify the challenges and issues experienced with the GEPF and PIC. This is still in progress.

This was followed up with an input to the Sondo and Mpati Commissions. Evidence was already given to the Mpati Commission and Christo van Dyk's reports about the Annual Report and the Actuarial Report were acknowledged. Evidence to the Zondo Commission is still to come, although a written report was also submitted. The acknowledgement of AMAGP evidence supports the AMAGP and its public recognition.

Our media releases and Information Bulletins are increasingly being acknowledged and respected. Adamus Stemmet, Christo van Dyk and Daan Kemp, thank you for this creative and continuous work. This has contributed much to our visibility and recognition, even by politicians and other organisations. It created an awareness amongst pensioners, which makes the GEPF management uncomfortable.

AMAGP co-operates with various role-players such as parliament, political parties, influential people and organisations, the media, to place pressure on the BOT to act in the interests of the Fund members, and public in terms of the misuse of tax. AMAGP maintains relations with certain political organisations and unions, and organisations such as the FW Stigting, Helen Suzman Foundation, IRR, and OUTA.

It is clear that AMAGP is mainly focused on the GEPF pensioner's interest with no hidden agendas.

A lot of hard work was done to recruit members, especially by As Kleynhans, in recruiting and in creating a web page and Face Book and their active management. The membership has grown to 1 300 members.

The Facebook numbers vary around 7 000 members. Although the membership is still limited, for a relatively young organisation it is significant and still growing. It will also be beneficial if AMAGP can recruit more members of colour.

The workload keeps increasing and it is becoming difficult for the present volunteer members to attend to all aspects. All work is done voluntarily, it is important for more volunteers to help with the administration. Hennie Roux has put in a concerted effort to recruit more members but it is a challenging task. Hennie thank you for the effort.

The AMAGP bank account is functioning and our finances have been audited.

A challenge is still to get a tax exemption certificate for donations to a non-profit organisation. The secretary and treasurer tasks were previously both done by Errol Massey-Hicks: Errol thank you for a great job done. Jan, thank you for your willingness to help with this task and for the work done. The present financial situation of AMAGP is one of the biggest challenges of the organisation as it leaves no room for remunerating anyone, or instituting litigation.

AMAGP is still faced with many challenges; and needs to focus on the following:

- The GEPF and BOT have to be held responsible and accountable for the sound management and fiduciary duties of the GEPF Funds.
- The meeting with the Public Protector, GEPF and PIC needs to be finalised.
- The PIC not to be the only investor, but investments are distributed to at least three reputable investment houses.
- The mandate for investments is communicated to members and makes increased provision for international investments.
- The GEPF holds formal Annual Meetings in the main metropolises to allow members to get a full understanding and to ask questions.
- The SARS certificate for non-profit organisations to allow for donations and tax redemption.
- The financial position of the AMAGP. The lack of funds has a direct impact on certain activities like the appointment of any permanent staff and possible litigation.

- More members to be actively involved in the administration. Workload is really a challenge.
- Expand liaison and media coverage.
- Increase and improve the scope of parliamentary and ministerial contact.

I want to thank everyone in the National Executive Committee and the Official Liaison persons for all the effort, time and perseverance to make this organisation a success. Thank you especially for the audit and legal side for comprehensive inputs and guidance.

I experienced that some members expect more with a more aggressive approach, which I believe to be not the solution in the long term. I believe that AMAGP must act professionally and respect organisations in the role they are created or legalised. AMAGP must stay focused on our aim and not deviate to address every possible sideline. We must not compromise ourselves and ensure we function from a firm base.

#### *Comment*

*Dear reader, a concise view of the past year of AMAGP. From a small group of concerned pensioners to being nationally known and respected in about three years took dedicated and selfless effort. We need to take this to the next level while remaining an essential, professional and ever increasingly respected player in improving and maintaining our Fund.*

#### *Synopsis*

### **Holomisa concedes to PIC inquiry he has not provided evidence**

10 April 2019 Warren Thompson



UDM president Bantu Holomisa. Picture: Daily Dispatch/Mark Andrews

UDM leader Bantu Holomisa conceded on Wednesday that he has not provided evidence to the Commission to support claims he has made against investment managers Harith General Partners and Lebashe Investment Group. In a letter to the Presidency last year Holomisa accused the two companies of being "in bed" with the PIC's former CEO Dan Matjila. He claimed Harith and Lebashe appeared to be the same company "dressed up differently, which seemingly serves as a twin portal to access PIC funds".

There is ongoing litigation between the companies and Holomisa following what Harith and Lebashe deemed were defamatory allegations made by Holomisa.

After conceding that he had not provided any evidence to the Commission to support his allegations, Holomisa attempted to evade questions from Berger.

What little that could be agreed on was that Harith did borrow R25m from the PIC as "seed capital" shortly after it was established in 2006, and that this loan was repaid with interest.

*With Giulietta Talevi*

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*Comment*

*Our struggle against inertia and indifference is often aided directly and indirectly; in this case Bantu Holomisa is keeping it alive in court.*

*Synopsis*

## **Business Report**

**Economy** / 22 March 2019, Sizwe Dlamini



File Photo: IOL

PRETORIA – UDM leader Bantu Holomisa has called on the PIC to only participate

alongside commercial banks on strong investment terms.

Holomisa told the PIC Commission of Inquiry on Wednesday that transformation was not a good reason for losing pensioners' money. "It goes against any moral standard to continue writing off billions in the name of BEE" Holomisa said. "BEE can be done on a commercial basis and the banks have been doing it for decades. PIC-funded BEE transactions and other poorly structured unlisted investments that are losing money are a sophisticated way of looting the state."

Holomisa said another area of concern was whether PIC money should be used to fund persons or companies that wished to buy shares in companies without adequate structuring, similar to the commercial banks. "Why do we have the same persons or companies being empowered continuously? Could it be that there is a cartel of PIC beneficiaries? A deep forensic investigation of these networks and possible links to PIC personnel and directors is recommended," he said.

"Everything else could be secondary to what appears to be a sophisticated capture of the PIC involving advisers, BEE firms and asset managers. This could be the crux of PIC dealings and alleged corruption."

Holomisa advised the Commission to investigate unlisted transactions - below the R2 billion threshold where it is unnecessary to obtain full board permission to go ahead - effected by the PIC.

*Comment*

*Still more food for Commission thought and probable enquiries. Keeping the matter of pensions boiling, not just simmering, even if it is indirectly.*

*Synopsis*

## **PIC: Funding request lowered to avoid Board approval, inquiry hears**

Tebogo Tshwane 10 April 2019

Commission assistant Gill Marcus said that if it is common practice for loan applications to fall below the R10bn threshold, this could be



seen as a 'decision' to bypass the delegation of authority and good governance at the PIC.

The investment processes followed by the PIC have again come under scrutiny, this time prompted by the state asset manager's loan to Steinhoff's empowerment partner, the Lancaster Group.

The inquiry heard on Tuesday that in July 2016 Lancaster approached the PIC for a R10,4 billion loan in order to purchase a 3% stake in Steinhoff. When the final transaction was concluded, Lancaster was awarded R9,4 billion, which went towards transaction fees and the purchase of a 2,75% stake in Steinhoff.

"I can only speculate," said the PIC's Vusumuzi Raseroka (fund manager for private equity and structured investment products), "that the reduction was to enable the transaction to fall within the mandate limit of the investment committee..."

### **Faster Approvals**

All transactions above R10 billion need to go to the PIC Board for approval while those that fall below this threshold can be concluded at investment committee level. Going through the Board would have delayed the approval of the transaction, and Lancaster would not have been able to buy Steinhoff's shares.

Raseroka assured the commission on Tuesday that PIC processes were not flouted and that there was nothing untoward about the move to reduce the loan amount. "It happens," he said.

Commission assistant Gill Marcus was not satisfied with this explanation and asked for the inquiry's investigation team to review how many transactions above R10 billion had been presented to the full PIC board in the last three years. "The question is not about whether it is sinister, it is about whether due process and governance is followed," said Marcus.

### **Common Practice?**

"If it is common practice to ensure that all your decisions are [for loan applications] below R10 billion, [then] in terms of the terms of reference of this commission, it becomes a governance issue," said Marcus. She described such a practice as a "decision" to

bypass the delegation of authority and good governance in the PIC, and could be interpreted that way if it happened often.

PIC investment associate Botsang Morobe, who also testified on Tuesday, said that within a year of granting the loan so Lancaster could acquire a 2,75% stake in Steinhoff – also known as Project Sierra – the company's share price started declining. This affected the PIC's security package as it had hedged the investment with a collar option.

Lancaster's Naidoo approached the PIC with a proposal to restructure the agreement, where the state asset manager would buy an 11,8% shareholding in Steinhoff Africa Retail, now known as Pepkor. These shares would then be pledged to the PIC, which would offer it a more enhanced security package. The acquisition was made through the companies that formed part of the empowerment vehicle, Lancaster 101 and Lancaster 102, in which the PIC holds a 50% stake.

### **Project Blue Buck**

In order to buy Pepkor's shares, the PIC had to cede the security option that protected it from a decline in the value of Steinhoff's shares to Citibank in exchange for a loan. This was called Project Blue Buck.

Project Blue Buck was completed ahead of Steinhoff's collapse in December 2017 when the company's auditors refused to sign its financials because of "accounting irregularities" leaving the PIC completely unprotected with an impairment of R4,3-billion on its R9,35 billion investment.

Morobe said the impairment would have been wider had the PIC not restructured the agreement and remained with Project Sierra

#### *Comment*

*The reach of the Commission keeps expanding. It will have to stop sometime, but hopefully it will spawn off more commissions to investigate further doubtful aspects of the PIC activities.*

Synopsis

politicsweb



## **PIC: Minister of Finance must take action – PSA**

Tahir Maepa | 11 April 2019

The PSA has requested the Minister of Finance to restore stability to the management of funds under the control of the PIC by urgently dealing with the appointment of Directors to replace those who wish to resign.

The PSA's attorneys on 10 April addressed a letter to the Minister of Finance pointing out that the PIC Board had stated that it had requested the Minister to release the Board. In a subsequent media release by the PIC it was confirmed that its Board of Directors was still in place and that the non-executive directors were committed to remain until the Minister had appointed a new Board.

"The wish of the non-executive members of the PIC Board to resign and the delay of almost three months in appointing replacements have created uncertainty and an impasse to the severe prejudice of the PIC, the GEPF as its largest depositor, GEPF members, and PSA members as members of the GEPF" said PSA General Manager, Ivan Fredericks.

The PSA also reminded Mr Mboweni of the Union's High Court application launched in August 2018, in which the Minister of Finance is cited as first respondent. "In that application the PSA explained its significant and direct interest in how GEPF assets are invested and thus in the governance structures, management and performance of the PIC. The PSA recorded its concern that PIC Board members were appointed by the Minister without a rigorous process in compliance with the PIC Act, 2004.

The PSA also informed the Minister that the Union on 22 March 2019 submitted a copy of its application to the Commission of Enquiry. "In terms of the PIC Act, and the PIC memorandum of incorporation, the Minister must appoint the members of the board in consultation with the cabinet, after having had due regard to nominations submitted to him by depositors. It is the Minister's duty to act under the provisions of the PIC Act as it stands.

This is not affected by the provisions of the PIC Amendment Act, recently passed by the

National Council of Provinces. Although the amendment Act is not in force yet, there is no reason why the Minister's decision now should not be informed by what is intended to be in force in due course. The PSA is extremely concerned about the Minister's delay to release present members of the board and to appoint replacements. Members of the GEPF deserve the assurance that their retirement savings are being properly managed," said Mr Fredericks.

*Issued by Tahir Maepa on behalf of PSA, 11 April 2019*

### *Comment*

*The PSA is one of the unions representing civil servants; it also seems to be the most active in publically supporting the plight of future pensioners.*

### *Synopsis*

#### **BizNews**

## **AMAGP questions long-term sustainability of Government Employees Pension Fund**

18 April 2019 by Editor

### **AMAGP press release**

The AMAGP today repeated their grave misgivings about the long term sustainability of the GEPF. These misgivings are based on analyses of the GEPF's financial statements and other sources.

At the AMAGP AGM in Pretoria attendees expressed several serious, legitimate concerns about shortcomings in the effective, efficient and economical administration of the fund.

AMAGP members are of the opinion that the PIC as a government company should not usurp the role of the trustees of the Fund. They maintain that the BOT are responsible and accountable for the well-being of the Fund, including diligent stewardship of assets, financial management and investments, ensuring the Fund remains sustainable and able to provide the members' benefits.

However, it now appears from evidence at the PIC Commission and media reports by financial analysts and columnists that the PIC has undue influence over the management the Fund and its assets. It would

appear that the BOT abdicated its responsibilities in favour of the PIC.

AMAGP believes that these concerns need the urgent government attention.

AGM attendees also questioned the PIC's decisions to invest in various dubious institutions, entities and even private organisations and businesses.

The concerns by members of the Fund were publicly expressed over the years by the AMAGP in the media well before the PIC Commission. The AMAGP had by then already presented their documented concerns to the GEPF and regularly to members of parliament.

In view of the current situation facing the GEPF, to protect the members of the Fund, as well as the sustainability of the Fund, AMAGP undertook to intensify its current work.

Therefore, and because of the suggestions made at the AMAGP AGM, it is intended to present proposals to the President and relevant government departments, including proposals for the trustees of the Fund, employees and the management of PIC declaring their financial and other interests in companies, institutions, organisations, businesses, etc. where funds from GEPF are invested.

The composition of the BOT should be reconsidered by the government. One representative for 400 000 pensioners is simply insufficient to represent the interests of pensioners. The magnitude of the Fund and the complex world we are living in also requires people with the necessary skill, experience and qualifications to be in control.

AMAGP will, on behalf of its members, closely follow the Commission to propose steps to protect the long-term sustainability of the GEPF and the members' legitimate benefits, and to consider proposals and actions to improve the GEPF's sustainability.

#### *Comment*

*The status of the AMAGP keeps improving; this press release was carried unchanged by BizNews.*

#### *Synopsis*

## **Everything is A-ok at SA government's largest pension fund, says head**

25 April 2019 **Khulekani Magubane, Fin24**

The head of South Africa's state pension fund, Abel Sithole, has said the Fund remains financially sound and employers would not need to increase contributions, despite concerns raised by Alexander Forbes Financial Services in a valuation.

The Alexander Forbes actuarial valuation reported that at March 2018 the fund was facing a contribution shortfall of R5,6bn per year, or about 0,34% of the its liabilities. The fund also has considerable exposure to contentious investments by the PIC.

Sithole told reporters in Cape Town on Thursday there was no cause for alarm. The Alexander Forbes report, he said, had been subjected to varying interpretations. "The fund is doing very well and is financially sound. The accountants and the actuaries say so," he said.

He said there was no reason to fear that the fund's allocations ran the risk of being wiped out, adding that the GEPF was in a position to continue paying benefits at rates comparable to past years.

"The GEPF has actually given higher returns than expected. In terms of practice we have been able to grant [increases at] CPI in some cases and even above CPI in previous years. You can never perfectly match everything like pay increases, death and retirement," Sithole said.

He said the fund would not need to approach government for assistance, as it was well funded and employers would not need to increase contributions.

"It is important to establish the overall funding level. It is not perfect right now, but it is okay. The reason why the shortfall is not a big issue is because we remain well-funded. There a shortfall but in the current course of balance, it is not something we are too worried about," he said.

#### *Comment*

*Yes, well...*

## GEPF funding levels weakening

Marcia Klein 25 April 2019



GEPF principal executive officer Abel Sithole.  
Picture: GEPF

GEPF principal executive officer Abel Sithole began a round table briefing to address concerns about the organisation's financial soundness saying: "The good news is that the GEPF is fine, thank you very much," a phrase he used often.

It was not, however, all good news. Although Sithole spent some hours explaining that the GEPF remained fundamentally sound, there is evidence of a weakening trend in funding levels. His remarks follow an actuarial valuation report by Alexander Forbes.

Sithole made it clear that nothing would be done quickly to address the shortfall, given the size of the GEPF and the effect that it changing its investment strategy could have on local markets. Nor does it need to do anything immediately, he said, as pension fund members are guaranteed their defined benefits, and the GEPF is doing a good job managing its assets and liabilities and is getting investment returns well ahead of economic growth.

However, he suggested the shortfall could be addressed by increasing the level of employer (government) contributions, which are below the required contribution rate; being more prudent in terms of pension increases; more prudence on the part of government and unions on salary increases, and a change in strategic asset allocation, primarily to increase offshore exposure of GEPF investments.

Returning to the subject of the GEPFs long term funding level, he said it was "true that the employer is contributing at a lower rate", but said there is no immediate need for it to meet the requirement, nor is there any prescribed minimum that government needs to contribute.

Sithole said while most of the questions asked in the PIC Commission were about investments in unlisted companies, this was not a concern for the GEPF, which, in fact, would like to increase its exposure to bankable unlisted investment opportunities.

His "biggest worry" is the risk of the GEPF being exposed to the South African market, or the "home bias", as he put it.

Another concern was that more people were resigning than one would normally expect. In financial 2018 the GEPF paid R27,2 billion in resignation benefits to 26 690 people, thus reducing short and long-term funding levels.

While Sithole downplayed concerns, all eyes will be on the GEPF in the coming years to see whether the negative trend can be reversed, or whether decisive steps need to be taken to arrest the trend.

### *Comment*

*The two views of the same briefing reached different conclusions, on the one hand don't worry and on the other hand be concerned. What is especially concerning is the self-satisfied statements about 'guaranteed, above average ROI, no immediate action, etc' and recommending prudence to solve the problems. All this implies there are major problems that won't be solved soon.*

### *Synopsis*

STATEMENT

BY A P Stemmet

Spokesmen AMAGP

2 May 2019

## **WORLD PRESS FREEDOM DAY 2019: AMAGP SALUTES THE MEDIA**

The AMAGP salutes journalists and expresses admiration for journalists throughout the world. Without the media many countries might have fallen into total chaos and misery long ago.

Every year, 3 May is a date when the world celebrates the fundamental principles of press freedom. This year's theme of "Media for Democracy: Journalism and Elections in Times of Disinformation" is indeed well-chosen.

There can be no doubt that we live in a world



full of deception, lies, corruption, moral decay and also disinformation. Unfortunately this is a universal trend in many countries throughout the world, also in South Africa.

The media has exposed many governments, organisations, institutions, leaders and individuals for their corrupt and dishonest conduct. Even political leaders and other persons in authoritative positions were not spared. This indeed also makes the work of a journalist particularly difficult and very dangerous. In this regard we want to acknowledge and salute those journalists who paid the ultimate price serving their communities no matter where in the world they had to go to do their work, often under extremely difficult and dangerous circumstances.

Disinformation often is part and parcel of the package journalists have to investigate and expose. Journalists, especially investigative journalists, are obviously then made out to be the enemy by those involved in corruption and other crimes. Yet journalists still tackle such information and stories in a fearless and often brave manner to expose those involved and bring the truth to the fore. These brave men and women are held in high esteem by AMAGP, and also by most honest citizens of most countries where corruption and dishonesty is rife.

In South Africa the tenacity and bravery of most journalists must be acknowledged. Their investigations and continued exposures of alleged mismanagement, corruption and/or dishonesty led to the President instituting several Commissions of Inquiry.

The journalists, and also AMAGP, had to work through much disinformation over the past year just to establish the truth behind many allegations and signs of mismanagement. Some of these allegations might even lead to criminal action being taken against various people and entities.

AMAGP is proud of brave and honest journalists worldwide but especially those in South Africa.

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#### Comment

*The press is our ally as what appears in the press reaches millions and not just in South Africa. It often corrects disinformation or lack of information and raises questions that make us think and politicians fear for their pampered life in parliament. Example, see the letter from the Vrye Weekblad in the last pages below, about the teachers' newsletter.*

#### Synopsis

#### Moneyweb

### What Eskom's Pension and Provident Fund thinks about prescribed assets

Inge Lamprecht 2 May 2019



Picture: Shutterstock

In a position paper on prescribed assets published in March, the Eskom Pension and Provident Fund (EPPF) cautions against shifting investment decision-making from the private sector into government hands. This follows the ANC sketching in its election manifesto a plan to investigate the introduction of prescribed assets as a means of mobilising funds for housing, specific infrastructure projects and job creation.

In a carefully worded abridged version of the paper, the EPPF says it “would prefer to lean towards deepening the interventions already afoot in the market to complement the good intentions of prescribed assets, without compromising the quality of investments”, and goes on to argue in favour of impact investing.

But what is impact investing?

Impact investments are regarded as those that can have a positive human impact – or, as the Global Steering Group for Impact Investment puts it, investing for a measurable financial and social or environmental return.

Malcolm Fair, managing director of RisCura, says there are already strong movements globally toward reporting not only the financial

returns, but social as well as environmental returns when investing. Given the computing power available, it will only be a matter of time before this becomes mainstream.

Elias Masilela, executive chair of DNA Economics, says “We need a swift and innovative response to the problems we are faced with and I would like to propose that impact investing is that swift response. The nice thing with impact investing is that you don’t have to rely on governments to deliver on it. The private sector can take the lead without any support from the state and make things happen.”

The move to impact investing has in part been fuelled by a belief that maximising returns for investors, such as pension fund members, is of no use if the environment and social fabric in which they are living in and ultimately retire into, is unstable (whether due to social, environmental or other factors).

Data from the Registrar of Pensions shows that in 2017 retirement funds had almost 42% of assets allocated to insurance policies, 15,5% in public shares, 10,1% in collective investment schemes, 8,7% towards debt and less than 1% in private equity.

### **Private Markets**

A paper on pension fund allocation published by the Bertha Centre for Social Innovation and Entrepreneurship at the UCT Graduate School of Business suggests that while responsible and impact investments are possible through various asset classes, including public and private equity and fixed income, private markets are by far the most commonly used instrument.

While there are good arguments for using retirement fund money to develop a country like South Africa on the social as well as economic front, questionable investments by the PIC have raised fears that advocating for more investments into the unlisted space could fuel mismanagement of pension fund members’ hard-earned money.

### **State Capture ‘PTSD’**

Heather Jackson, head of impact investing at Ashburton Investments, says collectively South Africans are suffering from a form of post-traumatic shock, given the revelations around state capture, and political and

economic turbulence. “It is not easy, but impact investing is a mechanism to seriously, seriously look into to help,” Jackson says.

Jackson says there is often a conflation about risk when investing into poorer communities. One example is affordable housing, which is often considered too risky to invest in by mainstream commercial banks. Yet one of Ashburton’s investments, an organisation that supports contractors in refurbishing inner-city bank buildings as a way to create affordable housing in well-located areas, shows that the default rates are at least on par, if not better, than those experienced by most of the commercial banks.

### **Affordable options for the poor a good proposition**

“We come across that again and again that, in aggregate, [offering] affordable solutions to poor people is a very good investment proposition. It is often not a listed proposition; it is often unlisted or a real-economy investment, but it does offer [good opportunities].”

While the move towards impact investing is gaining traction, South Africa has already seen increased focus on responsible investing on the regulatory front. The preamble of Regulation 28 of the Pension Funds Act not only emphasises the fund’s fiduciary duty to act in the best interests of members, but also notes that appropriate consideration should be given to environmental, social and governance (ESG) factors.

The Draft Responsible Investment Directive released by the Pensions Regulator late in 2018 will in future require pension funds to reflect in their investment policy statement how their investment approach will ensure the sustainable long-term performance of their assets. Funds will also be required to include their policy on applying ESG factors to the assets they intend to acquire, as well as their active-ownership policy.

Against this background, the EPPF suggests that impact investing “may be one of the solutions for avoiding any unintended consequences of asset prescription”.

### **Comment**

*It is clear that there are more ways of financing development than stealing the Fund’s funds. To such an extent that they*

*may become mainstream internationally. Misusing the Fund is a quick solution with a huge long term negative impact, while other options to ensure sustained development with lasting long term benefits entail more work but short term political unpopularity.*

## COMMENTARY

BY A P Stemmet, spokesman, AMAGP  
CAPE TOWN  
5 May 2019

The report in a Sunday newspaper that members of the GEPF will have to sacrifice their pension increases came as no surprise.

The report once again proves that the Principle Executive Officer (PEO) of the GEPF and the Board of Trustees (BoT) are not capable to of administering the massive pension fund properly. They should follow their colleagues of the PIC and resign to be replaced by people with the required qualifications, knowledge and experience for the task.

AMAGP is thankful that eventually Mr Abel Sithole's eyes are opening slowly. Not yet fully, but he starts seeing what we have for years pointed out to him. Instead of him and his silent acolytes listening to us years ago they refused to accept the facts. Instead he continued presenting half truths to the public and members of the pension fund at large.

We react gladly to some of his statements.

Sithole is now blaming Treasury for the lack of foreign investments. We do not believe him. Why only wake up now? This should have happened long ago.

He now claims that investments by the PIC over the past year were contentious. Only the past year Mr Sithole? Where was he as PEO of the GEPF all these years? Was he not supposed to know exactly what was taking place in and around the GEPF? This is what he was paid for!

No, Rip van Winkle, AMAGP has for years tried to convince you that things are seriously amiss. Some of the problems already existed in 2006.

That the BoT "only now" became aware of the situation is proof that our repeated

warnings were completely ignored and that the BoT and Mr Sithole's personnel did not execute their monitoring duties. It is also proof that AMAGP's warnings and statements were right on target and still is. They have jointly to accept guilt for the losses to the Fund, which Sithole and some trustee members make off as drops in the bucket. Fund losses incurred in fact amounts to billions of Rands.

The workers and pensioners can not afford this BoT and PEO any longer.

Sithole says not a word to the disturbing decline in the long term funding of the pension fund. It now dangerously stands at 75,5% instead of the BoT's own target of 100%. We at the AMAGP even question the correctness of this 75,5%. Thus Mr Sithole is correct. If matters continue GEPF members will have to sacrifice their pension increases. We saw what happened to Transnet pensioners.

Why is Mr Sithole hiding the fact from serving and therefore contributing members of the pension fund that 41% of their monthly contributions to the fund which should be invested for their pension one day when they retire is misused for other purposes? He remains mum on this. Why? What has happened to transparency and honesty?

Mr Sithole, the workers and pensioners can no longer afford neither trust you and the BoT. It is time you choose the honourable way and resign. And while you are obviously in charge of the BoT, please take them with you.

The AMAGP is working on a correction plan for our pension fund and hope to present it to a capable Board of Trustees.

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Synopsis

Daily Maverick

**PIC INQUIRY**

**Former Ayo board member implicates Iqbal Survé directly in bogus valuation of company**

By Rebecca Davis • 15 May 2019

The Commission of Inquiry into allegations of impropriety at the PIC is unpacking how the PIC came to invest R4,3-billion in Iqbal Survé's Ayo Technology Solutions in 2017. On Tuesday 14 May 2019 a former Ayo board member dropped Survé in it personally by alleging that he was intimately involved in the process of artificially inflating Ayo's valuation.

Testimony before the PIC inquiry suggests that Survé himself was not only aware of the number-fiddling that went into the bogus valuation, but was allegedly directly involved in instructing employees to manipulate the figures.

Former Ayo board member Malick Salie told the inquiry that the numbers involved in the valuation were "not real". Salie said that Survé had been insistent that the valuation of Ayo should fall between the R10-billion to R15-billion range.

In Survé's view, said Salie, "based on all the plans and the vision for Ayo, anything below R10-billion is unacceptable". This was despite the fact that the verifiable numbers involved would not in reality amount to much above R2,3-billion, Salie said. This could be stretched to R5-billion based on estimates involving clients of British Telecoms South Africa (BT-SA), which Ayo was planning to target.

Evidence leader advocate Jannie Lubbe suggested, however, that even this R5-billion

figure was a "thumbsuck". Salie agreed. Lubbe told the inquiry that Salie's testimony directly contradicted that of Survé, who had previously told the commissioners that he was not involved in either the preparation for the listing of Ayo on the Johannesburg Stock Exchange (JSE), or the valuation of the company. Salie was emphatic, however, that Survé had been closely involved.

Lubbe said that he possessed evidence to the effect that Survé and former PIC CEO Dan Matjila had a "discussion" around Ayo, its valuation, its listing and potential PIC investment, well before Ayo's listing was made public. Salie confirmed that a conference call had taken place between "Dr Dan" and Survé some months in advance of the listing.

In April 2019, Survé told the commission that the sole negotiations which took place were between Ayo's board and the PIC's asset managers, and did not involve him and Matjila.

Three months earlier, however, the inquiry had heard from PIC assistant portfolio manager Victor Seanie how Matjila was insistent in driving through the PIC investment in Ayo within an inadequate timeframe, despite objections from Seanie and his colleague.

Although the PIC commission has been on a two-week break over the election period, Survé is never far from the headlines. The businessman's very public last-minute donation of R1-million to the ANC in the Western Cape on the eve of elections devolved into humiliation for both parties after the ANC announced its intention to return Survé's donation after initially having accepted it. **DM**

*Comment*

*It always makes for such interesting reading when thieves fall out. Based on Guptagate we might see the sudden departure of those involved in the Ayo debacle.*

Synopsis

**The PIC and VBS-linked deals that will keep lawyers busy**

Adriaan Kruger, Moneyweb





Lebashe chair and founding director Tshepo Mahloele. Picture: Screenshot (YouTube)

A recent application by the South African Reserve Bank's Prudential Authority [PA] to liquidate two small insurance companies has disclosed an intricate web of cross holdings and business transactions between several small investment companies, the now defunct VBS Mutual Bank and the PIC, as well as reams of legal letters that will guarantee single malt for a bunch of lawyers for years.

The court documents pertaining to the appointment of a curator and subsequent liquidation of Nzalo Insurance Services and Bophelo Life Insurance reveals months of legal wrangling and the movement of millions of rands between different companies, while policyholders of the insurers were left in a lurch.

### PIC players

Lebashe, the would-be saviour of Nzalo and Bophelo, counts among its directors two high-profile players in the asset management industry who previously held senior positions at the PIC:

- Lebashe chair and founding director Tshepo Mahloele previously headed the corporate finance division at the PIC, and
- Lebashe non-executive director Jabu Moleketi served as chairman of the PIC during his stint as deputy finance minister from 2004 to 2008.

Lebashe's biggest asset is a 7,2% shareholding in Capitec Bank, worth R11,2 billion at the current share price of R135. These shares were acquired from the PIC a few years ago – with a R2,25 billion loan from the GEPPF.

### 'Big' stake for R1

When Nzalo and Bophelo ran into financial difficulties, Lebashe entered the picture with

an offer to acquire 75% of their holding company Big for the sum of R1 – with the understanding that Lebashe would invest a further R100 million in Big, of which R40 million would be used to recapitalise Nzalo and R60 million to recapitalise Bophelo. Or that is what the Reserve Bank believed.

However, according to the Reserve Bank's application to the court to put the two companies into curatorship, the R100 million was not made available to Big, Nzalo or Bophelo. It was instead held in an attorney's trust account. The money was only transferred to the companies after pressure from the PA.

### Details yet to be revealed

Moneyweb could not get a copy of the curator's report to establish all the details. The curator, True South, referred us to the Reserve Bank, which said that the report has not been made public yet.

Part of the curator's responsibility would have been to determine if Lebashe could withdraw the investment in Big after its commitment.

Lebashe also states that the PIC, as the other shareholder in Big, has huge funds at its disposal to invest. Other court documents claim that the PIC was willing to invest, but that the Reserve Bank thought the process to approve an investment would have taken too long to finalise.

### Comment

*This is a very short version of the report in the Citizen 16 May. It is again an intricate mix of who did what and when, which the SABC can make soapies with; reality is stranger than fiction. Note especially the single malt preference of the lawyers involved.*



123RF/MAKSIM MARCHANKA

**Biljoene het reeds verdwyn ...  
oppas vir fopnuus**

DIE afgelope tyd was daar verskeie berigte, nuusbuletins, ensovoorts wat skewe inligting oor ons pensioenfonds [die GEPF] bevat. Sommige daarvan kan dalk fopnuus wees so onakkuraat is dit.

Wat onderwysers betref, kan hul sogenaamde Nuusbrieff 11 van 2019 moontlik fopnuus wees so onakkuraat is dit. Ek glo nie die SAOU sal so iets publiseer nie. Dus, onderwysers, wees versigtig, u nuusbrieff is dalk nie eg nie.

Daar word onder meer gesê dat alarmistiese gerugte deur die media en ander kommentators oor hul pensioenfonds versprei is. Dit laat na om te sê dat hierdie “gerugte” eintlik getuienis onder eed voor die Mpati-kommissie is waar ernstige korrupsie betreffende biljoene rande se verliese van hul pensioenfonds se geld nou gereeld geopenbaar word. Die media voer maar net hul taak uit en word moontlik vals beskuldig ...

'n Uiteers sensasionele en negatiewe persepsie word glo geskep. 'n Persepsie wat onder eed geskep word? Hierdie soort stelling kan moontlik minagting van 'n geregtelike kommissie van ondersoek voor 'n regter wees.

Halwe waarhede wat dus nie as die waarheid aanvaar kan word nie, word ook verkondig, soos:

1) Die pensioenfonds groei teen 8.5 %. Wat nie gesê word nie, is dat dit beleggings van dienende lede insluit waarvan 41% nie vir hul pensioen belê word vir eendag wanneer hulle aftree nie, maar aangewend word om astronomiese administrasiekoste van beleggings te dek, en ook nou reeds aan mense wat reeds met pensioen is hul pensioen te betaal. Beleggings namens die pensioenfonds word so swak of roekeloos deur die Openbare Beleggingskorporasie gedoen, of word teen so 'n tempo deur korrupsie verloor dat dit nie meer pensioenuitbetalings kan dek nie. Ons afgetredenes vreet dus nou al dienende mense se toekomstige pensioen op!

2) Die pensioenfonds is 108% befonds. Dit is 'n halwe waarheid en moet dus verwerp word. Hierdie befondsing verwys slegs na die kort termyn. Terloops, hoekom word nie gesê dat dit twee jaar gelede 125% befonds was nie? 'n Pensioenfonds gaan tog oor die lang termyn waar befondsing die afgelope paar jaar 100% was. Verlede jaar nog was dit 79%;

vanjaar het dit geval tot 75,5% en daal steeds onrusbarend volgens die 2018 aktuariële verslag.

Oor hierdie verslag sê die uitvoerende hoof niks nie. Omdat die verslag alreeds 'n tekort van meer as R200 biljoen aandui?

Op 26 April het koerante wyd gepubliseer wat mnr. Abel Sithole, die uitvoerende hoof van die GEPF, kwytgeraak het. Weereens is 'n klomp halwe waarhede die wêreld ingestuur.

Eintlik het hy niks nuuts gesê nie, maar net die GEPF se deuntjie wat jare oud is, herhaal: DIT GAAN GOED MET DIE STAATSDIENSPENSIENFONDS. Hy onderskat die intelligensie van die pensioenfondsleder. Die media is elke dag vol van skokkende onthullings voor kommissies van ondersoek. Biljoene het verdwyn of is wanaangewend. Daarvan sê hy niks nie, behalwe dat hy reuseverliese as druppels in 'n emmer beskou.

Oor die belegging in ongenoteerde instansies stem ons met hom saam op voorwaarde dat die primêre doel van die pensioenfonds nagekom word, naamlik die belang van die pensioenfonds en nie weens politieke gediensdigheid plaasvind nie. Daar is hope bewyse hiervoor. – A.P. Stemmet, segspersoon vir die Vereniging vir Monitering en Voorspraak van Regeringspensioene (AMAGP)

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## Survé gee óns geld vir die ANC

IQBAL SURVÉ van “Independent? Media” het glo R1 miljoen vir die ANC gegee vir die verkiesing “op voorwaarde” dat hulle hom nie iets daarvoor “terug” sal gee nie.

Kan jy nou sulke spoggerige, arrogante verwaandheid glo? Dit nadat hy réeds biljoene van ons pensioengeld van die Pensioenfonds vir Regeringswerknemers (GEPF) weg het met die volle goedgunstigheids/wete van die ANC. En hy het duidelik aangedui dat hy hoegenaamd geen planne het of verpligting voel om ons geld terug te betaal nie.

In 2015 (*Noseweek*, Maart-uitgawe) het hy al met “sy” biljoene gespog. En sy onlangse vermetele, dikvellige bluffery voor die OBK-kommissie van regter Lex Mpati was te erg om te aanskou. Survé is “not greedy but he likes a helluva lot” van ons GEPF-geld.

Hy, die Malema-boelie en die geklike narre van Black First Land First (BLF) is ewe bedorwe windbolle. Hy loop oral en spog met ons GEPF-geld. Hy en Rasool moes destyds liever 'n pak slae in plaas van "detensie" gekry het. Dan sou hy nie nou EINTLIK "detensie" VERDIEN het nie. En beslis nie in die "Silofront" nie. –Guy Robertson

#### *Comment*

*Two letters published in the Vrye Weekblad, confirming the emotions and facts at the same time.*

### **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](http://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.

### **VRYWARING**

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