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

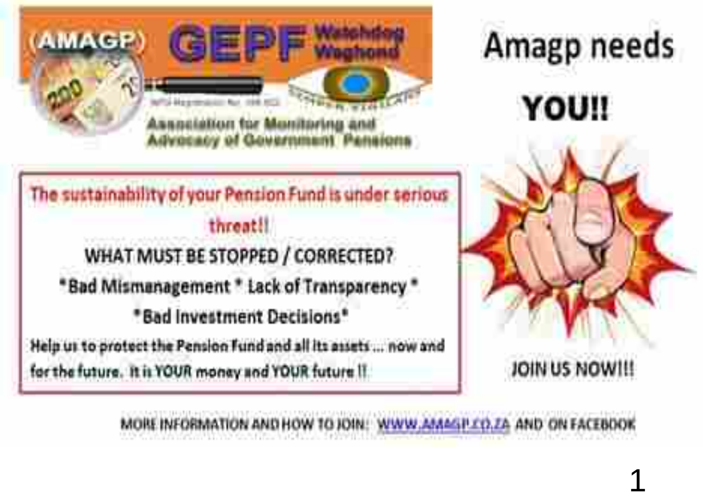
GEPF Watchdog - Waghond

GEPF your investment, your future

NEWSLETTER NO 19 of 2020

AMAGP – Association for Monitoring and Advocacy of Government Pensions
BOT – Board of Trustees [of the GEPF]
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 1,2mn active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1,8tn. https://www.GEPF.gov.za/



The Editor's Word

Letters to the editor of a newspaper are one of the most important ways the community focus attention on their problems. You will be astounded at how much attention the 'letters to the editor' page in a newspaper receives, as that is where the community's core problems first appear before exploding later. We need one letter per member and pensioner per month to any newspaper stating your views about the sustainability and viability of the GEPF to make the 'government' take our concern about our pension very seriously. We are about 1,8million in total, think of the influence we have!

The ROI from the JSE is still down and will remain so for at least the next six months. The opportunity of growth is there but only in next year. In the meantime a large part of our members' monthly pension contributions go towards paying pensions and in GEPF administration [together about 41%], and then fund manager and broker fees. What is left is invested, which is the wrong way of doing pension fund business I believe.

Now for the news . . .

The AG commented fairly and openly on the PIC's lack of complying with its own investment policies and guidelines. This isn't new to us but the tone of the AG report underlines the seriousness this lack is viewed.

Deputy Chief Justice Zondo was scathing in his comment on SOE, starting with the failure of Denel to deliver a project and mentioning digital migration in passing. Read and enjoy his comment below.

The GEPF informed its members of some of its long term unlisted projects, hopefully this will be the first of a regular flow of information. The projects reveal substantial investment in infrastructure, negating the 'government's' desire to change pension fund laws to force pension funds into greater infrastructure investment.

The IRR in The Friend, again comments on the secrecy that banks and pension fund managers have maintained on discussions with 'government' about investing pension funds' funds. That means they are discussing what to do with other people's retirement savings without keeping these 'other people' informed about the discussions.

The PIC in its Annual Report bemoans the negative influence of COVID on ROI in the last three months of its financial year, but glosses over its performance or lack of it in the other nine months. More in later newsletters.

More news of the previous CEO of the PIC going to court to have the negative comments about his performance as CEO removed from the Commission of Inquiry's report. We'll have to wait and see but I doubt this litigation is going anywhere except in the lawyers' pockets.

Johan Alberts verskaf 'n nugtere siening oor Minister Nzimande se uitlating om pensioenfondse te gebruik om gratis studie te verskaf vir nie-pensioenfondslede en pensioenarisse. 'n Vars briesie.

Followed by an article about changes in annuities and provident funds that may influence the way the GEPF handles our pensions. Yes, it is important to take note of such animals so you are better prepared when financial advisors want to invest your pension for you.

The newsletter is concluded by an article about annuities, that our members going on or intending to go on pension, or to resign to get their pension, should read, to provide a basis for considering the investment of their pension.

NEWSNUUSNEWS

Synopsis

Auditor-General flags PIC's failure to adhere to investment policies

BusinessLive
Linda Ensor 12 November 2020

The finding comes in the wake of the Mpati Commission of Inquiry's finding of impropriety at the PIC. The failure of the PIC to adhere to its investment policies and guidelines was highlighted in the auditor-general report on the company's financial statements for 2019/2020.

The investment decisions of the PIC came under the spotlight of the Commission of Inquiry chaired by former Judge President of the Supreme Court of Appeal, Lex Mpati.

Comment

We know about this, AMAGP has commented widely and warned about this many times over the years. This is just to give you, dear reader, further warning of what is to come. There will be more information as soon as AMAGP's experts have gone through the relevant sections of the AG's report

Synopsis

An 'unthinkable' failure: Zondo blasts SA's SOE 'disaster'

9 November 2020
By Mawande Amashabalala

Image: *Gallo Images/Sowetan/Thulani Mbele*

Deputy Chief Justice Raymond Zondo says the collapse of SOE must be pinned on all those who have occupied positions of power and did nothing to stop wrongs committed and incompetency.

He says it is unacceptable that almost all prominent SOE are on their knees. For this, politicians, boards of directors and former executives who failed at doing their jobs must take full responsibility.

Zondo says someone would be forgiven for thinking these SOE have been on autopilot, looking at the level of impunity and lack of consequence management. According to Zondo, pretending no one saw the coming collapse of the SOE would be disingenuous.

Zondo's reaction was triggered by Denel-related evidence led before him on Monday. He heard how Denel Land System's biggest development yet, known as the Hoefyster Project, was nowhere near completion, nine years after its initial completion date. And this despite it being planned in the early 2000, with a target finish year of 2011. In 2020, Denel estimated the project would be completed in 2023, which would be 11 years late. Despite the delays, Armscor, the acquisition agency for the department of defence, had channelled R7,3bn towards the project.

These kinds of delays reflect nothing else but a disaster.

"These kinds of delays reflect nothing else but a disaster. It is completely unacceptable," a visibly frustrated Zondo vented. "How can something that was required and promised to be delivered in 2012, still not be delivered eight years later? "What has been done over the years? Why is this situation allowed to continue? Has anybody been fired for failing to do their job? Has anything happened? It is just unthinkable."

Zondo said this "disaster" was no different to the much talked about digital migration, about which little is being done. The judge said that looking at these two incidents, it was no surprise state-owned companies were "in trouble". For this state of affairs, politicians, accounting authorities and management of SOE over the years must take collective responsibility for their incompetence.

"It is like there is nobody who supervises, whether or not ministers do their job, DGs do their job, heads of SOE do their job, people under CEO do their job, and boards of SOE do their job," opined Zondo.

"Leaders are put in leadership positions so that they can make decisions and lead. This is now the story of the SOE, so many of them appear to be in serious trouble, didn't somebody see a long time ago that there was trouble coming and took steps to ensure that that the SOE did not get to where they are now.

"Were there no politicians, were there no ministers, was there no presidents who were supposed to make sure their ministers did their job? Were there no ministers that were supposed to see to it that the CEO and boards did their jobs and if they did not do their jobs they got fired and people who knew what they were doing were brought in?" he continued.

"And the boards of these SOE, what did they do when the CFO and CEO were not doing their jobs? When you see a problems like this, just going on and on for years, you cannot understand why there is no leadership, be it at political or management level that says this cannot be allowed to go on."

Zondo believes it is high time for the country to have decisive and bold people in positions of power within the SOEs and political leadership space.

In closing his monologue, he said: "You do not know whether people are afraid of making wrong decisions, but if you are a leader or manager, you must be able to take decisions whether you are wrong or not wrong, you must take a decision.

"The worst thing is for you not to make a decision because you are scared of making a wrong decision. It seems intolerable."

Comment

Justice Zondo is pointing out why the GEPF must remain as far away from 'government' interference and control as possible. And keep away from investing in or loaning money to any of the SOE. The 'government' culture is that of collective responsibility and no accountability, resulting in losses to our investments.

Synopsis

INVESTING IN AFRICAN LONG-TERM INSTITUTIONAL UNLISTED EQUITY PROJECTS

GEPF June 2020

Our Investments in Economic Infrastructure

The GEPF through the PIC has invested R160mn in the Africa Infrastructure Investment Fund (AIIF). Established in 1999, the AIIF's mandate is to develop and manage private equity infrastructure funds designed to invest in long-term institutional unlisted equity projects.

Why Invest in Economic Infrastructure?

The GEPF believes that solid infrastructure is a catalyst for the rapid growth of the African economy and sustainable development of the continent. We appreciate the fact that Africa is the fastest growing continent on population growth. Therefore, the need for urbanisation in all parts of the continent is undeniable.

What are GEPF's investments in AIIF?

Transport Infrastructure

Lekki Concession Company provides high-quality road infrastructure and related services along the Lekki Peninsular of Lagos, Nigeria. The company is recognised as the pioneer for change in the way road infrastructure is delivered throughout Nigeria.

Power Generation

Kelvin Power Station is a privately owned coal-fired power station located in Gauteng near OR Tambo International Airport. Kelvin consists of two independent stations. The A station, shut down in 2012. The newer B station has capacity to prevent all load shedding up to and including Stage 6 for municipalities such as City of Johannesburg.

* These investments were done before March 2019

Telecommunications Infrastructure

Neotel, part of the Liquid Telecom Group, the largest pan-African telecommunications service provider has the competitive advantage of an unparalleled fibre network footprint across the region and a comprehensive product portfolio.

Toll road assets: N3TC and TRAC

• N3TC: a 30-year-old concession contract between N3 Toll Concession (RF) Proprietary Limited (N3TC) and South African National Roads Agency Limited (SANRAL) to manage a 415 km section of the N3 transport corridor known as the N3 Toll Route. The concession contract ends in 2029.

• TRAC: A 30-year concession with the South African and Mozambican national roads agencies, SANRAL and ANE. The mandate is to develop, manage and maintain the road in a bid to stimulate and facilitate trade and investment in three key economic regions – Gauteng, Mpumalanga and Mozambique.

Energy

Umoya Energy is a renewable energy company that supplies electricity to South Africa through its own wind farm. The wind farm not only supplies South Africa with 176 600 MWh of much-needed green energy per year, but it also benefits the local communities in the surrounding areas through its many economic development programmes, such as education and health corporate investment programmes.

Comment

The GEPF is informing its members and pensioners about some of its investments, existing and new. Which they should do regularly and more often. This goes to prove that changing pension fund laws isn't necessary for pension funds to invest in infrastructure. I'm sure other pension funds have similar investments.

Synopsis

Selling out South Africans in a grubby little stitch-up

The Friend
Hermann Pretorius 14 Nov 2020

It doesn't really get more sinister than secret negotiations between the elites of Corporate South Africa and the ruling ANC on how the money of ordinary South Africans can be handed over to government. Yet, here we are.

The last few months have seen significant discussion around the issue of asset prescription – compelling financial institutions to invest the savings and pensions of ordinary South Africans in projects and failing enterprises run by a government that has tapped South Africa's fiscal reservoir dry. The cause of these discussions shouldn't be in dispute: IRR campaigning to warn South Africans against this and engage with banks, asset managers and other financial institutions has grabbed the public's attention and mobilised South Africans against the *de facto* expropriation of savings and pensions.

The irrational and borderline hysterical reactions from the financial industry, both in public and in private, indicated that, to put it simply, something was up. Then, nearly a week ago, an explanation for Corporate South Africa's unease over our questions came to the fore: Dr Kgosientsho Ramokgopa, head of the Investment and Infrastructure Office in the Presidency, let slip that several private financial and banking entities had been in negotiations with the government for months on how to make their clients' money available to government to fund expenditure.

Negotiations

On hearing of these negotiations, the IRR sent several letters to prominent corporate entities responsible for managing the savings of countless South Africans, to ask if they were in any way involved in these negotiations.

We asked the financial institutions:

1. Have you been party to negotiations with the government or any government representatives relating to making funds available, in the form of pensions or savings, to the government for any form of government or government-run projects?
2. Have you knowingly been represented in such negotiations?
3. Were your clients informed of your participation in any such negotiations?
4. What steps are you taking to safeguard the pensions and savings of clients against the risks of such assets being used for funding government or government-run projects?
5. In light of vast government corruption, the lack of progress in prosecuting people implicated in state capture, and the reality that much of the structure of state capture remains in place, how do you address the concern that assets or resources made available to the government risk being used to fund corrupt political patronage networks as part of a 'second wave' of state capture?
6. Should the pensions and savings of your clients be made available to government or any government entity, what considerations have been given to liability in terms of the consequences of unsound investment decisions?

Terse reply

Among the recipients was Standard Bank, which this week responded with the following terse reply:

I refer to the above letter.
We have considered your request and will not be providing comments.
Kind regards,
Lungisa Fuzile
CEO, Standard Bank of South Africa

As someone who has engaged and corresponded with many corporate entities, I must admit that this is one of the most astonishing responses I've seen. Fair questions asked about a matter of immense importance to all South Africans, a matter that cuts to the trust clients have in those they've entrusted with their savings and pensions – and the best Standard Bank could do was decline to comment. Extraordinary. On the security of the savings and pensions of their clients, Standard Bank simply won't play open cards.

The reality is that prescribed assets will inevitably usher in a second wave of state capture. This second wave of state capture, like the first, will have as its objective the corrupt fuelling of the ANC's vast patronage network – the only true force keeping the party together, a vital tool in enabling the ANC to cling to power.

Prescribed assets, therefore, is a policy that will risk prolonging the tenure of a deeply corrupt government.

No excuse

Corporate entities and leaders like Standard Bank will have no excuse when, in years to come, the savings and pensions have run out – just as taxes have run out now. They will not be able to feign ignorance or outrage. Corporates and their leaders and decision-makers must be held accountable, given South Africa's experience of such tainted entities as KPMG and the disgusting spectacle of VBS pensioners losing what little they had.

How can South Africans trust these corporate entities when, for months, they and their representatives appeared to tell bare-faced lies to the South African people in response to IRR questions, investigations, and warnings? For months they repeated the lame platitude that the handing over of control of savings and pensions wasn't 'on the table'. Yet, now it seems that they placed this disastrous policy on the table themselves.

The assets, savings and pensions managed by these corporate entities are neither theirs to give away nor the government's to claim. Handing over control of the savings and pensions of clients to government is nothing short of expropriation without compensation.

Which investors or asset managers worth their salt even entertain the notion that a pension invested in Eskom might deliver positive returns? On the line is not the assets of Standard Bank or other corporates negotiating secretly with government, but the assets of clients, of ordinary South Africans who simply played by the rules.

'State capture'

Earlier this year, I wrote in the Daily Friend: 'State capture has only ever been the symptom of a deeply corrupt system based on the ideological funnelling of massive state expenditure into the patronage network of the ANC. The ideology that government must be the biggest spender inevitably gave way to government becoming the biggest looter. To her credit, Ms Wierzycka was a vocal critic of government failings when President Jacob Zuma occupied the Union Buildings.

'Yet, in a decade of steadily mounting government expenditure, corporate South Africa has remained silent on one bad policy after another. This silence bordered, in some cases, on indulgence and appeasement. One way or another, South Africa has landed itself in a place where it seems that both government and corporate South Africa have failed. These collective failures of policy and responsible corporate citizenship demand the highest levels of scrutiny. This is the foundational motivation of the IRR's campaign to #SaveSavings and #ProtectPensions, based on the mandate of thousands of members who are clients of corporate SA, the tenets of constitutional democracy, and the ethical and even legal responsibility of transparent corporate governance.'

The time really has come for South Africans, the clients of these corporate entities, to realise the risk they are being placed in by those they have entrusted with their assets. The IRR has been fighting against this disastrous form of expropriation without compensation for three years and will continue fighting. But ordinary South Africans must now help us take the fight to those who would negotiate away lifesavings to a corrupt government, behind closed doors.

Demand answers

The first step in the battle of ideas is simply to demand answers from those who should give them. This is something we at the IRR understand very well. After all, as Helen Suzman, who started her career at the IRR, famously said: 'It is not my questions that embarrass South Africa; it is your answers.'

Well, in the case of Standard Bank's response on whether it will serve its clients or the ANC, it's rather the lack of answers that is now the problem. If you want to demand answers from your bank or asset manager, click here: https://irr.org.za/campaigns/pensions.

Comment

This article by The Friend follows on the IRR's previous reports. It actual and to the point, especially about the "corrupt fuelling of the ANC's vast patronage network – the only true force keeping the party together, a vital tool in enabling the ANC to cling to power". *This network is increasingly focusing on our savings as their last resource. Realise the danger of a single pension fund in South Africa.*

Synopsis

PIC laments 'painful realism' of Covid-19 fallout and domestic economy

BusinessTech
Staff Writer 13 November 2020

The PIC says that the fallout from Covid-19, locally and globally, along with the country's domestic economic environment, have greatly impacted assets under management.

The PIC tabled its Integrated Annual Report before Parliament on 12 November, in line with the requirements of the PFMA. The report covers the financial year 2019/2020 ending March 2020 and includes the PIC's audited annual financial statements.

The PIC noted that the value of assets under management fell by 10,5% year-on-year, from R2,131trn to R1,907trn. It cited the coronavirus pandemic, particularly during the last few months of the financial year, as the leading contributing factor. Local listed equities and property portfolios were most affected, recording losses of approximately 19% and 24%, respectively.

PIC chairperson said that the group was well on track to achieve its investment objective of growing clients' assets before the coronavirus caused untold damage to financial markets.

The JSE Index fell by almost 36% from its highest point in mid-January 2020 to its lowest point in mid-March, as Covid-19 fears and heightened global risk aversion gave rise to large selloffs in the market. This saw the PIC portfolio lose a significant portion in value in just one month, stemming from losses across all asset classes, with a larger negative impact on listed property and equities.

"Expected sluggish global economic growth will undoubtedly have a bearing on our country and by extension on the PIC portfolio," Khoza said. "Although we expect the portfolio to perform below initial projections, we remain optimistic that the diversified portfolio will provide a hedge and mitigate against further financial contagion," he said.

The PIC appointed a new board in July 2019 after the Commission of Inquiry found lapses in governance. "The board will continue to strengthen governance, restore confidence in the organisation and drive ethical behaviour," the PIC said.

"The investment strategy focuses on building a diversified portfolio strong enough to withstand and absorb unanticipated market shocks. In addition to creating financial returns, our investments must also create jobs and expand the provision of infrastructure and social services," said CEO, Abel Sithole.

Comment

The AMAGP will in due course comment on the PIC annual report. In the meantime, note how directly the PIC allocates the poor ROI for the whole financial year on COVID, which only started to be felt in 2020. The other nine months are delightfully ignored. Also it must be doing something right if the value of the assets fell by only 10,5%, while equity fell 19%, real estate 24% and the JSE almost 36%. The PIC figures don't balance.

Synopsis

Dan Matjila fights back against PIC

Business Maverick 168
By Ray Mahlaka 15 November 2020

Former PIC CEO Dan Matjila. (Photo: Gallo Images / Phill Magakoe)

The PIC's former boss is heading to court to challenge the findings of a Commission of Inquiry. He also faces possible debarment from SA's financial services industry.

In December a report by a Commission of Inquiry, that unveiled a web of long-standing governance and financial mismanagement issues at the PIC, will be a year old. While the PIC Board is still working to implement the report's wide-ranging recommendations to restore governance at the PIC, the Inquiry's report already faces its first legal hurdle.

Dan Matjila, the former PIC CEO, has approached the High Court in Pretoria to challenge the findings of the inquiry that places him at the centre of questionable goings-on at the PIC. Matjila wants the court to review and delete aspects of the inquiry's report that are critical of his conduct at the PIC when he was the CEO. In court, Matjila will go up against Mpati and his Inquiry commissioners, Gill Marcus and Emmanuel Lediga; President Ramaphosa and Justice Minister Ronald Lamola: all cited as respondents. They all plan to oppose Matjila's court application.

Matjila has taken umbrage at the inquiry finding that he was "dishonest" and didn't have "integrity" when he supervised the PIC's now soured R4,3-billion investment in AYO Technology Solutions ahead of its JSE listing in December 2017. The PIC bought a 29% stake in AYO, a technology firm linked to businessman Iqbal Survé. It bought AYO shares at R43 each in 2017, which have since fallen to R2,30 – meaning that R4-billion has evaporated from the value of the PIC's investment on the JSE.

The inquiry found that the "close relationship" between Matjila and Survé put "top-down pressures" on the PIC team to approve investments. It also found that Matjila had repeatedly concluded deals with individuals such as Survé and his entities, "even where no value has been proven from the first deals", breaching his fiduciary duties as an executive.

Matjila suffers 'prejudice'

Matjila is challenging the inquiry's report on the basis of procedural fairness, accusing the inquiry team of not giving him an adequate opportunity to challenge its evidence relating to AYO. If Matjila had been given an opportunity, he said, the report wouldn't have made adverse findings against him relating to AYO.

"Since the report was made public I, together with my family, have suffered great prejudice and public torment and harassment as a result of them [the report's findings against him]," he said in his 359-page court papers." "I have, as a result, been continuously subjected to unfair and extremely negative media coverage in public platforms (both local and abroad), and my reputation as a savvy but ethical asset manager and investor, both nationally and internationally, has been all but destroyed."

Regulator enters the fray

His career hangs in the balance as *DM168* understands that the FSCA has informed Matjila about his possible debarment as a professional in the financial services and asset management industry. The regulator wants to obtain a debarment order against Matjila on the basis that he is no longer "fit and proper" to be a financial services professional.

The FSCA is acting on the inquiry's "dishonest" finding against Matjila, which might see him debarred for contravening provisions of the FAIS Act. Breaches of the act mean that Matjila might face a monetary fine not exceeding R1mn or imprisonment for up to 10 years.

Asked for comment on Matjila's possible debarment, the FSCA said: "The FSCA is, in terms of its governing legislation, not at liberty to comment on or respond to the questions posed, other than to confirm that a pending administrative action process is under way." **DM168**

Comment

This follows on the note about Matjila in the previous newsletter. He is indeed making the negative findings of the Commission widely known in this process and placing more emphasis on the Commission's findings and recommendations. Hopefully speeding up the implementation of the Commission's recommendations.

Synopsis

Blade wil pensioenfondse bekyk om tersiêre onderrig te finansier

GEPF Watchdog-Waghond
Johann Alberts
15 November 2020

Hallo almal,
En daar lees ek vandag Blade Nzimande reken die pensioenfondse moet studente subsidieer om gratis te studeer. Ek wil graag vir hierdie ou iets verduidelik want dit is duidelik dat daar dinge is wat hy nie verstaan nie. Komende van die Minister van Hoër Onderwys, wie duidelik geen insig in die werking van 'n pensioenfonds het nie, kan ek verstaan waarom tersiêre onderrig in so gemors is.

In Engels praat ons van die GEPF - Government Employees Pension Fund - let wel, "employees pension fund" met die klem op "employees." In Afrikaans praat ons van die Staatswerknemers Pensioenfonds. Die klem is op "werknemers" - dit is dus nie die staat, oftewel regering, se pensioenfonds nie. Die fonds behoort NIE aan die regering nie, die fonds behoort aan alle afgetrede en huidige staatsdiensamptenare. Dit is ons geld wat ons maandeliks betaal het wat in die pensioenfonds is. Reg of verkeerd?

Is dit dalk waarom so baie oningeligtes dink die fonds behoort aan die staat omdat die woord "staat" in die naam van die fonds voorkom en omdat die fonds dan kwansuis aan die staat/regering behoort kan die staat met die fonds maak wat hy wil? Ek weet nie, ek bespiegel net. Maar ek gaan verder. As ek my geld vir 'n makelaar gee met die mandaat/opdrag om my geld te belê sodat ek goeie opbrengs op my geld kry en hy gebruik my geld wat ek aan hom toevertrou het om byv. sy strandhuis se verband af te los, het hy mos bedrog gepleeg en my geld gesteel. Ek kan hom strafregtelik aankla en my geld van hom persoonlik af terugeis. Reg of verkeerd?

Nou vra ek wat is die GEPF anders as 'n makelaar? Die GEPF het, myns insiens, net een mandaat/opdrag, nl. om ons geld op die bes moontlike wyse te belê en te bestuur sodat ons geld winste verdien sodat ons pensioenfonds op die langtermyn volhoubaar sal wees. Watter ander mandaat kan die GEPF hê? Primêr is dit die doel van ons pensioenfonds. Enige ander gebruik van ons pensioenfonds sal dus buite hierdie mandaat/opdrag val. Enige gebruik of belegging van ons geld in studente se tersiêre onderrig sal beteken dat ons geld gemors word want tersiêre onderrig kan op geen denkbare manier winste oplewer wat die voortbestaan van ons fonds sal verseker nie. Ons pensioenfonds kan nie gebruik word om die regering se tersiêre verband af te los nie.

Voorts, as ek my geld in 'n bank belê en die bank se werknemers verleen hulleself toegang tot my bankrekening en vat my geld het hulle diefstal gepleeg wat eweneens strafbaar met die wet is want dit is blatante bedrog en diefstal. Nou sê ek my pensioengeld wat deur die GEPF namens my bestuur word is my geld, en julle geld wat in die GEPF is, is julle geld. Niemand, en veral nie die regering nie, het toestemming om my geld vir enige doel hoegenaamd te gebruik nie. Dit sal beteken die regering vat en gebruik my geld sonder my toestemming en om my geld sonder my toetemming te vat en te gebruik is blatante bedrog en diefstal.

Ek is geen regsgeleerde nie, maar ek sê vir julle dat hierdie oubaas een van die eerstes sal wees om by SAPD (vir wat dit werd mag wees) 'n klag teen die regering (Ramaphosa?) en die trustees van die GEPF te lê indien my geld gebruik/gesteel word om die regering se studenteverband af te los en/of SOE te finansier. En ek moedig alle lede van die GEPF aan om dieselfde te doen. Die regering moet ook nie dink hy flous ons deur die pensioenwet te verander nie - ons is nie idiote nie.

Groete en wees veilig. Ons praat later weer oor hierdie onderwerp, ek moet nou eers gaan kook. 'n Man moet immers eet ook.

Kommentaar

Kameraad Blade, Sekretaris-Generaal van die Kommunistiese Party en Minister van Hoër Onderwys, het weereens homself uitgelaat oor pensioenfondse wat geld moet gee om nie-lede en nie-pensionarisse verniet te laat studeer. Ek het lanklaas so 'n nugter en helder verduideliking raakgelees soos die van Johann Alberts. Hy verdien voorwaar dank om ons onrus so duidelik te stel.

Hoeveel van ons begryp nie die opoffering om voltyds te werk en deeltyds op eie koste te studeer nie?

Synopsis

Three changes coming to retirement funds in South Africa

BusinessTech
Staff Writer 15 November 2020

The next few months are going to be very busy for retirement funds and their administrators. This is because the new tax rules regarding the annuitisation of provident funds will be coming into effect on 1 March 2021, says law firm Bowmans.

These rules were first mooted in 2013 and formed part of the process to harmonise the tax treatment of the different kinds of retirement funds, the firm said.

In the explanatory memorandum that accompanied the Taxation Laws Amendment Bill of 2013, National Treasury (**NT**) stated that:

"A strong link exists between insufficient retirement income for retired members of provident funds and the lump sum payouts made by provident funds at retirement.

"In short, the absence of mandatory annuitisation in provident funds means that many retirees spend their retirement assets too quickly and face the risk of outliving their retirement savings. In view of these concerns, it is government's policy to encourage a secure post-retirement income in the form of mandatory annuitisation."

These proposals – referred to as the **T-Day reforms –** were originally intended to come into effect on 1 March 2015, said Bowmans. However, there was an outcry from some parts of South Africa that the government was trying to nationalise retirement funds, which led to a delay in the introduction of some of the proposed changes, it said.

"The tax treatment of contributions to retirement funds has already been aligned. Since 1 March 2016, contributions to pension funds, provident funds and retirement annuity funds (RA) are subject to the same rules regarding deductibility.

"However, due to strong opposition, the proposed annuitisation of provident funds was postponed. It appears that the annuitisation rules will now take effect, six years after their original anticipated effective date."

The annuitisation rules

In terms of the annuitisation rules, members of retirement vehicles, irrespective of whether the vehicle in question is a pension fund, provident fund, or RA, will be subject to similar rules regarding access to cash on retirement.

With specific exceptions, from 1 March 2021 members of all retirement funds will only be able take one-third of the total value of their retirement fund interest by way of a lump sum with the balance being taken as an annuity. This is further subject to an exception where the total retirement interest does not exceed R247 500, in which case the full amount may be taken in cash.

The grandfathering provisions exist to ensure that the restriction will only apply to amounts contributed to funds on or after 1 March 2021 and not to members who are close to retirement, Bowmans said. This means that the rules will not apply to:

- The credit in the fund as at 1 March 2021 and subsequent fund return on that amount; or
- Members of provident funds and provident preservations funds aged 55 years and older on 1 March 2021, who will be entitled to take their full benefits on retirement as well as any contributions made to the provident fund after 1 March 2021.

Impact on provident funds and their administrators

Provident funds and their administrators will need to keep accurate member records indicating the pre-March 2021 contributions and growth, and post-March 2021 contributions and growth. This is in addition to the work that will be required as a result of several legislative changes affecting the retirement fund industry, such as the Conduct of Financial Institutions (**CoFi**) Bill, which are currently being considered.

The CoFi Bill was published for public comment on 29 September and contains significant proposed changes to the Pension Funds Act, 1956. One of the changes will result in the renaming of the Pension Funds Act to the 'Retirement Funds Act' and the addition of a definition of 'provident fund'.

While this work is being done, it would be worth considering the relevance of the definitions of the different retirement fund vehicles in the Income Tax Act.

After all those who are subject to the grandfathering provisions have exited the system, it will be necessary to consider whether there is any point in retaining the concepts 'pension funds' and 'provident funds'.

Access to funds on emigration

The Taxation Laws Amendment Bill that was tabled on 28 October indicates that National Treasury is going ahead with the amendments. In terms of current legislation, members of a preservation fund or a RA may, as a general rule, not access these funds before retirement – age 55 at the earliest.

Commentary by Deirdre Phillips, Aneria Bouwer, and Mogola Makola of law firm Bowmans.

Comment

Although these changes aren't applicable to the GEPF and do not influence the GEPF directly, all legislation related to pensions, savings, RA, etc, influences the GEPF in some way. We need to keep up with the implications of legislative changes to ensure our Fund remains our Fund. Those intending to resign to access their pension funds should seriously consult several competent financial advisors to ensure the continued viability of their savings.

Synopsis

The Ultimate Retirement Annuity Guide

StealthyWealth
29 October 2020

We all hope to have enough money to pay for our monthly expenses and some extra for fun stuff of course once we hit retirement. No one wants to eat dog food 3 times a day. Except your dog of course. But I digress...

Retirement Annuities [RA] are one of a number of different products designed for the sole purpose of helping you achieve financial freedom in retirement.

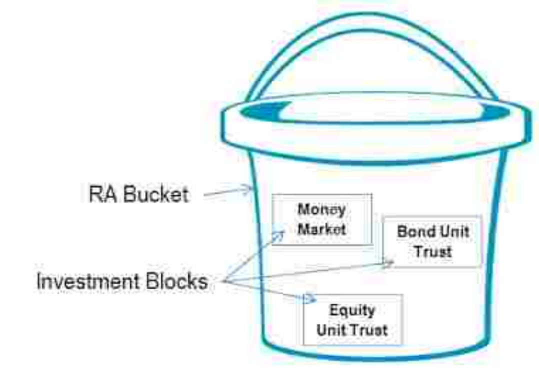
And because having enough money in retirement means that the government doesn't have to look after you, many of these retirement products also come with some really nice tax breaks. Think of it as the government's way of saying thank you for looking out for your future.

What is a Retirement Annuity (RA)?

A lot of people are under the impression that an RA is a mystical and complicated beast which only the experts fully understand. However, RA is actually pretty easy to understand. An RA is basically a... bucket.

And on it's own it doesn't do much until you put some stuff into the bucket. It's like a bank account is just a number, but it becomes useful once you put some money in it. So, what can you put inside an RA?

To continue the bucket analogy, you can put some investment blocks inside of your RA bucket. These investment blocks are just like any other investments – unit trusts, cash, bonds, etc. It looks a little something like this - just a bucket with some blocks in it...



Now the reason you want to put your investment blocks inside an RA bucket is, because once inside the RA bucket, these investment blocks enjoy tax breaks. You do not pay income tax, capital gains tax or dividends withholding tax, inside an RA.

There is another great tax benefit to RA, you do not pay any tax on the money you contribute to an RA. Contributions to an RA are "tax deductible", more on that below. That is why many people use RA to save for their retirement, by not paying tax on your contributions or on your RA investments, it means you come out with more money when you retire.

So the product is not as complicated as many would have you believe.

RAs In a Nutshell

AN RA is a retirement savings account holding some investments. The investments inside an RA can take many forms and can include unit trusts, ETF, or even cash.

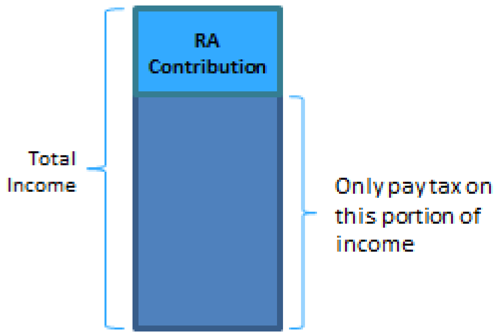
The reason you would want to put your investments inside an RA are due to the tax protection you get by holding them inside an RA and because the contributions you make to an RA are tax deductible.

Tax Treatment of RA Contributions

There is no tax payable on the investments inside an RA. But there is another great tax benefit related to contributions you make to an RA.

Retirement contributions are what is called tax-deductible. That means you do not pay tax on the money you invest in an RA. In the view of SARS you only earned and therefore are only taxed on the money you receive after you subtract or deduct the contributions you made towards your RA.

Tax treatment of your RA contributions looks like this



For example, if you earned R250 000 for the year, but you contributed R1 000 a month to an RA, which is R12 000 for the year, you will only be taxed on R238 000.

Maximum Tax Deduction

The RA contribution tax deduction can really work in your favour. But SARS generosity does have a limit. There is a maximum amount you are allowed to deduct from your taxable income for retirement contributions. Note this maximum applies for all retirement contributions including your company's pension or provident fund and RA.

The current legislation states that you can deduct a maximum of 27,5% of your remuneration or taxable income (whichever is higher), and no more than R350 000.

RA Minimum Investment Amount

Some RA providers require you to have either a minimum monthly amount, or a minimum lumpsum amount available o invest before they will let you open an RA with them.

For example an RA provider may stipulate that you need to invest a minimum of R500/month or have a lumpsum of R10 000. For some people this may seem pretty steep.

RA Investment Rules

As discussed above, SARS is generous in allowing your contributions to be tax deductible, and also allowing the investments inside an RA to grow tax free. So what is expected from you in return?

There are rules about investments in an RA. The legislation or rules is known as Regulation 28. The first rule it imposes is that no more than 25% of your investment is allowed to be outside South Africa.

You are allowed an additional 5% outside of South Africa, provided it is being invested in Africa. Thus allocated outside of South Africa to 30%. So all in all at least 70% of your RA needs to be allocated to South Africa.

Your investments in an RA are also limited to types of asset classes you can invest in. The main types of asset classes are: equities (companies), property, bonds, cash and commodities.

Currently Regulation 28 says that you cannot have more than:

- 75% invested in equities;
- 25% invested in property.

RA Fees

It is vitally important to keep an eye on the fees you are paying/are going to be paying. Paying too much for an RA can undo all the hard work you have put in and the sacrifices you have made in order to afford your RA contributions.

Bear in mind that most RAs are targeted at growing a certain percentage above inflation. That percentage above inflation is what is known as your “real return”. The real return is the part that makes your RA grow, and it is the part which makes you wealthier.

If you are not beating inflation, you are not going anywhere or you may even be going backwards!

For example, if your RA generates a return of 3% above inflation, but you are paying 3% in fees, then you have not gone anywhere. You have not generated any wealth.

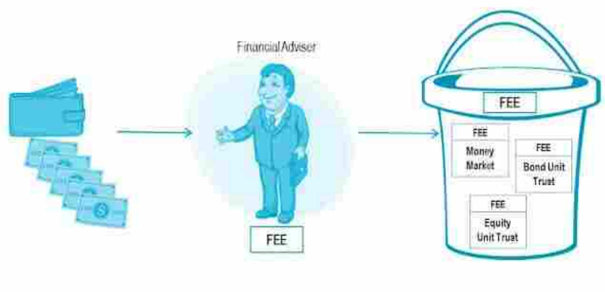
Paying a reasonable fee for your RA is super important.

What Makes Up the Total Cost an RA?

When it comes to assessing the total fee that you pay for an RA, you need to consider each component of the RA you have signed up for/are going to sign up for. When you consider the total fees an RA, keep in mind that there is usually an annual fee for the “bucket”, and then there is also a fee related to each "investment block" in the bucket.

And if you signed up for your RA through a financial adviser, you can be sure that they are taking their cut every month as well.

The total fees look a little something like this:



So the three main components which make up the total fees you pay are:

- The RA platform/admin/annual/account fees a.k.a. Bucket Fees.
- The underlying investment fees a.k.a. Investment Block Fees.
- The financial adviser fees if you used one to sign up for the RA.

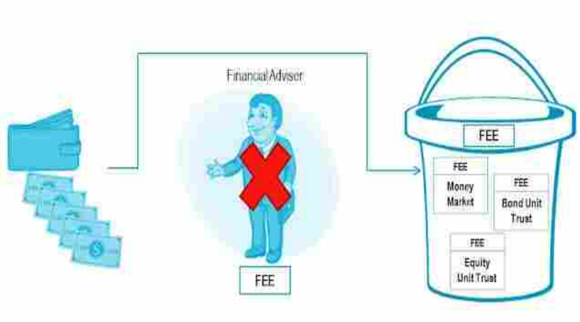
So, if you want to know the total cost an RA, send your RA provider or financial adviser a mail and ask them to send you the EAC or alternatively check your RA statements.

Tips for Reducing RA Fees

Financial adviser fee. There are generally two types of financial advisers, those that charge a percentage based commission and those that charge a flat fee/hourly rate. A financial adviser who charges a percentage based commission will take a cut for every month that you have the RA. In the beginning this can be pretty cost effective, but as your investment grows larger, the fee the financial adviser charges also grows and can easily run into tens of thousands of Rands a year for larger investments.

For large investment balances it can be more cost effective to pay an adviser a fixed fee or an hourly rate instead of a percentage based fee

Of course, many of RA providers allow you to sign up directly. If you know your risk profile it is possible to skip a financial adviser and sign up directly. However, this option is best suited for more experienced investors who have some investment knowledge.



The Best RA

Naturally, when signing up for an RA, you want to choose the best one. But before we try pick the best RA, maybe we should define what exactly we mean by “best”.

To me the best RA would be the one which gave me the most money at the end. Not so? Maximising your investment is the whole point of trying to make sure you pick the right RA.

So the next question is: What are the factors influencing the final investment amount?

In my mind there are two, ignoring the number of years invested and the contribution amount because that would be the same no matter the RA:

- Fees
- Investment performance

Fees

Quite simply, the less of your investment you pay in fees, the more of your investment is left in your account to grow and compound. It might not seem like fees are that big a deal, but have a look at this picture courtesy of 10x

Fees continuously nibble away at your investment, resulting in you having significantly less than what you could have had (in the 10x example above, a whole R1,9 Million less if you pay a 3% fee instead of a 1% fee!)

It may seem like some effort to shop around and compare RA options, but if that leaves you a few million better off it is well worth it surely?

Investment Performance

The other important factor determining how much you end up with in your RA is investment performance. There is no escaping the fact that different investment blocks in your RA bucket will perform differently. Some will give spectacular returns, and some will be epic disasters.

Research confirms that past performance is a pretty useless indicator of future performance. However, what research indicates there is only one factor which is slightly correlated to future performance. Investments with lower fees tend to outperform those with higher fees, irrelevant of past performance.

So the two factors which affect the outcome of your RA investment fees and investment performance can actually be reduced to only one factor – fees. In other words, one way of selecting the best RA would be to just select the cheapest RA.

The Cheapest RA In South Africa

This really awesome online tool [https://www.mymoneytree.co.za/calculator/ra/] ranks the cheapest RA providers according to the fees that they charge. Currently it lists these 5 providers as the cheapest in South Africa* (not necessarily in order)

1. Sygnia
2. Nedgroup
3. Easy Equities
4. 10x
5. Outvest

*(*There may be others and this list is subject to change*)

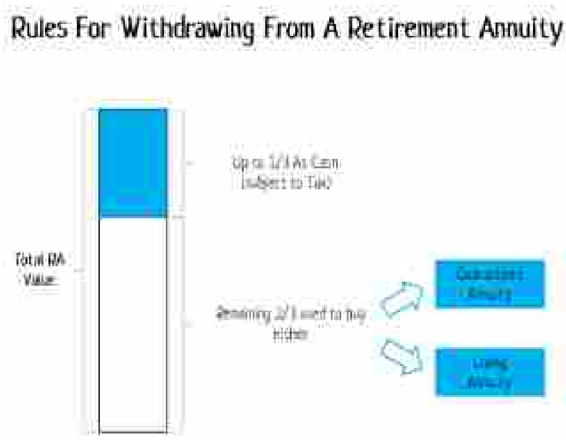
Note that some provider fees change depending on your investment size, and so the total cost can vary according. If you want to keep your RA fees low, you will do really well to start looking into the above providers.

Accessing Your RA

Generally you can only access the funds inside an RA once you are 55 years old. This means that when you invest in an RA, you are effectively locking your money away until 55. Then, once you are 55 years old, there are some rules around what you can and cannot do with the funds in your RA.

RA Withdrawal Rules (2020)

Once you are 55 years old you can "retire" from your RA. There are however some rules around the amount you can take and what the remaining money needs to be used for. The rules are shown in the picture below.



You Can Take Up To 1/3 of the Value of Your RA as Cash

If the total value of your RA is less than R247 500, then you can take the entire value. If you have more than R247 500 you are only allowed to take up 1/3 of the value as cash. Note that the cash lumpsum that you take is subject to tax.

You are allowed to take a *maximum* of 1/3 of the value of the RA as cash but not obligated to do so. You may take less than 1/3 as cash, or even no cash at all.

The Remaining 2/3 Must Be Used to Buy an Annuity Product

So if you are only allowed to take a maximum of 1/3 as cash when you retire from your RA, what happens to the other 2/3? You use that money to buy yourself an Annuity Product. This annuity product is designed to pay you a monthly income.

There are two types of annuity products you can buy with the remaining 2/3 of your RA value. You may buy either or a combination.

1. **A guaranteed annuity**. This is an **insurance** product which will pay you a **guaranteed monthly income until you die**. Depending on the options you select, you can have the monthly amount increase according to inflation each year, or remain at the same level, in which case your income will buy you less and less as the effects of inflation slowly reduces the purchasing power of your monthly income.

2. **A living annuity.** This is an **investment** product which you can **draw a percentage from each year** in order to cover your living expenses. Unlike a guaranteed annuity which pays you every month until you die, if you draw too much out of a living annuity you could run out of money.

The income that you take from either a Guaranteed or a Living Annuity is subject to income tax.

RA vs Pension Fund

A pension fund and an RA are both products which can be used for saving for your retirement. They also enjoy many of the same tax benefits and are subject to the same Regulation 28 rules which govern all retirement savings products.

Pension funds and RA are similar and everything in this article around the tax treatment and rules of investing in an RA also applies to pension funds. A pension fund can be accessed before age 55 but remember tax penalties, whereas generally speaking an RA cannot.

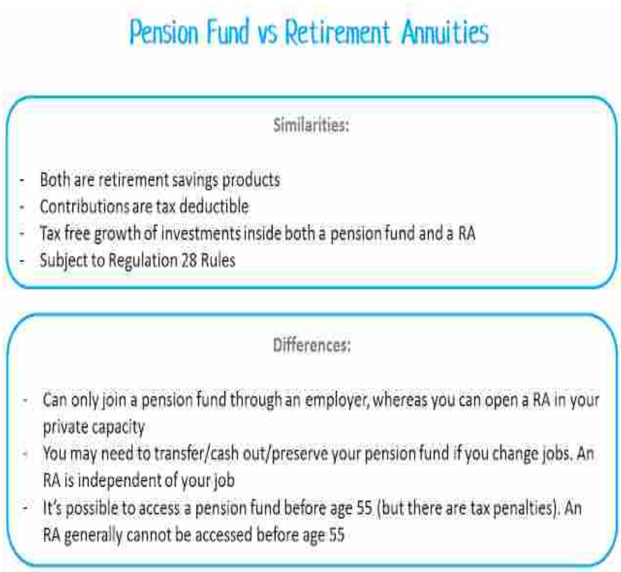
Another big difference between a pension fund and an RA is that you can only join a pension fund through the company that employs you. Your contributions to the fund will be automatically deducted and reflected on your payslip.

Because your pension fund is tied to your employer, it means that if you resign, are fired, or retrenched, you can no longer remain a member of the fund. In this case there are a few options you can consider for the money in your pension fund. You can:

- Preserve your money in a Preservation Fund,
- Take a partial or full cash withdrawal, which will be subject to tax and IS NOT recommended if you can avoid it.
- If you are moving jobs, and your new employer's pension fund is with the same provider as your previous employer, there may also be an option to transfer your pension fund to the new employer.

If you are a member of your employer's pension fund, you will still be able to open an RA in your private capacity. Just remember that the retirement contribution tax deduction applies across all retirement products.

The similarities and differences between pensions funds and retirement annuities are summarised below.



Should You Invest in an RA?

There are some really great tax benefits in investing in RA for your retirement. However, putting your money into an RA means you will be locking it away until you are 55. This might be a good in forcing discipline if you think you might find yourself dipping your hands into the cookie jar from time to time.

There is also some uncertainty about the future about government imposing additional rules about RA and pension funds.

Don't forget the limitations imposed on you when you are over 55 and want to access your RA. Only one third can be taken as cash (subject to tax), and the remaining two thirds must be used to buy a Guaranteed and/or Living Annuity to generate an income for you, subject to income tax. So while there are some tax benefits on RA contributions and growth, there is no tax protection once you start accessing the money.

If you have additional money that you would like to contribute toward your retirement, you can consider upping your pension fund contribution, speak to your HR.

In closing, an RA can be a great tool to use when saving for your retirement. But as always there are pros and cons, and your personal situation, risk appetite, goals, time frame and tax situation all play a role in the decision. If you are not sure, speak to a financial adviser.

Comment

A good discussion about RA that broadly applies to pensions too. Note the postponed tax while saving for RA and pension, which appears later when you start using them. An incentive to save.

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. We need you to inform and motivate all the Fund members 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 the Fund has just less than 2mn members, of which about 460 000 are pensioners and the other about 1 380 000 are still working but contributing members.

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.

Our Facebook page has more than 41 000 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.

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.

VRYWARING

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