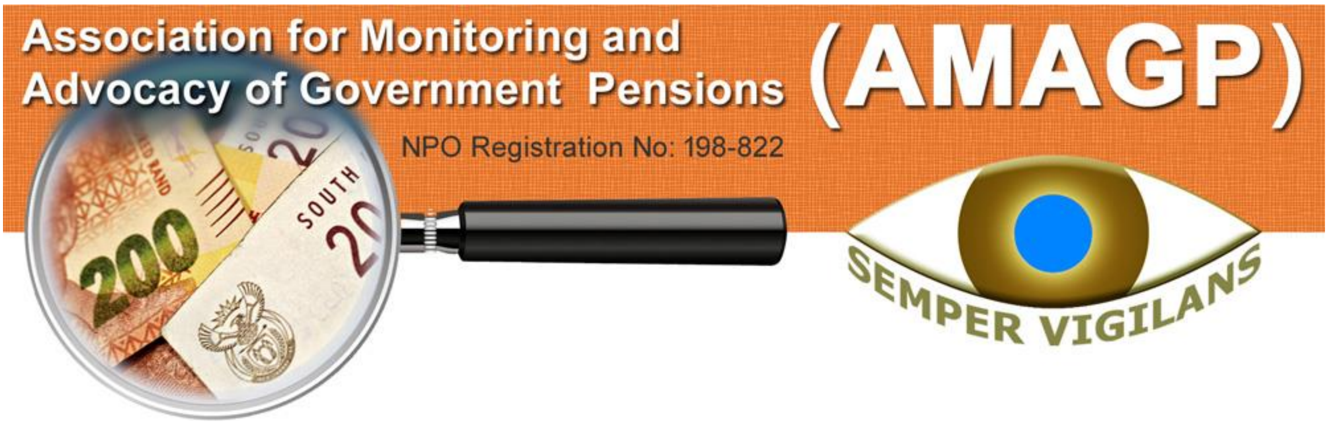

The Association for Monitoring and Advocacy of Government Pensions: An independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

GEPF Watchdog - Waghond

GEPF your investment, your future

NEWSLETTER NO 10 of 2020

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

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1,2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1,8 trillion. https://www.GEPF.gov.za/

The Editor's Word

Dear readers, some serious words for your eyes. We don't really, actually, realise, the very real threat of losing all our pension money to pay for all the government losses since 1994. It isn't just the GEPF, all the other pension funds face the same threat. In addition to the existing Eskom and other threats from SOE, the newest threat is the Minister of Higher Education, who seems to want to use our Fund for student loans, of which the non-payment runs into billions. Lucky for him his pension isn't involved…

You might remember the matter of Centre Point in Milnerton reported in the newsletter about two years ago? The vacant lot, to be developed by GEPF real estate sometime? Part of the GEPF property portfolio standing empty for years with no activity and even less income? First raised by Wilma Coetzee in the Tygerburger. AMAGP took appropriate steps and suddenly there was life! Adamus Stemmet sent this photo of what it looks like today!

Impressive what a few good [AMAGP] men and women can achieve!

Please see the personal message from Albert van Driel about funds needed for possible litigation. And then an AMAGP press release about the VF+'s press release in the previous newsletter, about the threat to pension funds.

The head of Eskom's pension fund has some views about the future of pension funds, similar to AMAGP, but with reservations. Please read about what she thinks of the threat to pensions.

Edcon's demise. Ja, well, another good company gone. The UIF may lose billions in the closing down process, as its money was part of the recapitalisation last year. It is prudent for our Fund not to participate in bail-outs or recapitalisation without iron clad cast in concrete guarantees our capital being safe.

There are have four articles about the VBS scam. A report from Scorpio of the Daily Maverick casts more light on the flow of money from VBS to EFF beneficiaries, with detail from phone messages. It also explains the EFF successes in elections with all that money available. There are three more reports providing more detail of the crime and discussing the status of the first 8 accused to be prosecuted. However, there are many more guilty ones in the municipalities involved, who must also be brought to justice. Recovering the money? It seems to be a lower priority, probably to be pursued after/while the court case. Won't be quick either.

The PSA sent a letter to the GEPF, stating in no uncertain terms that legal action will follow if GEPF funds are used to bail out Eskom. You would probably have received the letter too if you are a PSA member. Refreshing support!

The construction company Group Five is in the process of liquidation. Our Fund has a substantial shareholding in Group Five. Read the article below for more information about the future of Group Five.

The Cabinet has approved a single national petroleum company to replace the present three. At the same time the President has instituted a Presidential SOE Council, adding another superfluous sinecure layer to the many existing SOE. A superfluous body to control what shouldn't exist.

The Institute of Race Relations sees the use of pension funds as "another way for the ANC to oil the gears of its spluttering and parasitic patronage machine of ANC state capture". Followed by the ANC stating in parliament to use pensions to fund Eskom. Eish!

Lastly, some detail of the New! SAA 2.0! was revealed by the business rescuers and leadership compact [unions, government, Gordhan, stakeholders], not really saying much we don't know or suspect. The over staffed SAA problem is still to be solved.

Tweet from Magnus Heystek:
"The raging debate about prescribed assets for the billions in the country's pension pot appears much like an arranged marriage. Everyone has something to say except the people who will be most affected: the members and pensioners. Totally voiceless." @MagnusHeystek

Remember I said more information from the GEPF AR? The table below shows the Fund's money market funds. [money market = money in the bank on short term deposit but available almost immediately]

Description	**Fair Value 2019 R'000**
Certificate of deposits	**452 500**
Development Bank of SA Ltd	452 500
Fixed deposits	**35 610 127**
Nedbank Ltd	8 101 311
ABSA Group Ltd	7 504 055
FirstRand Ltd	7 158 660
Investec Bank Ltd	6 537 322
Standard Bank Group Ltd	6 293 642
Land and Agricultural Development Bank of SA	15 137
Promissory notes	**6 260 741**
Land and Agricultural Development Bank of SA	6 191 050
South African National Road Agency Ltd	69 691
Total money market instruments	**42 323 368**

Of course, the Land Bank is in default so we can just ignore both the Land Bank amounts for now. You see why we must be interested in so many different areas of our economy? Our Fund's funds are all over it. More to follow later.

"Trevor Manuel, gesant van die Afrika-Unie, sê SA sal nie deel uitmaak van 'n kollektiewe bespreking oor die kansellasie of opskorting van Afrikalande se skuld nie "omdat dit grootste deel van SA se skuld deur pensioenfondse gehou word". - Times Live"

Realise that the SOE is about control of the economy, not growing the economy. According to the Sunday Times there are 740 SOE! Ag nee, rêrig!

NEWS NUUS NEWS

ADVOCACY FOR GOVERNMENT PENSIONS

By: Albert Van Driel
Short URL: https://www.backabuddy.co.za/government-pensions

Personal message
To campaign against abusive politicians, supported by Cosatu (largest trade union) and other proxies, who misuse the GEPF, a leading independent pension fund that manages pensions and related benefits on behalf of government employees, pensioners and beneficiaries in South Africa.

The abuse involves unlawfully bailing out bankrupt SOE (Eskom, SAA to name a few) to service the latter's debts. It is particularly important to note that the GEPF is not a government institution, but a separate juristic entity. It was established in May 1996 when the Government Employees Pension Law came into force (Proclamation/Act No.21 of 1996)

The systematic raiding of the fund and misappropriation of funds utilising loss-making investments in shady companies has now been carrying on for years, and if we do not stop the government soon as a matter of urgency, the fund will no longer be able to support its beneficiaries, current and future.

The expected impact of the campaign is to PREVENT the ruthless politicians abusing hard-earned private pension money to fund poorly managed SOE of which the most prominent is Eskom. Many more SOE could be listed.

The AMAGP, in partnership with other supporting organisations and trade unions, ie Fedusa and Public Service Association (PSA), will use these funds to proceed with litigation to prevent the SA Government illegally using private pension funds for debt-relief of neglected SOE. A positive outcome will benefit approximately 450 000 pensioners, including beneficiaries, and current 1,3 million contributing members to the GEPF.

Comment
This personal message is to explain the drive to build a war chest for litigation when, not if, the need arises.

Kommentaar deur die Vereniging vir die Monitering en Bevordering van die Staatsdienspensioenfonds (AMAGP)

Die persvrystelling deur die Vryheidsfront+ word verwelkom. AMAGP lewer graag soos volg kommentaar daarop:

1) Die verklaring word verwelkom en sal hopelik deur ander politieke partye, vakbonde en personeelverenigings gesteun word.

2) AMAGP is van oordeel dat die Openbare Beleggingskorporasie (OBK) geen magtiging het om die betrokke nuttelose aandele in Eskom te bekom nie. Die OBK is veronderstel om beleggings tot voordeel van die Staatsdiens Werknemerspensioenfonds (GEPF) te maak en nie om leeggesteelde en vrotbestuurde staatsondernemings te red nie. **Dit moet duidelik verstaan word dat die geld waaroor die voorstel gaan nie deur die OBK besit word nie. Ook nie aan die regering nie. Dit behoort aan die lede van die pensioenfonds wat met reg van die Raad van Trustees (RvT) van die GEPF verwag om hul belange en eiendomsreg te beskerm.**

3) In sy eerste verklaring het Dr Reuel Khoza, voorsitter van die tydelike OBK, gesê dat die voorlegging aan die Tesourie deur die OBK EN GEPF gedoen is. Die GEPF se ontkenning en die terugkrabbel deur Dr Khoza verdiep dus die onsekerheid en vrees dat hul pensioenfonds in gevaar is.

4) Die VF+ se waarskuwing oor moontlike regsoptrede word verwelkom. Verskeie instansies het al hieroor hul voornemens duidelik gemaak.

5) AMAGP het al verskeie kere gewaarsku dat die fondse wat aan GEPF behoort net aangewend mag word on voorsiening te maak on pensioen aan sy lede te verskaf. **Enige belegging van hierdie Fondse mag slegs gedoen word on die pensioenfonds in stand te hou en te versterk. Enige ander aanwending/belegging sal onwettig wees en lei tot hofsake met koste vir die belastingbetaler.**

6) Die OBK, GEPF, en politici word weereens ernstig gewaarsku teen enige verdere wanaanwending van die bates van die GEPF wat aan werkers en pensioenarisse behoort.

7) Cosatu word ernstig versoek om op te hou smous met geld van werkers en pensioenarisse en hom liewer by sy eie geld te bepaal. Terloops, waar is hul fondse belê? In staatsondernemings?

Adamus P Stemmet

Kommentaar
Ter bevestiging van die VF+ se verklaring in die vorige nuusbrief. Kyk ook die VSA se brief aan die Fonds verder hieronder.

Synopsis

Head of Eskom Pension Fund sees savings key to economic recovery - but there's a trust deficit

fin24
Lameez Omarjee

Linda Mateza, chief executive and principal officer of the Eskom Pension and Provident Fund.

Earlier this week, a draft document from the ANC's economic transformation committee made waves as it included a submission on an amendment of Regulation 28 of the Pension Funds Act.

Commenting on the draft document, Eskom Pension and Provident Fund (EPPF) CEO and Principal Officer, Linda Mateza, said the ANC may be mulling over the prescription of assets given that, apart from government pension funds or those of parastatals, the pension fund industry as a whole has not been investing nearly enough in development or impact investing - these are investments directed at environmental and socioeconomic upliftment.

'Trust deficit'

Mateza took the helm at the EPPF in September 2019. The fund has been intentional about investing millions in development in the country in areas such as education, housing as well as the first two rounds of the renewable energy programme.

But some funds might be deterred from investing in development projects because of government's poor track record, which has contributed to a "trust deficit", Mateza highlighted. For example, Gauteng Freeway Improvement Programme might have seen like a good investment at the time, but people are not paying the e-toll.

There are, however, successful infrastructure projects, Mateza said, referencing the example of early investors in the renewable energy.

'Stars must be aligned'

"It's almost like stars must be aligned for it to work successfully. The policy environment must be right. Investors must have protections … Of course, it must be underpinned by a solid investment case, otherwise it is just not worth exploring," Mateza said.

If pension funds are indeed going to be forced to invest in particular assets, it would be detrimental to them if poor quality projects are invested in, she explained. But it does not necessarily have to be a bad thing – asset prescriptions could also allow pension funds to diversify their portfolios, and not be heavily weighted in the stock market as it is now, she added. Asset prescription could also allow pension funds to consider new asset classes that they may not have invested in previously.

"There could be positive prescription if it is going to direct funds into much needed infrastructure," Mateza said. Currently water and sanitation infrastructure is sorely needed. If the prescription is a "nudge" then it could be positive, but "draconian" prescriptions would not be received well, she said.

Success stories

Mateza said that perhaps to drive investment in the economy it would help if the EPPF and the GEPF, who have experience in doing so, share their success stories, as well as the challenges they have experienced.

The objective of retirement and or pension funds is to allow people to live with dignity, and enjoy a good quality life once they stop working, Mateza explained.

Collaboration between different stakeholders, such as government, institutional investors and even individuals, will be key as we work towards economic recovery. For example, it would not help supermarket chains to "sit on a pile of cash" instead of investing in the economy, while people are unemployed and unable to buy goods from their stores.

"It is a circular thing. Investing in the economy will reap benefits because everyone's standard of living is uplifted," Mateza said.

Comment
*It is Mateza's opinion that "*pension fund industry as a whole has not been investing nearly enough in development or impact investing", whatever that means. *This makes her views somewhat ambiguous. It is quite true that investment in the economy is good, but it isn't when the investment is only in SOE and those "*environmental and socioeconomic upliftment" *projects that don't add value to the pension fund. The track record of SOE shows they don't really promote economic growth.*
Undoubtedly the GEPF can share success stories, but I suspect the horror stories of losses are much more.
I doubt if supermarket chains sit on "pile of cash" as the example she uses, in fact many supermarkets will probably close down owing to no cash as the people don't have any.

Synopsis

How much Edcon owes, and to whom - Banks, landlords, insurers (who are landlords) in the queue

Hilton Tarrant 11 Jun 2020
Moneyweb

Image: Supplied

The list of Edcon's secured creditors, published as part of the business rescue plan, reveals that a total of R3,7 billion is owed to more than 80 entities. The list of unsecured creditors is likely far larger.

The business rescue practitioners have announced that they are pursuing an accelerated sales process of parts of the Edcon group after no buyers nor any investors were found for the entire business.

Aside from the two operating divisions (Edgars and Jet), which are arguably less and more attractive respectively, the group's second-look credit book will no doubt find a buyer. The practitioners have noted there are 15 interested parties.

The UIF is owed more than R888mn

The single largest creditor is the UIF, represented by the PIC, owed R888,8 million, thanks to instruments that allow it a conditional claim under business rescue and/or liquidation. It invested a total of R1,2 billion into the group as part of a R2,7 billion recapitalisation in March last year.

Next-largest is the R834 million owed to various Apollo entities, while the third-biggest claim is from AlbaCore Capital (R496 million).

Other major landlords who are secured creditors include Pareto (R6,8 million), Liberty Group (R18,7 million) and Old Mutual (R11,7 million). This, along with the amounts owed to listed and unlisted property groups, comprises the unpaid rent accrued since Edcon filed for business rescue.

As at 30 April, assets totalling nearly R4,4 billion were held as security by the creditors. These include property, plant, equipment, trade receivables, amounts owed by related parties (mostly African operations), sundry receivables and prepayments as well as cash.

Under the business rescue plan, the secured creditors will receive all trading proceeds being generated from the sale of stock under the current business rescue process as well as the proceeds from the sale of Edcon's second-look credit book.

The business rescue practitioners make the point that without an accelerated sale of the business or parts thereof, a wind-down process is still preferable to liquidation.

Comment
Not so long ago Cosatu insisted that the PIC bail out Edcon to protect the workers. Fortunately, AMAGP objected that money belonging to the GEPF be used and instead the UIF was milked. Will Cosatu now make good the UIF's losses?
We have seen with the lockdown how quickly performing investments can change, of course, without informing us ahead of time. And by the time we realise it, it is often too late to disinvest without loss.
Keep in mind the Fund probably has investments in some of the creditor companies, we'll get to them later.

Synopsis

SCORPIO

The other side of the VBS puzzle – Matodzi's WhatsApps reveal purpose and payments to Malema and Shivambu's slush funds

Daily Maverick

By Pauli Van Wyk 7 June 2020

WhatsApp messages between former managers of VBS Mutual Bank suggest the directing hands behind the EFF-linked slush fund Sgameka Projects had a close relationship with the bank's former chairman and robber-in-chief, Tshifhiwa Matodzi. On at least seven occasions during 2017 Matodzi instructed millions in stolen VBS money to be paid to Sgameka Projects.

When knowledge of the VBS Mutual Bank robbery spilled into the public domain in October 2018, Brian Shivambu vehemently denied that he had received stolen funds from VBS Mutual Bank.

Advocate Terry Motau and law firm Werksmans, at the behest of the Reserve Bank, in their investigative report titled *The Great Bank Heist,* accused Shivambu of illegally receiving at least R16,1mn in stolen VBS money.

Shivambu's explanation for the illicit VBS millions traced to the company he claimed to own, Sgameka Projects, was that he worked as a consultant for VBS-linked company Vele Investments and that all the transactions were legitimately earned. Scorpio proved, however, that Sgameka Projects had no invoices to show for work done, paid no tax, no employees or any other operating costs and that stolen VBS money constituted the company's sole income.

In follow-up investigations, Scorpio revealed that EFF president Julius Malema and deputy president Floyd Shivambu were the actual beneficiaries of the account. In reaction, Malema claimed that no VBS money had flowed into the EFF's coffers and Shivambu accused this journalist of dubious agendas. They did not, however, challenge in court Scorpio's revelations about how they stole from the poor in their own communities.

Now a never before seen WhatsApp discussion between former VBS chair Tshifhiwa Matodzi and former VBS treasurer Phophi Mukhodobwane not only again disproves the entire version cooked up by the brothers Shivambu and Malema, but also suggests a close relationship between Matodzi and the EFF leaders.

Sgameka Projects offered no service

On 8 June 2017, Matodzi sent a WhatsApp to Mukhodobwane to transfer funds. Along with this message, Matodzi sent Sgameka Projects' bank account number. Later that day R5mn reflected in Sgameka Projects' bank account.

It was the very first money Sgameka Projects had ever received. The company conducted no work and provided no invoice to deserve the payment. The money also did not emanate from Vele Investments as Brian Shivambu claimed, but another VBS-linked company, used to fleece the bank, named Malibongwe Petroleum Pty Ltd.

Within hours R500 000 was sent to Malema's slush fund Mahuna Investments, ostensibly owned by his cousin Matsobane Phaleng. Five days later, Floyd Shivambu's slush fund Grand Azania (GA on the bank statements) received R400 000.

This theme where Matodzi instructed Mukhodobwane to transfer money to the "extremely strategic account" of Sgameka Projects without receiving any service in return was to be repeated six times up to December 2017. In total, Matodzi personally ordered R9,55-million to be moved to Sgameka Projects during this period. This forms part of the total of more than R20-million in VBS loot allocated to the EFF and its leaders, of which ultimately R18,76-million made its way to these role players.

Politically, the EFF aimed to dominate universities' SRC elections through "campaigning" in October 2017. An internet search shows that by 5 October 2017 the EFF Students Command (EFFSC) had hotly contested several SRC elections in Gauteng, Limpopo, Western Cape and KwaZulu-Natal. In the following days, after 5 October when Matodzi's R1,2-million gift dropped, the EFFSC took 12 out of 15 seats at the University of Witwatersrand.

Pay them lobbying fees

The last payment to Sgameka Projects ordered by Matodzi suggests there was a quid pro quo attached to the payments. Matodzi does not elaborate on what kind of service was delivered for Sgameka to earn "lobbying fees". The comment should, however, be read against the background of standard VBS procedure where politicians and fixers lobbied, co-erced and threatened municipalities and state-owned entities to invest in the bank.

DM

Comment

The detail presented by Scorpio seem very clear: Shivambu and Malema benefited directly from VBS funds. It follows they must have had some kind of knowledge of the source of the funds.

It would be nice if SARS investigated the tax owing by the Shivambu's consultancy and Sgameka Projects. Likewise Mahuna Investments and Grand Azania.

The money was spent like water to promote the EFF and enrich themselves.

Synopsis

Breaking: VBS gang finally goes down

Amabhungane

17 June 2020 Dewald van Rensburg

Eight prime suspects in the looting and collapse of VBS Mutual Bank have been arrested in a co-ordinated multi-province search and seizure operation by the Hawks and the National Prosecuting Authority (NPA).

This includes the bank's former chair, Tshifhiwa Matodzi, chief executive, Andile Ramavhunga, treasurer, Phophi Mukhodobwane, and chief financial officer, Philip Truter. Heavily compromised outsiders were also arrested. This includes two former representatives of the PIC to the VBS board, Paul Magula and Ernest Nesane.

Another board member is Phalaphala Avhashoni Ramikosi, the former chief financial officer of the South African Police Service, who was a nonexecutive member of the VBS board and served on the highly compromised audit committee as well as its risk and compliance committee.

Last but not least among the accused is Sipho Malaba, the disgraced audit partner from KPMG who signed off on the bank's fake financial statements.

Arrests have been repeatedly delayed by, among other things, the NPA wrangling with a potential state witness from the inner sanctum of the fraud: long-serving finance boss Truter. It now appears that the deal has collapsed entirely with Truter facing the same fate as his colleagues.

That fate is a minimum 15 years' mandatory sentence and maximum 30 years on a charge of racketeering, the crime of running or benefitting from a "criminal enterprise" over time. The racketeering charges could also be supplemented by other distinct commercial crimes like fraud and money laundering.

Recap

Despite public scrutiny and several distinct investigations both the full extent and the exact role of central and peripheral role-players remain remarkably opaque.

The men arrested today were the core of the alleged conspiracy even though dozens of others played roles allegedly from facilitating the bribery of municipal officials to forging documents. Some of them had already confessed aspects of these crimes to the investigative team working for the South African Reserve Bank under advocate Terry Motau in 2018. The Reserve Bank has made the information from Motau's investigation available to Hawks.

The single largest beneficiary was Vele Investments, VBS chair Matodzi's investment company. Vele used VBS money to rapidly acquire and run a number of very real companies. It even used VBS money to ostensibly buy shares in VBS.

At last count VBS was missing R2,3-billion. This is the difference between proven claims of R2,7-billion and existing assets of R400mn recorded in liquidator Anoosh Rooplal's most recent report, following a creditors' meeting last October in Limpopo.

That is not all theft. VBS also had what looks like extremely bad, but legal, loans on its books.

Although municipalities were by far the largest losers, small retail depositors were the ones queuing overnight at VBS branches hoping to recover their deposits after 11

March 2018, the day the bank was placed under curatorship.

The single largest creditor is the PIC, which is owed R413mn, thanks to capital it provided to VBS as an investor, as well as a R350-million fuel finance facility it gave VBS in 2015.

Who next?

A major problem with the investigation by Motau was that it was not always clear who got the money once it left the bank. It often went to presumably blameless recipients like car dealerships and estate agents for the cars and houses VBS bosses splurged on.

Reams of bank statements extracted from the ruins of VBS that have leaked or surfaced in court records show dozens of likely targets for prosecution in the near future. These range from the Venda king Toni Ramabulana Mphephu to the ANC's treasurer-general in Limpopo, Danny Msiza, who played a key role in getting municipal deposits to VBS. Other ANC figures are also implicated as recipients of "gratuitous" benefits.

Prosecutors will probably find very fertile hunting ground in the municipalities that shovelled money into VBS. Mukhodhobwane, the VBS treasurer, told investigators that bribes were paid to officials at every single municipality that put money in VBS.

Separate forensic reports have been commissioned at every one of these 20 municipalities and VBS insiders tasked with delivering bribes have given confidential evidence to Motau, perhaps the NPA or Hawks as well.

All the individuals arrested today have already been sequestrated and have lost their registration as financial service providers. Matodzi and Ramavhunga lost their chartered accountant designations, but real material consequences have been limited to the loss of a few assets.

Now the real accounting begins.

Comment
It is terrifying to realise that Vele is still one of the GEPF investment managers!

Our Fund also lost millions, of which not a word is heard.

Synopsis

The Citizen

Ex-VBS boss Robert Madzonga now a 'holy spirit-anointed' Divine Healing and Deliverance apostle

Citizen reporter

'Apostle' Robert Madzonga. Picture: Divine Healing and Deliverance Ministry/ Facebook

Former disgraced chief operating officer of VBS bank and group executive officer of Vele Investments, Robert Madzonga, has now reinvented himself as an "anointed, holy spirit-appointed" apostle who leads a Johannesburg-based church called Divine Healing and Deliverance Ministry (DHD). Madzonga resurfaced on Facebook on 2 June and started sharing videos of himself suited up and sharing the word of the Lord with his followers.

His sermons appear to have received a warm welcome from followers. Madzonga revealed he was "anointed" as a pastor in 2015 after the "spirit of the Lord" came upon him and proclaimed him one of the men chosen to lead God's people.

In August 2019, his estate, along with directors of the bank, were placed in final sequestration by the Gauteng High Court in an effort to recover more than R1,5 billion on behalf of the bank's creditors.

Investor Wilson Muvhulawa told the SABC the ruling would serve as a warning to other "looters".

He was quoted as saying: “What the law is now doing … it is not the end but that is the beginning because out of this few that they discovered that were responsible … of that there are also links with other people that we don’t know and we would also like them to come out … even the monies, where the money has ended up … and we want it to be investigated so that it can be trailed up to the last point, where the money has gone to.”

Comment
This is the man who went bankrupt after the VBS scandal but who allegedly created a trust before he was declared insolvent into which he pumped millions, hid money in other peoples' accounts and also bought property at Ballito.
On top of it, he was from Vele, which still operates as an Asset Manager for the PIC!

Synopsis

FROM BANK HEIST TO ARRESTS: A TIMELINE OF THE VBS SCANDAL

Almost R2 billion simply disappeared and many were left destitute, but how did it all fall apart? Here's a few key developments around the fall of the Venda Building Society Mutual Bank.

VBS Mutual Bank in Thohoyandou. Picture: Sethembiso Zulu/EWN

Gia Nicolaides & Nthakoana Ngatane & Sifiso Zulu

Eyewitness News

The words 'VBS scandal' have become as common in the South African political lexicon as state capture, thanks to the major corruption bust that stemmed from a small, relatively unknown bank a few years ago.

VBS Mutual Bank, a black owned financial institution, was established in 1982 by the then Venda homeland government and given the name the Venda Building Society (VBS).

VBS Comes to the Fore Through Jacob Zuma

VBS Mutual Bank went from a regional building loan bank to a nationally known institution overnight in 2016 when former President Zuma obtained a loan for R7 million to repay the money the Constitutional Court ruled he had to repay for upgrading his Nkandla homestead.

At the time, the bank website listed the PIC as the majority shareholder, while just over 25% of the company was owned by the Dyambeu Investments.

The Big Bust

The same year, reports about it being broke began to emerge when a number of the bank’s users claimed they hadn't been able to withdraw their savings. These customers stated they were told by VBS Bank that there was no money.

Fast forward a couple of years later and the scandal that broke headlines was uncovered. Billions had been siphoned out of the bank, effectively robbing scores of elderly, poor and hardworking South Africans.

More than 20 000 retail customers who had deposits of less than R100 000 had their claims honoured by the Reserve Bank.

Motau Report Cracks Open What Happened

An in-depth investigation into the plundering of VBS funds was jaw-dropping. Here are the people implicated and the amount they received:

- Vele and its associates, the majority shareholder in VBS R937mn
- VBS and Vele chairman Tshifhiwa Matodzi R325mn
- Free State Development Corporation R104mn
- Former Limpopo ANCYL leader and director: Moshate Investment Group Kabelo Matsepe R35mn

- Former KPMG partner Sipho Malaba R34mn
- VBS general head of treasury and capital management Phophi Mukhodobwane R30mn
- Attorney and Venda king's advisor Paul Makhavu R30mn
- Vele investments chief executive Robert Madzonga R30mn
- VBS chief executive Andile Ramavhunga R29mn
- VBS retail managing director Solly Maposa R24mn
- Gundo Wealth Solutions director and ANC connected Ralliom Razwinane R24mn
- Firmanox R17,748,384
- Venda king Toni Mphephu R18
- VBS/Vele spokesperson Ndivhuwo Khangale R17
- Businessman Sechaba Serote R17
- Former PIC head of legal Ernest Nesane R17mn
- Brian Shivambu, brother of the EFF's Floyd Shivambu R16mn
- Former PIC head of risk and compliance Paul Magula R15mn
- CA, Insure Group chief executive Charl Cilliers R13mn
- Tiisang Private Capital R12mn
- Vele Investments chairman, former MTN boss Maanda Manyatshe R11mn
- VBS sales general manager Sasa Nemabubuni R9mn
- Sabicorp R8mn
- VBS non-executive director & former SAPS CFO Avhashoni Ramikosi R6mn
- Brilliantel finance and admin manager Takalani Mmbi R4mn
- Matodzi personal assistant Phillip Tshililo R2mn

By the time VBS Bank collapsed, 15 of the 20 municipalities had collectively invested R1,5 billion - with little or no hope of getting it back.

Arrests - Finally

Four years after the first clues of trouble emerged and two years after it was confirmed that VBS Mutual Bank was involved in a huge corruption scandal, arrests were made. Hawks head Lt-Genl Lebeya said those who had been suspected of money laundering and fraud at VBS were expected to appear in court on Thursday. They will be charged with racketeering, theft, fraud, corruption and money laundering.

Comment
Reports of the bank going broke? With our representatives on the board of the bank? It is possible that more at the PIC must have known about this for the PIC representatives to have continued without serious investigation of the rumours.

Letter from the PSA to the CEO of the GEPF

The Acting Chief Executive Officer
Government Employees Pension Fund (GEPF)

8 June 2020

Dear Sir,

PIC PROPOSAL ON ESKOM BAILOUT

The Public Servants Association (PSA), representing more than 240 000 public servants have noted in a media statement on 28 May 2020, that the PIC has tabled a proposal to National Treasury on another "bail-out" for Eskom. It is common knowledge that the GEPF is the biggest client of the PIC.

Concerns on such a bail out was already raised previously by the PSA with the GEPF.

As the custodian of the funds in the GEPF, the PSA accept that the GEPF have executed its due diligence and have had sight of the proposal made by PIC to bail out Eskom, noting that the bulk of the funds being invested by the PIC is our members' pension monies.

The media statement has resulted in unrest amongst members, and the PSA who represents a substantial number of members are not aware of what the proposal contains. The PSA is also of the opinion that such a bail out to a struggling state-owned entity will have a detrimental impact on the GEPF and its members. If such a proposal made by the PIC is supported by the GEPF, it must be pointed out that it is regarded as an irrational and irresponsible gamble with government employees' pension money.

Continued investments into Eskom without following the agreed consultative process with relevant stakeholders raise serious concerns regarding the PIC's commitment to the agreed process. It also raises concern regarding the manner in which "social-responsibility" loans or grants are being administered by the PIC. The GEPF in its 2018/19 annual report even expressed concerns with the governance at the PIC.

The PSA warned both the PIC and the GEPF to exercise due diligence when dealing with public servants' pension investments. It is, however, clear that in the case of Eskom there is no investment case based on which to even consider such a bailout. Both the GEPF and the PIC are on record stating that these entities will not invest any money in struggling state-owned entities as there is no return on investment. The PSA cautions both the PIC and the GEPF that it needs to operate within the legislative framework when considering any investment.

The PSA needs to place on record that should the Board of GEPF and the PIC consider granting such a bailout, the PSA will not hesitate to institute legal action against the Board as such action will be irrational and not in the best interest of the GEPF and its members.

The PSA is also requesting that it be appraised with a copy of the proposal as a matter of urgency.

Kind Regards
Leon Gilbert
ACTING GENERAL MANAGER

Comment
The PSA is really looking after its members' future. It would add to the importance of its stance if the other unions were to similarly protest, as more pension schemes are involved than just the GEPF. It seems if Cosatu with its thousands of public servant members and billions in its bank accounts is willing to ignore its members' retirement security in favour of short term political gain.

Synopsis

Group Five shareholder group push for liquidation

9 June 2020 Karl Gernetzky

Forty-eight shareholders of embattled construction business Group Five have launched a court bid arguing that the group be put into liquidation, citing decisions taken before it entered business rescue that do not comply with the Companies Act.

The shareholders want to overturn a decision adopted by shareholders at an AGM held in November 2017, allowing the Group to provide financial assistance to related companies. It also wants to set aside guarantees making Group Five financially obligated to a number of banks.

The statement by business rescue practitioners, Peter van den Steen and Dave Lake, did not go into detail about the identity of the shareholders, nor the specifics regarding why they maintain resolutions were not in line with the Companies Act.

Group Five entered business rescue amid severe pressure from the termination of the Kpone power project in Ghana. This resulted in Group Five's bank guarantee providers making a $106,5m (R1,8bn) payment for which Group Five is liable.

The practitioners said on Monday that they will oppose the application before the Johannesburg high court, saying senior counsel has advised that the relevant resolutions taken by shareholders and the board complied with Companies Act.

Group Five will leave the JSE on 15 June, ending a more than four-decade history as a publicly traded company. Its biggest subsidiary has been in business rescue since March 2019.

The practitioners concluded that the company will be wound up and between 3 000 and 3 500 jobs saved through the restructuring and sale of businesses and contracts to new owners. The practitioners said previously that the Covid-19 pandemic delayed parts of the winding-up process

Comment
The Fund held 18% of Group 5's shares in 2019, about R 18mn. What is our investment worth now?

Synopsis
NATIONAL

Cabinet approves making single national petroleum company

11 June 2020 Genevieve Quintal

Picture: SUNDAY TIMES

The Cabinet has approved the proposed appointment of a restructuring company to help merge three state-owned oil and gas subsidiaries into a single national petroleum company. This would mean merging PetroSA, the Strategic Fuel Fund (SFF) and iGas, which all fall under the state energy company, the Central Energy Fund (CEF).

SA has more than 740 SOE, which the government has been looking at either consolidating or rationalising. Many of the country's SOE are in dire financial straits and were decimated during years of state capture.

The CEF and its subsidiaries have also experienced difficult times and instability in the leadership structures. Last month, it filled its vacant CEO position, along with those for its subsidiaries, marking the first time in six years that the state-owned company and its divisions had permanently appointed leaders.

This lack of leadership caused strategic initiatives to be delayed, resulting in the CEF losing market share and experiencing revenue decline, it said. The appointments come as the group, like all energy companies, faces turbulent times brought by the slump in fuel demand coupled with global oversupply.

The SFF has been the subject of controversy after 10-million barrels of reserves were irregularly sold off at below-market prices in 2015. The matter was the subject of a forensic investigation and, in April 2020, the SFF announced it would launch a court challenge to invalidate the sale.

Comment
Words are important - "appointment of a restructuring company to help merge" is political speak for money going out with vague return and results. One state petroleum company instead of three makes sense, however probably going to be more expensive than the three separate ones. The most important question, why are they necessary at all?
Note the statement about "more than 740 SOE" that we as taxpayers must fund.

Synopsis
OPINION

We don't need another layer of interference in functioning of SOE boards

The new SOE council, like its predecessors, is focused on how to fix the SOE, when it should be finding ways to dispose of them instead.

12 June 2020 Ghaleb Cachalia

Illustration: KAREN MOOLMAN

State-owned enterprises play an important role in the SA economy. Since 1994 they have been positioned as a key cluster for achieving economic growth and poverty reduction. They were geared to address market failure and deliver the key infrastructure services such as energy, transport, water and more, which allow the economy to grow while ensuring equity through access and quality of social services to all citizens.

It is common cause that our key SOE have failed miserably in delivering on their mandate. They have, moreover, been almost single-handedly responsible for driving SA Inc to the very edge of the fiscal cliff. Many are bankrupt, mired in mismanagement and steeped in corruption. Instead of addressing market failure, they represent a comprehensive public-sector market failure.

This was the state of SOE affairs in 2010 when the President established a Presidential Review Committee (PRC) on SOE. It was still the case when the Presidency's 2015/2016 annual report noted that then deputy president Ramaphosa "continued the important work of implementing the PRC on SOE and to support SOE in distress, such as Eskom, the SA Post Office and SAA."

The PRC committee comprised luminaries from the private sector, academics, Development Bank of SA professionals, international business people and politicians. Its 21 terms of reference were categorised into four themes: development and transformation; governance and ownership; business case and viability; and strategic management and operational effectiveness.

Now we have the President's announcement of the appointment of members of the new Presidential State-Owned Enterprises Council. Meanwhile, the situation has worsened. The government has over the past 12 years allocated R162bn to financially distressed SOE, of which Eskom accounts for more than 80%.

Undeterred, a statement from the Presidency affirms that the Council will support government in repositioning SOE "as effective instruments of economic transformation and development". Uppermost among its responsibilities will be developing a stronger framework for governing the country's SOE, signalling a decade-long effort to fix the same problem.

The Council's mandate represents the same old wine in new bottles and will extend to a review of the role and mandate of SOE to ensure a positive socioeconomic contribution and alignment to the national development agenda.

It will also review SOE corporate plans to ensure alignment to government priorities and ensure appropriate systems are in place to monitor implementation of such plans, as well as the operational and financial performance of the companies, while reviewing business models, capital structures and sources of financing for SOE, and will monitor and mitigate risks, a familiar refrain if ever there was one.

Moreover, the Council's composition mirrors the old PRC committee — individuals drawn from the private sector, ANC deployees, academics, Development Bank professionals and investment bankers/economists.

Carol Paton, writing in Business Day in June 2013, described the PRC's long list of recommendations as being "so general and diverse that the summary did not leave a clear impression of what the Committee believed the vision for SOE should be." She suggested that the vagueness was partially intentional "given that the role of SOE is a hot political issue".

Will Business Day deliver a similar verdict on the council as Paton did in 2013? Will SA finally run out of fiscal space as "new capital structures and sources of financing for SOE" deplete the PIC and the GEPF? The trouble is, time has all but run out.

The problem here is that the Council, like its predecessors, is focused on how to fix the SOE whereas they should be investigating how to dispose of them given the long, expensive and painful market failure.

Will council members have the latitude to say what they really think if they are diligent and rigorous in the execution of their task — liquidation, sale, privatisation? Can they manage upwards as the newly appointed CEO of Eskom tries but fails to do? Or will they be co-opted to lend yet another veneer of credibility to a systemically hopeless task?

And then there's the small matter of potential conflict of interest if those on the council have access to market-sensitive information and engage down the line in investments into SOE via their own or related companies.

What we don't need is yet another layer of interference in the functioning of SOE.

• *Cachalia is DA shadow public enterprises minister.*

Comment
Note - support government in repositioning SOE "as effective instruments of economic transformation and development". No mention of economic growth.

A truly clear view of SOE and their aimless existence. It has to do with ANC control over the economy and not growing it. Ever more control without accountability and real results and, of course, sinecure for deployees.

Synopsis

Pension grabs for state expenditure just another form of state capture – IRR

Press Release, Institute for Race Relations

1 June 2020

Press Release

The IRR rejects yet another attempt by the ANC to use asset prescription, the expropriation of assets, savings and pensions, to continue bailing out failing state-owned enterprises, create an ideologically motivated and hazardous state-owned bank and a pharmaceuticals company, and prop up or create financial institutions – such as the Land Bank, which has recently reneged on its own debts.

This attempt to make up for wasted public funds by expropriating private funds will even further undermine economic confidence, harm pension assets, and exacerbate the negative consequences of state intervention in the economy and finances of ordinary people.

Said IRR Deputy Head of Policy Research Hermann Pretorius: “Such a drastic and irresponsible approach is so fundamentally unsound that people can be forgiven for concluding that this is just another way for the ANC to oil the gears of its spluttering and parasitic patronage machine.”

All South Africans hoping to be able to save for their retirement and every asset manager responsible for managing such life savings, must outright reject this asset grab and see it for the blatant form of state capture that it is.

South Africa’s best hope for economic revival is to reject the failed and counterproductive government policies of the past decade, and pursue proven policies rooted in sound economics to achieve the growth and development all South Africans deserve.

Ends

Comment

This press release confirms the comments by Cachalia in the precious press release. The IRR is a widely respected institution.

Grass roots rejection of ANC policies seems to be starting.

Synopsis

ANC IN PARLY SUPPORTS USING WORKERS’ PENSIONS TO RESCUE ESKOM

Picture: EWN

Eyewitness News

Babalo Ndenze 12 June 2020

The ANC said it supported calls for the use of workers' pensions to help struggling power utility Eskom. Presenting the Appropriations Bill for adoption in the National Assembly on Friday, Appropriations Committee chairperson Sfiso Buthelezi said the move would benefit Eskom in the long run.

In March Cosatu stated private pensions must be used, alongside those of government workers, as part of a plan to rescue Eskom from crippling debt. Buthelezi said he supported the call by Cosatu, saying this would help Eskom confront its huge debt and improve its cash flow. The power utility was sitting with a debt burden of R450 billion.

But Buthelezi said this could not be a blank cheque to Eskom. “I support the conditions set by Cosatu, they are saying this cannot be a blank cheque. They have conditions including workers being part of governance structures.”

Comment

Benefit Eskom in the long run? Doubtful. Short term yes, long term remains to be seen.

The ANC keeps circling not just our Fund but all pension funds, looking for the opportune time to take control of it.

Synopsis

SAA 2.0 hopes to start lean and grow from next year

Sabelo Skiti 16 June 2020

Mail&Guardian

South Africa's new airline, set to rise from the ashes of SAA, could start with as few as 764 employees and grow to 2 222 by January. This is according to a proposed restructuring agreement document between government, labour, and SAA's business-rescue practitioners.

The 30-page working document, which the *Mail & Guardian* understands is still being refined by stakeholders under the leadership compact, lays out the structure and the operating ethos of the new airline, which will begin operating as early as next month.

The leadership compact was championed by the Public Enterprises Minister and brought the government, labour unions at SAA, and the rescue practitioners to a single forum to discuss the SAA crisis and its effect on workers.

The growth of the new company and the number of employees required would depend on a number of factors, including the market, the new airline's reputation and its ability to raise capital.

Funding options being explored include strategic equity partners, including the unions' investments arms, as well as the sale of some assets.

"The start structure (1 July 2020) until the end of December 2020 and the positions require a complement of 764 employees for the start. The contracts will be for a period of six months and, if an employee does not get a full-time position during this period, their contract will be terminated with the same benefits as the voluntary packages," the document states

In terms of the document, retrenched workers will be entitled to severance pay that will be capped at R500 000 a person, leave pay and a pro-rata 13th cheque, as well as an incentive payment of between R50 000 and R100 000, depending on salary earned. It estimates that 53% of employees — 2 400 people — could be retrenched, at a cost of more than R1,4-billion.

SAA has been run by the rescue practitioners since last December and is headed towards liquidation after the Public Enterprises Department rejected the practitioners' R10bn restructuring plan.

This prompted Dongwana and Matuson to put into action a structured wind-down, which would see all employees terminated and paid severance packages, and all of SAA's assets sold. The Department and labour have opposed this plan, arguing that jobs could be saved through the formation of a new airline, which could be started using some of SAA's current assets.

Despite signing a memorandum of understanding with the Public Enterprises Department that sought to put the plan into abeyance, the rescue practitioners last month submitted a final draft rescue plan to parliament, which put the cost of shutting down SAA at R21-billion. This amount included the R16,4-billion appropriated by the government in the next three years to pay off SAA debt.

Yesterday was the deadline for the rescue practitioners to submit the final version of their plan. The *M&G* understands the document has also been forwarded to the Public Enterprises Department, that will be the ultimate funder of the project.

Comment
It seems that the business rescue practitioners want to go one way, and the unions and Gordhan are forcing them to go another way. The big challenge doesn't seem to be the airline, but the workers. Granted SAA was totally overstaffed, what are the chances of this continuing as soon as SAA 2.0 is up and running?
It will be exciting to see the unions investing in the new SAA 2.0. I somehow doubt this is going to happen.

Hopefully, this isn't a repetition of what happened at African Bank when the new African Bank was built "on the ashes" of the bankrupt "old" African Bank with money from the GEPF. The GEPF loss of R4 bn of the GEPF was forgotten …

IMPORTANT NOTICE. PLEASE READ

OR READ AGAIN IF YOU HAVE ALREADY

SEE THE BOX ON THE NEXT PAGE TOO

Please take a while or two or three to consider what the all-volunteer AMAGP is all about and is actually and continuously achieving. Our Facebook page has more than 31 000 members and continually growing; we must be doing something right. We need you to inform and motivate all the civil servants, policemen, soldiers, correctional services members, etc, you know to join the AMAGP to strengthen our voice when promoting the sustainability of your pension. We need many more AMAGP members, not just the Fb page. Of which there are already over 4 000, but not enough yet if we consider over a million GEPF members. Keep in mind we have just less than 2 million members, of which about 450 000 are pensioners and the other about 1 380 000 are still working but contributing members of our Fund.

- ROLE OF THE FACEBOOK PAGE - GEPF WATCHDOG/WAGHOND

This Facebook 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 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 annually), and they are convinced by GEPF newsletters and ambitious briefings by the GEPF Board of Trustees that our Pension Fund is in a superb condition. There is, however, another side to the coin!

As a member of the GEPF (working or retired), this Facebook page will keep you updated about 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 must 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 more brick to the wall that the AMAGP is building to protect our/your 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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