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 14 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/

SPECIAL REQUEST

AMAGP needs your active and passive participation in ensuring the continued viability of your pension, to ensure that you who are still employed by the government will receive an adequate pension when you retire, and you who are already retired will continue to receive your pension as you expect. AMAGP needs many many members to ensure the government knows how many civil servants and pensioners are concerned about their pensions.

From those members we also really need dedicated volunteers people who can and will shoulder the burden of promoting our pension's viability on a national and provincial basis; people who will do the work. If you are prepared to offer your time and effort to help ensure your/our pensions, please contact AMAGP. If you know of a willing member or pensioner, please let us have his or her name and contact details. AMAGP will take it from there.

A message to our 464 000 GEPF pensioners

You represent 26,8% of all GEPF members, but you have one [yes, only one!] trustee representing you on the Board of Trustees, giving you only 6,25 % of the vote. Pensioners can't really be members of a labour union anymore as they aren't workers, thus the labour unions don't represent pensioners in any way. However, the labour unions have many trustees on the BoT…

THE GEPF WATCHDOG/WAGHOND FACEBOOK PAGE

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! The AMAGP newsletters tell a different story.

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. Note there are no membership fees. You don't have to do any work for the AMAGP if you do not wish to do so – BUT your membership will add one more voice to AMAGP convince the government our pensions remain ours, not theirs to misuse. 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.

The Editor's Word

The newsletters usually paint a grim picture of our Fund and the SA economy in general. This, unfortunately, is reality. I will certainly include any positive news along with the rest whenever I find it.

Political Office Bearers' Pension Fund. Yes, this has existed for many years and is the pension fund for political office bearers [POB], ie all the politicians, untold numbers of them – parliament and provinces and more unknown instances and SOE. View this fund on internet www.pobpf.co.za to see how well managed it is, how approachable the trustees are, how small the asset management fee is, how zealously the trustees of the fund report to their members every quarter, how up to date their fund's investment policies are, the R5bn in assets, transparency, etc. In fact, so unlike much of the GEPF…
The POB are paid directly from every year's tax income, not the POBPF funds, so they have no concern about their own pensions. The POBPF should be amalgamated with the GEPF, don't you agree, so they can share our concerns about their pensions.
Note: Any government decision about how to misuse all our pension funds in SA will specifically exclude this pension fund.

One of our members shared Theo Stehle's letter to the GEPF on his police members' group and was immediately blocked from commenting on that group! The group admin deemed it to be too political to comment about their very own pension fund on their group!

Keep in mind our Fund isn't R1,7 trillion strong as the media and government love to claim. The severe drop in share prices and unrevealed impairments, excluding Steinhoff and Survé's billions, can take at least 20% off that if not more. I speculate the Fund in reality has no more than R1,5trillion right now, if that much.

Also keep in mind the GEPF and all the other SA pension funds own a huge part of the shares on the JSE and a large part of the 'government' through loans, bonds and shareholding in SOE.

The M&G weekly newspaper reported on M Busha and evangelist Bushiri involved in missing millions in pension fund investments of the metal, electrical and engineering unions. The FSCA revoked his license this year but subsequently reinstated it in the expectation of him returning the missing funds. As I can't find links to GEPF or PIC in the related instances, the report isn't included in the newsletter. It confirms widespread massive corruption in SA pension funds, with the FSCA hopefully an interested onlooker from the sidelines.

Now for the news…

The newsletter starts off with various reports of the ANC planned state bank. From the reports it is difficult not to conclude this means an ANC owned bank funded by all our pension funds, managed to the advantage of the ANC. The FF+ statement is clear on this too.

What does ANC speak for 'access to savings at a favourable rate' really mean to pension funds' ROI?

Interesting the ANC doesn't include the Rmillions [billions?] in Cosatu and its trade unions in the state bank scheme. Or the Rmillions [billions?] the ANC has. Only pension funds, much of which also belongs to labour union members…

The GEPF doesn't have Rbns lying around, the funds are tied up in shareholding, loans to SOE, bonds, equities, call accounts, money market, real estate, impairments and such. To 'invest' in 'government' infrastructure projects and the 'state' bank means disinvesting the funds from where they are now.

Allen Greenblo gives a sobering view of the role of IMF funding and our pensions in the 're-economising' of SA. With a neat summary of all the uncertainties.

The PSA is doing what a proper labour union should be doing, warning the government to keep its hands off our pensions. Join the PSA if you aren't a member already!

Magnus Hestek gives an illuminating comparison of the JSE to other stock exchanges, with good information about why it is doing so poorly.

Enoch Godongwana, head of the ANC's economic transformation subcommittee, tries to tell us the ANC has no intention to use our pension funds to bail out SOE 'at the moment'. Yes, well …

NAPTOSA comments in their newsflash no 4 about the ANC's intentions to our savings, confirming a truism: "There is no comfort in government investigating corruption in government in order to report to government." Very apt wouldn't you say?

Read about more than R617mn disappearing from the Bapo ba Mogale community in three years, from under the oversight of the North West Province. Once again emphasising the crucial importance of ensuring and enforcing accountability. Why include this? The GEPF has Rbns invested in Sibanye-Stillwater, which was the original provider of much of the funds and promised to provide assistance.

Some of our [GEPF] shareholding news: Tiger Brand [R6bn] and RCL Foods[R400mn] report decline in earnings. NEPIRockcastle too, but not too bad, read about the NEPI dividend challenge COVID has kindly provided. Some more news about GEPF investment/shareholding in the next newsletter.

NEWSNUUSNEWS

Synopsis

ANC planning to use pension funds to launch state-owned bank

Newsmzansi
By Stefan Mack

A report published by the Sunday Times on 16 August revealed the ANC has developed a recovery plan, and one aspect would be to invest in state infrastructure. Briefly.co.za learned that this would facilitate the creation of a new state bank, which would use pension funds to capitalise the institution.

The Sunday Times report exposed the proposed document, which appeared in the ANC's recovery plan, which was developed during NEC meetings. "Processes already under way to establish a properly capitalised and governed state bank will be accelerated," the document says, according to the national newspaper. "The state bank will be able to access different forms of capital, in addition to taking deposits. [It] has a critical role to play in deepening financial inclusion and to further enhance competition in the banking sector."

The ANC has been working on a plan to create a state-owned financial institution for some time. This could result in the erosion of the pension fund through investments into projects managed by the ANC.

"Regulation 28 of the Pension Funds Act will be amended in order to unlock the funding of long-term infrastructure projects and high-impact capital projects, and the amendment will facilitate direct access to pension funds' pool of resources by state development finance institutions," the document says.

"Earlier, Brtiefly.co.za reported that Finance Minister Tito Mboweni believes that pension and retirement funds should be used to fund infrastructure projects across South Africa. This would require an amendment of Regulation 28 of the Pension Funds Act.

DA MP Geordin Hill-Lewis had asked Mboweni how this would affect the law surrounding asset prescription. The current law allows for pension and retirement funds to be invested in immovable property. Mboweni wants this to be expanded to include infrastructure according to Fin24.

In other news, the ANC's Economic Transformation Committee has published a new proposal document which includes planned changes to how pension funds will work in South Africa. The document has outlined how the use of pension funds will be important in helping the government address funding shortfalls in areas such as infrastructure development and energy production.

Comment

The state bank was first mentioned in the ANC discussions months ago as a possibility. Prescribed funds have been in the newsletter many times, with the conclusion that changes to Reg 28 isn't required, but credible infrastructure investments are. It is now clear the ANC determines and prescribes government policy and not the government. "Processes … will be accelerated". Thus, it is *a matter of time before our pensions are gutted, if we don't act decisively.*

Synopsis

Government's plan to use South African pensions

Businesstech
Staff Writer 16 August 2020

President Ramaphosa's Cabinet has drafted a economic reconstruction and recovery plan, which will see a number of financial regulation changes in a bid to get the country's economy back on track.

The Sunday Times, which has seen the plan, said among the planned proposals are the introduction of a state bank, as well as amendments to existing pension laws which would allow government to access retirement savings at a favourable rate. It will also facilitate direct access to pension funds' pool of resources by state development finance institutions.

ANC policy

In July the ANC's Economic Transformation Committee published a new proposal document which includes planned changes to how pension funds will work in South Africa. This appears to be the basis of government's new policy, with the ANC indicating that retirement savings should be used to boost the funding of infrastructure projects spearheaded by state development finance institutions (DFIs) using private capital.

"Furthermore, regulators should be vigilant to ensure increased competition in the banking sector, which frequently displays the kind of oligopolistic tendencies which limit access to finance particularly for SMME and for households in historically disadvantaged areas."

"In the meantime, the asset classes with the highest impact must be investigated, in line with the resolutions of the 54th National Conference," it said.

One of the key ways that pension funds are likely to be deployed is to help the embattled power utility Eskom. The ANC said that 'there is a need for continued support for Eskom to overcome its immediate financial and technical challenges' and to ensure reliable electricity supply.

"A solution needs to be found to Eskom's debt problem, including the possibility of pension funds being mobilised to take over certain restructured Eskom assets," it said. "This is linked to the broader restructuring and unbundling of Eskom's corporate structure to achieve the vision set out in the 1998 Energy White Paper."

Comment

Makes you shudder to read!! Access our savings to fund the government's losses!
Cabinet drafted a plan? Other reports confirm it is the ANC's plan. Which is true?
The 1998 Energy White Paper quoted in 2020, really? Is it still credible after 22 years?

Synopsis

ANC-controlled state bank perfect for looting

Anton Alberts

The ANC's plans to use pensions to establish state bank comes down to nothing but expropriation without compensation.

The FreedomFront Plus (FF Plus) opposition political party in parliament has noted with concern the rumours that the ANC government wants to establish a state bank with money from pension funds and the party views it as nothing but attempted expropriation without compensation.

Any such ANC-controlled state bank will only create the perfect opportunity for looting and, thus, it will be of no use to establish a bank like that. The FF Plus will oppose these plans with all its might.

According to news reports in The South African and Sunday Times (16 August 2020), the establishment of a state bank forms part of the ANC's "turn-around plan" to invest pension fund money in government programmes in the form of long-term infrastructure and high-impact capital projects. In order to do this, the ANC will have to look at amending Regulation 28 of the Pension Funds Act so as to force pension funds to invest in the ANC government's doomed-to-fail projects by means of financial institutions for government development.

Given the corrupt nature of nearly all ANC government projects, exposing pension funds to this risk will erode the value of these pension funds significantly. It could even bring about the total destruction of pension funds seeing as this will open the door for withdrawing money from pension funds again and again.

The final outcome will ultimately make the Transnet pension saga seem like a walk in the park. Thus, any compulsory investments in government projects will come down to nothing but expropriation without compensation.

The FF Plus is currently busy working on a strategy to oppose the ANC government's reckless plan and to prevent any potential damage.

Issued by Anton Alberts, FF Plus national chairperson, 18 August 2020.

Content can be read on the website for FreedomFront Plus at: https://www.politicsweb.co.za/politics/anccontrolled-state-bank-perfect-for-looting--anto

Comment

By now we know the DA is quite correct.

Synopsis

Government one step closer to using South African pensions

My Broadband

Jamie McKane 16 August 2020

The cabinet's economic cluster has created an economic reconstruction and recovery plan, which includes the ANC's proposals to launch a state bank that would be able to access retirement savings at favourable rates.

The proposal to launch a state bank and access pension funds was first tabled in the ANC's own recovery plan last month, but the report said that now that the economic cluster has incorporated these ideas, they may become official policy in the near future.

"Processes, already underway, to establish a properly capitalised and government state bank will be accelerated," the document said. The economics cluster added in its document that the laws surrounding retirement savings would be changed so that entities could access pension funds directly. It said that regulation 28 of the Pension Funds Act will be amended to "facilitate direct access to pension funds' pool of resources by state development finance institutions".

ANC's Economic Transformation Committee published the initial proposal document last month, which detailed how pension funds would be used to help the government address shortfalls.

The document said the use of pension funds would be crucial to address funding shortfalls in areas such as infrastructure development and energy production.

Using pensions to save Eskom and SAA

Specifically mentioned as a potential beneficiary of pension fund-sourced funding in both the ANC's initial document and the subsequent government proposal were Eskom and the country's embattled power generation system.

Recent reports have also stated that the government is looking to use pension funds to kick-start the establishment of its "new SAA". Finance Minister Tito Mboweni confirmed last month that the government was considering this plan. Mboweni also assured critics that state funds would not be used to rescue the bankrupt national airline.

Instead, other options on the table include seeking money from strategic partners or private equity, as well as tapping pension funds and global financial institutions.

Economists have criticised the idea of using pensions to help fund state-owned entities such as Eskom and SAA, raising concern over the potential problems with amending the Pension Funds Act.

Comment

Different views of the same ANC government attack on our Fund. Dear reader, you remember the single pension fund plan mooted more than a year ago? It is still quiet but expect to see it appearing in the ANC committees soon, to later become 'government' policy.
See the next article by Allen Greenblo on the ignored economic realities.

Synopsis

Back to the precipice

2020-08-18 Source: Stephen Gunnion
Author: Allan Greenblo

In the recovery-or-bust scenario that faces SA, both pension funds and the IMF have huge roles. Taken together, there must be a strong chance of positive outcomes.

Whenever this ANC government announces an initiative, it's quickly followed by incredulity. Not without good reason is the scepticism provoked by long experience of promises designed to deceive or policies destined to fail.

Why should this time of Covid-19 be any different? It's because potentially, the key word being 'potentially', choices are confined by the anticipation of bankruptcy. As previously in SA, when the fiscus was blown, economic sovereignty and political fantasy become subservient to bond markets.

In 1989, the sanctions-induced deprivation of foreign exchange significantly tipped the SA government of F W de Klerk to commence the abandonment of apartheid. Right-wingers in the ruling party were defied.

Slightly over three decades later, as a consequence of the junk downgrades induced by a decade of endemic corruption, the urgency to attract foreign exchange has forced the SA government into contracting with the market-orientated IMF. Left-wingers in the ruling party, of statist inclination, had better be defied.

If they aren't, causing Ramaphosa to stagger and stumble under their weight, the populist consequences are eerily predictable: raids on peoples' savings, tax increases that stimulate capital flight, exacerbated rand weakness and overworked Reserve Bank printing presses.... Such is the uncertainty that it's guesswork whether the post-March clawback in JSE share prices foretells an imminence of recovery or an inevitability of inflation.

There are positives, mainly in Finance Minister Mboweni and Reserve Bank governor Kganyago, respectively representing National Treasury and the independent central bank, being the curators of orthodox fiscal and monetary policies. They're informed by prudence, not grandstanding. Their sobrieties are consistent with IMF principles of marketplace deregulation and competition, the precise antithesis of central command that continues to find favour in the ruling party.

That much is illustrated by power-drunk dictates of the national coronavirus command council. Its contradictory extremes are hostile to business with which government wants a social compact. They also diminish the tax base on which government relies, frighten the capital investment that government urges, and obliterate jobs capable of retention.

The $4,3bn IMF loan, at nominal interest and minimal conditionality, is an act of generosity to help SA through its most immediate Covid-19 setbacks. How it's disbursed will be watched before the next tranche, much bigger and more onerous, is inevitably requested within the next few years to assist SA though its foreseeable balance-of-payments quandaries.

Until then, Mboweni is fortified in his Budget promises. He'll be monitored for implementation of expenditure ceilings, and on whether he succumbs to life support for decrepit state-owned enterprises.

What does this have to do with pension funds? Pretty much everything because they're targeted for the surge in new infrastructure projects intended to trigger economic recovery. It makes conceptual sense.

The long-term nature of pension fund liabilities corresponds to the long term nature of infrastructure returns, and there are loads of assets in pension funds misdirected from support for SA's real economy. But neat theory bangs against tough reality:

- The fundamental purpose of pension funds is to provide for pensions. The better the investment returns, the better for members' retirements. Fund trustees who knowingly or negligently pursue sub-optimal returns are in breach of their fiduciary duty to fund members, and personally expose themselves to civil remedy;

- Accordingly, infrastructure projects offered for pension-fund investment will need to compete on risk and return with other market opportunities. Introduction of prescribed assets would represent the opposite i.e. force a proportion of pension funds' assets into uncompetitive returns, the very rationale of prescribed assets being the supposed requirement of the 'developmental state' for interest rate subsidisation by pension funds;

- Prescribeds would also represent the failure by the state to attract investment on a market basis. This is hardly a signal of confidence for foreign investors. Moreover, there cannot now be a trade off in lower returns that will result later in an exacerbated crisis for retirement funding;

- For encouragement of contributions to pension funds, the state offers tax incentives. It'll be absurd and self-defeating to incentivise contributions on the one hand and cancel their effect by prescribed assets on the other;

- In response to Covid-19, the Business for SA (styled B4SA) grouping of private-sector associations calculates that R3,4 trillion of baseline funding will be required over the next three years "to deliver an accelerated economic recovery strategy". This amount approaches the total assets in private-sector pension funds. So whatever amounts they invest will have to be bolstered from other domestic sources and particularly from institutions abroad. Few are likely to be impressed by returns predicated on prescribed assets;

- In June, under auspices of the presidency, a symposium was held via Zoom on sustainable infrastructure development. After the symposium, a list of 55 mega-projects was produced. Subsequent to the symposium, nobody is any the wiser as to their respective costs, prioritisation and time frames;

- Nobody is any the wiser, either, on whether prescribed assets will be introduced for the funding. Ramaphosa's silence is deafening;

- His obsequious audience never sought to ask whether investments by pension funds might enjoy government guarantees, whether the state element in public-private partnerships had the necessary capacity to play the implementation roles envisaged for them, and whether transformation quotas could be impacted by heightened demand for technical skills;

- Meanwhile, due to Covid-19, following years of lacklustre performance of the SA economy, pension funds are vexed. For the past five years, generally speaking, returns have been minimal and not beaten inflation. When savers aren't seeing real returns, they start to question whether they should be saving at all;

- For employers, reduced to survival mode in their core businesses, many will be questioning whether they still want to offer a pension fund to employees. If they do, their next question will be whether they can sustain their present levels of contribution;

- At the employee level, obviously, pension funds are hammered. With the devastation from lost jobs and salary cuts, individuals' pensions stand between them and penury.

It then becomes a race between recovery in the jobs market or their money running out. At least, for a while, they have a stopgap that alone demonstrates the value of having saved.

The litany of woe deepens for the millions of unemployed who rely entirely on social grants, which cannot be indefinitely extended, to save them from starvation. It's economic recovery or bust.

Two modest suggestions for Ramaphosa. One is to declare his position on prescribed assets so that it's clear whether portions of pension-fund assets are at risk of expropriation without compensation. Another is to crack down, really crack down without favouritism, on the corruption brazenly out of control. SA has never previously been as desperate for investment, both domestic and foreign. There's plenty of it, potentially, provided that SA is seen as a safe destination financially and physically. An inert Ramaphosa has done little to make it so. The IMF support has arrived in time to light a fire under his feet.

Allan Greenblo is editorial director of Today's Trustee (www.totrust.co.za), a quarterly magazine mainly for the principal officers and trustees of retirement funds.

Comment

All so very true. It is going to take time for the ANC government to be part of the solution, and not remain the problem.
Social grants aren't paid by 'government', it is paid by us, the taxpayer. We are funding social grants to us.

Synopsis

PSA warns Government on plans to amend regulations to access retirement fund savings

17 August 2020
ENQUIRIES communication@psa.co.za

The PSA is alarmed about plans of amending pension fund regulations to allow state finance institutions to access retirement funds savings and regards such actions as another attempt to access the R1,8 trillion being managed by the GEPF.

The PSA, representing more than 240 000 public servants and retired public servants, has pointed out that this is the same kitty currently being used by government to bail out failing state-owned entities such as Eskom and SAA without any consequent management to root out the corruption and maladministration as the root causes of this predicament.

The PSA is further appalled by these plans when the needs of the people are being ignored. GEPF pensioners this year received a meagre 3,6% cost-of-living adjustment to sustain themselves amidst a wave of steep price increases brought about by the economic crisis. Government now wants to expose this same pension fund to further looting and corruption.

Public servants are continuously informed that it is not possible for them to have access to their pension savings owing to legislation and fund rules, without any consideration to possible amendments to assist them to fund their children's education, etc. Government now, however, seems willing to squander this hard-earned money without any accountability or repercussions. A government tainted with corruption, that cannot fully account for the R500 billion sponsored to combat the COVID-19 pandemic, and that fails to honour the agreed salary increases for its employees, has not earned the credibility or trust of the nation to have access to more funds.

The PSA is extremely concerned about the protection of citizens against government and its alliance partners that are all in support of accessing more money. South Africans are clearly left to their own devices. The PSA has on numerous occasions called on government to take decisive action against corruption, with little progress, despite calls from citizens. To allow government access to more funds under such circumstances, is to give a marker to a child and ask him not to write on the walls. Government still needs to inform public servants on the prosecution of those implicated in the GEPF looting as revealed in the PIC report released on 12 March 2020.

The PSA reminds President Ramaphosa that South Africans are aware that investigations and outcomes have not yet resulted prosecutions. The looting of VBS Bank and financial institutions such as Ithala is a further

clear indication that pension monies should not be utilised to open a state bank. The PSA remains determined to protect public servants' hard-earned pension fund investments. The Union is geared to deploy all means at its disposal in this regard and warns government not to further abuse its powers.
END

Comment

Good positive support from a labour union. We need more unions to wake up. See NAPTOSA's news flash later in the newsletter.

Synopsis

Beware misinformation around South Africa's pension pot: Magnus Heystek

Businesstech
Staff Writer18 August 2020

While many look for bright spots in the economy and local markets, investors need to face up to the bleak reality in South Africa and government's incoherent plans around pensions, writes Magnus Heystek, director of Brenthurst Wealth Management.

The returns on the JSE over the past seven, five and three years have been abysmal—probably the worst period in investment markets since the 1985 crisis after the Rubicon speech by PW Botha.

But then we had international sanctions, a financial Rand and global sanctions and a low intensity civil war in our townships. Today there is none of that. Why then, is the JSE doing so poorly?

But is it doing poorly? Worse than you think. Much worse.

The following numbers you have never seen before, especially not from any one of the large investment houses in South Africa. They churn out a lot of information, all the time, but never the relative returns of the JSE versus the global markets.

Well, see here for yourself.

The following two charts reflect the rand and USD returns of the JSE since 1st January 2018, when Ramaphoria was at its peak.

The mood in the country was jubilant. Former president Zuma was on his way out, the good guys in the ANC had won and South Africa was back on track towards better things. The rand was strong (around R11,30 to the US$), and foreign money was pouring into the country and much more was promised at the World Economic Forum in Davos later that month.

The front page of the Sunday Times splashed an interview with Colon Coleman, former country head of Goldman Sachs, saying

South Africa is the world's hottest emerging market, predicting only good things and ever-rising prospects. It padded the interview with other heavyweights in the business and investment world, supporting Coleman. There was not even a suggestion that this positivity was misplaced. Who wanted to spoil a good party?

Soon thereafter there were predictions that the JSE would be the "best investment market in the world over the next 5 years". Every communiqué from fund managers from thereon was outrageously bullish about the JSE. So how come, 31 months later, the JSE is one of the worst, if not the worst, performing investment markets in the world?

Against the major indices and large markets it's been a disaster. The JSE over this period has made you no money in Rands and lost you 25% or so in US$. And in relative terms the loss compared to the Nasdaq has been almost 50% in US$ terms.

A more worrying aspect is that, against its peers in emerging markets, the JSE is now also a back-runner, trailing the pack by far after being the poster-child as an investment markets over many, many years.

So what went wrong?

The foreign investors did not stay long and soon thereafter started moving their capital back to home countries or the next hot investment destination. Over the past 5 years a total of almost R600 billion has left the JSE equity and bond markets.

Local investors too started heading for offshore markets where the Nasdaq, driven by the FAAANG stocks (Facebook, Alphabet, Apple, Netflix, Google etc.), were driving investment markets to new record levels, year after year.

The South African economy showed no signs of revival and year-on-year economic growth just got worse; debt levels were rising as was unemployment. Meanwhile SOE losses kept growing with not one of the 700-odd SOE making a profit.

Policy confused the markets. Finance Minister Mboweni would tweet for SAA to be closed down one day, only for cabinet colleague Pravin Gordhan to say he will never allow it, two weeks later.

Eskom was up to its old tricks of sucking up more money without being able to guarantee a reliable source of energy, even at any price. And out of the woodwork came the ANC's viewpoints on stuff like expropriation without compensation, the nationalisation of the South African Reserve Bank, also prescribed assets.

Out of the blue the Treasury announced on 25 July, without any consultation or forewarning, that it intends holding on to the pension funds of people emigrating, for three years. That announcement has caused an unbelievable panic among people who were planning to emigrate the minute international flights are open again.

Imagine emigrating with the bulk of your capital tied up in a country where the currency has been dropping at around 9% per annum over the last 10 years? And who says government will honour its obligation to give you back your money after three years? Who says it won't become five or ten years? Anything is now possible.

On the same day that the Rapport had a front page article on this subject, the Sunday Times ran a story on government's plans to start its own bank and also move onto the assets in pension funds to fund major reconstruction and renewal projects.

So expect a lot of misinformation to be heading the way of investors around South Africa's R8 trillion pension pot.

By Magnus Heystek, director of Brenthurst Wealth Management

Comment

The green line in the charts is the JSE. The timelines start in March 2019 and ends a week ago. The charts clearly indicate the returns in SA are far below all the others. Note the sharp COVID dip in both charts.
The charts are available in Businesstech if you want more detail.
The "700-odd SOE" are many more than I could find; the government web shows 130. Possibly they are hiding somewhere else, so we can't find them to monitor.

Synopsis

ANC does not want to use pension funds to bail out SOE: Godongwana

in Politics by Andisiwe Makinana 17 August 2020

Image: Sunday Times

There is no truth to speculation that the ANC wants to review regulation 28 of the Pension Funds Act so that it can use pension funds to bail out struggling SOE. This is according to Enoch Godongwana, head of the ANC's economic transformation subcommittee. He was speaking during a webinar organised by the ANC-aligned Progressive Business Forum on Monday evening. The webinar was called to discuss the party's economic recovery plan, announced last month.

"I want to dismiss and debunk the claim that we want to utilise pension funds to bail out collapsing SOE" said Godongwana. "And the latest theory is that we want to fund the state bank. All of those things are mischievous, with the intention of discrediting our argument. That's not where we are at the moment."

The party has been at pains to say this is not an attempt to grab private pensions through prescribed assets.

Comment

Note the words "at the moment" ...

Synopsis

HANDS OFF OUR PENSION FUND!!!

NAPTOSA NATIONAL NEWS FLASH 4 of 2020

19 August 2020

NAPTOSA has noted reports over the weekend that government plans to inter alia access retirement savings, at a favourable rate, as part of its economic recovery plan. The funds are to be utilised to finance long term infrastructure projects and high-impact capital projects.

The economic impact of the COVID-19 pandemic is clear to see with an estimated 3 million employees losing jobs since lockdown was implemented. This on top of a staggering unemployment rate of 30,1% in the first quarter of the year. With such figures facing the country, who could oppose an economic recovery plan? NAPTOSA certainly supports a recovery plan, but we strongly oppose the envisaged method.

It has always been NAPTOSA's position for the GEPF to lend pension moneys to government or viable SOE, there has to be guaranteed returns on investment that equates to profitability for the Fund as could be achieved in the open market. The reported envisaged approach by government to borrow from pension funds at a 'favourable rate' is unlikely to achieve this, because the rate will likely favour government rather than the pension funds.

In addressing the impact of the imposed lockdown measures, government has released a laudable amount of funding to fight the pandemic and assist companies, employees, the unemployed and the poor. But unfortunately, where there is funding, corruption follows. In fact, it sometimes feels as if corruption leads funding, i.e. corruption is so ingrained in the fabric of government and the administration that it is permanently there, waiting for funds to be released.

With an ongoing investigation into corruption by the Zondo Commission, it was expected that the funding set aside for the fight against the pandemic would not fall foul of any corrupt activity. Surely, no-one would be so callous as to pilfer funds or enrich themselves at the expense of the most vulnerable in society. But sadly, we were once again disappointed. The COVID-19 corruption is so bad that some countries making donations to the South African effort are now planning to make the donations directly to beneficiaries and not through government.

In such a toxic environment, how can employees be expected to part with a portion of their pension money for government to borrow in an economic recovery plan? As NAPTOSA we say, "Hands off our pension fund, until there is clear evidence that government is able to implement a corruption free plan and guarantees profitable returns".

Based on the evidence and track record of government dealing with corruption, this is a pipe dream. **There is no comfort in government investigating corruption in government in order to report to government.** Until we see decisive action, with corrupt officials and politicians being brough to book, NAPTOSA will resist efforts to utilise GEPF funds, albeit for a commendable purpose.

As in the past, NAPTOSA wishes to advise members not to take any rash decisions based on the intentions of government. Relinquishing one's work in the current economic climate to access pension money could, in the long run, prove to be detrimental. The GEPF is a defined benefit fund, guaranteeing the benefits members will receive upon retirement. The GEPF also carries additional provisions to guarantee the viability of the Fund, for instance s.17(4) which determines as follows: "If any action taken by the employer or if any legislation adopted by parliament places any additional financial obligation on the Fund, the employer or the government or the employer and the government, as the case may be shall pay to the Fund an amount which is required to meet such obligation."

Please remember that NAPTOSA will fight for your rights and benefits and will closely monitor any attempts to amend the GEPAct to the detriment of members.

B L MANUEL EXECUTIVE DIRECTOR
www.naptosa.org.za

Comment

Another labour union looking after its members' pension.
Please take NAPTOSA's recommendation, not to access your pension by leaving your employment, to heart. Rather live under hardship now than penury later.

Synopsis

The missing R617mn: Can the Bapo Ba Mogale retrieve their stolen funds?

By Kevin Bloom 21 August 2020

Then public protector Thuli Madonsela pictured with Chief Mogale of Bapo-Ba-Mogale in 2016. (Photo: Twitter/@PublicProtector)

In 2016, Public Protector Thuli Madonsela was working to deliver a report in which the perpetrators of a R617mn fraud would be named. But Madonsela brought no justice to the 40 000 members of the Bapo Ba Mogale whose funds had been stolen, and neither did her replacement, Busisiwe Mkhwebane. On the eve of a third promise to release the report, set by the North West government for Friday 21 August 2020, Daily Maverick was granted access to documents that demonstrated the scale of the confusion.

The venue was Forum 3 of the South African Human Rights Commission in Braamfontein, Johannesburg, and the date was September 2016. Kgomotso Morare, an activist from the Bapo Ba Mogale community in North West province, had the full attention of his audience. His head was bandaged from what he claimed was a recent panga attack, and his voice was booming through the hall. "As I'm sitting here today, it's my daughter's birthday," he yelled, "I cannot be at home because of the fear!"

Home for Morare had always been Bapong, a settlement of 40 000 people in the shadow of the Marikana mine. Morare had taken the microphone to talk about a different kind of violence. His specific gripe concerned the formation of a company called Bapo Ba Mogale Investment NPC (BBMI), which had been established in 2014 as the business wing of the community.

The three founding directors of BBMI had swapped the 12% annual royalties from the platinum mines for R100mn in cash and R540mn in equity in Lonmin PLC. The transaction was concluded without the community consultation required under living customary law, the Mineral Petroleum Resources Development Act and the Interim Protection of Informal Land Rights Act. In other words, the terms of the deal were kept secret from just about every member of the Bapo.

In hindsight, the reasons for the secrecy were plain. A giant fraud was about to be perpetrated against the community, somewhere in the region of R600mn. Public Protector Thuli Madonsela would end up working the case, and in July 2016 delivered a preliminary report to the residents of Bapong. In the report, Madonsela explained that of the R617million in royalties and interest that had been deposited in the so-called “account D” (managed by the North West provincial government) since 1994, only R495 000 remained.

Madonsela was scheduled to return to Bapong with a final report, which would apparently name the individuals involved.

What’s mine is mine: How the Bapo Ba Mogale got robbed of R800 million

But in October 2016, all she could do was offer the Bapo Ba Mogale a series of apologies: first, for the “technical difficulties” that had hamstrung her efforts to name the perpetrators, and second, for the fact that a further R80mn had “gone missing” from account D, which, together with the R100mn that had been borrowed from the PIC, meant that the community was in serious debt.

Although Madonsela had vowed at the October meeting that the final report would be ready in December 2016, by the time it was eventually released in June 2017 by the new public protector, Busi Mkhwebane, it was a document devoid of teeth.

In the three years since *Daily Maverick* last covered the story, justice for the Bapo Ba Mogale has slipped ever further away. In July 2020 we were handed a sheaf of documents that demonstrated just how dire the situation has become. While the former directors of BBMI and their alleged enablers in the North West government have been successfully dodging prosecution, community activists have been attempting to keep up with frustrating and often contradictory developments.

For starters, the investment company that was purportedly formed to pull the Bapo out of poverty has been the subject of at least three civil actions. It was against the background of the litigation that the new directors of BBMI met in October 2019 to amend the memorandum of incorporation of the company. BBMI was attempting to put into practice what had been agreed by the broader Bapo community in November 2017, when Nthontho was suspended and the traditional council, led by the late chief Bob Mogale, was dissolved.

For some ambiguous reason, clause 5 of the memorandum was replaced. Henceforth the company would have only one member, the traditional council itself, “with membership rights… all in a single class, being voting members”. Then, a “reputable firm of auditors” would be appointed “as contemplated in section 34(2) of the [Companies] Act”.

Around the same time as this document was ratified, there was a much more substantial effort to effect change. In November 2019 the Bapo Ba Mogale royal family sent a letter to Professor Job Mokgoro, premier of North West Province, stating a new acting chief had been chosen, with all the relevant protocols of customary and common law followed. The person was Julius Cyril Mogale, who in comparison to the previous incumbent appeared to have a spotless record.

In November 2019 the Department of Justice, through the North West High Court, issued a certificate of appointment of provisional liquidators for BBMI. Four months later the same court ordered that these liquidators take control of the property and share certificates of all subsidiaries of the company. The powers of the liquidators were then extended under section 386(5) of the Companies Act, granting them the authority to appoint attorneys and forensic investigators as well as to dispose of assets.

“If BBMI gets fully liquidated,” Morare told *Daily Maverick* in mid-August 2020, “the community might never get those hundreds of millions back." It was a statement that could just as easily have been framed as a *fait accompli*. In terms of the report presented by the BBMI interim board of directors to the Bapo Ba Mogale traditional council in May 2020, stating that it had "discovered" an oversight – "there was no accountability with regard to community businesses," the report declared, "due to lack of financial reports of all businesses."

And so it seemed as though the story was going to end exactly where it started. The first was that Sibanye-Stillwater promised to throw its weight behind the recovery of the missing millions, and the second was that the North West Provincial government, on very short notice, announced a release date for the final report of 21 August 2020.

"We can't boycott a report whose contents we don't know," said Morare, suggesting that a cohort of Bapo activists would attend the event in Rustenburg, albeit with their expectations in check.

Given their long history of disappointments, it was probably the wisest stance to adopt. **DM**

Comment

How easy it seems to make R617mn disappear with no accountability. Including R80mn for a 'palace' for the chief. Including the North West Provincial Government [not] managing the account since 1994.
Interesting the Public Protector didn't pursue the matter diligently, possibly the change over to the new Public Protector? One is permitted to wonder about the reason/s.
We, the Fund, have about R3bn worth of shares in Sibanye-Stillwater, allowing the GEPF to ask questions about Sibanye's involvement in this matter.
There is also the matter of R100mn borrowed from the PIC. Whose money was borrowed from – the GEPF's? Was proper care taken and has the amount been returned with interest?

Synopsis

NEPI Rockcastle offers shares in lieu of dividend

inceConnect
by Stephen Gunnion 24 August 2020

The shopping centre owner wants to protect its balance sheet and liquidity due to Covid-19 fallout.

NEPI Rockcastle has withheld an interim dividend after Covid-19 lockdowns across Central and Eastern Europe (CEE) resulted in a big decline in rent collections at its shopping centres. Instead, it will compensate shareholders with additional shares so it can protect its balance sheet and liquidity.

The property group said the closure of non-essential retailers in all the countries where it operates had an adverse impact on its results for the six months to end June, resulting in a 32% decline in distributable earnings per share to 19,66 Euro cents. However, it said almost all the floor space at its shopping centres was back in operation and sales by its tenants were gradually returning to prior year levels, after reaching 88% in June. In July, footfall at its centre reached 75% of prior year levels.

For the period, net rental and related income fell 20% to €160 million and European Public Real Estate Association earnings per share (EPS) fell 28% to 20,59c. It reported a headline loss of 1,03c, down from headline EPS of 24,56c previously. Its net asset value per share declined by 8,5% to 6,21c. Under the capitalisation, shareholders will get 4,29 new NEPI Rockcastle shares for every 100 ordinary shares currently held.

NEPI said it expected a contraction in distributable earnings per share for the full year of about 30%, assuming a continuation of recent trading trends and barring any potential further macroeconomic disruptions, such as a new broad lockdown in CEE countries.

Its shares were R84,51 on Friday.

Comment

The GEPF has about R5,5bn shareholding in NEPIRockcastle

IMPORTANT NOTICE. PLEASE READ

OR READ AGAIN IF YOU HAVE ALREADY

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 38 000 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 many more AMAGP members, not just on the Fb page. Keep in mind we have just less than 2 million members, of which about 460 000 are pensioners and the other about 1 380 000 are still working but contributing members of our Fund.