




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 8 of 2019

AMAGP – Association for Monitoring and Advocacy of Government Pensions
BOT – Board of Trustees [of the GEPF]
FSCA – Financial Sector Conduct Authority [previously the FSB]
GEPF - Government Employees' Pension Fund
PEO – Primary Executive Officer
PIC – Public Investment Corporation
PSA – Public Servants' Association
ROI – return on investment
SC – state capture
SCOF – Standing Committee on Finance
SCOPA - Standing Committee on Public Accounts
SOC – state owned company
SOE – state owned entities

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

The Editor's Word

The wheels of justice often turn slowly, as the evidence must be sufficient to convict before trial is considered. We have seen conviction by media in the 'SARS rogue unit' and many other similar cases, where great fanfare accompanied few facts and many allegations. One by one many of these high profile cases

have reappeared but now focused on the opposite side, where the evidence now clearly exonerates the 'guilty'. We have yet to see similar prosecution with the evidence revealed in the two Commissions of Inquiry and the VBS Bank forensic report. Of course there are many high profile and political persons linked to these cases ...

See the account of the previous PEO of the PIC fumbling some of the answers at the Commission. There is more fumbling and mumbling to come I believe.

Read the account of two women who managed to save their employers huge amounts by standing by what is right, Mariette Venter of Capricorn District Municipality and Yvonne Page of PRASA. Excellent examples to us all.

It appears from the Inquiry into the PIC the GEPF administration has not been forthcoming about the infrequency of meetings between themselves and the PIC. Also relevant is them not applying the Trustee approved policy in that no tenders have been called for asset management; and the external asset management costs doesn't seem to have been closely monitored or curtailed.

The ruling political party's declared interest in pension funds investing where it prescribes, has drawn a rebuttal from the FSCA. The FSCA clearly and forcefully disagrees that a failed policy be reinstated. Read the article below for the detail.

The new board of directors of the PIC has been announced. The names make for high expectations.

*Synopsis***ANALYSIS**

The nation is hungry for State Capture arrests

By Stephen Grootes 25 June 2019

While the immediate political stakes involved in any decisions made by the NPA are immensely high, they are easily as high for the longer-term future of our criminal justice system.

Public pressure is growing on the NPA to take action. Day after day there is more damning testimony at the State Capture Commission. Many of the people implicated are still in government, or in the ANC, or in Parliament, some as powerful as ever.

In such a poisonous environment it seems that only a decisive set of actions by the NPA, the arrest of people implicated in State Capture, is what could change this balance. For now, there are few visible signs of action.

At the same time there is some evidence from social networks and talk radio that some are beginning to give up hope that those implicated in State Capture will ever face the music. Silence from the justice cluster puts the credibility of the entire Commission in question.

The importance of continuing inaction cannot be overstated. Should this situation go on for much longer, the people of South Africa might give up hope. Worse, some will believe they themselves can get away with wrongdoing too.

Those in charge of the NPA appear to be well aware of this. On Saturday night the head of the new anti-corruption investigative directorate at the NPA, advocate Hermione Cronjé, spoke at the SA National Editors Forum's Nat Nakasa Award Ceremony. Between praising journalists for their role during the State Capture era she said they do have the resources to prosecute those responsible for what happened. And that this could all be done, and that she was confident that "we will get there".

Her boss, advocate Shamila Batohi, has made similar comments in the past, while

explaining that the situation at the NPA is grim. It is exactly here that the presidency of Jacob Zuma inflicted its worst damage on the state. It was he who weakened this critical building block of the state, a functioning prosecution system.

Now, of course, this building block has to be recast almost from scratch. This time there is the issue of trust. It would be entirely in keeping with the strategies Zuma has exhibited so far to have ensured the appointment of people in various positions within the NPA who have not revealed themselves. And this is what might make it so difficult for Batohi and Cronjé, who to trust.

Nothing would be worse for the legitimacy of the NPA now than for a high-profile criminal prosecution of a senior politician to be derailed because of a legal technicality. And there are dozens of ways that traps can be laid to ensure that this happens.

It would probably be the final blow to the legitimacy of our criminal justice system if no one, or only the foot soldiers, was ever held accountable for what happened during the State Capture era. **DM**

Comment

It takes time to prepare a case that will ensure conviction in court. Conviction and sentencing in the media sounds good but isn't good enough. We will have to wait for the prosecution to catch up, prepare a case and then prosecute. The costs for these cases are going to be interesting, especially for those being prosecuted. Wonder where they are going to find the money for the appeals they are certain to launch.

Synopsis

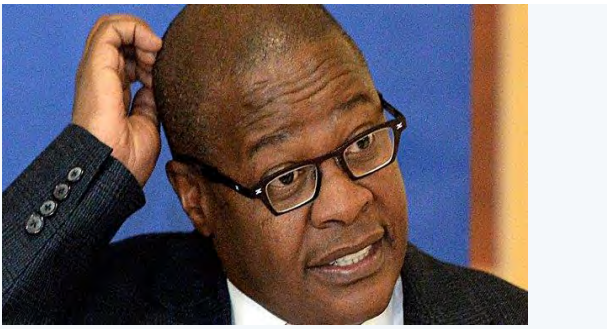
Why did this man just buy the Sunday Times?

1 July 2019

news24

*Why did Brian Molefe's friend and former colleague at the PIC sell him a house at a steal and how is this connected to the sale of the Sunday Times and its sister publications, asks **Adriaan Basson**.*





Brian Molefe: Resigned, retired, retrenched, retained...? (Pic: Gallo Images)

In February 2017, shortly after the former Eskom and Transnet CEO Brian Molefe was sworn in as an ANC MP in one of then president Jacob Zuma's desperate last moves to capture National Treasury, I received a curious phone call.

Molefe, who had then been on the Radical Economic Transformation campaign trail, made a spectacular return to Parliament and was hotly tipped to become finance minister – after his ANC membership form was mysteriously found in the North West.

By then, Molefe's proximity to the Guptas had been established by former public protector Thuli Madonsela and it was clear that he played a central role in the capture of South Africa's two most strategic state-owned enterprises.

Back to the hot tip: the man said I should look into a luxury property bought by Molefe in January 2016 in the upmarket Cornwall Hill Estate in Pretoria. Molefe paid R10m, R7m less than what the "platinum home" property was originally advertised for. "Look at a guy called Tshepo Mahloele."

The name rang a bell. Mahloele is from the Molefe-era of senior PIC suits who later became big private sector players. Molefe was a major Mbeki man before he moved over to the Zuma side.

Mahloele headed the Isibaya Fund in the PIC and was closely involved with Molefe's efforts to set up a Pan African Infrastructure Development Fund (PAIDF) that would invest in projects on the continent.

This led to the establishment of Harith General Partners (HGP), a boutique fund

manager, with Mahloele as CEO in 2007. HGP was started with PIC money. Harith is now a burgeoning business with projects and assets in Ghana, Tunisia, Botswana, Mauritius, Kenya and South Africa.

Back to the house: a few searches later, we established that the R10m, five-bedroom house with designer kitchen, cigar lounge, gym and four garages was sold to Molefe by Red Coral Investments 86, a shelf company of which the directors are Mahloele and his wife, Elizabeth.

Why did Molefe's friend and former colleague at the PIC sell him a house at a steal? We asked both men.

Molefe didn't bother to answer, while Mahloele denied any impropriety and labelled the transaction "above board". "I have known Brian long before our PIC days and our relationship has never been characterised by wrongdoing," Mahloele commented.

But he didn't clarify the question at the heart of what may look like an innocuous story: why the massive discount on the house? Local estate agents were shocked with the selling price of R10m in an estate where houses go for between R15m and R20m.

The story showed two things: the close proximity between the then would-be finance minister and a big former PIC player, who still manages infrastructure investments for the PIC, and that Mahloele had benefitted Molefe financially by selling him the property at a bargain price. The reason for this remains unknown.

Last week Mahloele's company, Lebashe Investments, where he is joined by former Deputy Finance Minister Jabu Moleketi and chartered accountant Warren Wheatley as directors, bought the Sunday Times and all Tiso Blackstar's other media assets, including Business Day, Financial Mail and the Sowetan, for R1bn.

Tiso Blackstar has been looking for a buyer for a while, but these are influential titles and the new owners should be scrutinised thoroughly. Why did Mahloele do the deal and what does he want to achieve?

Rumours abound that the PIC is behind the acquisition after its disastrous investment in Independent Media through the Sekunjalo

Group, but Lebashe has stated that the purchase is from its own reserves.

Mahloele now owns some of the most influential media titles in South Africa. We need to know much more about what he wants to do with them.

Basson is editor-in-chief of News24.

Comment

In any transaction, such as the discounted house purchase, the buyer has to or did provide the balance of the purchase price [the R7mil] by other means – in cash, in kind, in work done, etc. In this case it begs the question: what did the buyer provide, before or after the sale, worth R7m? Their close relationship, PIC, PAIDF, Labashe, Harith connections bear watching.

The Fund evidently isn't involved in the media purchase, but the purchase should be closely monitored to ensure our Fund doesn't suddenly and inexplicably own Tiso Blackstar too, as in Surve's Independent Media.

**To: MESSRS MKHULEKO HLENGWA AND MKHALANI MASHWANGAYI
OVERSIGHT ROLE: SCOPA AND SCOF**

Honourable Gentlemen,

Heartiest congratulations on your appointments as chairmen of SCOPA and SCOF respectively.

We at the Association for the Monitoring and Advocacy of Government Pensions (AMAGP) are aware of your knowledge and wide experience of financial matters, as well as your prior valuable contributions to the Parliament's oversight role.

Mr Hlengwa, you will no doubt remember that a very reluctant PIC had to be hauled before SCOPA on 21 November 2018 when they did not supply information requested (based on a legal opinion) which kept your Committee waiting for six months.

The discussions at that meeting again confirmed the important and impartial role of the chairman of SCOPA, and the leadership skills required of the chairman. We are quite sure that you, like your predecessor Mr Godi, are imminently suitable for this position

At the same meeting you pointed out that the PIC was not dealing with your committee in good faith.

You inter alia said: "Seeking a legal opinion speaks of a jittery outlook about what will be unearthed by SCOPA". Perhaps you were right, Sir!

In that regard we are sure that you have taken note of the newspaper reports of the evidence before the Mpati Commission about certain questionable investments and other dealings by the PIC. The lack of proper control by the Board of Trustees of the GEPF and its assets, and also the lack of due diligence and transparency of the Board of Trustees of the GEPF are well known and obviously require the oversight of your committee as a matter of urgency.

Mr Mashwangayi will remember the meeting of SCOF on 17 October 2017 when the PIC and GEPF presented their annual reports for 2017. To put it mildly, this was not a happy meeting for both entities. Those of us who attended on behalf of AMAGP can still recall the unhappiness of members of the Committee and especially those of your respected predecessor, Mr Yunus Carrim. He inter alia accused them of being unprepared to answer questions by Committee members. That also showed a good measure of disrespect towards the Committee.

The minutes of these two meetings still make for interesting reading.

The last time the PIC and GEPF were required to account to your two committees was at the two meetings referred to above. That is a long time ago. In view of what happened since these meetings and taking into account what was revealed since then, especially the loss of billions of workers' and pensioners' money, as well as the way in which it was lost, we suggest that further appearances before your Committees as soon as possible have now become imperative.

We realise that both your committees have very full programmes but we are also really concerned about what is going on in these two organisations. We are also of the opinion that they should be made aware of your seriousness and your commitment to rectify matters.

The GEPF especially have many questions to answer about their annual reports, more so also the most recent actuarial report. One of our members, a retired auditor, analysed these reports. His comprehensive comments are available at the Parliamentary Monitor Group (Mr Wicomb). It is also available on our website at <https://www.amagp.co.za>. On reading his comments and what is revealed therein you will see that there are many reasons to be disturbed about the wellbeing of our pension fund.

The AMAGP hereby offers you all the assistance you may require from us. We do not have vast financial resources but are fortunate to have at our disposal members with many years experience and expertise and who are prepared to work long hours as volunteers without any remuneration.

All the documents referred to above are in the possession of the GEPF. However, they prefer to ignore them. Neither are they prepared to make use our expertise, etc.

We believe that this very issue was acknowledged in the Legacy Report compiled by SCOF where it was stated that: "Public participation is utterly crucial in parliament" and then went on to acknowledge that the big trade unions and NGOs, because of their financial resources, currently take advantage of the processes. The NCOP of course reaches people and organisations "on the ground" through the hearings it has in the different localities, but the NA also has to do more and the incoming Committee should get more funding from Parliament to facilitate the participation of civil structures that are not able to get to the Committee.

HAND-OVER REPORT OF THE STANDING COMMITTEE ON FINANCE FOR THE FIFTH PARLUAMENT: MAY 2014 TO MARCH 2019 DATED 13 MARCH 2019

Kindest regards,
A P Stemmet
J Galvin
for ANTONIE VISSER
CHAIRMAN AMAGP

MEDIA RELEASE

EDCON bailout: PSA concerned about PIC lack of due diligence in investments

Date: 4 July 2019

Enquiries: communication@psa.co.za

The PSA, despite supporting initiatives by trade union federation Cosatu, questions the process that was followed by the PIC in securing the R2,7 billion bail-out.

The PSA, as the largest non-politically aligned Union in the Public Service with more than 240 000 members, indicated the PIC's claims that it was under pressure to secure the bailout, does not add up in view of recent revelations by the Investigation Commission led by Judge Mpati of how investments from the PIC are secured and recommendations by investment professionals, that such investments cannot be supported as these are not based on a risk and investment-return basis.

The PSA pointed out that whilst is the right of any party to lobby for support in this matter, there is also an obligation on the PIC to make sound business decisions and to adhere to the strict rules that are applicable when such decisions are taken. The PIC has an obligation to ensure that due diligence is applied when decisions are made and should not to hide behind excuses of political and union pressure.

The PSA is increasingly concerned about the PIC's capability to manage a fund such as the GEPF in an accountable and ethical manner in line with the principles of good governance. The PSA eagerly awaits the outcomes of the Mpati Commission and will then consider class action against the PIC, related to severe losses suffered in investments on behalf of the GEPF owing to negligence, poor governance and non-accountability.

Rob Moody.
PSA Cape Peninsula Pensioner Committee
Chairman.

Email robmoody@mailbox.co.za.
Cell no 081 016 5110

Comment

In contrast AMAGP has about 9 400 FB members and growing. Not bad for two years. Our influence is out of proportion larger than our membership numbers, as we reach many parliamentarians and other influential persons

and the media, with only an extremely small core of dedicated concerned hard workers. The press releases and articles in the media are gathering momentum, which we must maintain.

Synopsis

[OPINION](#) / [EDITORIALS](#)

EDITORIAL: Plotting a plan for the PIC's future

The testimony by Daniel Matjila describes the corrosive effect of too much political meddling on the organisation's functioning.

11 July 2019



Daniel Matjila. Picture: TREVOR SAMSON

The first two days of Daniel Matjila's testimony at the Commission of Inquiry into the PIC reinforced the idea that SA would benefit from less political meddling in its state entities. While the government has every right to exercise oversight of the PIC, the testimony by Matjila and others over the past seven months describe the corrosive effect of too much political meddling on its functioning.

One of the issues being probed at the Inquiry is the tradition of appointing the Deputy Minister of Finance as the PIC chair, the only public agency it happens.

Matjila's testimony described the obvious conflict of interest that arises when a representative of the government chairs Board meetings in which an appraisal of investments takes place.

Matjila also took umbrage with the delays linked to recent cabinet reshuffles, which left the PIC without a chairman and meant that the Board could not convene.

But Matjila described a more rapacious form of political meddling that put him under immense pressure from senior politicians from a number of political parties, to fund transactions. He considers this a form of elite entitlement.

From earlier testimony of other executives together with the answers Matjila provided in response to questions from Commissioner Gill Marcus, it is surprising that the PIC lacks clear, comprehensive protocols on how to manage such deals.

Many of the controversial transactions under scrutiny by the Commission implicate individuals with strong ties to the ruling party, who were introduced to the firm through the office of its chief executive.

Defining a politically exposed person (PEP), including categorising known associates such as family members, friends and past business associates, should be a first step. Then any deal involving a PEP, or associate of a PEP, should be brought to the attention and documented by the PIC's risk department. That's a solid second step.

The PIC's CIO(s) should also be precluded from meeting with PEP and should instead send deal principals to discuss transactions. This would put a firewall between the person signing off on deals and the ones putting them together, in much the same way as credit committees work at banks.

But protocols must ultimately fall back on the integrity of the process. This means developing a comprehensive policy on how the merits of the investment are weighed, including how attractive the deal looks in relation to other transactions competing for the PIC's capital.

Comment

Am I reading this correctly? Matjila says political pressure influenced investment decisions, just as AMAGP warned. It doesn't seem as if he informed the Trustees or the Board of the meddling, does it?

Keep in mind when the deterioration of the fund started.

Synopsis

Inside VBS: How KPMG accountants, Zuma friends pulled off the Great Bank Heist

The first most people heard of VBS Mutual was when it emerged that the bank had given former president Jacob Zuma a loan to repay millions to the state for controversial refurbishments to his homestead, Nkandla. Soon after Zuma became a customer, municipalities lined up to give it cash. Helping the corrupt within the bosom of VBS were individuals linked to accounting giant KPMG. As Alec Hogg, founder of BizNews, points out in a podcast: KPMG people were front and centre of the financial irregularities. This is familiar with KPMG bosses attending a Gupta wedding and producing a nasty report to frame corruption-busters at SARS. Meanwhile, in this article by Pauli van Wyk for Daily Maverick, a whistleblower sets out how Zuma's municipal friends threw state funds at VBS Mutual. This piece is republished here on BizNews, with kind permission. – Jackie Cameron

What happens when governance fails? A VBS whistle-blower's account describes the price of truth

By Pauli Van Wyk

It is a Monday in June 2016 and the Executive Mayor of Capricorn District Municipality in Limpopo, Gilbert Kganyago, is angry. His exasperation is directed at Mariette Venter, chartered accountant (CA [SA]) and acting chief financial officer of the municipality.

Kganyago had summonsed Venter to account for her resolute instruction to the management of VBS Mutual Bank that morning in which she threatened to recall a municipal investment of more than R60m. The bank could not provide its credit rating and investment grading – documents Venter needed to report back to the municipality's audit committee. Capricorn District Municipality invested in VBS at the insistence of Kganyago in December 2015, when Venter was at home on maternity leave.

So, on that Monday morning, Venter was hauled to his office in order to explain her conduct to Kganyago and a table full of his municipal henchmen. To this day, Venter remembers that discussion well: "Who do you think you are to make and withdraw

investments of the municipality?" Kganyago wanted to know.

Stunned, Venter allowed a moment of silence to hang over the table before answering. "Well, I am the CFO," she said. "Initiating and withdrawing investments are part of my daily duties, it is my job."

At that moment, Venter had several pressing problems, including an 11-month-old baby at home and the fact that there wasn't enough money in the municipal bank account to pay salaries the following Friday. With pay day less than five days away and the Municipal Finance Management Act backing her decisions all the way, a truculent Executive Mayor didn't count as one of her problems.

She was unaware that her subsequent complaint to the South African Reserve Bank, lodged when VBS refused to pay back the money, would form part of a dynamic ripple effect which in the end would shine a spotlight on institutionalised criminality.



Glass House Ave. More of Zapiro's brilliant work available at www.zapiro.com.

With the benefit of hindsight, and about three years later, Venter recalls the sequence of events. She now realises that Kganyago's June 2016 outburst was the third red flag in a series of events that got her suspended days after speaking her mind and doing the right thing.

Venter noticed the first red flag when VBS management couldn't produce an investment or credit rating when her staff asked for it.

The second was when a VBS official became "hostile" because Venter personally told him

she would be obliged to recall the R60m-odd investment in the absence of the necessary documents. The VBS official then threatened to stop the bank's "sponsorship of events for the executive mayor", Venter recalls. "I told him, 'I don't care what you say, I want the bank's certificate stating your investment and credit rating, or I want our money back'."

Venter's single-minded focus on getting back the municipality's money, while ensuring that she could pay salaries without getting caught on the wrong side of the law, had serious repercussions. Days after VBS begrudgingly paid back the money, Kganyago suspended her for "contract management".

Her world came tumbling down. "I realised this was about VBS, that I poked at things which were better left alone," Venter says.

In their forensic report titled *The Great Bank Heist*, Motau and Werksmans had high praise for Venter and described the events that followed:

"Venter's intervention came at some personal cost to her. She was put under considerable pressure by Kganyago, who told her in no uncertain terms that all investment decisions fell within his sole domain. The mayor was clearly wrong in that regard. After Venter had successfully obtained the return of the monies from VBS she was rewarded for her efforts by being suspended from her post, albeit for a supposed unrelated matter. The suspension was lifted unceremoniously about a week later and Capricorn refrained from making any further deposits with VBS, making it one of the few municipalities in Limpopo that did not find itself in serious financial difficulty when VBS was placed under curatorship."

When Venter stood firm, she saved her reputation and her job while ensuring the continued success of the municipality. Several other municipalities in the aftermath reported their inability to provide basic services and pay salaries. Kganyago left the municipality. He was suspended as the SACP's Limpopo Secretary in November 2018, but was later reinstated and his "explanation" accepted.

Biznews

Comment

It must be logical that any investigation for prosecution must include those responsible at KPMG too.

Synopsis

Mail & Guardian
AFRICA'S BEST READ

BUSINESS

Holomisa claims Matjila failed to declare millions received from VBS

Thando Maeko 8 Jul 2019

The PIC former chief executive Dan Matjila should be investigated over allegations he did not declare the millions he received from VBS Mutual Bank, says UDM leader Bantu Holomisa. Holomisa told the Commission he has been presented with evidence regarding funds from the now defunct mutual bank.

In a letter to advocate Jannie Lubbe, Holomisa alleged that he has received a forensic report by Nexus Forensic Services detailing loans awarded to Matjila and the PIC's former chief risk officer, Paul Magula, and head of legal Ernest Nesane from VBS.

On Monday, Matjila shot down allegations made Holomisa that there is a clear conflict of interest between "a network of select" individuals that are connected to Matjila or the PIC and who have also received funding from PIC.

During his earlier testimony before the commission in March, Holomisa asked the commission to scrutinise the corporation's unlisted portfolio for any wrongdoing. He mentioned the PIC's investment in Lebashe Investment Group which has former Deputy Finance Minister, Jabu Moleketi as one of its non-executive directors.

In the letter sent to the Commission, Holomisa said that the report shows that Matjila was awarded a loan of nearly R2,5-million from VBS with a repayment period of 30 years. The UDM leader says that the undeclared loans by Matjila could constitute "a conflict of interest and even possible criminal conduct" by the former CEO.

"In terms of the conditions of the loan, it is allegedly unclear whether the loan was intended to ever be repaid, or whether it is/was in fact being repaid. The only way to establish the veracity of this allegation is to

scrutinise the dates of disbursement and repayment,” Holomisa’s letter reads.

Holomisa further goes on to question why the alleged funds received by Matjila and other senior PIC officials was omitted by advocate Terry Motau’s report into looting at VBS especially since Matjila was the CEO of the PIC.

“If the alleged report is anything to go by, one could argue that Dr Matjila had personally benefited from nearly R7,5-million of VBS Mutual Bank money,” Holomisa says.

Earlier this year associate principal at the PIC, Brendah Mdluli, told the Commission that it was unlikely that the PIC would recover the R350 million loan given to VBS in 2015.

In December, the PIC Board said that it would be pursuing criminal charges against Magula and Nesane for failing to report on questionable transactions at VBS.

Comment by Adamus

Adamus Stemmet: Mpati must not forget PIC rogues in VBS saga



16 July 2019 by Editor

By Adamus Stemmet*

As you will remember there were actually two lady whistleblowers at the VBS saga, Mariette Venter, and Yvonne Page of Prasa. See par 103 of the report “THE GREAT BANK HEIST” by Adv Motau. With hindsight we now know that VBS was working like a Ponzi scheme. Yvonne Page was clever enough to realise it right at the beginning and reported the matter to Treasury. She against all orders thwarted plans to get PRASA to invest R1bn in VBS bank. One wonders whether she was rewarded by PRASA for her efforts. Both these two ladies deserve a medal for their guts.

The Motau Report was issued on 10 April 2018. Many people implicated in corrupt activities should have been prosecuted by now. Why the delay?

Two senior officials of the PIC were seconded to the VBS board. Instead of guarding the interests of GEPF money they admitted each of benefitting for “keeping silent“. Eventually Adv Motau found that Ernest Nesane gained R16,6m and Paul Magula R14,8m. Neither of them have been prosecuted yet.

The obvious contravention of Section 34 of the “Corruption” Act 12 of 2004 (know or suspect corruption) and not reporting it has for some unknown reason thus far apparently been overlooked. Surely members of both the PIC and GEPF must have known or suspected corruption when carrying out their monitor functions.

At this speed corruption will never be eradicated. Are we trying hard enough?

Adamus Stemmet, spokesperson, AMAG

Synopsis
Radio

The GEPF could cancel mandate between itself and the PIC

if the Fund feels there have been breaches of trust in how the money is being managed, says Abel Sithole.

Nompu Siziba 16 July 2019

NOMPU SIZIBA

The GEPF’s executive officer Abel Sithole took the stand at the PIC inquiry today with former PIC CEO Dan Matjila taking the stand the afternoon. My colleague and Moneyweb contributor, Tebogo Tshwane, has been observing proceedings and she is on the line now to give us an update.

It looks like the GEPF has not been very satisfied with the level of communication or consultation between itself and the PIC when it comes to big investments.

TEBOGO TSHWANE

Yes, the issues that were mentioned at today’s testimony had to do with the communication between the two entities, with

the GEPF saying that there were at least two investments where the GEPF didn't receive adequate communication with the PIC. And it looks as though it stems mainly from a miscommunication, or a misalignment, towards the definition of what a listed and unlisted investment is, and then what sort of governance processes and reporting procedures are important when it comes to those investments.

NOMPU SIZIBA

What was Sithole saying in terms of the Ayo Technologies deal?

TEBOGO TSHWANE

What stood out in the Ayo transaction was that he was saying that the GEPF was not made aware of the transaction. The GEPF was only aware of the deal when issues around the valuation of the company were coming to light and people were questioning the amount the PIC paid for the company.

Today the company is trading much lower than what the PIC actually invested in 2017. So Sithole was basically saying that the GEPF should have been involved from the start because they took a resolution in October 2017 that stipulated that the PIC was not allowed to carry out transactions of over R2 billion without getting approval from the GEPF board investment committee.

So, there appears to be a misunderstanding between the two entities.

NOMPU SIZIBA

Yes. What other deals or issues did Sithole raise around the relationship with the PIC that the fund was not happy about?

TEBOGO TSHWANE

Another issue that came up was the Sagarmatha deal. Sagarmatha is also a company that falls under the Sekunjalo group, and in this deal it suggests the GEPF only found out about the investment through a media report. Its initial public offering was not made known to the GEPF and the PIC made a commitment to invest R3 billion in the company, way above the R2 billion threshold for them to inform the GEPF, and yet again the PIC does not speak to the GEPF about it.

NOMPU SIZIBA

The PIC manages just over R2 trillion of funds with about 80-90% of that belonging to the GEPF. Is the GEPF obliged to invest most or

all of their money with the PIC? Could they think about investing elsewhere if they are not sufficiently satisfied?

TEBOGO TSHWANE

That did come up, and Sithole said something that was interesting, saying that people don't actually understand the relationship that the GEPF has with the PIC, and that the PIC, at the end of the day, is a service provider. And at any point the GEPF, should they feel that there have been significant breaches in terms of trust and the way that money is being managed, they could cancel the mandate between itself and the PIC, and look for different avenues for the fund to be managed.

But, he did also say that, to date, there haven't been any incidents of significant wrongdoing that actually warranted any sanction from the GEPF. Despite all the media reports about governance features and investment processes not being followed, he says that the GEPF has not had to step in and sanction the PIC.

NOMPU SIZIBA

Then Dan Matjila, former PIC CEO, took the stand this afternoon. Did anything interesting come out of that at all?

TEBOGO TSHWANE

The most significant thing about [Matjila's time on the stand] was not his testimony but the way in which the Commission was questioning him. He continued his testimony on the Total SA deal, where two BEE companies, which had bid for a BEE stake in Total SA for R1,7 billion, had come to the PIC for funding. And at the final stages of the deal one of the company's directors, Lawrence Mulaudzi, said they were forced to merge the companies in order to receive funding from the PIC. This was sort of the first time we have seen any back and forth or proper cross-examining between the Commission and Matjila.

Comment

It would be nice if the Trustees appear before the Commission to discuss their communication and relationship with the PIC. They should at the same time explain how it is possible for them to only know from the media that billions of our Fund are going to be invested when such investment is clearly against their instructions...

Synopsis

Are you worried about interference in your retirement savings? You should be

If trustees could not act in the best interests of fund members, then the introduction of prescribed assets could do more harm than good

17 July 2019 Olano Makhubela



A lot has been said recently about prescribed assets in SA. It is important for all of us to appreciate that retirement funds are custodians of retirement benefits of millions of South Africans.

The term “prescribed assets” refers to a government policy that requires investors, like retirement funds, to hold a certain amount of investments in government-specified assets, such as government or state-owned companies’ bonds.

All the published reactions to the possible reintroduction of prescribed assets have argued strongly against such a move. The reasons provided include concerns around lower returns, market distortions, compromised pensioner benefits and reduced participation in retirement funds.

Another concern is that prescription can weaken the disciplining mechanism embedded in a market-driven economic system. Even though not always perfect, freedom of choice is a basic tenet that all customers enjoy in SA. This includes the ability for investors to freely change their investments to adapt to changing market conditions and investment goals.

The Financial Sector Conduct Authority (FSCA) as the regulator of retirement funds deems it appropriate to weigh in on the debate. It is the FSCA’s opinion that the reasons and concerns given by the public are sound and justified.

Bonds are an inevitable asset class for retirement funds, especially if the funds practise asset and risk diversification and require stable income. Prescription does not seem, therefore, to be of absolute necessity, and even if it were to be necessary, it seems to result in unintended consequences that might do more harm than good. History does repeat itself at times, but previous mistakes need not be repeated, and SA has been down this path before.

The statistics do not seem to indicate a dire shortage of funding. In the past 17 years, retirement funds have, on average, held about 20% of their total assets in government and state-owned companies’ bonds. For the right product and price, there should be a buyer or investor, and current RSA bonds yield good returns compared with other foreign sovereign bonds. The question, most probably, should be whether this 20% is enough.

The answer to this question is best left to retirement funds and, in particular, the trustees who govern and manage these funds on behalf of members. Section 7C of the Pension Fund Act imposes an explicit duty on trustees to act in the best interest of their members and the fund.

One could ask, but what exactly is this duty towards members? It is the duty to ensure that members’ assets are invested and managed in the best interest of the members, so that they can retire comfortably. This is the goal that prompted the Treasury to roll out much-needed and extensive retirement reforms in the past eight years. These reforms ensure that the member is put at the centre of every decision made by funds and their service providers.

It is a statistical fact that SA households experience challenges when it comes to discretionary savings and retirement savings. This lack of preservation means that many South Africans reach their retirement age with insufficient savings. Four factors are important to reach one’s retirement goals: first, start contributing early; second, contribute consistently and preserve; third, ensure that

costs are fair and reasonable, especially in a low-return environment; and last but not least, ensure that the savings earn a decent return.

In the absence of mandatory preservation, it becomes even more imperative that funds earn a decent return, meaning at least above-inflation adjusted returns in the long term at a reasonable cost. Any investment decision resulting in assets being purchased at overvalued prices because of artificial demand, or which does not yield above-inflation returns or has an opportunity cost (because in the long term, equities usually outperform bonds), means that the member is likely to be worse off and not have a comfortable retirement. This also means that trustees would be failing in their fiduciary duties — but then they can only be blamed for a fund's poor performance if they are the sole key decision makers.

This fiduciary duty is something the FSCA has a legal duty to monitor. This is because any fettering of the trustees' decisions has the real potential to compromise their ability to act in the *best* interest of fund members. This would further compromise the long-term wellbeing of members, which is undesirable given that it is difficult to recover from bad retirement decisions.

Funds, through their trustees, should be the ones making the decisions, difficult as they might be, on how best to constitute their portfolios based on the demographics and needs of their members and pensioners. This allows the FSCA to hold them accountable for bad decisions.

It is also fair to say that there is no point in ensuring that workers have decent retirement benefits only for them to retire in wastelands, under- or undeveloped areas and societies plagued by extreme inequality and social ills. As a result, society has also appealed to large drivers of capital, such as retirement funds, to contribute towards addressing these socioeconomic challenges. This is not only a South African issue but a global one.

Does this, therefore, mean prescription is the solution to these challenges? The FSCA does not think so. Instead, the FSCA would like to continue nudging the industry into doing what is right and good for the environment and society as this responsibility falls on all who live in SA. The FSCA would also like to

encourage the market to continue providing scalable projects and investable instruments.

To this end, the FSCA recently issued a guideline on sustainable investing to help retirement funds to comply with the law (regulation 28) on environment, societal and governance (ESG) issues. Sustainable and impact investing do not mean investment choices that yield sub-optimal or no returns. They still mean undertaking sound investments for a return but bearing in mind the risk and consequences of such investments on all of us.

The best results in life come with balancing various difficult objectives and realities. The ability to make such decisions freely and take responsibility for them is important in supporting the principles of freedom and progress in a democratic society.

• Olano Makhubela is the Divisional Executive for Retirement Funds Supervision at the Financial Sector Conduct Authority.

Comment

Interesting that the financial sector watchdog agrees with industry that implementing 'prescribed assets' isn't going to work. The pension funds are just going to own more of the government without any real ROI.

If the one single pension fund for SA does indeed happen, it may be that it will own the government with the government telling it what to own and when. Eish

Synopsis

EDITORIAL: Much to do for new PIC board

Picking a CEO to lead the restructuring is a top priority

16 July 2019 Business Day

The composition of the PIC board announced by the government last week had all the hallmarks of a classic Cyril Ramaphosa negotiated settlement.



Maria Ramos. Picture: SUPPLIED

In stark contrast to the PIC amendment bill still unsigned on the President's desk, the new chair of the PIC will most definitely not be the Deputy Minister of Finance, in contrast to past established practice that the bill has attempted to formalise, despite the inherent conflict of interest.

The latter feature had been fought for tooth and nail by the ruling party's alliance partner, Cosatu. The federation was reportedly a key player in the PIC's decision to take part in the rescue of Edcon, allegedly lobbying then Deputy Finance Minister Mondli Gungubele to ensure the deal happened, or face the prospect of the federation failing to encourage its members to vote for the ANC in the May elections.

As chair of the PIC, whoever is the Deputy Finance Minister would find him or herself with a conflicting set of obligations. The fiduciary duty to the asset manager and its beneficiaries cannot be easily reconciled with being a leading member of a government that is funded by the same PIC. It can only be a good thing that this will be removed.

But this does not mean that Ramaphosa has ignored his power base. Three union representatives will take their seats on the 15 person board.

The Board's first task will be to appoint a new chair and deputy chair, and there is no shortage of candidates with appropriate board experience. Among them are Irene Charnley, Reuel Khoza, Xolani Mkhwanazi, and Maria Ramos.

Appointing a CEO to oversee the restructuring of the PIC into as many as five autonomous business units will likely be the defining requirement for the individual that will head the organisation in the short term.

The restructuring should be an opportune time to reset the organisation's cultures and values in addition to its organogram, something Ramos recently undertook at Absa. To undertake a fundamental reset, careful thought needs to be given to whether or not a complete clearing of the executive decks is necessary to point the organisation in a new direction.

There are many current and future disciplinary processes under way or likely to be brought against senior executives, and even if these don't result in dismissals, honest conversations need to happen about whether some executives are still the right people to lead this R2-trillion asset manager into a new era.

A fundamental reset entails resolving a long list of complaints that have contributed to the abominable staff morale that currently permeates the organisation and which will likely require sign-off from the Board.

The PIC has a mountain to climb to attract the finance industry's finest, as well as convince established businesses that partnering with them as a shareholder or financier will not end in controversy and recrimination. (Just ask SA Home Loans and Karan Beef if they would entertain the PIC as a major shareholder again).

But trust in the organisation will not come back easily. It's going to be a long, hard, slog to convince parties that this is not just another institution that became inept and corrupt during former president Jacob Zuma's era.

The fact that its largest client the GEPF seems willing to stand by the PIC as its only major investment service provider regardless of what has happened, is another depressing sign that political influence is far from removed when it comes to handling the savings of more than 1,7 million public servants.

Comment

Let's give the new Board time to start working. The Commission's findings and revelations will influence their zeal and shape the Fund for the foreseeable future.

National Business Day

Reuel Khoza appointed chair of PIC and aims for 'former glory'

Khoza is a former chair of Eskom and Nedbank, with Tito Mboweni saying it's a decisive moment for the PIC to go 'fully corporate'

25 July 2019 Prinesha Naidoo, Janice Kew, Warren Thompson



Reuel Khoza. Picture: Sunday Times/James Oatway

The PIC has appointed Reuel Khoza as its chair, boosting the independence of the custodian of SA government worker pensions by ridding the board of politicians. Khoza is the first non-political chair of the PIC in nearly two decades and has vowed to restore Africa's largest investment manager to its former glory.

"We will also restore the PIC to its former glory days when it was held in very high esteem, not only by its shareholder [the government], but by the various other publics it addresses itself to," said Khoza, shortly after being elected chair at the first meeting of the new board, appointed by Finance Minister Tito Mboweni earlier in July.

Mboweni announced a 14-strong set of directors after the previous board resigned following a string of scandals. Speaking in Pretoria on Thursday, he said it was "bad practice" for the chair to be a law maker, and instead named serial board member Khoza to the position.

Khoza is a former chair of Eskom and Nedbank and holds the same role at Dzana Investments and AKA Capital. His deputy is Sindi Mabaso, a chartered accountant with experience on the boards of a number of other state-owned entities.

Other new directors include Ivan Fredericks, GM of the Public Servants Association of SA, and Maria Ramos, a former director-general of the Treasury and CEO of Absa until earlier in 2019.

"The board will be totally autonomous. We want to believe that based on the kind of people that have been invited to the board, it will be a strong board," says Khoza.

Khoza identified restoring stability at the PIC and recruiting a new CEO as the company's immediate priorities. "So, the first thing we would like to do is to restore stability, and simultaneous with that we will be on a search for a CEO. But not only for that position, but for other senior positions that are currently populated by acting people."

Bloomberg, Business Day

Comment

The list of directors is impressive. They all know what to do and how to do it. Wishing them a hugely successful tenure.

Synopsis BizNews



GEPF plans to invest more of R2trn offshore, in unlisted assets to manage risk

16th July 2019 by Editor

By Janice Kew

(Bloomberg) South Africa's GEPF is planning to invest more of its R2trn (\$144bn) under management outside the country and in unlisted assets to reduce risk of overexposure to locally traded companies.

The strategy was outlined by GEPF Principal Executive Officer Abel Sithole to a commission of inquiry into allegations of wrongdoing and poor governance at the PIC,

the Fund's biggest manager. The GEPF has more than 93% of its assets invested in the South Africa and is a significant holder of South African government bonds and those of state-owned enterprises, he said.

"We now need to have that discussion with the Finance Minister," Sithole said. The GEPF's "significant home bias" isn't wrong and has historically served the GEPF well, but it needs to manage risk, he said.

Moving more GEPF cash offshore could send shockwaves through South Africa's listed companies, many of which count the PIC as its biggest shareholder. Meanwhile, increased investment in unlisted assets may help back new industries and support black entrepreneurs, he said, part of a wider initiative to redress economic imbalances caused by white-minority rule.

The PIC has suspended staff that it says flouted governance and approval processes when making investment decisions, some of them linked to unlisted assets. In contrast, the PIC repeatedly assured the GEPF that correct governance processes were followed, Sithole said.

"The GEPF views this as a serious breach of trust," he said. The fund isn't "solely concerned if the PIC survives or not" as it isn't the only asset manager around, he added.

When asked by one commissioner how much the GEPF would look to invest outside the country, the executive said private South African pension funds are able to keep as much as 30% of their assets offshore. The GEPF wouldn't do the same immediately, but it would "probably make sense over time," he said.

Doubling the GEPF's unlisted investments in South Africa to 10% would help spur the economy, Sithole said. The GEPF wants the PIC to seek approval for all investments of more than R2bn.

Comment

The investment offshore has been planned for some time, and will alter the investment focus at the GEPF and PIC. Due diligence should ensure good ROI, if the Board and PIC work for the members of the Fund and not political goals.

The actual investments will need much planning and preparation especially as many

African countries don't have a functioning stock exchange.

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.

VRYWARING

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