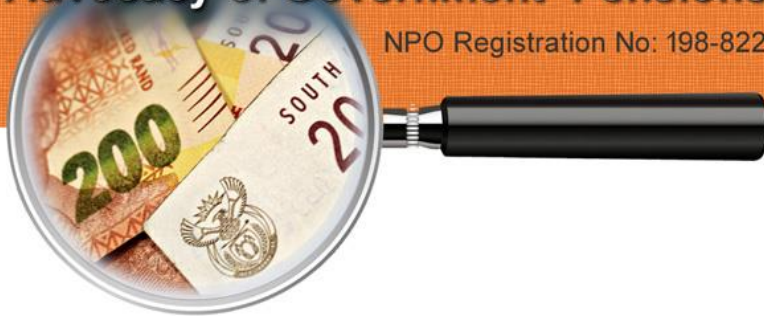


# Association for Monitoring and Advocacy of Government Pensions

# (AMAGP)

NPO Registration No: 198-822



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](http://www.AMAGP.co.za)

 [GEPF Watchdog - Wagbond](#)



## NEWSLETTER NO 12 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/>*

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**BRANCH** BROOKLYN 585  
**BANK CODE** 251 345  
**REFERENCE** E-mail address

Thank

You



protect our Fund  
protect our Fund



## The Editor's Word

Just to remind you: "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.

It seems the AMAGP is providing the opposition political parties ever increasing facts to take on the ANC about its failed policies in general and our Fund in particular. We are doing the right things right it seems.

I believe civil servants are still receiving their monthly salary, whether working or not? This means over a million workers still able to spend money, keep the economy limping along, pay taxes, etc.

The GEPF systems and structures are more than adequate for normal pensioner and member challenges; AMAGP doesn't replace such or intend to do it. However, AMAGP can assist with pension problems to a certain extent. See the AMAGP Fb and website.

Quoted below from [www.gepf.gov.za/governance](http://www.gepf.gov.za/governance) is the GEPF governance the Trustees are there for. See the word 'accountable' in the first sentence, and read the last sentence.

*"The GEPF Board of Trustees governs the Pension Fund and is accountable for its administrative and investment performance. The Board is established in terms of the GEP Law and Rules and appointed for a four-year period. The Rules prescribe that the Board is responsible for the proper and efficient management of the Fund and consists of:*

- *eight employer nominees; and*
- *eight employee nominees, which includes a pensioner member and representative of the South African National Defence Force (SANDF) and Intelligence, elected through postal ballot.*

*According to the GEP Law, fiduciary responsibility for the Pension Fund rests with the Board."*

That makes 16 Trustees, added to that are 16 substitutes. We are remunerating 32 Trustees at expensively high tariffs!

Realise there are about 450 000 pensioners and 1 200 000 Fund members, with only one [1!] Trustee for 450 000 but 15 for members [about three times the pensioners], huge bias towards members who

are actually non-pensioners. Trustees are also from many unions, most of them we never hear from when the Fund is under threat.

I wanted to add the primary listing of our shareholding but couldn't get the 166 primary and 36 secondary instances to fit in less than 6 additional pages. Please access the GEPF Annual Report on their website and scroll until you find the Annexures; that is where the information is.

Interesting information. There are 131 SOE, view them on [www.gov.za](http://www.gov.za). Directories: [National Government Directory: State Owned Enterprises \(SOEs\)](#)

Now for the news ...

The newsletter starts with the AMAGP Chairman's annual report for the year ending 31 March 2020. Please read and see what our entirely unpaid voluntarily AMAGP "staff" has achieved in the past year.

Then a piece taken from the AMAGP Watchdog-Wagbond, compiled by As Kleynhans, about the GEPF's lack of urgency in finalising its Investment Management Agreement, and the murkiness of the Trustees' activities. Being a trustee seems to be a sinecure.

Sinecure – a position requiring little or no work but giving the holder status or financial benefit. Definitions from Oxford Languages; Google.

Ryk de Klerk discusses the implications of the lockdown on the value of our funds invested on the JSE and how much the Fund's worth might be down. And the future looks bleak in the short term.

Followed by a reply to Ryk from our very own Christo de Klerk, adding more scare to the scary news.

The SAA on-off saga is still in the news. I'm not sure how this influences us, as I can't find any GEPF investment or bonds or whatever in SAA. However, the hungry eyes keep eyeing pension funds to pay for their mistakes. A trio of views about the situation:

Take a look at the press release by the Freedom Front Plus.

A further report from fin24 about the SAA matter, where the Minister of Finance 'explains' what was 'actually meant' by

finances for the SAA business rescue, after the DA intended to bring an urgent court application to stop the government using pension funds "emergency" funding for the SAA. Fast footwork and obfuscation. Then a different SAA funding perspective by Carin Smith of fin24.

Ter afsluiting, een van ons aktiewer pensioenarisse met 'n baie interessante voorstel: die AMAGP as instrument vir verbetering. Lees die kort stukkie en dink daaroor.

## **NEWSNOUSNEWS**

### **AMAGP: Chairperson's Annual Report 2020**

The fast changing situation worldwide, also in South Africa, has struck me dumb. This made it particularly difficult for me to compile this annual report.

So many threats and challenges making their appearance, all during one period, making it difficult to interpret and understand some situations and changes.

The world-wide pandemic, Covid-19 and its far-reaching implications, some of it which cannot even be conceptualised yet, also entered our country and lives. It threatens our health, normal existence and even our socio-economic environments in the most serious way. It certainly caused serious disruptions at most levels in our country, also at social and economic levels and there is no indication yet of this situation ending soon.

All these threats and changes happen at a very difficult time in South Africa where poor policy, a culture of rights without responsibility and accountability, incompetent systems, poor maintenance and bad service delivery, are daily occurrences. This has us standing on the edge of a fiscal abyss.

Most government departments, municipalities, and state-owned entities (SOE) are bankrupt, and unacceptable service delivery is nowadays a way of living and working. It has become a social state subsidised by government allowances, with a defective leadership corps and with poor unworkable

policies. All of this has accelerated South Africa's negative debt burden greatly over the past 10 years, causing it to overtake the mark by three trillion Rand.

Current investigations into the alienation of land without compensation, the envisaged National Health Insurance Fund and the proposed asset investment requirement (prescriptions) are comprehensive and sensitive policies that are not only unaffordable, it also contributes to foreign capital leaving the country.

These policy aspects, poor productivity and low economic growth were opposite to the increased population growth and other expectations, which necessitated the International Monetary Fund (IMF) to make certain proposals over the past ten years to rectify the economy. Critical aspects are the very high tax burden as well as the government's salary account. A government that has been pursuing uneconomical and unaffordable social goals resulted in the last grading institution having to make the unfortunate decision to downgrade South Africa to Junk status (BA1).

You, I, and everyone else, are now standing before the abyss, and we're all going to pay a price. The state coffer is empty, the debt load unmanageable, the economy is performing poorly and taxes, although critically high, is insufficient to achieve the various commitments. The budget is now funded largely by international loans at high interest rates with an impaired Rand.

The GEPF and its members, especially the pensioners, are now being threatened by what is happening around us in above regard.

The pension funds built in good faith over the years to make provision for when we are no longer economically active are now increasingly seen as the lifeline to save South Africa.

The empathy and emotion with the social responsibility, especially towards the underprivileged, are abused to justify the utilisation of pension funds. There are all kinds of "good" motivations and reasons given as to why the proposals are not risky to pension fund members. However, in a bankrupt country with a bankrupt state, the

given motivations are irrational. Much evidence, international and local, proves the it to be true; and if this route is to be followed, it won't be long for us all, right down to grassroots-level, to be bankrupt. The ANC and some trade unions, especially the three-party Alliance members, see it as a solution to use pension monies, while it is in actual fact the ANC and some trade unions that are responsible for the wholly unhealthy situation in South Africa.

South Africa finds itself in a very precarious situation indeed. The country now, more than ever before, requires strong leadership, competent manpower, serious action to curb corruption, and a true sense of accountability for misconduct, crime and social upliftment. A sense of responsibility towards paying salaries in line with work delivered, honest tender procedures, a payment culture for services received and a sound school system where equal competition would be the norm, which norm must also be equal to international standards, is needed.

A long-term healthy economy is not built by redistribution but on basic principles such as good leadership, hard work, taking responsibility and establishing a healthy policy framework, which also includes a strong policy where the state guarantees property/land ownership. Therefore, it is also not a solution to throw the GEPF's funds in bottomless pits to benefit specific groups or to buy time. The latter should not even be an option.

Our last letter to the Minister of Finance clearly stated that AMAGP is totally opposed to the fact that GEPF funds, our money, is dumped into bankrupt state institutions that clearly is the result of poor leadership, unproductivity, incapacity and corruption. The Minister was also requested in that letter to initiate forensic audit investigations to determine and enforce responsibility and accountability. The need for thorough due diligence studies to determine optimal capacity of SOE, as well as to dispose of surplus capacity including manpower, was also proposed to the Minister. Unfortunately, nationalisation is so deeply rooted that state ownership is seen as a right. We will still experience much pressure from government and others to make our funds available for

whatever reason until such a time where the available funds are depleted.

In recent years, AMAGP has managed well through the hard work of a small core group of volunteers whose continued efforts added good value to our goals. They fought vigorously to ensure that pensions are lawfully and diligently paid out and that funds are invested for sustainability.

The hard work of especially Albert van Driel with his compilation of the issue-related document and its presentation with other evidence at a hearing of the Mpati Commission, was invaluable. The Mpati report and its importance, also for AMAGP, should not be underestimated. The Mpati Report and its recommendations proved that AMAGP was right all along and further investigations were indeed necessary. The National Prosecuting Authority and Treasury are now also directly involved.

Unfortunately, the GEPF Board of Trustees (BoT), the very institution legally responsible for managing GEPF funds in the good interest of its members consistently, throughout maintained a low profile. ("The GEPF was established with the object of providing pensions and other related benefits to members, pensioners and their beneficiaries.") Their deafening silence, even now, still continues.

It is clear that a revision of the PIC's mandate is a priority. They must also be publicly seen and heard, especially in relation to what they are actively doing to protect the GEPF's future sustainability. The latter should not be, or seen to be, a burden to the BoT at any moment and time. They must act openly and transparently at all times.

In addition, the legal separation of responsibilities between owner and principal must be clearly understood and maintained. This highlights the responsibility of the GEPF BoT, whose responsibility and mandate is to ensure that the GEPF funds are invested for the benefit of its members. The current monitoring function should be intensified to ensure that the Public Investment Corporation (PIC) performs its mandate as a principal and does not create the perception that the PIC is the owner of GEPF funds. Responsibility, separation of responsibilities and duties of



both the GEPF BoT and the PIC BoT, are not negotiable.

The scope of AMAGP's work has drastically increased and it is hard work to manage and maintain its administration at several levels.

Hennie Roux worked hard and alone at one stage to get the filing system in place and maintain it. It was at one stage a continuous struggle for him to find volunteers to help with the administration, management and maintenance of the system. He and a few others are now doing a sterling job in this regard. Thank you to all of them.

Most documents are now filed on Google Drive by Hennie and David Blyth. David and his small team share their professional knowledge in many fields, whether it relates to the compiling of the Strategic Plan, or to help with computer software to formalise our work and make it easier for all.

It will be appreciated if volunteering members of AMAGP management can help to manage especially critical organisational positions to keep the daily responsibilities and momentum going.

As part of the strategy it was decided to market AMAGP by using and involving the media, authoritative institutions and other individuals. This task was conducted with great dedication in a successful way by Adamus Stemmet. His personal involvement and co-ordination as an authority gave great marketing exposure to AMAGP. The organisation and its substantive views are now more known and acknowledged inside and outside of the organisation.

The professional work of Christo van Dyk relating to the analysis and compilation of annual reports and financial aspects helped us all and outsiders alike to see and understand things in perspective. His reports and explanations always give great credibility and understanding to whatever needs to be explained. His informative and objective reports and presentations were found to be most useful by many, also during television interviews, other media and also during interactions with political leaders and other institutions. Much of it was also used on social media.

As Kleynhans and Herman Hanekom's enormous work to daily operate the social media and to recruit members and keep record of it all does not pass unnoticed. This task is so extensive and time consuming that one doesn't always realise how much it all takes from them to manage all of that. The success of the strategy and their hard work resulted in our membership growing to 5 000 members. The Facebook membership increased to a phenomenal 32 000! Fanie Versfeld and Petro Carstens help with email distribution and members now frequently receive news bulletins and information.

I would also like to thank Daan Kemp for the monthly journal, GEPF Monitor. It is compiled and distributed diligently on a monthly basis. What makes his contribution even more praiseworthy is the fact that he is not even a member of the GEPF. He does it completely voluntarily. Thank you, Daan.

Thank you also to everybody else that worked so hard on a voluntary basis to promote our cause.

On the financial side it looks better, but in the context of the work and expectations of the organisation the bank balance of R79 688 is just a drop in the bucket. Thank you to all who made donations. AMAGP recently also registered with BackaBuddy. Thank you to Andre Blignaut's commitment in this regard, which we hope will greatly improve the funds situation!

We have been busy with SARS for a long time for tax relief when large amounts are donated to AMAGP. We asked for it to be tax deductible. After a detailed motivation and many more subsequent letters and other communication, we are still waiting for their decision in this regard.

AMAGP needs significantly more funds at this moment to fund and run a permanent office for administration purposes and from where to launch marketing campaigns. AMAGP also needs to lobby for funds for matters such as litigation where necessary.

Thank you Jan Augystyn for compiling and managing the financial statements and related reports for us.

AMAGP still endeavours to ensure that GEPF members receive their rightful pension, now and in future. We are also working and monitoring to ensure that the GEPF funds are invested for sustainability. In the execution of all this, specific focus areas will continue to enjoy attention, namely:

- a. The investments at SOE.
- b. Bad investments.
- c. Decision makers must be corrected for irresponsible decisions.
- d. Initiation and monitoring of forensic investigations into sensitive cases/investments.
- e. Dismantling secrecy and working towards a true sense of transparency.
- f. Recruitment of members in strengthening our negotiation power.
- g. Intensify recruitment efforts to boost the number of active members/collaborators.
- h. Collection of funds.

Thank you to AMAGP's managers, other volunteers, collaborators and other institutions that help us to promote our bona fide goals.

I would like, however, to repeat my warning: There cannot be any doubt that the pension fund is under threat, and also that it is still seen by many as a last resort to help a struggling state.

I have a message to many of our members that doubt the true situation:

*Wake up from your sleep and dream-world before it is too late, as there are serious attempts to rob you of your rightful pension!*

{Signed}

Antonie Visser  
AMAGP Chairman  
Pretoria April 2020

*Comment*

*A wide ranging report discussing the sad state our country is in, confirming again why AMAGP.*

*Synopsis*

*The brief below was released on the AMGAP Fb GEPF Watchdog-Waghond page on 20 July.*

*By As Kleynhans.*

## The GEPF and the Investment Mandate Agreement

**Over the past 4 years, AMAGP approached the GEPF Board of Trustees on numerous occasions with requests for information on the way that they manage and invest OUR pension money - we are still waiting!!! The Mpati Commission also addressed the matter of transparency - has anything changed???**

GEPF MPATI REPORT PROGRESS ON the Investment Management Agreement (IMA)

The President released the Report of the Judicial Commission of Inquiry into Public Investment Corporation – (the Mpati commission) in March 2020.

The release of the Mpati report was accompanied by a 6 page statement from the Presidency dated 12 March 2020.

<https://www.justice.gov.za/commissions/pic/docs/PIC-ms-20200312-ReportRelease.pdf>

Under the heading “Conduct of the PIC with regards to FAIS and other legislation” the presidency indicated the following:

*“The PIC is, amongst others, regulated under the Financial Advisory and Intermediary Services Act, which mainly governs the relationship between the PIC and its customers, such as the GEPF. A key requirement of the Act is for investment professionals at the PIC to be “fit and proper” by acting with honesty and integrity at all times.*

*The investment mandate agreement between the PIC and its main client, the GEPF, emphasises that the PIC must make “prudent” investment decisions.*

*In the light of the above-mentioned improprieties and questionable investments decisions taken the PIC has, in some instances, not acted in compliance with FAIS Act and legal agreements with the GEPF.*

*The Commission found that the relationship between the GEPF and the PIC is strained and that efforts should be made by both parties to restore trust and a good working relationship.*

*There should be a review by the PIC and its customer on the various investment strategies adopted by the PIC in meeting the clients' requirements, including the non-domestic and unlisted investments strategies, which are areas that have sustained massive losses.*

***The PIC and GEPF, and its other clients, should support maximum transparency on transactions and disclose as much as possible. This will lessen potential improprieties. "***

Following the release of the report, the GEPF made the following statement.

<https://www.gepf.gov.za/wp-content/uploads/2020/03/GEPF-Response-to-PIC-Judicial-Commissions-Report-2.pdf>

The statement emphasised the following...

*"Although the Commission's terms of reference did not include the GEPF, the GEPF will pay careful attention to and follow up on the Commission's recommendations specific to it and the PIC. It will co-operate with the National Treasury which has been tasked with oversight in addressing the Commission's findings and recommendations."*

One of the recommendations made by the Commission WAS ACTUALLY DIRECTED AT THE GEPF. It pertains to the rather "loose" Investment Management Agreement (IMA) that was in existence (Pages 142-143 of the Executive Summary of the Mpati report):

*"14. The review of the IMA by an independent consulting firm, expected to be completed in two years, **reflects a lack of urgency on the part of the GEPF** to ensure the PIC/GEPF agreement takes account of the changing economic and asset management environment or the challenges of governance that the GEPF and the PIC are facing. **Such a review should produce an interim report by no later than end June 2020, following which the next steps should be determined.**"*

There has been no update on the GEPF's website as to progress of its own actions with the implementing of the Mpati Commission's recommendations.

The GEPF media release on 30 March 2020 only stated the following...

*"The Executive Committees of the GEPF and PIC, led by the Principal Executive Officer and Acting Chief Executive respectively, overseen by the respective Boards, **are already engaged** in the reviewing the agreements, policies, mandates, procedures, processes, benchmarks and fee structures that govern the relationship between them as well as addressing areas where the relationship has been eroded. "*

As we are already mid July 2020, GEPF members and pensioners should be empowered with updated information and progress on this critical matter.

Confirmation that the recommendations highlighted above has in fact been attended to with an increased sense of urgency by the GEPF itself will be appreciated ie...

- Has the review of the IMA been CONCLUDED by the GEPF as recommended?
- Has an interim report been produced by the GEPF as recommended?
- Did the GEPF Trustees consider this interim report and have they decided on the next steps?

**If so, in pursuit of the Transparency call by the Presidency as indicated above, can AMAGP, as interested party monitoring the Fund, get a copy of the interim report and the Trustees decision on the next steps?**

In the unlikely event that the review, the interim report and the next steps has not been concluded, it will be appreciated if GEPF members can be informed - WHY NOT?

Furthermore, BY WHEN will these overdue tasks be completed?

FURTHERMORE -

The Mpati Commission described the existing IMA as a "loose mandate" but unfortunately made no recommendations as to what compensating controls the GEPF should have in place to tighten up on the "loose mandate" that will unfortunately remain in force **until a credible IMA can eventually be put in place.**

According to the Mpati report there were too many examples of investments that were non prudent.

**Our question on this is then...**

What exactly is the GEPF itself doing differently (ie. additional and compensating controls) to properly address the unmitigated risks represented by this “loose mandate” during the period it remains in place?

The Fund cannot afford anymore non-prudent investments, especially when we consider the substantial strain the below expected investment income has already placed on the Fund (Actuary Report 2018) AND the continued and rapid decline of the contingency reserves since 2014.

*Comment*

*Well said; it is abundantly clear the GEPF and Trustees regard transparency about other peoples’ money - our money, our Fund - as irrelevant. May we question the reason for the IMA being delayed?*

*Synopsis*

IOL **BUSINESS REPORT** ECONOMY



Picture: Simphiwe Mbokazi/African News Agency (ANA)

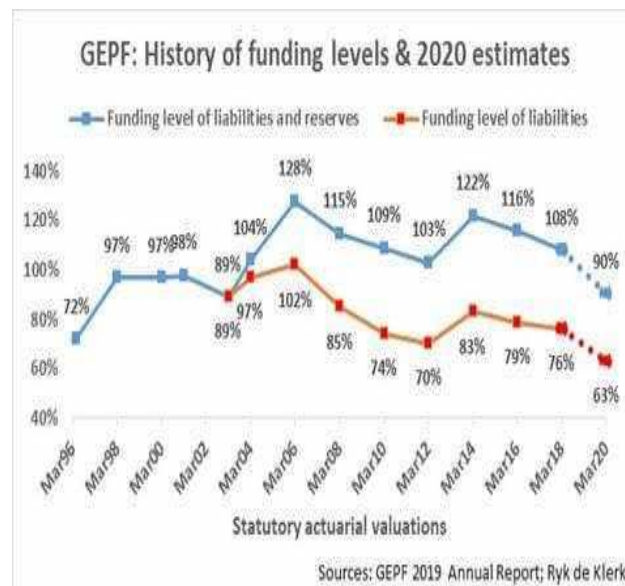
**March’s market massacre revisited**

By Ryk de Klerk 20July 2020

The government's finances are under further severe strain as PIC managed GEPF assets buckled under the Covid-19 sell-off in March. The actuarial valuation of the fund effective March 31 is probably under way and the results likely by December this year. As in the past, the economic assumptions will be based on the market conditions as at March 31.

At the end of March this year the massacre of our financial markets probably wiped off nearly R250billion from the GEPF’s JSE-listed equity values compared to a year ago, and even more than that since the last actuarial valuation in March 2018.

Losses on local bonds based on the clean prices of the Albi could amount up to R60bn or more. Just on the local side it meant that net assets would have dropped by R300bn to R1 500bn from R1 800bn, reducing reserves to R420bn from R720bn previously. If the fund’s liabilities remained the same, the Fund ran the risk that the GEPF funding level of liabilities and reserves could have dropped to about 90 % from 108 % in March 2018.



Furthermore, the funding level of liabilities could have dropped to 63% from 76% in March 2018. According to the GEPF’s 2019 integrated report, the Fund’s Funding Policy requires that the board ensures that the funding level of liabilities is above 90%.

This is in line with Rule 7.2 of the Rules of the Fund, which states that the employer contributions should be sufficient to ensure that the fund is able to meet its obligations at all times, subject to a funding level of liabilities of at least 90%. The funding level of liabilities is the fund's financial gauge. The higher the funding level, the better the financial situation. While the results of the March 2018 actuarial valuation show that the fund is 108,3% funded, it meant that the fund had sufficient assets to cover the actuarial liabilities in full.



With the apparent current funding level of about 90%, the actuaries are likely to conclude that the GEPF is underfunded - probably to the extent of 10% of total liabilities and reserves. By using the best-estimate liabilities and reserves, according to the results of the 2018 actuarial valuation, a 10% underfunding or deficit equates to R238bn. Yes, it is massive and is more than 50% of Eskom's stated debt.

To get an indication of the GEPF's probable financial position as at the end of March, I focused on the fund's JSE-listed equity holdings and offshore holdings with a secondary listing on the JSE, and assumed that the holdings as at the end of March 2018 were unchanged.

More than 95% of the JSE-listed equities were covered and major corporate actions in companies such as Remgro, RMB Holdings, Capevin/Distell, Clover, Imperial, Investec, Lonmin, Old Mutual and Naspers were taken into account in the calculation of the fund's effective 2018 JSE-listed equity portfolio values.

By looking at the number of shares out on lending by the Fund I accept that the Fund managers were probably active in the derivatives market and took out protection. The impact of such activities could have added to or reduced the value of the portfolio. Where did it all go wrong?

According to my calculations the GEPF's total 2018 JSE-listed equity portfolio contracted by about 28% in capital value from March 2018 to the end of March this year.

Banks contributed -5.2% to the loss, Chemicals 3,5 % and Reits 3,3 %. Nine Reits, namely Rebasis, Intu, Delta, Accelerate, Dipula, Fortress, Hyprop, Hammerson and Redefine lost more than 80% in value. Some of the Reits considered as making up the Resilient stable of companies, saw their share prices plummet as they were considered to be overvalued and that their dividend growth was propped up by related party deals.

The blow was softened by the GEPF's mining exposure in its JSE-listed equity portfolio as the sector contributed a positive 3% to the portfolio's overall capital return. Naspers also had a major impact with a positive contribution

of 0,9%, and so did Clicks with a positive contribution of 0,3%.

Sixteen shares lost more than 90% in value and cost the JSE listed equity portfolio 4,8% and was dominated by Sasol with a draw-down of 91%, which reduced the portfolio's value by 3,3 %. AYO cost the listed portfolio 0,4 %, Intu cost 0,3%, Erin Energy cost 0,2 % and Tongaat cost 0,2%. Eighteen shares lost between 80% and 90% in value and cost the equity portfolio 1,2 % in aggregate with Hyprop 0,3 %, Massmart 0,2 % and KAP 0,2%; 22 shares lost between 70% and 80% and cost the equity portfolio 4% in value. Redefine cost 0,7%, Nedbank 0,7% and Sappi 0,5%.

The recovery in the markets subsequent to the sell-off in March saw the GEPF's 2018 JSE-listed equity portfolio recover by more than R105bn ex Naspers while Naspers, including Prosus, added a further R56bn in value by the close on Friday. Naspers and Prosus now constitute about 31% of GEPF's JSE listed equities.

In terms of the GEPF Law and the Rules of the Fund, an actuarial valuation must be carried out at least once every three years. In the past the valuation was done every two years. In light of the South African government's precarious financial situation, it may be decided to postpone the actuarial valuation by another year. A further recovery in financial markets may wipe out the funding shortfall and additional funding by the State will not be necessary.

Over the past few years shortfalls in required contribution by the State amounted to about R6bn a year and were afforded from the excess of the assets over the best-estimate liabilities. It is evident that the current funding level will not allow for the shortfalls to be funded from the GEPF's net assets. The state will therefore need to stand good for a possible R6bn.

It is important to note that GEPF members' benefits will not be affected by the apparent or possible underfunding given that the GEPF is a defined benefit fund. There is a serious threat that should markets head south again the SA Government will be forced to add to the reserves of the fund.

Yes, the impact of the Covid-19 virus on government finances could be more severe than planned for.

*Ryk de Klerk is analyst-at-large. His views expressed above are his own.*

#### *Comment*

*Albi – all bond index, whatever that means.*

*Reits – real estate investment trust.*

*The commonly used and abused value of our fund is based on statistics [remember Disraeli's quote about lies above] taken from 2018. If Ryk is right, our Fund may have decreased up to R 500 billion in value in the last two years, thus much less than what those who want our funds expect there is.*

*An actuarial evaluation taking about nine months? Really? Yes, really.*

*The funding level graph shows the lines diverging from about 2002. Wonder who was in charge/Trustees of the GEPF/PIC then? So they may be taken to court in case of due diligence and prudence not being done can be proved.*

*Note the shortfalls [lack] of government contribution over "the past few years". Making me expect the shortfalls to continue, despite the GEPF being a 'defined benefit fund'.*

*What makes you think a bankrupt government will fund the civil servants' pensions? What makes you think the government won't just take our Fund's funds? Nationalise them without compensation overnight?*

*See the reply below to Ryk's article by Christo van Dyk, one of our very active pensioners. Further enlightenment about the status of our Fund's funds.*

Good Evening Ryk

Thanks for your analysis and interesting article.

Your calculations and analysis of the value of the assets of the GEPF as at 31 March 2020 correlates closely to my own. I am a current GEPF pensioner.

Regarding the pension liabilities, based on the trends observed in the actuary valuations since 2010, its highly unlikely that the pension liabilities will not increase at all. The average increase is R115bn p.a. and the increase over the last two years were R127bn p.a.

As such, when projecting the minimum funding ratio (assets/liabilities) it's

- highly likely to be less than 100% (this implies the Fund is not solvent any more);
- likely to be less than 90% (this implies the Fund is not regarded as Financially Sound any more)

It does appear that the projected minimum funding ratio will be in the range 84% to 87%.

**The article asks the question "Where did it all go wrong?" and then expands on the investments held on the JSE and the loss of value.**

Apart from the issues listed in the article the root causes include

- a lack of diversification (90% invested in SA),
- too many non-prudent investments (Mpati Commission),
- the payment of excessive investment expenses (Mpati Commission).

The GEPF actually did an asset liability study 4 years ago but failed to implement its revised Strategic Asset Allocations and asset allocations.

**The article also reaches the following conclusion as to the safety of benefits:**

*"It is important to note that GEPF members' benefits **will not be affected** by the apparent or possible underfunding given that the GEPF is a defined benefit fund. There is a serious threat that should markets head south again the SA Government will be forced to add to the reserves of the fund."*

Unfortunately, this statement ignores the fact that once on pension, beneficiaries share in the risk of the Fund and investment performance.

Paragraph 11 of the Government Employees Pension Fund Investment Policy Statement confirms this:

*"Members are not exposed to investment risks prior to their retirement because of the defined benefit nature of the fund. **Once they are in receipt of a pension, pensioners, or survivors enjoying dependants' pensions after the death of a member, are exposed to investment risks to the extent that such risks may adversely impact the Fund's ability to afford pension increases above the minimum set out in the pension increase policy.**"*

The minimum increase is 75% of CPI. The Trustees have created a Contingency Reserve to facilitate the granting of full inflationary increases to pensions.

Obviously, once pension liabilities exceed the value of assets, there are no actual reserves. This in turn threatens the continued granting of 100% CPI increases because of affordability. As a result, the benefits of current pensioners specifically, is indeed negatively impacted by the underfunding status of the Fund.

Thank you for an interesting and thought provoking article.

All the best  
Christo van Dyk

ACTUARIAL VALUATION *[an explanation of financial trivia]*

Investopedia By Will Kenton 27 November 2019

### What Is Actuarial Valuation?

An actuarial valuation is an assessment of a pension fund's assets versus liabilities, using investment, economic, and demographic assumptions, to determine the funded status of a pension plan. The assumptions are based on a mix of statistical and experience. Since assumptions are often derived from long-term data, unusual short-term conditions or unanticipated trends can cause deviations from forecasts.

*Samevatting*

**SAL-reddingsboei: ANC-regering mik al hoe meer na pensioenfondse as reddingsboei vir staat wat soos 'n piramideskema bestuur word**

Mediaverklaring deur:

**Adv. Anton Alberts**

**VF Plus-nasionale voorsitter**

21 Julie 2020

Die VF Plus neem met kommer kennis van die Minister van Finansies, Tito Mboweni, se plan om te kyk na pensioene om die SAL te befonds en waarsku weereens die direkteure van die openbare beleggingskorporasie (OBK) en die trustees van die staat se pensioenfonds (GEPF), om hierdie druk van die regering met alle mag teen te staan.

Enige belegging in bankrot staatsentiteite, soos die SAL, sal 'n roekelose belegging

daarstel wat persoonlike aanspreeklikheid vir die direkteure en trustees daar sal stel.

Die VF Plus sal nie skroom om die pensioenarisse by te staan om 'n soortgelyke regsaksie teen die stropers te loods soos die geval was met die Transnet-pensioenfondse nie.

Voorts sal die VF Plus klagte indien by die maatskappyekommissie teen alle direkteure van die OBK vir hul roekelose optrede met ander mense se geld. Daarom moet die direkteure van die OBK en die Trustees van die GEPF weereens deeglik besin oor hul fidusiëre of vertrouensverpligtinge teenoor die pensioenarisse.

Dit het nou 'n gereelde mantra onder verskeie ministers geword om pensioenfondse as reddingsboei te sien vir die staat se benarde finansiële posisie. Die feit is egter dat die ANC-regering die ekonomie in die land soos 'n piramideskema bestuur het met baie min fokus op die skep van 'n gesonde omgewing vir ekonomiese groei.

Trouens, die ANC-regering het in die verlede, en doen nog steeds almal 'n onreg aan, deur hom blind te staar teen grootskaalse korrupsie, hardkoppige kaderontploffing van onbevoegde mense, rasse-dwepery en die verwerping van meriete as diensleweringebeginsel.

Noudat al die geld opraak, is die stroping van pensioenfondse 'n natuurlike en instinktiewe reaksie vir 'n organisasie soos die ANC wat in sy filosofiese uitkyk en bestaan nog nooit iets lewensvatbaar kon bou nie, maar wat meesters van plunder en stroop is.

Die VF Plus sal, soos in die geval van die Transnet-pensioenfondse, nie 'n steen onaangeraak los om die bose planne van die ANC te stuit nie.

*Kommentaar*

*Ek is opgewonde oor die verwysing na moontlike regsoptrede teen die OBP se direkteure en die GEPF se Trustees. Ek verwag nie dat dit gou sal gebeur nie, maar die druk op die Trustees gaan hopelik nog baie verhoog.*

## Synopsis

# Mboweni says he has not authorised state funds to bail out SAA, but may approach pension funds

# fin24

Carin Smith



Photo: Gallo Images/Ziyaad Douglas

While Minister of Finance Tito Mboweni says he has not authorised the use of funds from the National Revenue Fund for emergency funding to implement the business rescue plan of South African Airways, he does not exclude the possibility of approaching "institutions" to invest pension funds for this purpose.

"This is not the case. No such decision has been taken," Mboweni states in an answering affidavit in an urgent application the Democratic Alliance intended to bring in the High Court in Pretoria on Tuesday to prevent section 16 of the Public Finance Management Act from being used for "emergency" funding for SAA.

SAA went into business rescue in December 2019 following years of losses and repeated state bailouts. More than seven months after it went into administration, the airline's creditors eventually voted to proceed with its proposed business rescue plan last week. This requires government or a strategic equity partner to provide an additional R10,3 billion in funding.

The flag carrier's rescue plan stipulates that all requirements must have been fulfilled by Wednesday, July 22. If this is not the case, creditors would have to meet on Thursday, July 24 to determine whether the accepted plan must once again be amended.

If this is not accepted, the rescue practitioners might have no other option but to "discharge" the rescue process, which may leave the only option left to apply for SAA to be liquidated.

## 'False premise'

In his affidavit opposing the urgent application, Mboweni says the DA's urgent application stems from a "false" premise that he has authorised the use of funds from the National Revenue Fund to fund the implementation of the business rescue plan for the airline.

He points out that a letter of commitment he and Gordhan supplied to the rescue practitioners, simply indicated that government acknowledged the funding requirements set out in the rescue plan and that it is committed to "mobilising" funding.

Mboweni sets out that there are a number of options which government may explore to "mobilise" such funding. These include government retaining a portion of the issued share capital in a newly formed airline, approaching private equity partners or strategic partners to acquire shareholding in the new airline, approaching "institutions" to invest pension funds, or approaching local private investment institutions and global investment institutions regarding funding.

"At this stage there are various options being considered and no definitive decisions have been taken," Mboweni states. "No such decision [to fund SAA via emergency funding] has been taken. Neither is such a decision imminent."

## Application on hold

In a statement on Tuesday the DA's finance spokesperson, Geordin Hill-Lewis, said the party welcomes Mboweni's affidavit. "This means the DA has achieved its immediate goal of preventing this bailout from happening secretly, behind the scenes, as happened previously when former minister Malusi Gigaba, used his 'emergency powers' under Section 16 of the PFMA," said Hill-Lewis.

"The DA is resolute that it would be wrong for SAA to be bailed out once again, at public expense, while millions of people face such



hardship. The country faces so many more urgent needs right now," says Hill-Lewis.

For the DA Mboweni's statement, however, raises new alarms about how SAA might be bailed out using pension funds to "invest" in a new airline. The party said it is concerned that this raises the prospect of state-owned asset manager the PIC being forced to give money to the airline.

### DPE view

Acting director of the DPE, Kgathatso Tlhakudi, stated in his answering affidavit that throughout the business rescue proceedings it has been the government and the Department's stance that SAA should not be liquidated, but restructured and saved.

He points out that the DPE is on record as having stated in the past that government, as the sole shareholder of SAA, supports the business rescue plan where it results in a sustainable, competitive airline that provides integrated domestic, regional and international flight services.

Tlhakudi states that government wants to resolve the "untenable situation of the current SAA, specifically for its employees and its creditors, as well as to support important economic objectives".

### 'Semantics'

"It seems that Minister Mboweni resorts to semantics in relation to possible sources of funding for SAA. It is not a bail-out if further funding is framed as an investment, the argument goes," comments Werner Human, deputy CEO of the union Solidarity.

"The glaring point is that government seriously considers to pressure pension funds to 'invest' in SAA - a move that Solidarity would oppose outright." He said Solidarity would follow the developments in relation to the potential use of pension funds very closely and would initiate "any appropriate action to combat the use of pension funds that would not be in the interest of members".

### Comment

*No smoke without fire. SAA must be able to repay its loans or cease operating. South*

*Africa really can't afford a bloated carrier's continued existence.*

### Synopsis

**Where will SAA funding be mobilised?**

**fin24**

Carin Smith



Picture: Alon Skuy / Gallo Images

A crucial deadline for all the conditions stipulated in the business rescue plan for SAA to have been met has come and gone, creating an open question about the way forward for the state-owned airline.

The most important question to be answered is who will fund the rescue plan? A letter signed by Public Enterprises Minister Pravin Gordhan and Finance Minister Tito Mboweni only indicated government support to "mobilise" funding to implement the plan.

About R10,3 billion in additional funding would be needed, of which the most crucial to start off with would be about R800 million for post-commencement creditors, about R2,2 billion for voluntary severance and retrenchment packages as well as about R2 billion for working capital.

If the conditions are not all met by midnight on 22 July, the practitioners indicated they would have to call a creditors' meeting on Friday to ascertain the way forward. If the practitioners find the plan is still "unimplementable" by then, they may have no other option but to liquidate the 86-year-old airline.

Although National Treasury indicated on Wednesday afternoon it would not comment at this stage on where the funding would come from, Mboweni indicated in a recent sworn statement he had not authorised the use of funds from the National Revenue Fund for emergency funding to implement the business rescue plan.

### **Pot of gold?**

Airline experts polled by Fin24 were mostly of the opinion, given the devastating impact of the coronavirus pandemic on the airline industry, it was highly unlikely any private investor would be interested in putting money into a "new SAA". They said nothing much would change in the unsustainable structure of the company.

This begs the question of whether the money could come from state institutions such as the Development Bank of Southern Africa. The bank, which invests in developmental infrastructure, would not comment on whether it had been approached to fund the rescue project.

The Industrial Development Corporation (IDC) said its decisions were based on merit. It takes "... into consideration the viability of all business proposals submitted to the corporation. Such a request would be subject to a similar IDC process", the corporation said in an emailed response to Fin24.

The PIC has not been approached regarding funding the "new" SAA. "Should the PIC be approached with an investment proposal, such a proposal will be evaluated in terms of the clients' investment mandates and subjected to internal investment processes," said Deon Botha, its head of corporate affairs.

### **Legal point of view**

The managing director and business rescue practitioner at Turnaround Rescue Solutions, Gideon Slabbert, said if one applied the legal business rescue criteria to SAA, one should answer the fundamental questions of reasonable prospect and a better-return-than-in-liquidation. If one applied the business rescue criteria in terms of the Companies Act to SAA, it was apparent there was no

reasonable prospect in rescuing the business, he added.

"If the state applies a fair process in accordance with the law then this business should be liquidated. The financial impact of the additional financing of the business rescue plan will far exceed the current amount stated in the rescue plan and it will burden the country and the tax system and should, therefore, not be allowed to continue," he cautioned.

### *Comment*

*Interesting how often the PIC and GEPP are quoted wrt to their 'assets', never about the 'assets' not belonging to them, or quotes of the 'assets' of Cosatu and the ANC, or other asset managers such as Black Rock and Goldman Sachs and their billions in 'assets'.*

*Non-government opinions seem unanimous in condemning SAA's continued existence.*

### *Samevatting*

Vriende,

Ek wonder of dit nie dalk tyd raak dat ons die invalshoek met die beskerming van die GEPP strategies moet verskuif nie? Vir elf of wat jaar reeds, maan ons die OBK, Raad van Trustees, Ministers en wie ook al wil luister of nie oor die (wan)aanwending van die GEPP bates. Daar is al talle maal uitgewys dat die bestedings en aanwending van die bates nie tot groei van die Fonds lei wat lang termyn likiditeit verseker nie.

Feit is, die land is bankrot en nou word die IMF ook genader vir 'n lening wat te midde van die bestaande staat skuld las bedien sal moet word. Vir jare nadat ek en u dalk al heen is, gaan die sg begunstigdes van die Fonds nog met die gevolge moet saamleef.

Onthou u wat Argentinië in 2008 gedoen het? Oornag is alle likiede bates genasionaliseer en die bevolking het die volgende oggend wakker geword sonder 'n sent in die bank. Hierdie is my grootste vrees. As die ANC regering optree soos tans, is dit 'n realistiese moontlikheid.

Na my mening moet ons begin oplossings aanbied saam met ons vermaninge. Ek merk op dat politieke retoriek selde indien ooit

oplossings as deel van die kritiek aanbied. Ek glo ons moet nie dieselfde doen nie. Feit is daar is nie geld nie, so wat sou ons aan die hand doen? Die sleutel is natuurlik werkskepping deur almal behalwe die staat as hoof rolspeler; die Regering se hardkoppige ignorering van potensieële staatsinkomste te midde van die virus, is pateties; ens. Daar is nog baie moontlikhede.

Groetnis,

Hercules du Plessis

*Kommentaar*

*Beslis iets om oor na te dink.*

*AMAGP se doel is eenvoudig en enkelvoudig. Om nou deel te word van die proses van oplossings, verg 'n geheel-en-ander benadering. Dit benodig ander denke as AMAGP se behoudende een, kyk die woorde net onder die logo op die eerste bladsy. Ons kan nie een kant waghond wees en aan die ander kant die land se ekonomie red nie. Maar ons kan beslis meewerk daaraan, dit verg ander denke en waarskynlik 'n ander organisasie.*

*Die verwysing na Argentinië in 2008 was die stelselmatige oordrag van bates van baie verskillende pensioenfondse na 'n staatsbeheerde en ondersteunde instansie [Google ANSES]. Daar was voor dit dekades se chaos in die pensioenwese in Argentinië, van so 'n omvang dat dit ons histories van skrik sal laat, so ernstig was dit. Die stap het die pensioenwese gestabiliseer en op 'n gesonde grondslag geplaas. Heeltemal verskillend van SA wat 'n stabiele pensioenwese maar patetiese ekonomie het.*

*Ek deel die kommer oor Doep se "grootste vrees".*

**IMPORTANT NOTICE. PLEASE READ**

**OR READ AGAIN IF YOU HAVE ALREADY**

**SEE THE BOX ON THE NEXT PAGE TOO**

**Please take a while again to really 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, teachers, 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](http://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.

## JOIN THE MOVEMENT



STEP 1	JOIN THE FACEBOOK GROUP
STEP 2	BECOME AN AMAGP MEMBER

- 1: Scroll to the top of the AMAGP page;
- 2: Click on “Announcements”;
- 3: Click on “amagp membership”;
- 4: Complete the form :)

## PROTECT OUR FUND

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.

### **VRYWARING**

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