




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

www.AMAGP.co.za

 GEPF Watchdog - Waghond



NEWSLETTER NO 9 of 2019

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

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

The Editor's Word

See the introductory comment by Christo on when things started changing at the GEFP. Short and very clear.

Hercules du Plessis makes a case for creating much better control, oversight, and monitoring for/in the BOT as the BOT seems never to

have had this. Of course, this means the BOT would have to be qualified for this and not just enjoy their tenure as a sinecure.

And then the article by Ryk de Klerk about listing the PIC. A bit technical and lengthy but still thought provoking, a possible way to decrease or prevent PIC misuse.

Think on the trade unions having presence on the BOT, representing the workers... Having to look out for the rights of the workers in the industries being invested in, as well as the pensions of those who are in civil service. There might be a conflict of interest if not managed correctly.

Always keep in mind that any failure in the 'self-funding' of the GEFP means all taxpayers have to fund the difference in pension payments. That is what the described benefit also means, it also means the government doesn't have the money, being bankrupt, pensioners will suffer.

Eskom's workers don't support the government's prescribed assets 'policy'. They ought to know.

Interesting that not only civil servants receive pensions from the GEFP; 'former political prisoners' evidently also do. I stand to be corrected. Fertile recruitment for placing pressure on comrades in politics?

The PIC Commission's sittings have come to an end; it is now collating, ordering and interpreting all the evidence to be able to submit the report to the President by the end of the year. There is a lengthy but clear discussion of the Inquiry and some pertinent questions at the end of the newsletter.

Christo van Dyk has awesome insight into what the figures in annual reports really mean and represent. A brief snack to whet your imaginations.

Wat het by die Fonds Gebeur in 2014?

Na aanleiding van my ontledings en die grafieke wat baie mooi aandui dat 2014 en 2015 'n waterskeiding periode by die GEPF was, want:

- Positiewe operasionele kontantvloei het omgeswaai na negatief.
- All bydraes word nie meer belê nie.
- Die verhoging in eksterne batebestuurderuitgawes het ontplof.
- Die produktiwiteit van beleggings daal in so mate dat rente en dividende nie meer voordele kan dek nie EN NATUURLIK val die befondsingsvlak vinniger as n minibus taxi in 'n mynsgag.



Die grafiek dui duidelik aan, daar is niks leisels styf vashou nie. Inteendeel, dit lyk asof daar n oop tjekboek stelsel in plek was.

Terwyl dit Aangaan:

- Verhoog Trustee vergoeding ruimskoots, veral sekere.
- Kry senior uitvoerende beamptes bo inflasie salaris aanpassings PLUS miljoen rand bonusse.

EN tussen al hierdie uitkomst, sukkel die GEPF om begunstigdes binne 60 dae te betaal ingevolge die wet!

Let daarop: Verskeie belangrike lede van die Fonds se bestuur het bedank/die Fonds verlaat in die tyd, toe Abel Sithole as PEO

aangestel is. Groot veranderinge tov die uitvoerende beamptes het plaasgevind.

Kommentaar

Insiggewend. Daar skuil natuurlik meer intrige agter die kort uiteensetting. Mettertyd sal die Kommissies dit ook waarskynlik uitskud sodat ons almal ons daarvoor kan verwonder.

Synopsis

OPINION: Just how much is the PIC really worth?

29 July 2019 Ryk de Klerk

Could the PIC be a hidden gem in the South African government's pocket, despite the controversies surrounding governance and perhaps shady deals?

The PIC's 2018 financial results were very disappointing, to say the least. Although revenue was up by more than R111 million on 2017, profit before interest and tax fell by R125m or 17,4%, mainly as a result of operating expenses that ballooned by nearly R199m - an increase of nearly a third!

Employee costs jumped by R108m as salaries, wages, bonuses and other benefits increased by a mammoth 29%! Worst of all, the return on capital employed dropped from 31% in 2017 to 21% 2018.

Although professing to charge fees below market rates, the reality is that the management fees as a percentage of assets under management increased steadily from 3,8 basis points in 2010 to 6,1 basis points in 2018, or 6,9% per year, outpacing the CPI inflation rate of 5,3% over the same period.

Increases in operating expenses were relatively well contained until 2017, with total operating expenses rising by a compounded rate of around 15% from 2010 to 2017, while the operating expenses as a percentage of assets under management increased from 2,8 basis points in 2010 to 3,2 basis points in 2017, or a mere 1,9% per year annualised, resulting in the cost to revenue ratio dropping from 74% in 2010 to 55% in 2017.



Supplied

The value of the PIC in the SA government's books is probably the shareholders' interest of R2,571bn. The big question is the actual market value should the state decide to value it appropriately. Even better, what the value of this arm of government could be if the government decides to privatise the PIC and list it.

The Coronation Fund Managers is perhaps a prime proxy for listed pure asset management companies.

I calculated the return on capital employed (ROCE) by excluding policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships and used the profits made on fund management.

A popular measure to value a fund management company is by placing a value on the company based on assets under management (AUM) and it is normally expressed as a % of the AUM.

It is evident that Coronation's market rating as calculated by Coronation's equity market capitalisation to the AUM ratio followed the trend of Coronation's ROCE since 2010. Coronation's ROCE was 50% in 2010 while the company's market capitalisation was 2,6% of AUM.

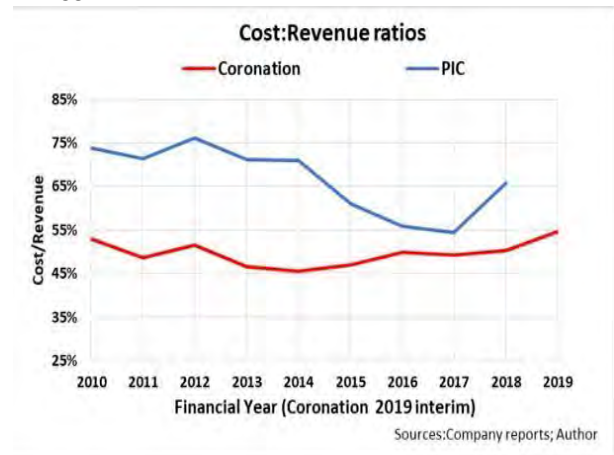
The company's ROCE increased steadily to 114 % in 2014 which saw Coronation's market capitalisation increasing to 6,3% of AUM. Since then Coronation's ROCE declined to 71% at the end of the company's 2018 financial year, while the company was de-rated by the market as the market capitalisation dropped to 3,1% in 2018 and the de-rating continued to 2,7% currently.

If the same relationship is applied to the PIC it is evident that, given the poor 2018 financial results, the market capitalisation of the PIC would be around 1,2% of the PIC's AUM. It means that if the PIC was listed it could attain a market capitalisation of R25bn, given the PIC's AUM of R2,083 trillion at the end of the 2018 financial year.

The Price-to-Net-Asset-Value (PNAV) is another metric used to value listed companies. From my calculations it is evident that Coronation's market rating as calculated by the Coronation's PNAV followed the trend of Coronation's ROCE since 2010 and normally should also serve as an indication as to what PNAV PIC would be given the PIC's ROCE. Based on 2018's numbers a PNAV of 5 translates to a market capitalisation of around R13bn.

If listed, it could well happen that the PIC may trade at premium ratings compared to other listed asset managers, due to its unique characteristics.

As a company, PIC is in a growth phase relative to other big market players in South Africa.



Supplied

The PIC's AUM grew by more than 8% per year since 2013, while the growth in Coronation's AUM stagnated since 2015.

Although the aim of the PIC and, therefore, the GEPF, is to increase the number of external black fund managers, the overall plan is to reduce the funds managed by external managers.

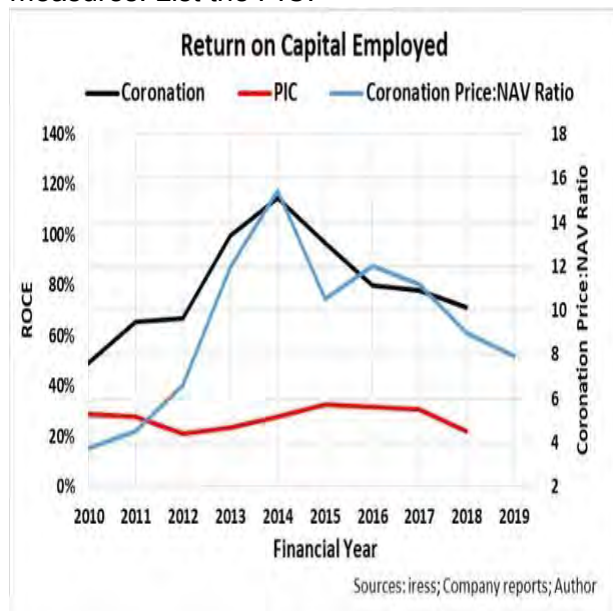
It is therefore plausible that the PIC's ROCE will return to the 31 % to 33 % range sooner than later, specifically with the impairments in

2018 out of the system soon and keeping employment costs in check.

There is a more than even chance that the PIC, on listing, may find itself trading on an equal rating as Coronation's current market capitalisation of 2,7 % of AUM. The PIC may trade at a market capitalisation of R56bn or more. Such market capitalisation will equate to a PNAV of 18 times - Coronation at its heyday reached similar heights.

What is important though is that the PIC must sweat all its resources. Perhaps the PIC inquiry was the best thing to happen with the company. Those in power should just bear in mind that governance is not all - it is about the company and its finances as well, and more importantly, sustainable growth in earnings. There is no reason why the PIC cannot take on other asset managers to grow its bottom line.

Desperate times require desperate measures. List the PIC.



Supplied

Ryk de Klerk is an analyst-at-large.
Contact: rdek@jafrica.com.

Comment

Many words saying lots of things requiring focused attention the first time to understand, but actually quite clear. This is a superficial comparison between the Coronation fund and the PIC if they both were listed on the JSE. He makes a good case for listing the PIC.

The statement "Although the aim of the PIC and, therefore, the GEPF, is to increase the number of external black fund managers, ..."

needs some serious thought. Where did Ryk de Klerk get this information?

Synopsis

BUSINESS MAVERICK

State worker pension fund could take a R12bn hit from Steinhoff share collapse

By Ray Mahlaka 15 August 2019

The loss could have been minimised if the PIC hadn't sold its derivative insurance structure protecting it against a collapse in the value of Steinhoff shares. The structure was linked to a R9,35bn loan to Lancaster Group, a BEE investment vehicle, to buy Steinhoff shares.

By the end of its 2019 financial year, the GEPF would have been hit with impairments of nearly R12-billion for its exposure to troubled retailer Steinhoff. The GEPF has already written-off R4,27-billion for its 2018 financial year due to the collapse in Steinhoff's share price; the GEPF might take another Steinhoff hit of about R7,3-billion during its 2019 financial year. This brings the cumulative losses since 2018 for the GEPF to about R11,57-billion.

The PIC lent the R9,35-billion to a Lancaster vehicle, called Lancaster 101, in September 2016 to buy 2,75% of Steinhoff's ordinary shares. The Lancaster Group is owned by Jayendra Naidoo.

Benefits to PIC

Testifying at the PIC inquiry Naidoo said in exchange for the loan, the PIC took a 50% shareholding in Lancaster 101 while the remaining 50% would be equally held by Naidoo's Lancaster Group and the Group's community development trust.

The PIC, through its investment in Lancaster 101, would increase its shareholding in Steinhoff to a point where it could influence Steinhoff's strategic direction and have a say in corporate governance issues. To do this, the PIC had a board representative at the retailer. And Naidoo became a Steinhoff director to act as "a point of interest to the PIC".

Matjila confirmed that the Lancaster 101 loan would be impaired/written-off by R11,6-billion,

which includes the original loan of R9,35-billion plus interest as at March 2019.

There could still be value left in the PIC loan as Steinhoff shares have not lost all their value.

Relinquishing PIC protection from Steinhoff

Naidoo conceded that losses to GEPPF's loan linked to Steinhoff could have been minimised if a derivative insurance structure, protecting the PIC against a collapse in the value of the retailer's shares, had not been removed.

This derivative insurance structure was removed when Lancaster Group acquired shares in Steinhoff Africa Retail (Star) when it listed on the JSE in September 2017. The derivative insurance structure was sold to Citibank for a R6,3-billion loan for Lancaster to buy Star shares, according to Matjila. And the PIC participated in negotiations and agreed to sell its protective structure to help Lancaster raise funding from Citibank.

Naidoo said it made "perfect sense" to relinquish the PIC's derivative structure protection at the time. "The PIC didn't have to spend any money to get exposure to true assets such as Steinhoff and Star. If all things were equal, every model that was done showed how beneficial this [selling the protection structure] would be because the cost of the [loan] funding was trading lower in commercial terms," he said.

However, in hindsight and after the fraud at Steinhoff was unveiled, Naidoo admitted that the PIC made a huge sacrifice. "If we had an ability to see into the fraud, we would have valued the protection more highly and the PIC would regard it more highly." **BM**

Comment

This provides more information about some of the losses to our Fund. It also shows how good investment sense can be proved wrong by later happenings, in this case outside the PIC's control, but not, however, its due diligence about Steinhoff.

Synopsis

PIC's problems are not just due to individuals

Former PIC CEO and CIO Dan Matjila has admitted that senior politicians and other influential people have tried (and seemingly succeeded) to direct PIC investments towards advancing their self-interests, underlying the problem of corruption at the PIC. While there is truth to the reporting that corruption at the PIC was facilitated by individuals, it has not happened in a vacuum.

In fact, as *Alternative Information and Development Centre* (AIDC) Economic Justice Programme Manager Dominic Brown shows, the corruption at the PIC must be understood within the context of an accumulation regime concerned with building a black capitalist class. Key methods used to achieve this include traditional cronyism and the PIC purchasing unlisted shares to facilitate "transformation".

At the core of this is the reality that the "black" capitalist class had no capital to speak of when the ANC came to power and as a result the state, and by extension the PIC, became vehicles for building this class. What this means is that greater structural transformation is required in order to mitigate against similar corrupt practices in the future.

The scrutiny that the PIC is under allows us to begin the process of rebuilding the asset manager. An upcoming publication by the AIDC will show how any change in the PIC will require:

- Shifting the Pension Fund back from Fully Funded to Pay-as-you go (PAYG)
- Changing its mandate to include the explicit funding of long-term public investments
- Greater transparency in how the PIC is managed and the conditions of all investments.

Rekang Jankie <https://wp.me/p7Lq7F-2Yw>

Comment

Interesting how the advantaging of black enterprise is bubbling up again.

South Africa's GEPF ready to take a leap offshore

By Xolisa Phillip 25 July 2019
The Africa Report

The GEPF, which was stung by Steinhoff's share price collapse, and the PIC both the subject of an ongoing judicial inquiry, wants to spread investment wings.

The GEPF's chief executive, Abel Sithole, outlined the strategy to the commission of judicial inquiry in mid-July. By increasing investments outside South Africa, it would aim to reduce the risk of overexposure to locally traded companies, while a stronger commitment to unlisted companies could help new industries and black-owned businesses, he said.

Should the Fund follow through the JSE will feel the blow. Through the PIC, the GEPF's vast multibillion-dollar investment has been the mainstay on the bourse, with a diversified equities portfolio. Currently, the PIC's offshore portfolio makes up less than 7% of its investments and includes global listed equities and global bonds.

Investments into the rest of Africa make up 0,24% of the PIC's portfolio and are listed as a subcategory of offshore investments. The most notable investments into the rest of the continent include \$350m invested in Dangote Cement and R1,1bn in Vodacom Tanzania.

Its domestic unlisted portfolio constitutes less than 10% of its investments.

Mixed messages

Adamus Stemmet, the spokesperson for the AMAGP, says the association agrees with the rationale to expand the GEPF's offshore portfolio but is getting mixed messages and signals from the GEPF. "More should be invested overseas. At present, we are only given a 7% allowance for offshore investments. We think that is discrimination. We are pressing Abel Sithole and the GEPF to get the allowance increased, but the [finance] minister must approve it [first]," notes Stemmet.

It does not matter where the investment occurs as long as it is done in the interests of the fund, according to the Association.

Crucially, the investment should benefit members, and must not be used to bail out state-owned enterprises, such as Eskom or the SABC. "Our attitude is that the members of the fund are its owners, not the government or the board of trustees of the GEPF," says Stemmet.

Comment

The political meddling at the PIC won't stop if investment goes out of SA, just the names change to those outside the country. At the same time withdrawing from the JSE won't happen as the doomsayers predict; the focus of investments will change. This will take place over time; implementing such large sums isn't as easy as it looks. Need SARS to approve the movement too.

Opsomming

VOORGESKREWE BATES

Laat pensioenfondse self besluit hoe om jou geld te belê

Die idee dat die regering aan pensioenfondse sou kon voorskryf hoe hulle hul lede se geld belê, is 'n gevaarlike een, waarsku Hugo Pienaar.

23 Augustus 2019

[Nuus & Politiek](#)

Hugo Pienaar



123rf/Douw de Jager

Drie dekades nadat die apartheidsregering dié beleid in 1989 finaal afgeskaf het, woed 'n hewige debat oor die moontlike herinstelling van voorgeskrewe bates in Suid-Afrika.

Daar is in die eerste 25 jaar van demokrasie dan en wan geluide hieroor gemaak, maar dit het nooit verder as geraas gevorder nie. Die ANC is die hoofargitek van die jongste salvo in die debat.

Die moontlikheid van voorgeskrewe bates het in Januarie vanjaar opnuut aandag getrek met die bekendstelling van die ANC se 2019-verkiesingsmanifes. Vandeesweek het die debat verder in felheid toegeneem.

Enoch Godongwana, hoof van die ANC se transformasiekomitee, het in reaksie op (waarskynlik oordrewe en vroegtydige) vrese dat Suid-Afrika binnekort bakhand na die IMF vir 'n noodlening sal moet gaan, gesê dit sal nie nodig wees nie.

Hy meen Suid-Afrika het voldoende binnelandse finansiering beskikbaar om die reuse-skuldvas van die openbare sektor, insluitend Eskom, te delg. Godongwana het spesifiek verwys na die bates van R6 triljoen onder beheer van pensioenfondse en lewensversekeraars.

Sowat 'n derde van die bedrag is in die hande van die Openbare Beleggingskorporasie.

Wat is voorgeskrewe bates?

'n Beleid van voorgeskrewe bates verplig instellings deur wetgewing om 'n sekere deel van hul beskikbare kapitaal in spesifiek geormerkte bateklasse (soos staatseffekte) en/of sekere projekte te belê.

Suid-Afrika het 'n lang en onsmaklike geskiedenis met voorgeskrewe bates.

Die Pensioenfondswet van 1956 het bepaal dat minstens 40% van 'n geregistreerde fonds se bates in kontant, staatseffekte of semi-staatseffekte moes wees. Dié vereistes is oor die jare aangepas. Teen 1989, toe voorgeskrewe bates afgeskaf is, moes 53% van pensioenfondse se boekwaarde in kontant of openbare skuld (staatseffekte) belê wees.

Twee aspekte van die 1956-wet is van spesifieke belang vir die debat. Die feit dat 'n fonds kon besluit om die 40%-verpligting in kontant te hou, maak dit duidelik dat die apartheidsregering se aanvanklike doel met voorgeskrewe bates nie was om finansiering vir die openbare sektor te bekom nie.

Indien dit die geval was, sou die verpligting bloot op staatseffekte van toepassing gewees het. Verder vereis artikel 19(e) van die Wet dat fondse slegs in die skuld van semi-

staatinstellings belê kon word indien die instellings gesonde finansiële bestuur toepas. Die bedoeling was dus ook om spekulatiewe en hoërisiko-beleggings met die publiek se aftrekgeld te verhoed.

In 1987 is 'n kommissie onder voorsitterskap van dr. A.S. Jacobs aangestel om ondersoek in te stel na die funksionering van Suid-Afrika se effektemark. Die kommissie moes onder meer 'n aanbeveling doen oor die voortsetting van voorgeskrewe bates.

In die kommissieverlag word beklemtoon die aanvanklike bedoeling met voorgeskrewe bates was om as beskerming vir polishouers en lede van pensioenfondse te dien, asook om die solvensie van lewensversekeraars en pensioenfondse te verseker.

Albei instellings het langtermynlaste, byvoorbeeld 'n lewenspolis wat oor 30 jaar strek. Die voorgeskrewebate-wetgewing het ten doel gehad om 'n langtermyn stabiele, rentedraende opbrengs vir die fondse te verseker en sodoende die fonds/polishouer teen die wisselvalligheid van aandelemarkte te verskans.

Later het dit wel 'n gewaarborgde bron van openbaresektor finansiering geword. Maar die aanvanklike "suiwer" rede vir voorgeskrewe bates in die 1950's is baie anders as wat die ANC nou in die vooruitsig stel.

Een van die vernaamste aanbevelings van die Jacobs-kommissie was dat die totale afskaffing van voorgeskrewe bates noodsaaklik was. Die kommissie het onder meer verwys na vorige kommissies oor die onderwerp wat tot dieselfde gevolgtrekking gekom het.

Verpligte geld vir Eskom is onwys

Van die redes wat die Jacobs-kommissie voorgehou het vir die totale afskaffing van voorgeskrewe bates sluit in:

- Die wetgewing het die ontwikkeling van 'n aktiewe effektemark belemmer aangesien dit tot laer verhandelingsvlakke gelei het. Beleggers het bloot die effekte tot die vervaltyd gehou en baie min koop- of verkooptransaksies uitgevoer.
- Die afskaffing sou dit vir portefeuljbestuurders moontlik maak om 'n effektepoteulje te bestuur op grond van die risiko van die belegging, die

verwagte opbrengs, die looptyd van die effek, en die groter moontlikheid vir verhandeling. Dit alles sou tot voordeel van die polishouer en pensioenfondslid wees. Voorgeskrewe bates was in wese 'n verskuilde belasting op die fonds, polishouer en pensioenfondslid.

- Dit het rentekoerse en die rentekoerskurwe verwing omdat langtermyn-koerse kunsmatig laag gehou is. Op sy beurt het dit die doeltreffende toekenning van kapitaal tussen verskillende sektore van die ekonomie versteur.
- Die tekort aan marklikiditeit het die Reserwebank se opemark aktiwiteit belemmer (die sein wat die Reserwebank stuur of monetêre beleid meer of minder akkommoderend is).

'Ironies genoeg het selfs Eskom se pensioenfonds in Maart te kenne gegee dat hulle nie te vinde vir voorgeskrewe bates is nie.'

Dit sal veral die geval wees indien instellings, insluitend die OBK, verplig sou wees om die skuld (effekte) van bankrot semi-staatsinstellings soos Eskom en die SAA te koop.

Die rol van die OBK is belangrik. Sou die OBK se eie oordeel om in bates van hul keuse te belê verwyder word en die voorgeskrewe bates oor tyd onderpresteer, kan dit tot fondstekorte lei.

Belastingbetalers sal dan in alle waarskynlikheid moet opdok om die tekort te finansier. Juis om dié rede het sekere vakbondleiers reeds hul misnoeë oor die moontlikheid van voorgeskrewe bates te kenne gegee.

Finansiering vir infrastruktuur

Private pensioenfondse was in die verlede nie sku om by te dra tot die finansiering van infrastruktuur- en ander staatsprojekte nie. Data van die nasionale tesourie wys dat bykans 90% van alle Suid-Afrikaanse staatseffekte (in rand) in 2006 deur 'n kombinasie van Suid-Afrikaanse banke, versekeraars, pensioenfondse en ander finansiële instellings besit is. In Julie 2019 was die gesamentlike besit van staatseffekte deur die plaaslike finansiële sektor rondom 62%, 'n wesenlike daling.

Bygesê, die aandeel van buitelanders in die besit van plaaslike staatseffekte het sedert 2006 dramaties toegeneem (van rofweg 9% tot 38%). Dus, die probleem is nie soseer 'n onwilligheid van die plaaslike finansiële sektor om finansiering beskikbaar te stel nie. Dit is veel eerder 'n tekort aan projekte met die vooruitsig om 'n mededingende opbrengs te lewer.

Die verbruiker gaan reeds gebuk onder 'n hoë en stygende belastinglas. 'n Beleidsbepaling wat lei tot opbrengste benede markprestasie is gelykstaande aan 'n belasting op die voorgeskrewe beleggings.

* Voorgeskrewe bates vir banke en bouverenigings is in 1985 afgeskaf.

* Hugo Pienaar is hoofekonoom van die Buro vir Ekonomiese Onderzoek aan die Universiteit Stellenbosch. Die rubriek is sy eie mening.

Kommentaar

'n Nugtere siening van die ANC se beleid oor voorgeskrewe bates. Baie duidelik gestel in keurige Afrikaans.

Die pensioenfondse is in die gedrang, wanneer gaan die regering die visier verskuif na die fondse opgesluit in ons lewensversekering?

Opsommend

LESERSBRIEF

Pensioenfondse wag om besteel te word

Die regering wil sy strooptog uitbrei deur verpligte beleggings in staatsinstellings.

Vrye Weekblad 5 Julie 2019

[Menings & Debat](#)



123rf/ Instinia

DIE pensioenfondsbedryf is R4 triljoen sterk. 'n Pot goud wat wag om besteel te word. Hiervan is 50% staatsamptenare se

pensioenfondse wat reeds deur die regering gestroop word om sy bankrot instellings soos Eskom, Denel en ander staande te hou. Hulle het nóg geld dringend nodig.

Nou wil die regering sy strooptog uitbrei na alle pensioenfondse deur hulle met wetgewing te verplig om in staatsinstellings te belê. Ons weet dat dit tog daar net sal verdwyn in die sakke van 'n paar indiviue wat in elk geval nooit voor die hof sal beland nie.

Iets soortgelyks is gedurende die 1970's en 1980's toegepas. Die uitwerking wat dit op pensioenfondse en die ekonomie gehad het, het die regering in 1989 verplig om die stelsel te staak. Leer ons huidige regering dan nie uit die foute van hul voorgangers nie?

Oor die jare het ons by die Vereniging vir Monitoring en Voorspraak van Regeringspensioene (AMAGP) 'n veldtog gevoer om lede van pensioenfondse te oortuig om nie hul aktuariële belang uit die fondse te onttrek nie omdat dit nóg tot hul eie voordeel nóg tot die van hul pensioenfondse is. Danksy die regering glo hulle ons nou nie meer nie. Hul geld is in gevaar en natuurlik sal hulle onttrek en hardloop. Die regering is dus besig om alle pensioenfondse, en nie net dié van staatsamptenare nie, te sink.

Later vanjaar gaan ongeveer 30 000 amptenare aftree ingevolge die program om die staatsdiens te verklein. Ons vrees is dat hulle hul geld uit die staatspensioenfondse gaan onttrek.

Adamus P Stemmet, AMAGP

Kommentaar

Tot hulle en die Fonds se nadeel. Hoe kan dit voorkom word?

Synopsis

What next for the PIC?

[After two extensions, a burgeoning number of deals under examination and a growing team of forensic investigators, the Mpati commission into the PIC has completed its public hearings. Now the hard work begins.](#)

22 August 2019 Warren Thompson
Fin Mail



Former PIC CEO Dan Matjila at the PIC judicial commission of inquiry in Pretoria. Picture: Freddy Mavunda

When the President announced a commission of inquiry to probe the affairs and functioning of the PIC, it was expected to wrap up and submit its final report by mid-April. Instead, it snowballed. Two extensions later, the inquiry only last week completed its hearings, following gruelling testimony from former CEO Dan Matjila.

The hearings into the PIC were mostly conducted much like those in a court of law. But with one caveat: there was hardly any of the argumentative cross-examination. This has prevented a forensic examination of the thinking and motives behind the questionable decisions of the likes of Matjila, suspended CFO Matshepo More and other senior executives at the organisation.

Under its terms of reference, the commission was tasked with looking into allegations of impropriety at the state-owned asset manager. At the time, just a handful of deals had been brought to the attention of the public through media reports. By the end of July, these had burgeoned into almost 40, by one count, and Mpati hinted there could be even more that require close inspection.

This stretched the modestly resourced forensic team to the maximum: the *FM* observed how additional forensic specialists were brought in as time wore on. Still, it will require a mammoth effort to complete all investigations by the time the final report is due in late October.

Mpati did leave the door open for "further limited public hearings" as required, but the bulk of the remaining 2½ months will be set

aside to "review, assess, make findings, propose recommendations and prepare our final report", he said.

Strictures aside, observers seem largely satisfied with the way in which the commission has been run.

"We were very impressed and think the commission has done extremely well, especially considering it had only four forensic investigators," Albert van Driel, deputy chair of the AMAGP, tells the *FM*. "We were glad to see the deadline extended and we expect very good recommendations to be made to the president."

Allan Greenblo, the editor of *Today's Trustee*, a publication for principal officers of retirement funds, shares Van Driel's sentiments.

The PIC should not be the biggest investment manager of GEPF funds, as the evidence before the Mpati commission has shown

"To me, the big value has been to shine the light on the whole of the PIC's operations," says Greenblo. "Until recently we were unable to get any information on the unlisted investments of the Isibaya Fund. And that's the main thing when people are looking after pensioners' money — they need to be scrutinised."

Van Driel says the funding to Isibaya increased 300% since 2016 and now stands at R140bn. But some of the investments — such as S&S Refinery in Mozambique, which was introduced by former finance minister Nhlanhla Nene's son, Siyabonga — have been complete disasters.

"That has been one of the stumbling blocks right from the start," says Van Driel. "The PIC is a state-owned entity, and it wants to please the government and make a contribution to socioeconomic development, but the portfolios established for these purposes [such as Isibaya] have been problematic."

He adds that these portfolios were seemingly used as a cover for corrupt deals, with the PIC not considering the real interests of the pensioners whose funds it was investing.

AMAGP believes there have already been positive developments for governance at the

asset manager, with the appointment of a new board and the naming of Reuel Khoza as the first nonpolitical chair of the company in nearly two decades.

But the choice probably rankled among some in Ramaphosa's power base. Cosatu had lobbied to retain the practice of appointing the deputy finance minister to the position, as proposed in the PIC Amendment Bill that sits unsigned on the president's desk.

Matthew Parks, the parliamentary co-ordinator for Cosatu, says the appointment of the deputy finance minister as chair was never a matter of life and death.

"We wanted union representation on the board, as it is workers' money at the end of the day, and they need to know it is safe and they should have a voice in how it is invested. There are now four directors representing workers on the board of the PIC."

Parks agrees that the commission has added value. But he thinks this should be just the beginning of a complete forensic review conducted by an agency with sufficient time and resources. "The commission has done good work exposing the governance gaps and shenanigans and looting. We think we have heard just the tip of the iceberg," he says.

"We want someone like the Special Investigating Unit to go through all the investments with a fine-tooth comb, because we think they could find even more corruption."

For Greenblo, the hope is that the Commission will lead to more voluntary transparency. Though the GEPF identifies the asset managers it uses, the PIC does not. He believes opening the books to scrutiny will allow for more transparent competition and will build trust — which is important, given that the GEPF provides 88% of the funds the PIC manages.

WHAT IT MEANS

There's a general sense that the PIC commission did a good job — but that this should be the start of a broader process of reform

Besides appointing a new board with a highly regarded chair and considering a range of sanctions for employees involved in the

Ayo transaction — a highly irregular process in which the value of the PIC's investment plummeted 80% — the PIC is considering other ways in which to address the nagging trust deficit. It has begun reviewing options to break itself up into a collection of more autonomously run specialist units, for example.

But this may not be enough. Van Driel, for example, believes there must be "much more drastic changes than just splitting the PIC up into three or more divisions".

He says: "The PIC should not be the biggest investment manager of GEPF funds, as the evidence before the Mpati commission has shown. It is not competent to handle all the money. The new mandate must ensure healthy competition between external investment managers to decrease risks."

Greenblo, too, believes this is the right thing to do — and he says the PIC already has the necessary tools. "The PIC already allocates parts of its portfolio to the private sector, including to BEE asset managers, so why not increase that allocation and then compare them to see who is doing the best for its clients?"

But first it will need to evaluate the commission's recommendations — which should be made public by the president and which will be eagerly awaited.

Still in the dark

Despite the best efforts of the Commission probing the PIC, some central questions remain unanswered:

How was BEE defined?

The PIC doled out deals to the same "repeat customers" on such favourable terms that it appeared to be supporting nothing more than elite fronting. The businessmen seemed to have little expertise or experience in the industries in which they were investing funds borrowed from the PIC, they put no money down themselves, and they earned enormous transaction fees in the process. Is this what state-funded BEE is supposed to look like?

Why were the beneficiaries of PIC funding seemingly earning fees on their own deals?

When, for example, the PIC invested in Ayo Technology Solutions, whose largest shareholder was Iqbal Survé's African Equity Empowerment Investments (AEEI), an AEEI subsidiary called AEEI Corporate Finance earned R57,7m in "placement fees".

And why were these fees so large?

The quantum of the transaction fees paid by the PIC appear to have been particularly egregious. Take, for example, the Total SA (Tosaco) deal: in funding a R1,7bn transaction, the PIC agreed to pay fees of R100m.

Just how deep were the ruling party's tentacles in the PIC? How many deals were facilitated for politicians and those connected to senior figures in the ANC?

Former CEO Dan Matjila told the commission that one of the most difficult and stressful aspects of his job was trying to juggle the expectations of — and, perhaps, instructions from — his political masters in funding decisions.

But despite multiple references to the involvement of politically connected individuals, Matjila was never asked directly how many deals the PIC had funded, or had been asked to fund, for politically exposed persons.

It means, as Cosatu parliamentary co-ordinator Matthew Parks points out, that the commission may have only scraped the tip of the iceberg.

Comment

The ambit of the evidence keeps changing as more is revealed; as soon as the Commission nailed it down another smell escapes, needing to be followed to see what was cooked in the pot; actually what kind of pot, what kind of stove, the cooks, etc. Although the Commission is readying the report, which will probably take a while to filter out of the President's hands, it might just lead to more Commissions.

The Commission deftly maneuvered around names, keeping it for another Commission or the NPA?

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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