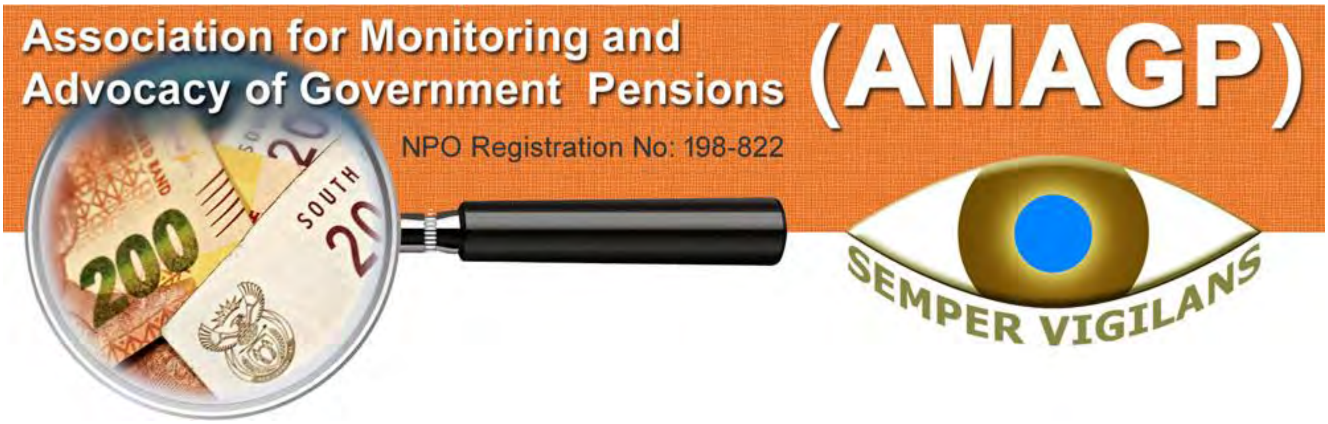

The Association for Monitoring and Advocacy of Government Pensions: An independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.

www.amagp.co.za

GEPF Watchdog - Waghond

NEWSLETTER NO 7 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

I believe we are all so used to hearing and reading shocking revelations of fraud and corruption that it doesn't surprise us anymore. The only surprise is the size of the corruption and the names involved. However, what are we missing?

It is by now amply clear that the due diligence we trusted our representatives to perform, has been amiss. We weren't and aren't those representatives, so far be it from us to judge or accuse them as we don't have all the facts. However, we can expect those involved to come forward and explain the continued decline in the GEPF funding from about 10 years ago.

The wheels of justice ever turn slowly, as the evidence must lead to convictions. However, we are seeing more and more evidence of actions taken and being envisaged, as the extent of the fraud and corruption and those involved become clearer. Political interference will probably play quite a role in the eventual actions to bring them to account.

The Sibanye-Stillwater takeover of Lonmin seems to be in its final stages. Remember we own about 30% of Lonmin? Let's see what ROI our representatives are going to realise from the takeover.

The PIC is in the news at the Commission for involvement SA Home Loans that Standard stopped owing to their exemplary due diligence [already reported], also attempts to double the funding by adding another R10 billion to the R9 already provided.

The EFF's political leaders again feature prominently in the VBS looting as the investigative saga continues. Hopefully the investigations will result in judicial action to hold to account those benefiting from the spoils.

There are various articles about the PIC and its future. All pure talk, but at least it is receiving attention.

There is increasing pressure from credible and reputable organisations, such as the PSA, TLU, and of course the media, about the threat to the RSA tax base if the GEPF money continues to be misused. Now isn't the time to slack off, rest or let go, now is the time to increase the pressure to ensure the continued viability and sustainability of our Fund.

Biznews has hailed the AMAGP open letter to the Minister as the top story of the week! Wow! Also see Christ van Dyk's open letter!

NEWS NEWS NEWS

Synopsis

123RF/MAKSIM MARCHANKA

Biljoene het reeds verdwyn ... oppas vir fopnuus

DIE afgelope tyd was daar verskeie berigte, nuusbulletins, 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 Nuusbrief 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 nuusbrief 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 Uiters 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 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 gedienstigheid plaasvind nie. Daar is hope bewyse hiervoor. – A.P. Stemmet, segspersoon vir die Vereniging vir Monitering en Voorspraak van Regeringspensioene (AMAGP)

Kommentaar

Neem kennis dat alle nuus nie noodwendig nuus is nie. Die werklike toedrag van sake is nie noodwendig wat die oorspronklike berig weergee nie. Lees Antonie Visser se brief verderaan, en die geloofbaarheid wat nuusagentskappe daaraan heg.

Synopsis

Eskom to haunt new Parly, as DA calls for debate on its 'financial crisis'

19/05/2019 Lameez Omarjee News24

It seems the ghost of the 5th Parliament will return to haunt the new Parliament, as the DA intends to write to the new Speaker to have

Eskom's "financial crisis" debated by the National Assembly.

The DA's Natasha Mazzone issued a statement on Sunday indicating that the party wants the sixth Parliament to continue the work of the previous Parliament in addressing challenges at Eskom. Mazzone said that Eskom's financial burden is being carried by taxpayers.

"The South African taxpayer, already burdened with rising electricity costs and flatlining economy, cannot be expected to keep pouring billions of rands into the Eskom blackhole, even as evidence continues to mount on the entity's terminal decline," Mazzone said. "The 6th Parliament has an obligation to ensure that it works to resolve the challenges that have kept Eskom in the red and threatened to send the country on a financial ruin," she added.

The National Assembly debated the energy crisis after Mazzone wrote to former speaker Baleka Mbete. At the time Eskom had reintroduced load shedding. However, political parties used the debate to canvass ahead of the elections.

In her statement Mazzone said that South Africans are being asked to pay for the poor project management of Eskom's build projects and years of mismanagement at the power utility. The DA also wants those implicated in the mismanagement of Eskom to face the law. "The DA is urging our law enforcement agencies to ensure that all those who are implicated in the industrial scale corruption that took place at Eskom, and elsewhere in government, are given an opportunity to have their day in court," Mazzone said.

Comment
We own a sizeable piece of Eskom and must remain interested in restoring Eskom to its former performance. However, it isn't going to be quick and will cost the taxpayer, us included, as we are all taxpayers.

Synopsis
BUSINESS MAVERICK INTERVIEW

Sibanye-Stillwater CEO explains why he has drawn a line in the sand on Lonmin deal

By Ed Stoddard• 22 May 2019

Sibanye-Stillwater is in the final stretch of its bid to acquire troubled platinum producer Lonmin. There has been speculation that some shareholders may now hold out for a better deal because of changing market conditions.

The end is finally in sight for Sibanye-Stillwater's takeover of platinum producer Lonmin, with shareholders from both companies set to vote next week on the deal.

Yet question marks hang in the air, with Bloomberg last week citing an unnamed official from the PIC as saying that there were concerns that the value of the deal has eroded. This is because Sibanye's share price has fallen 26% since the deal was unveiled in December 2017, while prices for platinum group metals (PGMs) have risen, giving a new lustre to Lonmin. Analysts have since been quoted in the local media as saying that the goalposts have moved for these reasons and the deal should reflect this state of affairs.

Speaking to *Business Maverick*, Sibanye's CEO, Neal Froneman, explained why a line in the sand had been drawn: "We are not going to change the conditions and I will tell you why. When we made our offer for Lonmin it had a negative Net Present Value (the difference between cash inflows and cash outflows) and it was only our synergies that made it an attractive transaction for our shareholders. Today's NPV for Lonmin actually reflects in the one-to-one offer," Froneman said.

"We are not going to undermine our own valuations for the sake of doing a deal. If it doesn't work for our shareholders the answer is no. At one-to-one it works and we adjusted it recently to acknowledge the change in the basket price of platinum group metals."

"Lonmin is not a going concern on a stand-alone basis, even at these current platinum prices." By that Froneman means that it is not sustainable in the longer run without a significant injection of capital.

Peter Major, head of mining at Mergence Corporate Solutions, told *Business Maverick* that this was as good an offer as Lonmin was going to get.

When Lonmin put up its "for sale" sign, it was a buyer's market. That hasn't changed. **DM**

Comment
Lonmin remains a poor investment; AMAGP has often warned about the investment in Lonmin, especially as the PIC invested more billions in Lonmin after the value declined, and the GEPF couldn't increase its shareholding without taking over the company.
The due diligence of the Trustees to monitor such investments remains vague.

Synopsis

Standard's Sim Tshabalala 'stopped dubious R45m PIC payment'

in National by Warren Thompson
BusinessLive

Standard Bank Group CEO Sim Tshabalala. Picture: SUPPLIED

Standard Bank CEO Sim Tshabalala intervened to prevent former PIC boss Dan Matjila from facilitating a questionable R45m fee for a businessman the asset manager had helped to acquire a stake in mortgage provider SAHome Loans.

This is according to Standard Bank special counsel Ian Sinton's testimony at the Mpati commission of inquiry into alleged governance failures at the PIC on Wednesday. He was giving his version of events surrounding the latter's acquisition of shares in SA Home Loans after US bank JPMorgan offloaded its 50% stake in the wake of the global financial crisis.

The PIC agreed to buy a 25% share directly on behalf of its largest client, the GEPF and facilitate the acquisition of a further 25% by an empowerment consortium led by businessman Kholofelo Maponya.

Standard Bank, which owns 50% of SA Home Loans, wanted the new shareholder to have sufficient resources to support the company in tough times because the nature of its business meant it needed access to large pools of capital.

To satisfy this demand, the PIC undertook to provide substantial financial assistance to SA Home Loans, and after the deal was completed provided a R9bn facility available to SA Home Loans using GEPF money. For doing this, the GEPF would be entitled to a 0,5% fee payable by the borrower, SA Home Loans.

Maponya, according to the testimony of PIC executives, believed he was entitled to a fee of R45m for facilitating the loan package based on a verbal agreement with Matjila. The PIC agreed to pay this, by ceding the fee owed to the GEPF in favour of Maponya. This took the form of a letter signed by Matjila and sent to SA Home Loans, who, as the beneficiary of the loan, was instructed to pay Maponya.

But Sinton and, later Tshabalala, did not take kindly to this. Sinton said the bank viewed the cession "as a method of paying for services allegedly rendered by Mr Maponya to the PIC as being potentially irregular". Maponya was also a director of SA Home Loans and as a significant shareholder stood to benefit from the R9bn facility.

He and Tshabalala requested a meeting with Matjila where they informed him that they considered the request irregular and would oppose any payment to Maponya rather than to the GEPF, if Matjila could not provide evidence proving the pension fund had agreed to this.

They also told Matjila that even if this was provided they would "consider bringing such a cession of a pension fund's assets in these circumstances to the attention of the appropriate regulator".

This warning appeared to have prompted a quick response from the PIC, which formally withdrew its request for SA Home Loans to pay the fee to Maponya.

SA Home Loans would later draw down the R9bn loan facility and the GEPF would receive its R45m fee.

Comment
This had been reported previously, but is now very in the public domain, as it has been stated at the Commission. It would be nice to know the ROI over the period of the loan, the next 10 to 20 years. As well as how the money is spent and individual loans serviced. Is it really for the people or are the cronies getting the bulk of the money?

Synopsis

AFTERNOON THING with John Stupart

Monday, 27 May 2019

'Cruising nicely' on VBS: EFF's Parties, Lies and Looted Money

By Pauli Van Wyk

Money robbed from VBS Mutual Bank funded the EFF's fourth birthday bash held at a popular party venue in Umlazi, Durban, in July 2017. This forms part of a chunk of the illegal R16,1m Brian Shivambu's company Sgameka Projects received from VBS that was ultimately channelled to the EFF. So far, Scorpio has isolated about R4,13m in VBS loot paid towards the EFF — SA's second-biggest opposition party.

In a scheme designed to mask the origin and ultimate beneficiaries of the funds, VBS money flowed through companies over which Julius Malema and Floyd Shivambu have ultimate control. "No VBS-money has flowed into our coffers", EFF president Julius Malema pledged on 18 April 2019, during an interview with Eusebius McKaiser on 702 Talk Radio. It was a crude lie.

In fact, VBS money funded the EFF's fourth birthday bash, paid for printing of T-shirts, transport and what was described as "Jhb Office Rental". The source of these VBS funds was obscured when two proxy companies for Malema and Shivambu were used to effect the payments.

All in all, the EFF benefited from at least R4,13-million through myriad channels. Of this total amount, Scorpio traced about R1,5-million in VBS loot which was paid directly into two EFF bank accounts. This comes despite vehement denials from the EFF leadership of having benefited from the VBS robbery.

Genesis

Brian Shivambu, the brother of Floyd, was listed as among the "biggest recipients" of VBS loot. A company he purportedly owns, Sgameka Projects, received R16,1 million in stolen VBS funds. An analysis of Sgameka's bank account shows the main beneficiaries were the EFF, Grand Azania (a company which is an alter ego of Floyd), and Mahuna Investments (an alter ego of the EFF Commander-in-Chief, Julius Malema).

Malema: Questions about VBS money are 'extraordinarily personal'

Malema invited journalists to scrutinise the EFF's financials during the same April interview with McKaiser on Radio 702. Scorpio took him up on the offer. Our request was deferred to after the 8 May elections, after the elections it was ignored.

So Scorpio sent our findings and a list of questions to the EFF leadership, including the EFF's treasurer-general Leigh-Ann Mathys. Only Malema replied, saying:

"I won't be answering any questions from this moloi; she can write anything she wants to write. I've responded to all her questions before and won't be doing it going forward. She extraordinarily personal (sic) and I'm not answerable to white madam. She can go to the nearest hell."

Over the past four years, Malema and the EFF have built their election campaign on a strong anti-corruption stance while proffering the EFF as the only corruption-free choice.

During the loud days of former President Jacob Zuma, in September 2016, Malema obstructed his speech in parliament, saying "we can only allow honourable people to speak, not criminals of note who ... continue to collapse the country because of their personal interest...we cannot allow the president to speak in this house." "I am not going to allow a criminal to speak in this house."

Only nine months later the first illegal VBS payment was effected.

Sgameka: The slush fund

Sgameka operated as a slush fund. In October 2018 Brian claimed the company was a consulting firm specialising in the mining and insurance industry and that he had a contract with Vele. Brian's explanation is, of course, a lie. Sgameka received no income other than illegal VBS funds — making proceeds of crime the company's only income.

Investigators could find no trace of a contract between Vele and Sgameka. The money was channelled from VBS towards Sgameka via various VBS- and Vele-linked companies. Brian Shivambu could not produce any invoices, work- and time-sheets or explain how much he paid his employees or tax. From bank statements it's clear that Brian paid no VAT or other taxes and paid no employees nor rent for office buildings.

In short — Sgameka did not operate as a legitimate business. Not even close. From Sgameka's financials it is clear that Brian utilised precious little of the VBS money for personal use. Brian Shivambu and Sgameka Projects are now facing a liquidation and sequestration application by VBS curator Anoosh Rooplal.

The further research shows that the VBS money was used to prop up the EFF as well as the lifestyle of Julius Malema and Floyd Shivambu.

EFF's fourth birthday party at Eyadini Lounge

Using VBS money, Sgameka Projects and Mahuna Investments paid R454 000 in four tranches to Eyadini Lounge between 25 July and 1 August 2017.

During that week in 2017 EFF leaders toured KwaZulu-Natal — a province where the party has done rather well in the 8 May 2019 national elections. By then, several hundred thousand VBS rand had been spent to prop up the EFF.

By December 2017, Mahuna and Sgameka paid a total of R1,5-million directly into two bank accounts held by the EFF.

Scorpio's findings are bolstered by a forensic accountant's report written by Crowe Forensics and attached to Motau and Werksmans' *The Great Bank Heist* report as *Appendix A*. Crowe's mandate included an analysis of money-flows from VBS to persons and companies "that were identified as being of interest to the investigation". The EFF received R1,3-million in VBS-money from Sgameka, Crowe found.

The report also listed the money sent to Grand Azania and Mahuna Investments. Crowe did not analyse these statements.

Malema told McKaiser in April that the EFF leadership had investigated the matter and its leaders found "there is no (VBS) money that has come into our coffers..."

On the point of tenders

The scheme of injecting a middleman in an attempt to obscure the true beneficiary of the stolen money is typical of the 2011/2012 On Point scheme in which Malema was deeply involved. In the same radio interview with Eusebius McKaiser in April 2019 Malema claimed that then Public Protector Thuli Madonsela made no adverse finding against him. That is not true. Madonsela actually did find that On Point, embroiled in corrupt and fraudulent tender deals, paid R2-million to Malema's Ratanang Family Trust and another R1-million to "Ratanang Farm", Schuilkraal.

The Ratanang trust, Madonsela said, was "probably used as vehicles for the transfer of funds obtained through an unlawful process". In related investigations SARS claimed that Malema used the Ratanang Family Trust to fund his lifestyle.
DM

Comment
This quite lengthy article has been seriously edited. Read the full juicy detail in the Daily Maverick.
Let's see what the slowly turning wheels of justice is going to achieve with these revelations. Hopefully SARS will also be interested in their lifestyle.

Synopsis

PIC is an utterly depressing disappointment

So far absolutely nobody involved in the value destruction has been held to account
BI Premium
23 May 2019 Ann Crotty

How sad and remarkably ironic that as we learn just how flawed the PIC was in its handling of the R2-trillion under its management we are also almost daily made more aware of what an important role a well-functioning powerful investor could play.

And so far absolutely nobody involved in the value destruction has been held to account. Nobody has stood up and said: "Yes, I think that might have been at least partly my fault. I'm sorry, and the least I can do is repay some of the huge remuneration and bonuses you paid me."

Not a chance. While corporate executives are quick to claim responsibility for even the slightest hint of a positive development, they move at the speed of light to distance themselves from anything negative. This habit is reinforced by our institutional investors and the various links in the chain that scoop up our money and funnel it their way. They seem incapable of holding anyone to account.

It would be difficult to imagine a system better designed to generate huge value destruction than our present listed environment, awash with agents. Corporate executives are the agents of shareholders. Institutional investors are the agents of the beneficial shareholders. Agents have little incentive to ensure the assets under their management are run in our long-term interest. These agents are rewarded almost regardless of what happens.

No more rigorous oversight

Is it just a coincidence that the agents appear to have thrived since employees were forced onto defined-contribution funds? Or could it be that under the previous defined-benefit fund the employer had a vested interest in ensuring the pension funds of their employees were well managed? That brought an element of rigorous oversight to the situation and reduced the scope for rent-seeking. That oversight is entirely lacking now.

When the old Public Investment Commission was relaunched as the Public Investment Corp it raised the exciting prospect that there would be someone powerful to ensure corporate executives would be held to account.

What an utterly depressing disappointment it proved to be. The PIC has looked on as one listed company after another collapsed, puzzled as to what might have happened. It has helped undermine the development of black industrialists by seeming willing only to back the most compromised of characters.

Hopefully the next Deputy Finance Minister will realise the true importance and power of this organisation, not just for government employees but for the SA economy.

Comment
Yes, how depressingly disappointed we all are, and how depressingly little, it seems, is being done to improve it.

Synopsis

Union wants government pension fund to sell Eskom bonds

2 Jun 2019 **Antony Sguazzin, Bloomberg**

news 24

(Gianluigi Guercia, AFP)

The labour union whose members contribute most to the funds overseen by South Africa's state pension manager wants the institution to stop investing in the debt of Eskom, potentially increasing funding pressure on the heavily indebted utility.

The Public Servants Association (PSA) said by buying Eskom's bonds the PIC is exposing pensioners to excessive risk. The GEPF, managed by the PIC, holds R54,8bn of Eskom bonds, or 16,8% of all the debt outstanding, more than five times the next-biggest holder. The PIC owns an additional R8,5bn of Eskom bonds on behalf of other clients.

"The PIC needs to get out of Eskom," Tahir Maepa, the PSA's deputy general manager for members' affairs, said in an interview. "So long as they have the PIC as a piggy bank they will never be able to sustain themselves and run it like a business. Eskom should be a business and not rely on bailouts from pensioners' money."

Governance probe

The influence of the PSA and other unions on the PIC and its policies is about to increase as three labour leaders, including the PSA's top executive, are set to be appointed to the interim board of the PIC.

The PIC is already under pressure from the government to adopt a mandate that includes economic growth and black economic empowerment rather than focusing purely on financial returns, and is likely to be pushed to keep propping up the power utility.

To be sure, Eskom debt, most of which is guaranteed by the state, hasn't performed badly: rand bonds due in 2026 have returned 7,6% this year compared with 5,6% for comparable government securities. The company's 2025 dollar bonds have returned 13,6%, more than twice the 6,3% average for high-yield emerging-market corporate debt.

'Politically driven'

A sale by the GEPF "would be a problem, we already know that Eskom has massive liquidity issues and can't roll over their debt," said Bronwyn Blood, a fixed-interest portfolio manager at Granate Asset Management, who said her organisation sold its holdings about three years ago.

Still, she said she agreed with the position taken by the PSA. "The professional market as a whole does hold that view," she said.

The PSA's criticism of the PIC is not the first by an organisation representing government workers and pensioners. In January Albert van Driel, a representative of the AMAGP, told the commission of inquiry into the PIC that the investment in Eskom bonds was reckless and politically driven.

"Government wants to treat GEPF money as if it's government money," Maepa said. "This is private money and when they do these things they don't even consult the depositors."

Comment
The ROI of the investment in Eskom seems very good, thus little incentive to disinvest. At same time it is high risk, prompting disinvestment. Selling all those bonds at the same time would be a disaster, however, selling them progressively over a long period seems prudent.

Synopsis

First KPMG, then Deloitte… Sygnia looks for new auditor

12 June 2019 by Editor

Sygnia SENS release

In compliance with sections 3.75 to 3.78 of the Listings Requirements of the JSE Limited, shareholders are advised as follows:

At its Board meeting on 21 May 2019, the directors of Sygnia took the decision to look for alternative external auditors given our unsatisfactory engagement with Deloitte and the reputational risk associated with the firm.

Following further engagement with Deloitte and in the light of current news reports regarding the firm, the members of Sygnia's Audit Committee resolved to formally terminate Deloitte's appointment at its next Audit Committee meeting scheduled for 13 June 2019. Sygnia communicated its intentions to Deloitte on 5 June 2019. Deloitte subsequently resigned as Sygnia's auditors on 11 June 2019, ahead of Sygnia's Audit Committee meeting on 13 June 2019.

The process of reviewing and appointing alternative external auditors is well advanced and the appointment of Sygnia's new auditors will be communicated in due course

Comment
Deloitte seems to be a regular news item, deserved or not. Up to now little significant action has been taken against the auditing or

the auditing firms where companies received underserved clean audits, either of censure or to recover some of the money spent. It seems these actions take about three years to get going if there is sufficient pressure.

From: CHRISTO VAN DYK
Date: 28 January 2019 at 13:29:38 SAST
To: SCOPA ADMIN <bkali@parliament.gov.za>, SCOF Admin <awicomb@parliament.gov.za>
Cc: SCOF Admin <awicomb@parliament.gov.za>

Subject: Open letter: The Chairpersons of Parliaments Oversight Committees - GEPF ACCOUNTABILITY

Good day Secretariat to the various Committees

Can this letter be brought to the attention of your Chairperson(s) and all committee members PLEASE!

Honourable Chairpersons and Committee members.

Just for the record, I am a current GEPF pensioner since 2015, and as such I have a vested interest in the wellbeing of the FUND.

Earlier today, I received the bad news that the GEPF will, after all, not appear in parliament to account in public for the 2018 results as embodied in the 2018 Annual report. There will be no external oversight scrutiny by your committees to facilitate accountability and future improvements at the Fund.

This outcome is disappointing, especially in view of the numerous and proactive communication and correspondence directed to yourselves since last year.

I do believe GEPF members can rightly feel they have been strung along since early 2017. There never was any real intention to subject the Trustees to a rigorous scrutiny in public as actually demanded by the circumstances currently applicable to the FUND. Circumstances, by design of default, or a combination of both, have now created a convenient way out.

This may ruffle some feathers BUT I do believe I notice similarities in the situation faced by Adrian Lackay. In the end, regardless of the blame shifting, the outcome was that the various committees of parliament could not muster enough synergy to timeously and with a sense of urgency deal with the serious issues raised by him at that time. It basically took a separate commission of inquiry and significant resources to deal with it. For a country with limited resources and significant social backlogs, we sure do take the long and scenic route to deal with urgent matters.

Everyone talks about Eskom being too big to fail and the impact it will have on the country. Guess what, if the GEPF is allowed to continue on its current path, Eskom will look like a school picnic.

As with ESKOM, the malaise should have been dealt with when it first reared its head, 5 years ago.

At the GEPF, as my analysis shows, the sit back and do nothing period is already 5 years. The clock is ticking.

It’s trusted that the committees’ deliberate carefully about the issue of the GEPF and how to be creative to facilitate an improvement in the oversight and accountability at my FUND.

If in doubt, please note this, the current situation is not acceptable.

The solution is in your hands.
Please! Do the right thing AND do it quick.

Christo van Dyk
Cell 0624803662

Comment
Very diplomatic and accurate open message by one of our own. If a hundred other concerned pensioners or prospective pensioners do the same, MPs are going to act. How about you doing the same; take the content of Christo’s message, put it in your own words and send it to the same addressees. The core of the message is that the Trustees and the GEPF must appear before the Commissions to account for the 2018 report and explain what they are doing to rectify the problems.

Synopsis
NATIONAL

State pension fund wants PIC's unlisted investments put on ice

Acting CEO Vuyani Hako told of possibility of 'temporary moratorium' on unlisted investments

14 June 2019 Carol Paton

GEPF principal executive officer Abel Sithole. Picture: SUPPLIED

The GEPF, which is by far the biggest source of funds for the PIC, could soon put a stop to further investments in unlisted companies. SA's biggest pension fund manages about R1,8-trillion of state workers' funds, placing most of the money with the PIC, the largest asset manager on the continent.

Business Day has seen a copy of a letter sent last week by GEPF principal executive officer Abel Sithole to acting PIC CEO Vuyani Hako.

Comment
This is good news; most probably it is only discussion.

Synopsis
NATIONAL

The PIC's great SA Home Loans shakedown

CEO describes the enormous pressure he was put under to pay an 'arranging fee'

29 May 2019 Warren Thompson

Picture: 123RF/STOCK PHOTO/GAJUS

The CEO of SA Home Loans, one of the country's largest mortgage lenders, has described the immense pressure he was placed under to pay an enabling fee demanded by the company's empowerment partner.

Kevin Penwarden on Wednesday described how Kholofelo Maponya threatened and coerced the company to pay a R45m "arranging fee" he believed he was owed in relation to the provision of a R9bn facility by the GEPF.

In addition to acquiring 25% of SA Home Loans from JP Morgan, the PIC had facilitated the acquisition of a 25% stake on behalf of Maponya's consortium in 2014. As stipulated in the agreements between the PIC, the GEPF and SA Home Loans, the GEPF as lender was entitled to a 0,5% fee, amounting to R45m, on the full drawdown of the facility. But according to Penwarden, Maponya based his claim to the fee on a discussion he had with PIC CEO Dan Matjila. After being initially informed of Maponya's claim, Penwarden "could not understand the commercial logic or rationale for such a payment to Mr Maponya as a third party".

Maponya began to up the ante in 2016, informing Penwarden that the facility agreements had "a mistake" as they did not stipulate his entitlement to the fee.

Penwarden's testimony at the PIC hearing on Wednesday seems to support that of Standard Bank special counsel Ian Sinton. Sinton in April said his bank's CEO, Sim Tshabalala, scuttled the R45m payment from SA Home Loans to Maponya.

Describing the engagements with Maponya during 2016, Penwarden said he was "placed under immense pressure" to pay the fee. He said the PIC also put pressure on him. "I indicated to Mr Masekesa that SA Home Loans was not a party to such an arrangement and that SA Home Loans could only comply with the contractual arrangements in place," said Penwarden.

Another PIC executive, Thipano Mongalo, then attempted to add an addendum to the original facility agreement by inserting clauses "that didn't make any sense to us", said Penwarden. These were "alarmingly vague, with no reference to when the arranging fee was due, to whom the payment would be made and what the process of payment authorisation would be", he said.

SA Home Loans rebutted these efforts. The PIC tried again, this time providing a letter signed by Matjila that instructed the company to cede the fee that was due to the GEPF to Maponya.

But a meeting between executives from Standard Bank (in their capacity as shareholder representatives in SA Home Loans) and Matjila saw Standard Bank CEO Sim Tshabalala threaten to report the PIC CEO to regulators over the letter unless he could provide evidence that the GEPF had consented to foregoing its fee.

Matjila opted to rescind the letter of cession shortly after the meeting with Tshabalala.

Things apparently got worse, according to Penwarden. After SA Home Loans had exhausted the R9bn facility in its business activities, it approached the PIC in late 2017 for a further R10bn. Positive discussions took place between the two institutions, but no agreement was forthcoming by September 2018.

Penwarden was informed by another SA Home Loans executive, Zakheni Dlamini, of a meeting he had been called to by Masekesa and Maponya in which the two informed Dlamini that the R10bn had not been forthcoming because "of the absence of arranging fees", which included not only the purported original R45m fee owed to Maponya but a further R50m in relation to the new R10bn facility.

Dlamini, in the words of Penwarden, "was clear, categorical and unequivocal" in his description of what happened, which indicated that Masekesa and Maponya were attempting to extort the company.

Penwarden stated categorically that the company would never accede to such a request, and sought legal opinion on how to deal with the issue, given that Maponya (on behalf of his consortium's shareholding) and Masekesa (as the PIC's shareholder representative) were nonexecutive directors of the company and owed it a duty of care to act in its best interests.

At a board meeting earlier in May, when Penwarden tabled a report on the matter, the two directors mounted a "vigorous rebuttal and denial" by his account, with one of them accusing him of lying. (It was unclear which one.) Penwarden said the company has since reported the matter to the Hawks and a case has been opened.

Dlamini is expected to testify at the commission when it resumes on June 18. Maponya is also expected to testify. Masekesa has already testified but could be called to return to provide his account of events.
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Comment
A further explanation of PIC dealings at SA Home Loans, this time at the Commission. More information and more people named. I like the casual mention of the Hawks, let's trust politics doesn't make the case go away, but rather emphasises it.

Synopsis
POLITICS

TLU SA TAU

Bennie van Zyl | 17 June 2019
Hard-earned funds are at risk of being thrown into bottomless pit called Eskom and others

TLU SA stands up against ransacking of pensions by government
14 June 2019

TLU SA is extremely concerned over opinions on public forums where government officials are advocating for South Africa's pension capital to be invested in so-called fixed assets.

It is a fact that South Africa's reserves, as well as tax-paying residents' capacity to fund the irresponsible and reckless wasting of money by government and municipalities, are exhausted. The only two assets left to loot are land and pensions. We are all aware of the situation regarding land. The writing is now also on the wall for South Africa's pensions.

"We cannot just stand idly by and allow our members' hard-earned pensions, accumulated over decades, to be thrown into the bottomless pit called Eskom, SAA, PRASA, Denel and others," says Kobus Oberholster, Head of TLU SA's Financial Wellness Desk. "Over a timeframe of 25 years, ANC-cadres have brought our state institutions to where it stands today. No foreign or local pension capital will now suddenly help these entities to turn into economic successes," says Oberholster. "We are convinced that the only outcome if pension capital is applied in this manner, will be an immediate destruction of wealth."

TLU SA will act proactively to help its members with proper planning to limit losses and damage caused by these "investments". Since every individual's circumstances are unique and a single approach cannot be applied to all, individuals should make contact with TLU SA's Financial Wellness Desk to receive the best information to position themselves accordingly in time.

Issued by Bennie van Zyl, General Manager, TLU SA, 14 June 2019

Comment
More and more responsible institutions realise the danger facing our Fund and, of course, all the other pension funds.

Open letter to Tito: prescribed assets; are you SERIOUS?

19 June 2019 by Chris Bateman

The Association for the Monitoring and Advocacy of Government Pensions, (AMAGP), has once again outdone itself with impeccable logic in a polite protest letter. This time the appeal is to Finance Minister Tito Mboweni, asking how the new prescribed assets policy will impact on government pensioners – the biggest block of retirees and prospective retirees in the country, not to mention on the rest of us. It's a simple question backed by a senior policy advisor who got the heads of many luminaries nodding at a recent investment seminar of the Actuarial Society of South Africa. Gill Raine outlined the disastrous effect such a policy had on pensioners and the economy in the past and wondered aloud whether the government had learnt anything from past mistakes. It brings the issue to the front and centre of the stage, making it imperative that parliament's Standing Committee on Finance rescue the reputations of itself and other parliamentary committees whose accountability role has been questioned by none other than Judge Raymond Zondo, heading the Commission of Inquiry into State Capture. His colleague probing alleged improprieties at the PIC, Judge Lex Mpati, can't be far behind in wondering how much chaos could have been avoided had parliament conducted its oversight role with more diligence. None so blind as those who will not see, it seems. – Chris Bateman

Is the government really serious with their new policy about prescribed assets?

Dear Honourable Minister,

For some unknown reason the government is hell-bent in its efforts to repeat the mistakes of its predecessors, even after the same mistakes were previously realised and discontinued. This is exactly what the ANC Government is now doing with their policy of prescribed assets as announced in the ANC's election manifesto.

We at AMAGP truly hoped that this was only an election gimmick, but now it appears as if we were mistaken because on 10 June 2019 the Minister of Trade and Industry repeated the government's intention in this regard. Perhaps he was not aware of the failure of this same policy in the past.

The Minister would be well advised to obtain the speech by Gill Raine, senior policy advisor at the Savings and Investment South Africa (Asisa) delivered to the Actuarial Society' investment seminar in Cape Town on 13 June 2019.

In this speech she clearly illustrated the disastrous impact this policy had in the past, not only on pension funds, but also on the South African economy. As it is impossible to summarise the speech here, we will save the Minister's time by enclosing only one of the many excellent newspaper reports which appeared in the newspapers.

We certainly also hope that the Honourable Minister will take into account the many knocks of billions that the Government Employees Pension Fund (GEPF) took on the chin as revealed recently. You and other parliamentarians no doubt are by this time well aware that the huge losses were due to the actions of the now disgraced government controlled asset manager, the Public Investment Corporation.

Minister, you are surely also aware that the GEPF owns almost 50% of the combined assets of pension funds in the RSA, making it the largest pension fund in the country. We are therefore also sure that you no doubt know that any losses incurred by the Fund due to the government's policy will eventually be for the account of the taxpayer.

We at the AMAGP are anxious to learn the views of the Minister of Finance and that of the related parliamentary Standing Committee on Finance regarding this disastrous route the ANC government is taking with its proposed above-mentioned policy.

Antonie Visser, chairman, AMAGP.

Comment
The press regarded the AMAGP in this open letter "outdone itself with impeccable logic in a polite protest letter". How far we have progressed on the way to protecting our Fund when we receive such praise from the press! All done by concerned pensioners funding it from their own monthly pension.

Synopsis
BUSINESS DAY

Government is considering breaking up PIC, probe told

Autonomous business units can deliver better outcomes, says investment expert.
19 June 2019 Warren Thompson

PIC COMMISSION OF INQUIRY
PIC Commissioners (from left to right) Gill Marcus, Lex Mpati, Emmanuel Lediga. Image: Warren Thompson

The government is considering breaking up the PIC into autonomous business units to help improve efficiency. "The PIC is in the process of reviewing its operating structure and internal discussions are underway to determine what operating model to adopt. Currently under consideration is a business unit structure," Wahome told the PIC commission of inquiry on Wednesday.

Wahome had been asked to brief the Commission on discussions and presentations made at a three day PIC inquiry workshop in May. Finance minister Tito Mboweni attended the conference at which he and PIC executives discussed how to reform the outdated organisational structure.

Part of the Inquiry's wide-ranging terms of reference includes determining whether the current governance and operating model of the PIC and its board is the most effective and efficient. The PIC currently provides a full array of investment services to its 23 institutional public sector clients that have entrusted it with over R2-trillion.

Wahome says any major restructuring could be done according to asset class. "Industry practice shared at the workshop demonstrated a far more flexible and decentralised approach to investment decision-making at large asset management firms compared to the PIC," she said.

The PIC was more than big enough to justify the scale required to operate up to five autonomous business units, which would each have an executive management team and chief investment officer, she said.

This would see the PIC split into separate businesses according to its primary investment activities in listed equities, fixed income, private equity/impact investing, listed and unlisted property, and as a multimanager (appointing other investment managers to manage funds on its behalf).

The unlisted investments made by the PIC have been a contentious issue, and a number have come under scrutiny at the Commission due to the irregular manner in which the investments were made. Wahome said the organisation had acknowledged it is short on capacity and skills in the unlisted arena and this limited “the corporation’s ability to compete for prime assets”.

It was also noted that “a clear alignment of interests” is necessary to succeed in private equity, implying that investment professionals would be encouraged or compelled to invest their own funds next to that of their clients.
thompsonw@businesslive.co.za

Comment
Sounds good doesn’t it? But multiple businesses mean multiple executives riding the gravy train and duplication with more oversight needed. The root cause of the GEPF/PIC problems was/is the lack of oversight, which seems to have started about 10 years ago. The reports and results show everything worked fine up to then…
Ingenious solution to a non-existing problem?

ROLE OF THE FACEBOOK PAGE - GEPF WATCHDOG/WAGHOND

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

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

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

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

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

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

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