Association for Monitoring and Advocacy of Government Pensions (AMAGP)

NPO Registration No: 198-822

SEMPER VIGILANS

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 11 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

An introduction to this newsletter: To oil our thinking, two quotes: "The problem with socialism is you eventually run out of other people's money" [Margaret Thatcher], and "There are three types of lies - lies, damn lies and statistics" attributed to Benjamin Disraeli.

The dire economic crisis facing the country still hasn't really sunk in; we are going to see and experience hardship as never before with the full tragedy being visible by the end of 2020 and beginning of 2021. Compounded by daily erratic, incomprehensible, and illogical COVID-19 statistics, conveying the sense of dramatic urgency that the government wants you to believe, that don't reveal the percentage of COVID-19-related and other deaths included in the total COVID-19 deaths, except if you look closely.
In addition to that, our political government has a culture of non-accountability, cascading down to lower levels in the bureaucracy. Not holding perpetrators to account is normal.

The government has run out of other peoples' money [our tax money] and is staring bankruptcy in the face; that directly means the 'government guarantee' of our pensions effectively isn't. What is the last resort when you are bankrupt? You liquidate all your savings to stave off bankruptcy. The government doesn't have savings, it has all been irrecoverably mismanaged or stolen. It is now critically important to embrace the realisation that the only savings left in SA are our own savings, meaning savings accounts, pension and provident funds, retirement annuities, life insurance, medical schemes, to name the most well-known. You see where the single pension fund, and possibly national health, is going if we don't prevent it?

COVID-19 is the excuse the ANC/Cosatu is going to use to try to misuse our Fund to pay for the government problems existing long before COVID-19 even appeared on the horizon.

Can you see the relevance of the two quotes? Using other peoples' money until it runs out and then using statistics to get more other peoples' money.

Please realise

the AMAGP, battling to keep government fingers from our Fund, is more important than ever before - your massive support is essential;
it is ever more critical to hold our Trustees legally accountable for carrying out their fiduciary responsibilities to ensure the continued viability of our Fund.

The ANC/Cosatu are carefully orchestrating a media assault on our Fund, by press releases, policy statements, articles by influential persons, the one following the other in reinforcing sequence. Now under the guise and excuse of COVID-19. See the proposal by the AIDC at the end of the newsletter for unbelievable lack of, and selective, research, and bias.

It seems as if Business SA [BUSA] is firmly in the ANC/Cosatu camp, supporting calls for illegal use of our Fund. How did this happen?

I believe civil servants, being and Fund members all, are still being paid their full salary, even if they stayed at home the last three months doing nothing? What happens when government bankruptcy influences their, so far stable, monthly income too?

Dear reader, do you know what your trade union does with your membership fees? Members of Cosatu affiliated unions, do you realise your union, affiliated to Cosatu, agreed to give your pension money away? The PSA and Solidarity, to name two non-affiliated unions, are actively working to save your pension. See the PSA petition below. What is your union doing to protect your pension?

Now to the contents.

The table below provides some idea in 2019 terms of the Fund's funds invested in SOE and similar, in the form of bills and bonds. There is no indication when the bills and bonds mature, as the final value will probably be totally different from the figures in the table, depending on the economic situation when they mature. I would be concerned about the ROI, as Eskom is the largest single instance invested in…

Description	Fair Value 2019 R'000
SOE	

Airports Company SA	665 188
Development Bank of SA Ltd	12 594 646
Eskom Holdings Ltd	84 487 323
Eskom Holdings Ltd	539 406
Industrial Development Corporation SOC Ltd	517 062
Rand Water Board	537 992
South African National Road Agency Ltd	23 136 937
Telkom SOC Ltd	641
Trans-Caledon Tunnel Authority	6 925 770
Transnet SOC Ltd	21 087 869

Municipality

City of Cape Town	730 461
City of Johannesburg	615 135
Ekurhuleni Metropolitan Municipality	424 146
Rand Water Board	537 992
The Thekwini Fund Ltd	534 099
The Thekwini Fund Ltd	1 498 743

See why we must be interested in municipalities. Thekwini provides money for home loans.

Please consider the 2019 AR statistics are actually 2018 as that would be the basis on which the AR was compiled. Thus, the value of our Fund's investments today is much different, probably much worse owing to the impact of COVID-19 on the economy.

Steinhoff. The value of our investment was R652mn in 2018 value. The real figure is much lower and debatable; the value of our shareholding has improved a little since the disastrous fall.

The influence of the lockdown and the antics of the politicians to increase absolute control over us has had a shattering effect on the economy, which won't recover this year. As most of our Fund's funds are invested in South Africa, the negative effect on our Fund's funds is huge. It is my contention that the value of our Fund's assets in this time of stock market lows is at least 30% less than the beginning of 2020. Probably more, down to about 42%. No, I really don't know how much but the financial pages of the newspapers should be accurate enough. However, do not despair, as the stock market recovers relatively quickly after such crashes. Unfortunately, it takes three to five years before recovering, making the Trustee oversight, or lack of it, over our Fund's funds so much more important. Makes so much sense to hold them legally accountable.

Many companies we are invested in have taken a beating this year – Sasol [more than 50% fall in share price] and the banks are prime examples. The Landbank has again defaulted on payments, making the return of our money market funds deposited there doubtful.

The Fund's 30 asset managers seem not to be. Just reading economic and financial news in the daily and Sunday papers gives us warning signs, such as Steinhoff, and now Intu, going out of business as mentioned in the article further below. We were only saved from the Edcon disaster by AMAGP intervention.

The AMAGP has been busy as normal, see the press releases below. A disturbation [new word] is the Financial and Fiscal Commission's [FFC] briefing stating the assets of the PIC and GEPF are part of the national balance sheet! The FFC is a government institution advising government on fiscal matters. So much for the credibility of their recommendations.

The rumblings about changing Regulation 28 continues, with top politicians and BUSA promoting the ANC/Cosatu policy. There are various views, the ANC/Cosatu on the one hand and the industry view on the other. The question of the purpose of the unrevealed millions invested by the ANC and Cosatu keeps surfacing.

The PSA has started a petition to "Stop looting the GEPF". The letter in the Informus is quoted in the newsletter, with the details of the petition. Read, add your signature and submit, even if you aren't a PSA member.

Our investment in the JSE listed mall owner in the UK, Intu, has just crashed. The detail is in the press report, but the writing was on the wall some time ago, as for Steinhoff. Our asset managers should be held accountable for the loss, if they didn't disinvest timeously.

A short explanation of the Transnet Pensioners' tragedy makes for disturbing reading. This is where our Fund is heading if we don't resolutely stop all attempts to mismanage and steal our savings, our pensions, our assets. The so-called government guarantee of our pensions is in stark contrast to the bankruptcy it faces,

News about Quantum Foods, one of our investments. Share price doubling in the last month! Not all is gloom!

Lastly a proposal by the Alternative Information and Development Centre [AIDC], for your enjoyment for its blatant bias, selective use but also lack of research, focused on giving our savings away. No mention of ANC and Cosatu millions invested elsewhere. It casts doubt on the Mail and Guardian's due diligence if it places an article of such doubtful provenance.

NEWS NUUS NEWS

STATEMENT

PROPOSALS TO MISUSE MONIES OF WORKERS AND PENSIONERS ARE ILLEGAL

20 June 2020
Cape Town

Members of the GEPF are deeply concerned about the regular onslaughts on their pension fund and are deeply worried about the Fund's sustainability.

It is feared that the Fund might go the same disastrous way as the Transnet Pensioners Fund. It seems that our Fund is unprotected by government and the GEPF Board of Trustees.

Workers and pensioners are well aware of the fact that every time money is needed by the government for whatever reason, be it for Fees must Fall or the bailout of SOE like Eskom (many many times), Land Bank, Denel, SAA and others, then proposals are made that the money should come from the GEPF -- as if the GEPF is ready with an available pot of gold. It is apparently not realised that, to make any money of the GEPF, available investments earning a very necessary income for the GEPF will have to be converted into cash, thereby increasing the existing deficit in the GEPF.

Recently there was pressure to make funds available for the president's development fund as well as for his R500 billion Disaster Fund.

At one stage Cosatu even suggested that money be made available to a private enterprise, namely Edcon. You will be aware of what happened when the PIC recently complied, fortunately not with GEPF money.

You will also be aware of the reckless proposal by the PIC and GEPF about the possible conversion of bonds into shares in Eskom, a proposal which obviously was not very well considered. This could even be regarded as gambling with dice loaded with other peoples' money.

It should be obvious by now that these SOE are bankrupt, and that there is no hope that investments there on behalf of the GEPF will render an income for the pension fund as prescribed by the GEPLaw of 1996.

We and other organisations have pointed out many times already that it will be illegal to use money belonging to the GEPF for purposes other than contemplated by the Law. Our view on this has never been questioned or challenged in any way.

To make matters even worse it is noted that senior members of the ruling ANC support the ideas of the looting our pension fund. Workers and pensioners again realised how serous this matter has become when a former deputy minister recently supported the proposal for yet another looting spree on the GEPF. As a former chairman of the PIC he should obviously be aware that the proposed use of the assets of the GEPF will be illegal. Then one must ask the very legitimate question, as to why he is supporting the breaking of a law?

The statement "**Assets on the national balance sheet include the Public Investment Corporation (PIC), Government Employees Pension Fund (GEPF). . .**" as quoted in the enclosed letter of our auditor member, therefore, came as a severe shock. Surely this must be a mistake. If it is not a mistake, then it is a reckless statement to make.

A very emphatic denial of the truth contained in the latter statement is now required from the government.

Adamus P Stemmet (AP)
Spokesman: AMAGP

Letter mentioned in above media statement

The Chairperson
Financial and Fiscal Commission (FFC)

Good day
Thank you for a most comprehensive briefing recently.

Regarding the question - where will the money come from? The following is indicated on pages 25 and 54 of the Financial and Fiscal Commission (FFC) briefing....

> *"Government should consider its total balance sheet in supporting an economy that is on the brink of collapse. Assets on the national balance sheet include the Public Investment Corporation (PIC), Government Employees Pension Fund (GEPF), Unemployment Insurance Fund (UIF), the National Revenue Fund, and SARB foreign exchange reserves."*

My question of clarity is in respect of the **GEPF** ...

Since when are the assets of the GEPF included on the "national balance sheet"?

I was under the impression that the assets of the Fund belong to the GEPF, which is a total separate legal entity from the SA government.

In terms of the **Government Employee Pension Law**, these assets are to be used solely for the pension and other related benefits for GEPF Members and its pensioners. If anything, the assets of the GEPF, courtesy of the beneficial use of it, "belong" to the individual members and pensioners.

The combined vested interest of members is reflected in the pension liabilities, which coincidently is also not reflected on any "national balance sheet," unless I am mistaken.

However, it now appears that my view regarding the assets specifically, may have been incorrect all along? I must at this point indicate, this view is then erroneously held by a large number of GEPF members and pensioners like myself.

The assertion made in the FFC's briefing seems to imply that the assets of the GEPF "belong" to the Government.

I checked the information on the SA GOV website, but cannot find evidence that the GEPF assets has in fact been included on any balance sheet of national government. It's not on National Treasury's balance sheet **AND** its definitely not on the PIC's balance sheet. The latter for the obvious reason that the assets are registered in the name of the GEPF.

May I humbly request clarity in writing then on the following...

1. What is the legal basis for this claim that the assets of the GEPF should be included on the National Balance Sheet?

2. If there is a national balance sheet where the GEPF's assets have been recorded in the past, please provide me with a link or reference to it.

Your assistance to clarify this will be most appreciated.

All the best with your most important task at this time.

Christo van Dyk
Cellphone 0624803662

Comment
Dear reader, no reply from the FFC as is to be expected. Leading to the question - where did it get the idea that our Fund belongs in the "national balance sheet", whatever that is? Did the Trustees approve this?

Samevatting
Hiermee die AMAGP se brief wat die Vrye Weekblad oor die Landbank gepubliseer het.

Redakteur,
Die publiek is al so vuisvoos dat hulle nie eens agterkom as nog 'n staatsbeheerde instansie ondergaan omdat dit leeg gesteel is of leeg bestuur is nie. Dit is ook al so gewoon dat dit nie meer nuus is nie. In my koerant het die bankrotskap van die Landbank byvoorbeeld bladsy 13 gehaal.

Dit hinder dat daar nooit berig word waaraan die ineenstorting van 'n staatsbeheerde instansie (SBI) te wyte was en of mense daarvoor verantwoordelik gehou is nie. Die primêre rede nl. vrot bestuur word nooit as n rede gegee nie. Dat ANC kaders verantwoordelik was vir die bestuur en dus ondergang van byna elke SBI wat gesink het, word ook nooit gesê nie

Dit is altyd iemand anders se skuld of die gevolg van iets anders soos die swak ekonomie, droogtes en natuurlik deesdae en vir baie jare om te kom, DIE VIRUS. Hier is nou n gerieflike sondebok en uitkoms: Blame it on the Covid19 (not Casanova anymore).

Blykbaar is dit nie meer in die mode om mense verantwoordelik te hou, verliese te verhaal of die skuldiges in die tronk te kry nie. Planne om op te tree is volop maar daar stop dit. Vra maar vir die Nasionale Vervolgingsgesag hoeveel korruptes al aangekla is? Geen! **Dit is makliker om die geld onwettig by die Staatsdiensoensioenfonds te kry of die belastingbetaler te laat hoes.**

Die alewige gesanik '**Kry dit by die Openbare Beleggingskorporasie (OBK)' wanneer eintlik die Staatsdienspensioenfonds (GEPF) bedoel word, klink al soos n grammofoonplaat wat vasgehaak het.**

Net verlede week by n gekose komitee van die parlement, is Mnr Sifiso Buthelezi van die ANC die koorleier om die gesang in te sit. Ja dis reg! Sifiso Buthelezi van PRASA-faam. Glo iets te doen gehad met die aanskaf van lokomotiewe as my geheue my nie in die steek laat nie, of hoe?

Wat my pla van Mnr Buthelezi is dat hy onder Mnr Gigaba die Adjunk-Minister van Finansies en dus voorsitter van die OBK van Maart 2017 tot Februarie 2018 was. As sulks was en is hy tog sekerlik bewus van die duidelike bepalings van die 1996 Pensioenwet waarvolgens geld van die GEPF net belê kan word om die pensioenfonds in stand te hou of te laat groei. As dit nie die doel van 'n belegging is of n redelike sekerheid het om dit te bereik nie, is **dit onwettig**.

Probeer Mnr Buthelezi nou om die OBK te kry om 'n onwettige "belegging" in nog n bankrot SBI, die Landbank, te maak? Is daar nie al.genoeg sulke onwettige beleggings tot nadeel van die pensioenfonds nie? Eskom weer, en weer Eskom, Denel, ACSA, SAL met n ompad, Landbank weer, en nog meer.

Wat die aasvoëls wat gereeld hul.hande op die geld van die pensioenfonds will lê blykbaar nie verstaan nie, is dat die GEPF nie 'n pot goud het nie. Sy bates is alles belê vir die doel om voorsiening vir n pensioen vir sy lede te maak. Beleggings wat vir reddingsdoeleindes in kontant omskep sal moet word, natuurlik tot die nadeel van werkers en pensioenarisse.

Dat die Landbank gesink het, was te wagte. 'n Organisasie wat veronderstel is om boere te help en dan R800 miljoen aan hul maatjjes, wat geen boerdery belange het nie, beskikbaar te stel soos wat in 2008 met Pamodzi Investment Holdings gebeur het**,** moet die een of ander tyd vou.

'n Mens wonder maar twyfel of daardie geld ooit terugbetaal is. Wat 'n mens wel aan die Raad van Trustees van die Staastsdienspensioenfonds wil vra, is hoeveel geld van die Staatsdienspensioenfonds in die Landbank "belê" is en met watter doel? Tot voordeel van die pensioenfonds?

R800 miljoen kon nogal vir n bietjie droogtehulp gesorg het en dalk 'n paar boere gered het. Is dit nie waarvoor die eens trotse Landbank jare gelede geskep is nie?

Om af te sluit: As politici en vakbonde steeds die GEPF as ‘n melkkoei vir SBI mislukkings sien: Pasop! Ons sien daar word reeds gedreig met hofaksies en om mense (Trustees en direkteure?) persoonlik aanspreeklik te hou. AMAGP stem saam.

Adamus P Stemmet
Woordvoerder Amagp

Kommentaar
Vir die wat nie weet wat ‘n grammafoonplaat is nie, dit was die musiek weergawe van ‘n CD/DVD, 40 jaar en meer gelede.
Die gebrek aan persoonlike aanspreeklikheid is ‘n eienskap eie aan die politieke regering.

Synopsis
STATEMENT

Issued by the Association for the Monitoring and Advocacy of Government Pensions (AMAGP)

Cape Town

29 June 2020

MISCONCEPTIONS ABOUT USE OF GOVERNMENT PENSIONS BY GOVERNMENT EXPLAINED

There is a growing perception that the government is so bankrupt that it is prepared to contravene laws of the country even if it is in direct conflict with the interests of workers and pensioners.

The speculation about prescribed assets and recent statements that the Minister of Finance is now in favour of the possible change of Regulation 28, have been the cause of serious concern for pensioners and working members in the private and public sectors for some time.

Regulation 28 is applicable to Pension Funds governed in terms of the Pension Fund Act (PFA).

The GEPF does not fall under the PFA

Notwithstanding this, the Trustees voluntarily adopted the guidance of Regulation 28 some years back. Under present circumstances this, in itself, leaves the door wide open for the illegal misuse of the GEPF. The question also arises whether the present situation benefits the GEPF and its members.

In addition, the GEPF’s historical asset allocations have been skewed away from foreign exposure. This increases diversification risk and is something the actuaries have commented on during the 2018 statutory valuation as follows:

> “The Fund holds a lower percentage of foreign assets than might otherwise be suggested purely in terms of the risk diversification of assets.”

AMAGP, based on the 2018 and previous actuary valuations, highlighted the inadequacies of the GEPF’s investment portfolio...

https://www.amagp.co.za/media/amagpstatementGEPFactuarialreport17mar19complete.pdf

Furthermore, AMAGP’s position against the notion of prescribed assets in general is already documented:

https://www.amagp.co.za/media/mediareleaseprescribedassetpolicy4sep2019.pdf

A critical important point missed by the general public and commentators is that the contributions collected from GEPF members during their working years should only be invested and used to provide for the pension benefits of those members.

ANY INVESTMENT OR USE FOR ANY OTHER PURPOSE AMOUNTS TO ABUSE OF THE PENSION FUND AND IS ILLEGAL.

The following two media releases from AMAGP emphasised this point....

https://www.amagp.co.za/media/amagpstatement19april20usingfundillegal.pdf

https://www.amagp.co.za/media/amagpstatement20Junmisuseofmonies.pdf

In 2016, the GEPF Trustees did a detailed Asset Liability study, where after they revisited the Strategic Asset Allocations of the Fund, including an increase of foreign exposure. To give effect to these changes, the Trustees are compelled to consult with the Finance Minister in terms of the GEPLaw. This they duly did BUT, unfortunately, for reasons not disclosed to GEPF members, the Minister of Finance has to date NOT signed off on these revised allocations and the plan of action to transition to the recommended portfolio structure.

This matter was also raised at the Mpati Commission where the GEPF indicated that because the Trustees have already considered and decided on the matter, the Minister should have considered the matter so that they could implement it as soon as possible.

It needs to be emphasised that one of the most important decisions a board of trustees can make that directly effects the portfolio performance, is the Strategic Asset Allocations.

Again, AMAGP has issued various media releases highlighting the continued deterioration of the Fund since 2014. Our questions regarding the solvency of the Fund remain unanswered.

https://www.amagp.co.za/media/amagpstatement8jan20ispensionfundsolvent.pdf

The continued inaction (indecisiveness?) of the Finance Minister and the inability of the Board of Trustees of the GEPF to move him to conclude the consultations, notwithstanding various reminders by AMAGP and the independent actuaries, appear not only to be unreasonable but is also to the detriment of the fund. Some pensioners even suspect ulterior motives.

Adamus P Stemmet (AP)
Spokesman AMAGP

Comment
It is common knowledge that accountability in our government is sadly lacking. The recommendations submitted in 2016 and still not approved might lead one to suspect ulterior motives, at the same time one might be entitled to wonder why the Trustees in their wisdom decided to 'voluntarily' comply with Regulation 28.

Synopsis

Mboweni backs calls for pension funds to finance infrastructure projects

fin24
Lameez Omarjee

The Minister spoke during a briefing to parliament's finance and appropriations committees about the supplementary budget, where he commented on amending Regulation 28 of the Pension Funds Act in response to a question from DA MP Geordin Hill-Lewis about his position on asset prescription.

Mboweni said Regulation 28 provides guidance to pension funds and similar institutions on their investments. Currently it refers to the investment in immovable property.

"There has been a narrow definition from investment managers on how they deal with this regulation," Mboweni said. "Government wants the definition to include immovable property and infrastructure. That is all we wanted to do, try to unlock in the minds of investment managers that they can invest a percentage of their investable funds in infrastructure, in addition to immovable property."

Mboweni said that the FSCA intends to release a policy document in this regard. He is hopeful that it will be released in the next six months, he said.

Deputy Finance Minister David Masondo also shared his perspective on the matter, saying that Regulation 28 ensures retirement funds are "safe" or should be deployed in a way that yields "good returns for savers".

Momentum Investments economist Sanisha Packirisamy, however, warned that the situation could be quickly become "unpalatable" for investors. Most fixed income managers probably would be willing to invest in infrastructure projects which are "viable and backed by solid proposals", she said.

"If it is anything wider than that, and if institutions are forced to invest in infrastructure projects which are not conditional, and do not have solid proposals backing it that sort of goes into a prescribed assets type of environment, which is not conducive for investments into SA."

Investec chief economist Annabel Bishop also noted that government was targeting private sector savings to fund infrastructure projects. "Pension funds are already a very large holder of state debt."

But even still, the costs would be cheaper than government having to borrow from the market, and the conditions would likely require reforms which the private sector would want to see. It would still be a better option than asset prescription or having the Reserve Bank take on government debt directly, she said.

Comment
The amendment of Regulation 28 to fund infrastructure development amounts to using pension funds our Fund to pay for infrastructure, without ever getting the money back. Depending on what the amendment would be.

Synopsis
BUSINESS LIVE

ANC proposes using pensions and savings to aid economic recovery post-Covid 19

10 July 2020

Picture: REUTERS

The ANC's proposals for economic revival in the post-Covid-19 economy, published on Friday, argue for an infrastructure-led recovery, which will be funded in part by pension funds and other savings.

The plan does not endorse prescribed assets or a policy which would require funds to hold a minimum level of government stock, but does aim to mobilise such savings into infrastructure projects on a voluntary basis.

The paper was published a few hours after Business for SA released its blueprint for the recovery, also calling for an infrastructure-led economic growth strategy, naming many of the same priorities such as investment in energy infrastructure, broadband expansion and roads and rail. Business for SA says that as the government will be unable to fund the recovery alone, the private sector should be able to invest in and run economic infrastructure, regulated by the state.

The ANC also recognises the importance of private sector involvement in building economic infrastructure. But it also wants pension funds and other long-term savings institutions to invest more extensively and directly in infrastructure. To facilitate this, it proposes "changes be made to Regulation 28 under the Pension Funds Act to enable cheaper access to finance for development".

The paper also suggests that fiscal and monetary policy will have to be closely co-ordinated "to ensure ongoing access to capital markets and to reduce the cost of borrowing, as well as strengthening the role of development finance institutions". It tones down a suggestion in the earlier draft of the paper for the SA Reserve Bank to create resources to capitalise development finance institutions, such as the Development Bank of SA.

The major political intervention of the ANC proposal is the recommendation that the recovery plan and economic growth initiatives be co-ordinated by the office of the presidency, which must increase its capacity to perform this function. While former president Thabo Mbeki's office carried out this function well, the capacity was lost over the decade of the Jacob Zuma presidency.

Comment
The ever increasing threat to savings in South Africa. It seems BUSA and the ANC are partners in wanting to give away our savings. Increasing government control of the economy [presidency], irrespective of what it is called, bodes ill for the economy's recovery. The ANC is now basing its assault on our Fund on COVID-19 but the was economy in dire straits long before the virus appeared.

Laying down the foundation for pensions to fund infrastructure spend

By Ruan Jooste and Sasha Planting
15 July 2020

There are growing calls to amend SA's pension fund regulation to enable more investment in infrastructure. But not everybody is on the same page ... yet.

Finance minister Tito Mboweni was supposed to make an announcement about where South African retirement funds can invest in his emergency budget speech in June – but it was pulled at the last minute. A couple of weeks later, the head of the ANC's economic transformation committee, Enoch Godongwana, let the cat out the bag. He announced on Friday that the ruling party has had talks with the country's top 20 pension funds, including the PIC.

These talks were on the back of an ANC proposal, which leaked in mid-May, to amend Regulation 28 of the Pension funds Act to allow for greater investment in public infrastructure spending. Currently, the regulations limit the underlying portfolios of RA and Regulation 28-compliant unit trusts. There is no specific provision for infrastructure.

Globally and in South Africa, there is debate over whether infrastructure should be seen as a single asset class. This is because it is not clear whether it has a unique set of risk-return characteristics that makes it conceptually coherent, or whether traditional asset classes like debt, listed equity and private equity are the "real" asset classes and infrastructure a subcategory of each of those.

Speaking at a virtual media briefing on Friday, Godongwana said the ANC is not proposing that the state implements a policy of prescribed assets but that the party wants to relook Regulation 28. "If properly packaged there is no reason why pension funds should not invest in infrastructure directly instead of using third parties in the form of asset managers."

Gondwana says as things stand the regulation provides for an investment of up to a maximum of 10% in infrastructure-type developments, yet the uptake has only been around 3%. "So something is definitely wrong, and we need to know what it is so we can sort it out."

He says that the party's policy paper is deliberately non-prescriptive as it does not want to pre-empt the process or congest it with ideology. The party is also in talks with Batseta – Council of Retirement Funds of SA, the professional body that represents the trustees and principal officers of local retirement funds.

Batseta's Anne-Marie D'Altron says pension funds are already invested in infrastructure, so it is nothing new to them, but the issue is the limited availability of bankable projects that meet the criteria. "It seems that the Investment Infrastructure Office is trying to resolve that and bring those proposals to the table," she says.

Just last month president Cyril Ramaphosa announced at the Presidential Infrastructure Summit that there are 55 "bankable and shovel-ready" infrastructure projects open to private sector investors.

D'Altron adds that there is scope for retirements to be pro-active, but they have to look at the situation holistically and address the barriers of entry to investment. "If it means the regulation needs to be tweaked, these conversations are a good place to start."

The Southern African Venture Capital and Private Equity Association (SAVCA) has added its voice to the growing call for amendments to Regulation 28. SAVCA is proposing two changes to Regulation 28 that it believes will support infrastructure investment, among others.

The first is to separate hedge funds and private equity into independent asset classes, each with their own caps. The second step, SAVCA proposes, is to gradually increase the private equity cap from 10% to 15%.

Futuregrowth CIO Andrew Canter does not believe it is necessary to amend the regulations to facilitate further investment into infrastructure. "Infrastructure is not an asset class, it's a theme," he says. "People are saying that Reg 28 needs to be amended to facilitate further investment in infrastructure – that is a giant red herring. The regulation is not the limiting factor, the problem is a lack of good deals, weak implementation and a poor economy."

"Besides, there are sufficient opportunities within the current regulations to invest in infrastructure – one could invest via the unlisted equity, listed and unlisted debt instruments, immovable property, even private equity asset classes", he adds.

That is a significant amount, he says. All told it could mean that up to 35% of the entire pension fund pool could be invested in infrastructure if we wished.

It's worth noting that changing the pension fund regulations is not an act of Parliament. It is an administrative law and requires that National Treasury put out a proposal for change, accepts industry-wide comment, and then makes amendments – it's a multi-year process. If you don't do this administrative law cannot be changed. "This is opening up a can of worms that requires too much energy and too much time," Cantor says.

"Peoples pension funds are not there to serve a national agenda," he says. **BM/DM**

Comment
The "growing calls" in the first sentence above are all from the ANC!
A nice clear view of the Regulation 28 matter. It seems the rush to fix something that isn't broken won't abate until it is.
Futuregrowths CIO seems to be the only one understanding the Regulation. It is the lack of good deals, weak implementation and poor economy causing the lack of investment in infrastructure. Batseta's D'Atron confirms that limited bankable projects are the main problem. Changing the Regulation won't solve the lack of bankable projects, only the projects can. 55 bankable projects mentioned by the President is a drop in the bucket.
Although it seems changing Regulation 28 takes some time, I wouldn't be surprised if it changed overnight. A changed regulation would probably not increase bankable feasible projects. Let's wait and see, but read the final sentence by Canter above again.

FOR PSA MEMBERS: PUBLIC SERVICE CO-ORDINATING BARGAINING COUNCIL (PSCBC) 03-07-2020

PETITION: Stop looting of Government Employees Pension Fund (GEPF)

Informus
3 July 2020

Renewed media reports regarding the Public Investment Corporation (PIC) discussion document that was tabled to National Treasury on its investment in Eskom is of grave concern to the PSA as representative Union of one of the largest groups of GEPF depositors. These media statements resulted cause huge uncertainty amongst the more than 250 000 PSA members who belong to the GEPF. The PSA is of the opinion that a bailout to a struggling state-owned entity (SOE) will have a detrimental impact on the GEPF and its members. Should the PIC consider such a request, it will be an irrational and irresponsible gamble with government employees' pension money.

This continued investment into Eskom without following a consultative process with relevant stakeholders, raises serious concerns regarding the manner in which the PIC executes its mandate. It also raises concerns regarding the way "social responsibility" loans /grants are being administered by the PIC. The GEPF in its 2018/19 annual report even expressed concerns with governance at the PIC. The PSA, on behalf of its members, has a significant and direct interest in how GEPF assets are invested and thus in the PIC governance structure and management.

During a media interview with the PIC Chairperson, Reuel Khoza, the PSA learned with shock that the PIC has tabled a proposal to convert Eskom bonds into equity that may result in overweighting in local equities and underweight in the more stable asset local bonds. Such a decision may impact negatively on the asset liability model read together with the Fund's developmental investment policy of which the objective is to earn good returns for members and pensioners of the Fund while supporting positive, long-term economic, social and environmental outcomes for South Africa. The developmental investment policy has four key pillars, including a sustainable future (green economy). Eskom is one of the highest consumers of fossil fuels and the GEPF, as a responsible investor, should consider the environmental impact before taking any decision.

This proposal entails that over R200-billion of public servants' hard-earned pension fund money will be utilised for such a bailout. The PSA outrightly condemns such a proposal as it will be regarded as reckless and irresponsible given the economic environment and the fact that Eskom is not able to fulfil its financial obligations. The PSA further condemns the Finance Minister's view that the PIC does not require approval from any shareholder for its investment activities and urges the Minister to refrain from making such irresponsible statements. The PSA continuously warned against such reckless investments or bailouts to struggling SOE and made submissions to the Zondo Commission on these reckless bailouts to Eskom. Although the GEPF is a defined-benefit fund, it doesn't give government and the PIC free reign to continue with such irresponsible practices.

The PSA insists that the full discussion document that was tabled at National Treasury be made available to the PSA to ensure transparency and that good governance principles are adhered to.

The PSA urges all government employees to support the petition: Stop looting of the Government Employees Pension Fund. The petition (copy attached) is being circulated by all PSA Provincial Offices. Signed petitions should be returned to your nearest PSA Provincial Office by 10 July 2020.

PSA Member Petition: Stop looting of GEPF
https://www.psa.co.za/docs/default-source/psa-documents/newsletters/2020/petition-to-stop-the-looting-of-the-gepf-(002).pdf?sfvrsn=6f9c48b_2

GENERAL MANAGER

Comment
The date for the petition has been extended to 22 July due to the overwhelming support. See the hyperlink below if the one above doesn't work correctly.
https://forms.office.com/Pages/ResponsePage.aspx?id=mMPld4-3U0qGvSyXvpKgMmjUkYYOVItIhXInoflwExJUNVZKTEozOVJYWTdJOUJFT1dQQkZQTjFITy4u

Synopsis
Businessinsider | Money And Markets

A large JSE-listed mall owner just collapsed - under a R80 billion debt burden

Business Insider SA
26 June 2020


The Intu-owned Trafford Centre in Manchester is the third-biggest mall in the UK.

The UK mall owner Intu, long a favourite of South African investors wanting offshore exposure, suspended its listings on the JSE and in London on Friday, as it collapsed into administration. The company owns 17 of the largest shopping centres in the UK and a couple of Spanish malls. Its share price was trading above R70 four years ago - it was suspended at 29c on Friday.

Intu was dragged into a death spiral by a massive debt burden of £4,5 billion (R78 billion), as its rental income also came under pressure over Brexit uncertainty, the strong shift to online shopping and the closure of large chains like New Look, Toys R Us, House of Fraser, Debenhams and HMV, which used to have stores in its UK malls. It made a loss of £2,2bn (R47 billion) last year.

Covid-19 dealt the final death knell. The lockdown in the UK shut shops and starved the malls of income.

Intu defaulted on its debt repayments last month and has been in negotiations with creditors to get a debt holiday of more than a year. But talks failed, and the company appointed KPMG as its administrator. Its listing was suspended on the JSE and in London.

For many years, Intu was a popular holding among South African investors as it gave them exposure to a UK-traded company, which earned its profits in pound. This gave locals some protection against a constantly weakening rand.

Over the years, large South African investors including Coronation, the PIC, Sanlam Investment Management and Investec were big stakeholders in Intu, although many have cut their losses in recent months.

Intu had its roots in 1980 as Liberty International. Following various deals and name changes, the company was merged with the UK shopping centre developer Capital & Counties in 1992. It was later demerged and renamed Capital Shopping Centres, before assuming the name Intu in 2013.

For now, all its shopping centres will continue to trade, but the company earlier warned that some malls may end up closed during the administration.
Compiled by Helena Wasserman

Comment
Remember how widely our Fund is invested? We have a 6% shareholding in Intu Property Plc, about R 1 500mn a year ago @ R70/share [now 29c/share - R6mn?] according to the GEPF AR. OK, the shareholding details are about 18 months old, so our shareholding may have changed.
Clearly the Fund's 30 asset managers are massively overpaid if we still have all these shares despite early warning signs.

Synopsis

The Transnet Pension Tragedy

Basil Stevens
3 July 2020
Fb GEPF Watchdog/Waghond

Please allow me to share what happened to Railway Pensioners.

Like the GEPF, the fund was a defined benefit pension fund, which guaranteed the pension for the life of the employee, their spouse and any dependents. Once the last beneficiary of the fund passes on, any money left goes to the employer. This means that the pension benefits are guaranteed and are based on the number of years service and salary on retirement.

However, in order to maintain the value of the pension received, annual increases, as currently with the GEPF, were at least the same percentage as the inflation rate and even higher.

In 1990 Transnet was formed and all railway pensioners and active railway employees became members of the Transnet Pension Fund. Pension annual increases remained at inflation rates and even higher until 2002.

In 2003, Transnet decided to peg the annual increases at 2%, thus robbing pensioners of at least the inflation rate or higher increases. The reason was to save costs in their commitments to the Pensioners and partly because the pension fund trustees had decided to "DONATE" THE MULTI-MILLION RAND PENSION FUND SURPLUS TO THE BOOKS OF TRANSNET!

Around 2011 a group of pensioners decided that enough was enough and initiated a class action lawsuit against Transnet and the Pension Fund, in order to lift their pensions to compensate for what they had been robbed of since 2003. Transnet tried every trick in the book to fight the class action, appealing every court ruling favouring the class action, up to the Constitutional Court, which again ruled in favour of the pensioners.

After negotiations, a settlement agreement was reached and was made an order of the court In June 2020. This agreement, which was accepted because pensioners were passing on at a rate of around 300 each month, thus losing out on their deserved compensation, and to prevent thousands more from also losing out if the class action continued any longer.

The reason I have outlined the experience of the Transnet Pensioners is that the same thing is likely to happen to GEPF Pensioners when their pension fund is LOOTED. WE NEED TO VIGOROUSLY OPPOSE ANY ATTEMPT BY THE ANC TO CHANGE THE

PENSION FUND ACT AND ALLOW THEM TO LOOT THE GEPF!

Comment
A very clear and succinct view of the Transnet pension tragedy. It took 9 years for justice although in the meantime the pensioners suffered and passed away under dire circumstances.
What happened to the millions given to Transnet? What happened to the so-called trustees who gave away the fund members' savings?
We must make it very clear to our Trustees that they individually and personally will be held legally accountable for mismanagement of the Fund.

Synopsis
Quantum insiders snap up shares

InceConnect

9 July 2020
Stephen Gunnion
Managing Editor, InceConnect

Quantum Foods doesn't generally attract a lot of attention and its shares have been fairly moribund for the past year or so. That is, until last month when Zeder Investments sold its stake in the poultry and eggs group to Country Bird. Since then, it's been a bit of a feeding frenzy, with the stock doubling in value in just over a month.

It appears that Country Bird planned to make an offer to minority shareholders in order to take control of Quantum, with its eye on its eggs business. But, not wanting to get into a bidding war, it changed its mind after it got wind of another potential suitor. It now transpires that the group's chairman and some of its management have also been buying shares, perhaps to fend off any unwanted takeover.

Comment
Quantum is one of our investments, albeit small. See how share prices change without warning - doubling in a month?

Synopsis
Use PIC and pension fund to rescue SA

Jaco Oelofsen 6 March, 2020

Mail and Guardian
Alternative Information and Development Centre [AIDC]

It is clear to every South African that the crisis at Eskom needs to be resolved as a matter of urgency. However, many of us are coming to fear the proposed solution almost as much as the problem. At the moment, the government is looking down a road that will most likely lead to some form of austerity and privatisation.

At the same time, we cannot avoid that there is no economy without Eskom; South Africa *has* to find the funds to bail out Eskom. To this end, AIDC's research has identified the GEPF and the PIC as resources uniquely situated to deal with the Eskom debt crisis. Our research has shown that the PIC holds a vast surplus that is unnecessary for the guaranteed payment of pensions, and is currently overinvested in corporate equity. A large portion of this surplus can be shifted to Eskom – which, even in the form of a zero-interest loan, can be done *without* endangering worker's pensions or the survival of the PIC and GEPF. This move is essentially a shift in investment policy from corporate shares to government bonds. Additionally, AIDC insists that a PIC-funded Eskom bailout must also come with conditions requiring the restructuring of the PIC in order to expand its mandate and to ensure its future accountability and transparency.

We also present a substantial argument in favour of using the GEPF as a tool in service of a progressive and imaginative socioeconomic policy that goes beyond bailouts and minor reforms. The GEPF has both the resources and potential to be radically reformed in a way that changes its mandate to something like that of a Sovereign Wealth Fund (SWF). This transformed GEPF could drive a South African "New Deal", channelling its vast resources into radical economic diversification, massive infrastructure drives, and play a leading role in beginning our "just transition" away from fossil fuels.

Why use the PIC and GEPF?
Surplus, underfunding, and the safety of government pensions:

This massive wealth of funds is further bolstered by ongoing yearly surpluses, with the GEPF's alone averaging around R47 billion per year for the last five years.

Billions of rand	Government Employee Pension Fund (GEPF), 2010/11 - 2017/18							
Budget Reviews	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Contributions	40	44,2	47,9	52,2	56,4	60,3	65,5	70,4
Investm income	40,6	44,5	49,9	54	68,5	69	69,5	72
Contrib & Inv. Inco	80,6	88,7	97,8	106,2	124,9	129,3	135	142,4
Benefits paid	29,9	37,2	43,2	57,9	85,8	83,1	88,3	94,5
Surpluses	50,7	51,5	54,6	48,3	39,1	46,2	46,7	47,5

Cash flow account for GEPF's finances. Source: Treasury's Budget Reviews, 2017 - 2019 and own calculations.

Government Employee Pension Fund cash flow account in Rbns, 2010 - 2018

Would the use of these funds put pensions at risk?

AIDC's research has shown that this will *not* be the case. The primary argument made is that the guaranteed payment of pensions does not require the use of all of the GEPF's assets. The GEPF's assets currently cover 108% of the liabilities owed to its members, but no pension scheme has to actually pay 100% of its liabilities to all members at the same time - pensions are paid bit by bit over the course of decades. Furthermore, new members continue to enter the pension scheme and provide additional contributions. Therefore, in reality, no pension scheme needs to be 100% fully-funded. It is possible for the GEPF to go right down to 60% level (and theoretically even further), while still guaranteeing the defined pension benefits *and* making a surplus on its investments. It is also worth noting that, because the GEPF is a pre-defined benefits scheme, the level of surplus will also not have any impact on the rate and amount of benefits received by the beneficiaries, much in the same way that your bank's performance has no bearing on the amount of money in your account.

The above points form the core pillar of our argument: reforming the GEPF from an overfunded to a safely underfunded "pay-as-you-go" scheme will free up to 48% of the GEPF's funds *without* risking either pensions or a credit rating downgrade. This 48% comes out to over R800 billion.

A secondary argument for the use of PIC and GEPF funds is that a huge portion of their value was acquired through public money, not pension contributions. The GEPF was formed in 1996, bringing together a multitude of pension funds into one scheme. The largest of these, the Government Service Pension Fund, made the transition from a "pay as you go" to a fully-funded scheme in 1989, largely in order to reassure the Apartheid securocats their golden handshakes and secure pensions in post-apartheid South Africa. This move required massive government contributions in order to match the consequent funding shortfall, the majority of which was acquired through the sale of government bonds to the government-owned PIC.

Another important factor informing AIDC's proposal is the fact that the PIC is currently a locus of corruption and a potential site of state capture.

What should we do with the PIC and GEPF? *Eskom, radical economic transformation, and a South African Sovereign Wealth Fund:*

The most pressing task for the GEPF is dealing with the Eskom debt crisis. AIDC research has found multiple viable alternatives for using the GEPF in this way. One of the simplest alternatives would be for the GEPF to take a so-called "haircut" on its R87 billion interest-bearing claim that it already has on Eskom, which would mean forfeiting the R8 billion in interest that Eskom owes it and thereby converting its claim to an interest-free loan.

Another would be for the GEPF/PIC to actually provide Eskom with a large, interest-free or low-interest loan to be paid back when Eskom is able to. This measure would provide Eskom with the crucial relief needed to pay its most pressing debts while avoiding the need for any austerity-measures or sales of Eskom assets. It is worth reiterating that the GEPF's vast surplus means that none of this will place pensions in any danger.

However, the use of the PIC and GEPF should not be limited to bailing out Eskom. The South African economy is stuck in a miserable trap of low-growth and unemployment. Successive governments have failed to transform it from its Apartheid structure: it remains extractivist, static, and unequal.

To this end, AIDC suggests that the mandate of the GEPF be reformed to that of a Sovereign Wealth Fund (SWF). An SWF capitalised with R800 billion from the GEPF could be put to great strategic use as a motor for creative long-term economic development plans. The potential uses for this fund would be diverse, but we have identified some key areas where a reformed GEPF could be put to use.

Finally, we recognise that there is reason to be wary of the potential for corruption to derail large spending projects. For this reason, our research emphasises that a reform of the PIC's mandate has to go hand-in-hand with a structural reform towards greater accountability and transparency. Some key elements of this reform should include reductions in the salaries of officials from the PIC and other state entities, regular public reports on the PIC's management and investments, proscribing outsourcing unless it can be proved to be unavoidable, and ensuring that development funds from the GEPF/SWF be channelled through efficient and corruption-free entities.

Comment
A lengthy rebuttal below.
The AIDC proposal reads so plausible, except when you think and realise:

It doesn't know the difference between the GEPF and PIC.

The PIC holds "vast surplus" [!] which its Annual Reports show to be absolutely untrue.

The cash flow table is intended to show only what the author/s wish to emphasize, in a trillion Rand fund of utmost complexity.

Overinvested in corporate equity is a conscious voluntary Trustee decision not based on the GEPLaw.

*The GEPF must become a "*tool in service of a progressive and imaginative socioeconomic policy". *What does that mean except to give away our funds to achieve what the government and SOE waste?*

Manipulating statistics three years old to base the proposal on. The GEPF wasn't funded at 108% in 2018 already, but was lower and now much lower as the 2019 AR clearly shows.

Coincidence, the amount that could be 'freed' exactly meets what the government wants?

The Apartheid securocrats' "golden handshake and pensions" were paid the same way the ANC politicians' 'golden handshake and pensions' are paid right now, from a different pension scheme, funded each year by our taxes only. The AIDC 'research' doesn't show this?

How deep the ignorance of basic finances to propose changing the purpose of a pension fund to become a lending bank only?

Eskom's stubborn resistance to alternative energy may be because of too many making huge profits from inflated Eskom contracts.

The GEPF must overnight become the powerhouse driving our economy? Really? That isn't what pension funds are intended for.

So much for this proposal. Read the two introductory quotes way above again, and Canter's closing remark in the Business Maverick article.

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 35 200 members and continually growing, but not enough. This confirms the ever growing concern pension fund members and pensioners have about the future of their pensions. We need you to inform and motivate all the civil servants, policemen, soldiers, correctional services members, medical services, 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. 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 PIC, to manage and invest OUR money in a responsible and profitable way.

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