



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.

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 [GEPF Watchdog - Wagbond](#)



NEWSLETTER NO 6 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
PEO – Primary Executive Officer
PIC – Public Investment Corporation
PSA – Public Servants' Association
ROI – return on investment
SC – state capture
SCOF – Standing Committee on Finance
SCOPA - Standing Committee on Public Accounts
SOE – state owned entities

"The GEPF now has R1,8 trillion assets under management, up 8,3% (R1,7 trillion) from 2017. There are 1 273 125 active members, and 450 322 pensioners and beneficiaries." Moneyweb, 10 December 2018
[R1,87 trillion, GEPF Annual Report 2018/19]

The Editor's Word

We have seen the rise of AMAGP's credibility in the eyes of the media, even better, the eyes

of members of parliament on both sides. This has been achieved without fanfare or funding, by unpaid volunteers, mostly pensioners, with no other agenda than our/your GEPF. AMAGP always needs more willing workers as those who are the driving force now won't be here forever. Think on it.

Step forward if you have the commitment to willingly contribute to serving our hundreds of thousands of members and pensioners. And no, don't expect AMAGP to pay you for telephone, data, travel, hours spent, etc. Volunteer, remember?

On that note, the one combined pension fund has retreated into isolation as we haven't heard anything about it. Trust me, it may be in quarantine but no virus is going to kill it. We need to be aware of it staying alive and be closely involved when it goes back to the office. I trust those of our members who are going to work on this will ensure they have the interests of all our members and pensioners at heart. The ANC has recently and publicly expanded their intention by including the savings industry...

You will see from the newsletter that several eminent media outlets use AMAGP media releases as is, instead of as usual paraphrasing or quoting from it as a basis for an article. This because AMAGP has proved to be what it says it is and its statements are correct. See the articles by Biznews and Noseweek below.

A recurring concern in many newsletters is the cost of coal for power generation. There are too many reports of excessive costs, an ugly word – corruption - always features in the reports. See Mike Schussler's of Moneyweb's article [SA is using poor peoples' money...] down below.

We start the newsletter with an AMAGP media statement summarising Christo's

analysis of the GEPF AR [Newsletter 5 of 2020]. Interesting, we've had nothing in the media about this report? Why would that be?

Christo van Dyk, our very competent and experienced auditor, recommends reading page 141 of the Mpati Commission's report, paragraph 7-17. They are damning recommendations about prudence at the PIC. See

<https://www.justice.gov.za/commissions/pic/transcripts.html>

The AMAGP's open letter to the BOT is next, just stating facts and again voicing concerns. Of course, no response from the BOT.

Cosatu has the huge challenge of continuing with its proposal to use our Pension to pay Escom's debt but at the same time going public by saying pensions are our savings money and mustn't be used like this! It would be interesting to see how Cosatu wriggles out of this, while keeping quiet about where its own funds are invested. It is also jabbing at the banking sector.

Following on to Cosatu's views, we have Mabe of the ANC saying that pension funds and savings industry [new!!] must do what they have been doing for decades, and Cosatu disagreeing with their "piggy bank" approach. Read all about it and enjoy the sequels in later newsletters.

'n Staatsdienspensioenaris se brief in die Lanbouweekblad het die herrie laat losbars oor die OBK se aankoop van die plaas Palmietfontein by Klerksdorp. Kyk net wat ons met net een brief kan regkry, né!

There are several articles about the Mpati Commission's report, confirming what AMAGP had been warning about for years. Each addressing the issue from a different perspective. The proof of the Commission's report would be in the prosecutions resulting from it. We trust this will be forthcoming soon, but keep in mind the wheels of the law often turn much slower than we would like.

There is a good article in Businessday by two NUMSA members giving background to Cosatu's proposal while at the same time promoting alternative energy. There is more to Cosatu's proposal than meets the eye, but it is still unacceptable without much more work.

To close off, there is a synopsis of an article in Noseweek, well worth reading in its original form, and finally, the PIC Board issued a statement, confirming their intention to act correctly. We'll have to wait and see for results, won't we.

NEWS NUUS NEWS

Issued on behalf of the AMAGP

Cape Town

2 March 2020

Is the Government Employees Pension Fund well governed?

The Public Investment Corporation recently received all the attention and focus during the PIC Commission's Inquiry into matters pertaining to its enterprise to such an extent that many people had forgotten that the Board of Trustees of the Government Employees Pension Fund (GEPF) is actually the real authority managing our huge pension fund.

It just appears strange that nobody acknowledged the fact that the GEPF's Board of Trustees is actually the authority managing the Pension Fund on behalf of its owners, the members of the Fund.

This impression might be caused because the Board does not even have an annual general meeting with its owners, the members of the Fund! It is at such meetings where the Board and its owners could interact. That is where the owners of the Fund could ask questions and perhaps even hold the Board accountable on a variety of matters.

In fact there are no meetings where the owners of the Fund may also attend. Nothing!

The GEPF Board only reports to the Standing Committee on Finance of parliament. And then, with the greatest respect to this Committee, the Board reports very superficially with no information made available to members of this Committee before the meeting. Then one must also bear in mind that only three hours can be spared by this very important, but also very busy Committee to question the Board and fully hear their answers.

For the 2017/18 financial year the GEPF Board of Trustees did not even report to the Standing Committee on Finance at Parliament! This is the kind of unacceptable

situation with the Board of Trustees that is also supposed to be the authority central to the management of a Fund with assets of almost two trillion rand.

It must also be borne in mind that the GEPF was not investigated by the Mpati Commission of Inquiry. However, it must be made very clear that AMAGP intends having a much closer look in future at the management of the GEPF, also scrutinising the activities of the Board and their quality of service to their clients, which includes the members of the Fund. Therefore, this is the first statement from AMAGP in this regard. More will follow shortly.

The GEPF presented its 2018/19 financial report to the SCOF in Parliament only on 19 February 2020.

To summarise this important matter:

The briefing of SCOF members by the GEPF did not include relevant and material matters such as:

- benefits being paid late to ± 17 000 members over the last two years
- the unclaimed benefits balance that keeps on growing
- the continued absence of an GEPF ombudsman
- the Board of Trustees' (BoT) own remuneration increases far in excess of inflation compared to that afforded to pensioners.

Another opportunity to be fully transparent appears to have been lost.

In the report the financial results of the Fund were graphically portrayed as reflecting "positive performance despite poor economic conditions in South Africa". However, these claims, when placed in context with other information contained in the report, present a very different picture.

The mission of the GEPF is inter alia to provide for efficient delivery of benefits and empower beneficiaries through effective communication and relevant management.

In 2019 total benefits of R102 million were paid out to beneficiaries, 59% of which went to pensioners receiving less than R10 000 per month.

An independent analysis of the report by an actuary shows that in order for the trustees to

exercise their discretion of increasing pensions annually by 100% of the CPI, as has taken place the past few years, the funding level ratios and contingency reserves must be such that these increases can be afforded. However, funding level ratios and reserves have steadily declined over the past years and this threatens security of pension increases. Once pensions become payable to retirees, they are exposed to investment risks which may negatively impact on the ability of the Fund to grant increases.

Moreover, although the GEPF Act provides for a thirteenth cheque, the BoT has **never** yet granted such a payment, notwithstanding the fact that the GEPF with assets of over R1,83 trillion is the largest pension fund in Africa. A trustee who ran for the latest elections to the Board committed himself to pursuing this issue, but there is not even the slightest reference made to this in the report.

A comparison between trustee remuneration and pension increases paints a startling picture. It would appear that the people who benefit most from the Fund are those charged with the governance thereof. The two pensioner-elected trustees between them earned just short of R1 million over the year. The elected custodians of pensioners' money received remuneration increases at a rate far in excess of inflation, up to as high as 20% in 2019 (45% in 2017!) compared with the pensioners' roughly 5%, yet no attention appears to have been given to a thirteenth cheque which would benefit the majority of pensioners with lower income suffering most from the current "poor economic conditions."

Since 2016 no annual board assessments, as required by corporate best practice codes, have been undertaken. This hardly matches up with the remuneration levels of the trustees. This could be remedied by capping the trustees' remuneration increases to the same rate that pensioners receive, should trustees not out of moral considerations decline such increases voluntarily. Trustees not having attended board assessments during their four year stint should not be eligible for re-election to the Board.

For 2019 the Government Pension Administration Agency (GPAA) reported that 80% of new beneficiaries received their benefits on time, implying that 20% of beneficiaries did not receive their benefits within the legal time frame of 60 days,

amounting to over 17 000 cases. This is unbecoming for a reputable pension fund like the GEPF.

This non-compliance with section 26(1) of the GEPF Act is NOT disclosed in the 2019 annual report and certainly falls short of "positive performance". Yet the trustees signed off their Statement of Responsibility, included in the annual report, stating that they have not been aware of any non-compliance to any relevant act.

This representation by the trustees could be true if indeed they did not know about this non-compliance, but considering that the trustees have fiduciary duties and responsibilities, does this not point to negligence?

Also, the balance of unclaimed benefits rose from 16 180 the previous year to 17 513 cases in 2019 (8,24%), but if the BoT exercised the necessary controls this figure should have actually steadily decreased.

With regard to the empowering of beneficiaries through effective communication, the lack of access to an ombudsman, specifically for the GEPF beneficiaries, deserves attention. In spite of having identified in the 2015 annual report the absence of, and in principle approved the establishment of, such an independent complaints handling mechanism, to be implemented in 2016, to date nothing has materialised.

What does this tell one about the commitment of the BoT, when nothing is mentioned in subsequent annual reports – no apologies nor explanations! Yet the trustees receive quite exorbitant remuneration for performance that leaves a lot to be desired!

Is the Government Employees' Pension Fund well run? Is our pension fund in good hands? Our next statement in this regard will give the answer as to whether the pension fund is truly still sustainable.

NOTE: A more detailed explanation of this evaluation referred to in the article written by Christo van Dyk, is available on the AMAGP website www.amagp.co.za, or direct enquiries could be directed to x2vandyk@gmail.com.

Adamus P Stemmet

Comment

This is a good summary of Christo's analyses, distributed already via Newsletter no 5 of 2020.

Date: Thu, 5 Mar 2020 11:01

Subject: Open letter.

To: Abel Sithole Sekr

<ronette.hartze@gepf.co.za>

OPEN LETTER TO THE BOARD OF TRUSTEES AT THE GEPF

Two issues dominate the public's attention of late:

1. The Mpati Commission's final report
2. Cosatu's proposal to use pension funds to bail out ESKOM

In the middle of all of this is THE GEPF.

As none of the Trustees testified at the MPATI Commission, WE AS A HANDFUL OF ACTIVE MEMBERS AND PENSIONERS have a lot of questions WHICH may/or may not be answered by the Final MPATI report.

However, the MPATI report has not yet been released to the public AND as evidenced by Cosatu's proposal and the Palmietfontein investment, life goes on at the GEPF and PIC.

The GEPF sent its Principal Executive Officer (Mr Abel Sithole) to testify at the MPATI Commission. He did so on day 54 – the 15th July 2019. All the transcript can be found here (just scroll down to day 54) <https://www.justice.gov.za/Commissions/pic/transcripts.html>

In his testimony, as per the publicly available transcripts, the PEO acknowledged a number of times, that he could not speak or give an opinion as a Trustee. Perhaps the Trustees can rectify this by providing clarity on those issues the PEO could not answer by using their own voice. THE GROWING NUMBER OF ACTIVE GEPF MEMBERS AND PENSIONERS WILL APPRECIATE THIS VERY MUCH! WE ARE ALSO SURE ALL GEPF MEMBERS (REGARDLESS OF AFFILIATION) WOULD BE VERY INTERESTED IN THESE REPLIES.

The PEO covered the topic of “undue influence” in reply to a question from the Commission about stakeholder engagement:

“But we also need to guard against the other side of things. Is where certain stakeholders, because they are well-organised and they are well-resourced, want to actually start to have undue influence on how entities are managed.”

That can be found on page 43 of the transcript.

Now at this time WE would like to know FROM THE TRUSTEES:

Whether the PEO’s views on the “undue influence” is in fact

- (a) consistent with the Board’s viewpoint?
- (b) if it REMAINS the position of the Board as of today?

AND THEN VERY IMPORTANT

- (c) the PEO further testified that “the law precludes such direct involvement by Stakeholders in the investment process” [Page 38 of the transcript].

In last mentioned regards - the PEO did not stipulate the specific law or section involved. We however trust that he is factually correct AND in view of what Cosatu is busy doing, that the PEO will report the contravention of the law to the relevant authorities to investigate further. If the GEPF can be so kind to provide us with the case number, perhaps we can assist the investigating officers further.

THEN let’s consider Cosatu as a stakeholder i.e. NOT only do they as a labour movement:

- have representation on the GEPF BoT courtesy of 4 of their affiliated unions;
- have a seat on the PIC board;

BUT then they go through a public debate to propose and advocate the use of monies belonging to said Pension Fund and managed by the asset manager on behalf of another party (ESKOM).

At this time, is what Cosatu is doing, apart from the alleged contravention of the law, not placing the decision making bodies on which they serve in an untenable position?

Perhaps a reply by the TRUSTEES to this open letter will hopefully put an end to the continued public discourse (specifically the

most recent Cosatu proposal) about the PRIVATE pension arrangements between GEPF Members and pensioners and their FUND.

We believe that the Trustees and the executives at the GEPF are already under immense pressure and can do without the weight of popular opinion in making the prudent investment decisions required of them in terms of the GEPF Act and the applicable codes of Responsible Investment to which they subscribe.

Having a public debate about an investment (also as envisaged by SCOF) in no way assists a proper due diligence review nor does it strengthen any of the key controls supporting independent decision making by those charged with governance.

Albert van Driel
Acting Chairman: AMAGP

Supported by the following Core Group of Collaborators: Christo van Dyk, Bertie Loots, James Galvin, Marius Erasmus, Hennie Heymans, Hennie Roux, Attie Kleynhans, David Blyth, Stan Davis, Eugene Opperman, Fred Garner Wally Smith, Theo Stehle, Gerard Assink, Piet Cronje, as well as 26 305 members.

Forwarded by:
Adamus P Stemmet

Comment
The open letter reminds the BOT of the members’ concerns. A reply would be nice but isn’t expected. The Mpati report has been released since this letter.

Synopsis

Cosatu: Pensions shouldn't be a 'piggy bank' for ANC's failed economic policies

7/3/2020 🗨️ Lameez Omarjee Fin24

Instead of targeting pension funds as a financing solution for small businesses, the ANC should instead be making an effort to decentralise the banking sector, said Cosatu.

The labour federation issued a statement on Friday in which it slammed remarks by ANC spokesperson Pule Mabe, who said that

pension funds could be used to provide financial support to SMME and start-ups.

Earlier this week, Mabe delivered an address on behalf of ANC Treasurer General Paul Mashatile at the Black Business Summit, where he suggested that pension funds and the savings industry as a whole could support developmental initiatives in the country.

"To address the SMME funding gap, there is an urgent need for us to look at the role of pension funds, or more broadly the savings industry, in facilitating financial inclusion and in particular expanding funding to SMMEs and other developmental projects," Mabe said

He noted that pension fund assets had grown substantially over the past few decades, with the GEPF having as much as R1,8 trillion in assets under management.

"We must create an enabling environment to make it easier for pension funds and the savings industry in general to allocate resources in support of development related investments," he added. Mabe also commended Cosatu for proposing pension funds possibly used to provide debt relief to Eskom, as it opened the debate for pension funds supporting national development goals in general.

However, in response, Cosatu took issue with Mabe's comments. "Whilst we agree that SMME need to get special attention, we do not think that pensions are the solution. Pensions remain workers deferred wages and should be invested in ways that benefits workers and should not be used to deal with policy failures," said Cosatu national spokesperson Sizwe Pamla.

"The ANC should do an introspection and then spend more energy contesting the conservative policies of its own government, instead of trying to hide behind workers' pensions," Pamla said.

Apart from reducing red tape which is holding small businesses back, Pamla said that the ANC should work on the structural problem of the concentrated banking sector. "The focus should be on improving access to affordable finance because mainstream banks and financial institutions do not have small businesses, as their target clientele. As a result, these small businesses are struggling to access the finance they need to grow," said

Pamla. "These big banks are not lending to SMME and what is needed in South Africa is decentralisation of the financial sector," he added.

While Cosatu believes that pensions can play a role in "changing ownership patterns" in the economy, they should not be relied on by the ANC a "piggy bank" to cover failed economic policies.

Comment

See the editorial below for clarity on this newest inanity from the ANC. Already derided by its ally, Cosatu.

Cosatu attacking the banks for doing what they are already doing what it wants them to do? Cosatu is backtracking considerably from their original proposal. Keeping it quiet.

Interesting that the "pension fund assets had grown substantially over the past few decades" since the prescribed assets approach was dispensed with.

Synopsis

EDITORIAL: Pule Mabe's tin ear for pension plunder

Financial Mail

12 March 2020



ANC spokesperson Pule Mabe. Picture: Antonio Muchave/Sowetan

You couldn't have asked for a more tin-eared statement from the mouthpiece of the ANC. At a time when global markets are in freefall, and people's pension savings are ebbing away thanks to panic over the Covid-19 virus, ANC spokesperson Pule Mabe waded in to suggest yet another ill-conceived line of assault on your savings.

Speaking at the Black Business Council Summit Mabe said: "To address the small and medium enterprise funding gap, there is an urgent need for us to look at the role of

pension funds, or more broadly the savings industry, in facilitating financial inclusion and in particular expanding funding to SMMEs and other developmental projects."

Mabe won't have got the deep irony of that statement. The fact is, your pension is largely invested in local equities, through the JSE, which is the obvious avenue through which growing companies raise funding. In a normal world, businesses list on the JSE to get capital, and your pension savings are deployed to fund them, in the expectation of earning a decent return. So, whisper it softly to Mabe, but SA's pensions are already at the service of small business.

But there's a deeper problem with Mabe's sentiment. The ANC has already flighted the idea of "prescribed assets", effectively mandating that a certain percentage of your pension be hived off to bail out ailing state-owned enterprises. It's an idea that has, rightly, met stiff resistance.

And, it has to be said, it's not as if SA pension funds are rolling in cash. As it is, funds are mostly invested in local equities through the JSE, which is hostage to the wider economic gyrations in the country.

Nonetheless, after a negative 2018, the JSE last year grew 8,2%. It sounds passable but, actually, the JSE was weighed down by poor GDP growth, power outages and worries over land expropriation. In other words, your pension fund returns were hurt by the decisions of Mabe's own party, and now he talks of wanting a greater slice of your pension.

In this context, Mabe's high-handed call to appropriate pension money to fix the ANC's policy failures couldn't have come at a worse time. It was, in fact, so ill-timed that Mabe's statements were even slammed by Cosatu, which said the ANC shouldn't be looking to use people's pensions as a piggy bank to "deal with policy failures".

Rather, said Cosatu spokesperson, the ANC ought to focus on cutting red tape and "improving access to affordable finance".

Cosatu, on this score, has it right. The ANC not only sees your retirement savings as yet another piggy bank to raid, it has no shame in loudly asserting its right to do so.

Comment

The impression Mabe creates is that the GEPF has that amount of cash the bank. Instead it is already invested in what he proposes, such as loans to SOE, start-ups courtesy of the PIC, shareholdings, etc.

Synopsis

-----Forwarded message-----

From: **Izak Smalman**

<izaksmalman@gmail.com>

Date: Sat, 22 Feb 2020 at 17:23

Subject: So word daar met grond gesmous

To: <lbw@landbou.com>

Ek is sedert 1963 lid van die staatsdienspensioenfonds en dit is 'n uitstekende belegging. Hierdie fonds (GEPF) is oor die jare tot stand gebring deur ons kripvreters sodat ons nie na aftrede 'n las vir die staat moet wees nie. Tydens my beroepsloopbaan van 43 jaar in die polisie moes ek belasting betaal op hierdie voordeel en betaal steeds belasting op my maandelikse pensioen. Ons het nooit voor in die tou gestaan wanneer dit kom by verhogings en bonusse en het nooit gestaak en klip gegooi nie.

Daarom grief dit my dat die GEPF dit selfs net kon oorweeg om R586,5 miljoen te betaal vir die stuk grond van 1 028 hektaar langs die N12 naby Klerksdorp. My vrou het die transaksie in Landbouweekblad raakgelees en my gevra om daarvoor aan die koerant te skryf. Die koerant was aanvanklik traag om my brief te publiseer, dog nadat dit wel op 4 Februarie gepubliseer is, was die gort gaar en het verskeie berigte daarvoor in die media verskyn, ook in Landbouweekblad van 21 Februarie onder die opskrif : "Koop die OBK 'n kat in die sak?". Inderdaad is hierdie transaksie 'n kat in die sak wat die OBK met die GEPF se geld gedoen het. Net soos wat die OBK miljoene van die GEPF se geld in VBS Mutual en Steinhoff geblaas het. Ek maak geensins daarop aanspraak dat my brief die vonk in die kruitvat was nie, die transaksie sou sekerlik op 'n ander manier aan die lig gekom het.

Die Crause egpaar, Chris en Doreen, wat voorheen albei polisiebeamptes was, glimlag nie verniet so breed op die foto wat Landbouweekblad op 21 Februarie geplaas het nie. Hulle het as direkteure van Isago @ N12 'n groot slag geslaan met die aankoop en verkoop van die grond. Daar is soveel

aspekte wat my bekommerd maak en wat daarop dui dat hierdie transaksie baie na aan geldwassery draai, ongeag al die tegniese verduidelikings wat hulle vanuit Australië aan Landbouweekblad gegee het.

Dit wil my voorkom asof die Crauses vir elke kooptransaksie gou 'n maatskappy stig, soos die naam van die betrokke maatskappy, nl. Isago @ N12 inderdaad dui. Dan betrek hulle natuurlik ook die regte persoon om hulle maatskappy die status van SEB te gee. Die hofverskyning van die maatskappy weens ander verdagte transaksies spreek boekdele, asook die feit dat een direkteur, dr. Martin Khunou, van die mediese rol geskrap is.

Ek sal graag wil weet wat die verbintenis is tussen Deon Botha van die OBK en die Crause egpaar. Hoe het hulle Botha oorreed om soveel van die GEPF se geld in 'n onbekende stuk grond te belê? Ek dink Botha se vooruitsig van die wonderlike stedelike ontwikkeling op hierdie grond is oordrewe. Die stuk grond langs die N12 duskant Klerksdorp grens aan 'n woonbuurt waar die munisipaliteit reeds goedkoop wooneenhede opgerig het. Watter beleggers sal hulle geld hier wil belê? Minder as 10 kilometer daarvandaan is Stilfontein wat spartel om aan die lewe te bly.

Die feit dat die Crauses vanuit Australië verklarings maak, laat my ook wonder... Of hierdie aangeleentheid ooit die hof gaan haal, weet ek nie en ek twyfel. Daar is soveel skuiwergate en soveel amptenare betrokke dat ek dink die saak gaan soos vele ander in die grond wegsyfer. Hoort my brief in Landbouweekblad? Verseker ja, want in hierdie tyd van grondhervorming en gerugte van onteiening is die smous van grond op die rekening van die GEPF 'n teer sakie. Die GEPF het 'n onregverdige voorsprong bo ander grondeienaars en potensiële kopers. Buitendien val grond en plase buite die GEPF se mandaat. Intussen lek daar ook net te veel geld uit die dik beursie van die GEPF.

Izak Smalman

Kommentaar

Kyk net wat gebeur as 'n staatsdienspensionaris 'n brief skryf! Blaas 'n twyfelagtige OBK transaksie uit die duisternis na die openbaar.

Synopsis

The GEPF, an abused client

The PIC did not put the interests of members and pensioners first.

Moneyweb

Barbara Curson 16 March 2020



Image: Moneyweb

The recently released Report of the Judicial Commission of Inquiry into the PIC has brought to the surface the destructive relationship between the PIC and its largest client, the GEPF. The GEPF's pot of gold represents 87% of the assets managed by the PIC, a tempting goal for any criminal.

The PIC has not covered itself in glory. It has ignored the fundamental requirement to act within the regulatory framework prescribed by the Financial Advisory and Intermediary Services (FAIS) Act, the General Code of Conduct for Authorised Financial Service Providers (FSP), the Companies Act, and the Public Finance Management Act (PFMA).

The Commission has questioned the payment of dividends by the PIC to the shareholder in light of the drop in the long-term funding level of the GEPF from 79,3% (2016) to 75,5% (2018). Was this done to convey to the government that 'the PIC is in fact functioning extremely well and is thus able to afford to pay a dividend'?

The PIC clearly did not place the interests of members and pensioners first. Instead of acting as the agent for the GEPF, the PIC acted as the abusive controller, squandering the GEPF's wealth to peddle influence and enrich the corrupt.

Possible corrupt activities to be investigated

The various PIC shenanigans included deals via politically exposed persons (PEP) and paying "arranging fees" to the favoured few. This means soliciting a bribe to obtain a contract and falls foul of the Prevention and Combating of Corrupt Activities Act.

Following allegations contained in the Noku/Nogu emails, the Commission engaged PWC Advisory Services to conduct lifestyle audits and background checks on the following PIC directors: Mondli Gungubele, Sibusisiwe Zulu, Dudu Hlatshwayo, Dan

Matjila, and Matshepo More. No evidence of criminality was found based on these lifestyle audits. However, there were discrepancies in Zulu's lifestyle audit and these will be further investigated.

It should be noted that the Commission is of the view that "the content and tone of the Noku/Nogu emails indicate that the intention of the originator was not to blow the whistle on corruption but to cause maximum reputational damage to the PIC and its directors/top management".

The Commission recommended that the PIC investigate all allegations of impropriety, such as the allegations and findings contained in the Control Risk Report.

It is unlikely that the PIC has the skills to unpack sophisticated corruption structures: "The layering of legal entities (state-owned corporations, pension funds, banks, companies, trusts, partnerships, etc), when applied by financiers and corporate structure experts, can make finding the substance, and not form, of a transaction or series of transactions complex and quite perplexing."

Dan Matjila

Matjila, the CEO of the PIC during this period, is accused of pushing through deals and circumventing governance processes. According to the Commission, Matjila's testimony "illustrates a complete disregard for transparency, formal process and proper governance".

"It also illustrates the implicit understanding of Matjila that his influence, status and power enable him to direct activity without having to detail specifics."

Matjila was also oblivious of reputational risk to himself and the PIC.

The Commission remarked that Matjila could not evaluate materiality and prudence, and gave as an example Matjila dismissing the focus on "only 2%" of the fund. However, that 2% exceeds National Treasury's annual contribution to the fund. "Any 2% capital loss, when the fund is potentially not fully solvent [in terms of the actuarial valuation reflecting the funding level of long-term liabilities], is a significant loss to what should be capital reserves or a buffer."

The Commission found a number of irregularities, including that Matjila throughout his testimony, had been evasive, and had a selective view of accountability. He had "a tendency to ride roughshod over the established approval and decision making processes, using a combination of process, influence, fear and dictatorial fiat".

The PIC did have in place a policy to ensure that investments do not unduly favour or discriminate against a politically exposed person (PEP), or a prominent influential person, however, the actions of Matjila showed "total disregard for the policy on PEP".

The Commission also pondered whether the PIC had deliberately structured the internal risk management function and process to be ineffective.

It has recommended that the GEPF, PIC, and government as the shareholder, launch an investigation into whether Matjila violated the FAIS Act requirements of honesty and integrity, breached the Protected Disclosures Act (in trying to find the whistleblower), and violated any other act.

Destruction of value

Apart from the disastrous investment in Ayo, the PIC made many other senseless investments with GEPF money, with nary a thought to the risk nor the prudence concept.

Some of these investments are briefly described below:

1. Erin Energy: Hundreds of millions of US dollars were invested in oil exploration on the African continent where the success rate was likely to be 20%.
2. Ecobank: The GEPF owns 13% of the shares. This is a dollar investment and faces international equity risk. The returns on investment in US dollars were negative from 2012 to 31 March 2019 with an overall yield of -6,48%.
3. The GEPF "was often used as a bailout fund for connected insiders and also a bailout fund for bad investments made by the PIC, for example the investments in SacOil, Erin and possibly others".
4. Steinhoff International Holdings NV (SNH): The PIC didn't invest directly in SNH but

gave money to the Lancaster Group for the acquisition of 2,75% of the shares, amounting to R9,35 billion (loan plus equity). The deal was structured by Symphony Capital, which was paid R76,95 million for this work. An amount of R22,85 million was paid to Lancaster Group and L101, a subsidiary. Matjila allegedly reduced the initial amount requested of R10,4 billion to R9,4 billion so that it would fall within his delegated authority limit and would not have to be referred to the Board for consideration.

5. In the period December 2017 to December 2018 41% of the total unlisted investments (worth approximately R123 billion) were either on watch, underperforming, or in distress and not servicing their loans; 29% of the 41% were not servicing the loans. *Author's comment: The impairment of investments as at 31 March 2019 amounted to R8,8 billion (2018: R7,4 billion). Should we expect a much larger impairment as at 31 March 2020?*
6. Included in the distressed entities are Independent News & Media SA, Sakhumnotho, S&S Refineries (a palm oil refinery and saponification plant based in Nacala, Mozambique), both loan and equity, SSIH (transport and logistics company) and Ascendis.
7. Repeat investments were made with particular individuals or companies, thereby repetitively favouring and enriching the same people via different investments, blissfully or purposefully ignoring the imperative for 'broad-based' investments per the GEPF mandate.
8. The PIC has invested 86% in SacOil, 100% in Daybreak, and gave Erin (already 30% invested) a guarantee so that it could obtain bank financing, even though it was technically insolvent. The direct capital investment did not impact the 30% limit, and the Commission questioned the extent to which loan funding, guarantees and derivatives were used to deliberately circumvent the 30% requirement.

The Commission has the impression that money lost or bad investments, or investments not used for the intended purpose, must be "identified, quantified and recovered".

This is somewhat optimistic. The money is gone ...

The Commission also recommended that: "The GEPF should ensure it has the required skills, resources and expertise to check and challenge the PIC." Why didn't the Commission ask the GEPF why it has been ignoring the many concerns raised by the AMAGP?

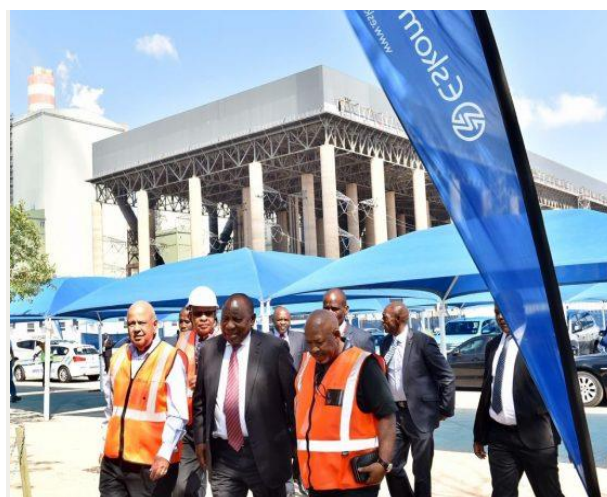
The PIC has miserably failed its duties under the FAIS Act and has miserably failed its clients. Has it not passed its sell-by date? It adds no value, it forms an additional layer of parasitic rent-seeking, and is an opaque structure vulnerable to criminality.

Should the GEPF not be restructured, and be given the capacity to manage its own affairs?

Comment
Ms Curson consistently writes clear, accurate and to the point articles. How much clearer can the finger point to Matjila? Unfortunately the fingers aren't pointing to those who behind him, yet.

Synopsis
SA is using poor people's money to reward rich bunglers hiding behind BEE

Mike Schüssler, Moneyweb



President Cyril Ramaphosa arrives at Eskom's Medupi Power Station in Lephalale and is received by Public Enterprises Minister Pravin Gordhan, Limpopo Premier Stanley Mathabatha and then-Eskom chairperson Jabu Mabuza, 25 November 2019. Picture: Presidency

Never will government mention we have one of the largest financial holdings in the world and that black people own over two-thirds of it, as this will not suit the BEE narrative.

South Africa has among the most substantial pension assets in the world, even in US dollar terms. South Africa has far more pension assets than Germany or France. Never were you informed about this asset as it funds South Africa and makes our median person the wealthiest in Africa. The fact that South Africa has the highest typical financial wealth in Africa does not suit the victim narrative.

According to SA Reserve Bank data, in 2017 there were 17 million retirement accounts, representing between 11 million and 12 million individuals, with retirement assets estimated at R6,6 trillion.

The average adult pension saver has invested R576 000 in the system. The typical person has about R340 000 saved for their old age. The typical adult in the system is probably close to 50 years old and needs to save more, and then have the investment grow well above inflation to help make ends meet.

Tempting asset

With government having run out of options for funding itself and its state-owned enterprises, we now know that we have a very large asset. Never in a million years would government mention that this is one of the largest financial holdings in the world and that black people own over two thirds of it, as this would not suit the BEE narrative.

The typical person receiving this pension in South Africa, we know from BankservAfrica data, only gets R5 531 in the bank every month. The retirement annuity has to pay for medical insurance, water and lights and food, to name just a few essentials. So even the wealthiest African is not wealthy, but rather only able to get by.

Funding the wealthy

That the typical pension saver has to bail out SOE, often where the average pay is well above R800 000 a year, means millions of lower-paid workers will fund a few thousand wealthy workers.

Our country's president said R800 billion is just 10% of our pensions and should not be a problem as we need Eskom and other SOE to grow.

Well it is a problem, and the reasons why are largely listed below.

The problem in using pension money for SOE bailouts

Firstly, the money is that of millions of ordinary hard working South Africans, most of them black, and they already have a pension shortfall to maintain their lifestyle as we can see from BankservAfrica pension data.

This money belongs to future pensioners and we have seen what dud investment returns can do. Just look at the Transnet pensioners: they are now unable to stay in their houses with pensions that do not even cover their medical insurance, never mind food and water. The government and Transnet did not bail out those pensioners and they were left to die in poverty, not being able to work any more.

Secondly, South African pension funds already sit with R2,1 trillion of government and SOE debt directly, and probably another trillion or so via the banking system. So nearly half of our money is invested in government and the development of the country.

Taking another R800 billion will mean that pensioners have more than reasonable exposure to a single subsector of an asset class: public debt. Moreover, the above will create a concentration risk, which often has fatal results for investors.

Perverse incentive

Thirdly, the incentive is perverse as SOE are managed into financial ruin and, despite government having bailed them out numerous times, they continue to need copious amounts of cash. Rewarding failure with more money is like sentencing a murderer with a gift of extra guns – it does not make sense.

Throwing money is not the solution when the whole system is rotten.

Fourthly, we have not fixed the SOE at all. For example, local prices of coal, of which Eskom is the monopoly buyer, have rocketed at more than double the inflation rate!

Since April 2008, local coal prices have risen by 195%, while export coal prices only increased by 14%. The increase in the local coal price screams corruption and has never been addressed, never mind prosecuted. Not one board has investigated this excessive increase in coal prices. Instead this was promoted as successful commitment to BEE.

So, 11,5 million pensioners therefore risk losing part of their savings for 15 000 highly paid extra Eskom staff and a few people getting extremely rich on coal and transport contracts.

Also, with many a municipality simply not paying, more money is not going to fix the income problem. The "more money" will plug a gap and the need for municipalities to pay will be reduced.

I repeat, get the costs under control, and get those non-payers to pay. Our pension money will not fix these problems but fixing these problems will save Eskom without extra money needed as it will again make a profit.

Purchase prices for SOE excessively high

Moreover, not one government official has even asked the obvious question: why are the purchase prices for SOE increasing that much faster than inflation? Why is the Competition Commission asleep on excessive pricing at SOE! Since the arms deal, nothing has been done to curb excessive pricing to state-related institutions!

While some SOE have had many different boards, the fact that not one has publicly flagged excessive price increases speaks volumes about the stupidity, insider corruption and probably careless attitudes that prevail.

Before you can save any SOE, you have to fix the apparent corruption, the overcharging, and the BEE deals that impoverish the majority of our population. The BEE deals that Eskom brags about in annual report after annual report has resulted in higher power prices for ordinary South Africans. We impoverished millions for the enrichment of the few, and we want to do so again.

When does BEE make sense?

The above leads to the fifth point that is politically difficult to talk about. When does BEE make sense? Certainly not when it results in increasing prices for average South Africans. Certainly not when the result is less investment and few jobs.

Government needs to side with the ordinary citizen. When and if BEE is required, it must make sure that value is added, not just extra costs. You cannot create growth and wealth when a few get rich by being inserted into a process that was already reasonably efficient. That is "broad-based black disempowerment and impoverishment".

Transparency

Lastly, we need a lot more transparency, on tenders especially, but also on pay levels within SOE, and the qualifications and experience of all management must be made public. No cadre employment. And perhaps we should consider that no civil servant or SOE employee above supervisor level may belong to a political party.

Also forget this secrecy thing, with state-owned firms publishing every tender result online with price, quantity, quality and ownership of the named winner. The 'this is a commercial secret' stuff is a lot of bull dust.

It allows the criminals to hide. And quite honestly we, the citizens, are the owners of SOE and the government, so tender results are in the public interest. They are unlikely to tell the market the internal secrets of the suppliers, just the price and quantity and ownership.

Transparency prevents much corruption, as one can see what is going on.

SAA was paying R17 per bottle of water, and you know they only cost R10 at the shop and R3 wholesale!

Brought to you by [Moneyweb](#)

Comment

This general comment about pensions aimed at the endemic entitlement attitude prevalent in South Africa, specifically SOE. Touching on all the well known but keeps the pressure on the government to improve.

Synopsis

Angry pensioners demand that PIC asset managers pay back out of their own pockets!

Biznews

16 March 2020 by Jackie Cameron

A judicial inquiry led by retired Judge Lex Mpati has recommended big changes to laws governing the PIC after it found there had been "substantial impropriety". As Bloomberg reports, the scandal stems from the PIC's two-year R4,3bn investment in Ayo Technology Solutions. The PIC's 29% stake in Ayo is now worth about R238m. A number of scalps have been claimed, including that of its executive head of listed investments, Fidelis Madavo. But firing Madavo is not enough. Members of the GEPF say the individuals involved in ransacking funds must be held personally responsible and that ultimately means they should be taken to court and preferably made to pay back money from their own personal assets. Jackie Cameron

Those fingered in Mpati report must be prosecuted very soon

AMAGP statement

The PIC Commission of Inquiry into the affairs of the Public Investment Corporation (PIC) has been released. Certain individuals were fingered and AMAGP demands justice.

The AMAGP has noted with gratitude the contents of the report by Judge Mpati and his fellow Commissioners. They, Advocate Lubbe, as well as their investigating team deserve our praise and gratitude for their thorough investigations.

The AMAGP is now studying the report thoroughly so that we could comment more fully on its contents soon. However, by just skimming over the report we can see some remarks and matters beg for a preliminary response.

AMAGP clearly understands that the Commission was bound by its terms of reference to investigate matters only pertaining to the PIC. Therefore, not much attention was given to the role of the GEPF in the report.

The GEPF was at all relevant times when things started going wrong, supposed to be in full control of the assets of the Fund.

The function and responsibility of the GEPF's Board of Trustees are to manage the Fund, and to protect the assets belonging to the Fund. The PIC is only the asset manager of the GEPF. Therefore, the Board of Trustees of the GEPF has a duty to make sure that all transactions done by the PIC on its behalf was legal and in the best interest of the GEPF's members and pensioners. The Board can not shirk their responsibility in this regard.

Looking at the findings, comments and proposals of the Commission one could ask where the GEPF's Board of Trustees were over the years when things went wrong? These aspects also need to be investigated fully so that the chain of responsibility and accountability could be confirmed. If there perhaps was any negligence, any wilful illegal conduct or any conduct unbecoming by any member of the Board, then AMAGP expects that the strongest possible action be taken under the circumstances.

We of the AMAGP are not at all surprised by the comments and findings of the Commission. Most of the facts were known to us at AMAGP even before the Commission was instituted. In fact, AMAGP tried for years to convince the authorities that something terrible regarding our pension fund was going on. We are in fact very surprised that unions and staff organisations have over the years not also become aware of what wrong was going on.

What is now of importance to us at AMAGP is that justice must be done and seen to be done. AMAGP therefore demands that the proposals by the Commission that the NPA should investigate the conduct of certain individuals as a matter of urgency to determine the possibility of successful prosecutions be expedited. Where necessary those that need to answer in a Court of Law must be charged as soon as possible. The law must take its course, rather sooner than later. We still believe that "justice delayed is justice denied" should never be heard inside or outside a Court of Law.

With the above borne in mind one could now legitimately ask how long it will take for all forensic and other criminal investigations to be completed? Will the forensic investigations be carried out with speed and who will monitor that it is done? The auditor-general perhaps?

When could the public and other interested parties expect the cases to be heard in a court of law? Hopefully the case dockets will not gather any dust so that nothing could perhaps be swept under the carpet.

The next important question that needs to be answered is whether or not the Ministers of Justice and also Finance will keep a very close eye on the progress of all investigations? Will they give quarterly feedback reports to the public and to the members of the GEPPF? We are sure that they will not disappoint us and also trust that the relevant standing committees of parliament will insist on regular progress reports.

Finally, one needs to ask whether all those responsible for the losses will be held personally responsible and accountable in a Court of Law? The money lost needs to be recovered. It seems as if the Board of Trustees of the GEPPF does not have an appetite for matters of this nature. Will they perhaps surprise us and immediately start legal proceedings to recover losses?

Pensioners are now impatiently watching to see if justice would prevail. They have noted with disgust that, after the Motau Committee revealed gross corrupt actions regarding the VBS Bank more than a year ago, not a single person has yet appeared before a court to answer for their actions or inactions. So far not a cent was recovered. A similar delay with regard to the other recommendations of the Commission will not be acceptable. AMAGP will keep a close watch.

Adamus P Stemmet, spokesman, AMAGP

Comment

It is crucially important to note that a reputable media outlet such as Biznews carried the AMAGP media release in full. Implying they agree with it, otherwise it would have been reworked into their own version.

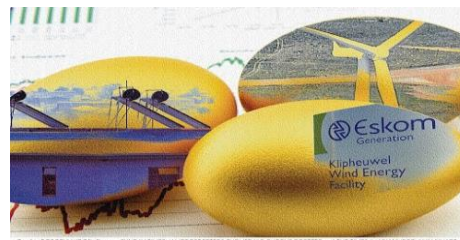
Synopsis

Business Day

17 March 2020 **Editor's Choice**

Outcry against Cosatu's call to use state pensions to save Eskom muddies waters

[Opinion](#) by Karl Cloete and Dinga Sikwebu



Cosatu's proposal to use government employees' retirement funds to reduce Eskom's debt has sparked a huge debate. It has also raised the hackles of union members, who see the proposed plan as a cunning move to ransack the money chest that holds the deferred income of employees.

Right after Cosatu unveiled its plan, some public sector associations outside the union federation announced their opposition. Solidarity launched what it calls a "stop pensions capture" campaign and is threatening legal action to block the use of money from the GEPPF to save Eskom.

Absent the scaremongering is acknowledgment of how private sector players queue daily outside the doors of institutional investors such as retirement funds, life insurance companies and mutual funds looking for capital to finance private sector projects. There appears to be double standards here: it is fine and legitimate for the private sector to use retirement funds as a source of capital, but this financing approach becomes "pension capture" when resources of the same institutional investors are harnessed for state-owned entities.

It also looks as if in the debate on the role of retirement funds history does not count. From 1911, when the Public Debt Commissioners Act was passed, to 1990, government employees' pension funds were used to finance budget deficits and provide loans to government and other state entities. It is partly due to this history that the GEPPF is exempted from the 1956 Pensions Fund Act and is not governed by regulations that specify limits and the extent to which retirement funds may invest in particular asset classes.

Home-grown solutions

Cosatu is correct to characterise the Eskom debt as a ticking time bomb threatening to destroy the state and economy. Eskom's collapse will also send SA rushing to the World Bank and IMF for a bailout, tying the country to the conditions invariably associated

with the bank's loans and IMF structural adjustment programmes. Cosatu is therefore spot on in nudging us to seek home-grown solutions and look to the GEPPF, PIC and other institutional investors as possible sources of capital.

In a resolution adopted at its national congress in June 2012, the National Union of Metalworkers of SA (Numsa) called for an exploration of how workers' pension funds could be used as a vehicle to finance the building of a socially owned renewable energy sector. We tabled this resolution at a Cosatu national congress in September 2012.

The Numsa and Cosatu resolutions in 2012 were not the first calls by the progressive labour movement for the use of pension funds for infrastructure investment. Since the amendments in 1989 and 1990 changed the legal requirement for funds to invest, the progressive labour movement has championed the use of prescribed assets for reconstruction and development in SA. Cosatu's first economic policy conference in May 1991 called for the reintroduction of prescribed assets.

As recently as 2013, Numsa, through the Metal Industries Benefit Funds Administrators (Mibfa) committed up to R1bn of workers' pension money through investment in the renewable energy sector. The investment was done through the Renewable Energy Debt Fund, which provides debt financing to renewable energy projects.

Energy transition

Substantively and policy-wise there is nothing new in the Cosatu proposal. The call is consistent with the policies of the progressive labour movement in SA. It is therefore unhelpful to dismiss what is on the table with a sleight of hand. What we should debate is whether as a country we need a plan to stabilise Eskom or a plan to finance the energy transition from fossil fuels to a low carbon economy.

The weakness of Cosatu's proposals is its focus on how to save Eskom rather than on how to guide and finance the energy transition. Though the federation's package talks about targeted investments in renewable energy technologies, electric vehicle production and investment in battery storage as a way of dealing with the intermittency of

renewable energy, there are no proposals on how these initiatives are to be developed and financed. The primary focus is on Eskom's debt and saving the utility. Who is to finance the worker and community-owned renewable generation capacity that Cosatu moots in its submission?

From the document "Key Eskom and Economic Intervention Proposals" that Cosatu released in January, it looks as if the union federation has also retreated to a narrow definition of a "just transition" in which the concern is about what to do with workers at power stations and communities around coal mines at the end of their lifespans.

A just transition was seen to be about ownership and control of the emerging renewable energy sector.

Narrow plan

According to World Bank data financial assets of pension funds as a percentage of SA's GDP grew from 84,5% in 2012 to 99,75% in 2015. These are critical resources for financing the energy transition.

Instead of a narrow Eskom rescue plan, what we need is a just energy transition fund that finances not just the dominant electricity utility but all the noble suggestions in the Cosatu document such as investment in renewable technologies and installation of solar panels in public buildings, including the expansion of an Eskom renewable division.

The pressing issue of the electricity parastatal's debt can also fall within the mandate of the Just Energy Transition Fund. Sadly, focusing on Eskom only, as Cosatu does, may be putting faith in a utility facing a death spiral and putting workers' financial eggs in one basket.

The labour movement needs to wake up to the fact that at stake is not just saving Eskom but guiding the transition in a manner that ensures the poor are not left insecure, as corporations and the rich opt for self-generation.

• *Cloete is deputy general secretary and Sikwebu a researcher at Numsa.*

Comment

This is clearly a Cosatu view, which, dear reader, you should not discount just because

it is a Cosatu view. There are clear indications decades ago of labour recommending investing pension/savings in development, etc. Which all funds invest in directly and indirectly.

What is worth noting is the emphasis on fundamental change required in the way electricity is generated, which up to now may have been prevented by those preferring to benefit from the current status quo. IIRC the Fund has already invested heavily in alternative power start-ups.

First time I've read the term "progressive labour movement". Must make a change from being just a labour movement...

Synopsis

Editorial

Dear Reader: Hands off pensions!

Noseweek Issue #246, 1 April 2020 By Martin Welz

Noseweek is an excellent magazine, well worth purchasing, please do so if you wish to read the full message. This article in Noseweek specifically states copyright, so I am summarising my understanding of the article.

The article includes the contents of an AMAGP letter sent to opposition MPs, particularly the DA, who had declared themselves willing to go to court to stop the government from accessing employees' pensions for another Eskom bailout.

The AMAGP letter as quoted in the article:

"Thank you very much for your support in this matter. We really need it as we have the dangerous situation where the ANC is in control at all levels pertaining to the pension fund: the Board of Trustees, where the government (ANC) appoints half the members, and unions, six. Only two members are elected, with only one representing the 400 000-plus pensioners. At the PIC, the whole board is appointed by the government, so effectively the ANC is in control of the management of the pension fund as well as the investments made by their corporation."

"We at AMAGP have warned before that despite the rosy picture the GEPF presented to SCOF on 19 February 2020 (repeated in their latest newsletter), the GEPF cannot afford the R254 billion to save Eskom, as

suggested by Cosatu. A new factor affecting the GEPF is the devastating effect the COVID-19 virus is having on the JSE. Just look at what happened to Sasol shares. The sustainability of the fund is now really in jeopardy."

"The government's guarantee for the investments in Eskom amounts to only 67%, and in any event can be regarded as non-existent. We are, therefore, inclined to ignore any promises regarding guarantees for the R254bn. The carrot of being able to have representation on Eskom's board or the new company to be formed should not impress anybody."

"Remember what happened when the PIC appointed two directors on the board of the VBS bank? According to the Motau committee they were ringleaders in the corruption that took place."

"You are no doubt aware that almost nothing is left of the contingency reserves of the pension fund. We have pointed out before that the income from investments can no longer cover the administrative costs and present pension payments. Already 41% of monthly contributions by serving members is used for this purpose. The eventual effect is obvious."

"Despite the truly dangerous situation the GEPF is in, the ANC and Cosatu seem hell-bent on their crazy plan to save Eskom."

"Thank you once again for your support. We rely heavily on members of the opposition to safeguard our pension fund."

Noseweek advises that pension funds have generally been long regarded by the financial sector as "victim capital": the bigger the fund, the bigger the prospects to hide their misdeeds. It is clear from the Mpati report that this is true.

Mention is made of Amplats pensioners who have reason to worry about their employer's secretive plans to transfer their multi-billion-rand pension fund to Old Mutual's massive "umbrella fund" over which they will have absolutely no control. A future Noseweek will expand on this concern.

Please allow me this Noseweek quote from the article:

"Please note: Cosatu did not volunteer to invest their own pension fund's money into Eskom's perpetually rising debt."

Comment

*See the full quote of an AMAGP letter again?
Another untransparent pension fund being insituted?*

Synopsis

MEDIA RELEASE

PIC Board welcomes Report of Commission of Inquiry into its affairs, disciplinary action to be taken against those implicated

20 March 2020

The Board of the PIC met in Pretoria yesterday morning to discuss the Mpati Commission Report which was released by President Ramaphosa last week.

At the meeting, the Board welcomed and accepted both the findings and recommendations of the Commission without any reservations. The Board is in the process of developing and finalising a plan to implement the recommendations of the Mpati Commission, which will include instituting disciplinary action against all those implicated in the report. The Board will also liaise with the law enforcement authorities, including the National Prosecuting Authority and the Hawks to ensure that all implicated parties are prosecuted, and lost monies are recovered.

The Board noted that the report has found that a number of transactions were funded without following due processes in line with accepted due diligence and corporate governance. I am pleased to announce that the Interim Board had already instituted processes to address the corporate governance lapses that were exposed before and during the duration of the Mpati Commission proceedings. The measures already under way include internal disciplinary action that has led to the dismissal of implicated staff and the legal action that is already under way pertaining to transactions such as the Ayo, Steinhoff, VBS and others. These proceedings are aimed at recovering monies that have been lost by the PIC and civil proceedings will also be instituted against the directors of affected companies.

The Board will also be securing the services of highly skilled external legal and forensic experts to ensure that no stone is left unturned in holding implicated parties accountable. In the interest of transparency, the details of the teams to be established will be published in due course to keep our staff, clients and the public informed.

We are particularly concerned about the impact that the findings and recommendations of the Mpati Commission on the morale of the staff at the PIC and in this regard, we will be implementing a variety of measures to ensure that our staff remain focused and committed to providing a world class service to the organization and to our clients. These measures will include regular staff meetings to keep staff informed and a change management process will be implemented within the next few weeks to give staff an opportunity to help build a culture of transparency and ethical behaviour within the organization.

The Board has also introduced measures to strengthen corporate governance processes to strengthen accountability including separating the posts of Chief Executive Officer and the Chief Investment Officer. The new posts of Chief Risk Officer, Chief Technology Officer and Chief Operating Officer have been created. The Fund Investment Panels have been done away with and all investment decisions will be made by the Investment Committee. The Risk and Audit Committees have been separated and will be chaired by different Board members.

The process of filling these and other vacant positions will be expedited to stabilize the leadership of the organisation. An announcement will be made shortly regarding the appointment of the new CEO.

Over the next few weeks, the Board will embark on a roadshow to meet key stakeholders, including staff, Clients, key asset managers in the industry to discuss and listen to the feedback on the measures the PIC is taking to implement the Mpati Commission report.

We share the country's concerns that things went off track in the PIC over the past few years but we want to give the assurance that the Board is doing everything in its power to address the systemic causes of the problems

that have been uncovered, whilst being fully conscious of the fact that this will not be an overnight project. The Board will need the time and space to do its work diligently to ensure that all the actions taken are legally compliant and we will ensure that the implementation process is transparent.

The PIC remains one of the best public assets in the country and manages the hard-earned pensions of public servants and our responsibility to ensure that these assets are managed ethically, professionally and in the best interests of the beneficiaries. We will give regular progress reports to ensure that everyone is informed about the progress we are making in strengthening corporate governance procedures, systems and in implementing the recommendations of the Mpati Commission.

End.../

Issued by

Dr R. Khoza – Chairperson of the Board.
Enquiries: Themba Maseko (078 804 3620)
Comment
World class instead of south Africa class.

Comment

Very clear as to intention and at the same time still vague as to implementation. Let's wait and see.

IMPORTANT NOTICE. PLEASE READ

OR READ AGAIN IF YOU HAVE ALREADY

Please take a while or two or three to consider what the all-volunteer AMAGP is all about and is actually and continuously achieving. Our Facebook page has more than 28 000 members and continually growing; we must be doing something right. We need you to inform and motivate all the civil servants, policemen, soldiers, correctional services members, etc, you know to join the AMAGP to strengthen our voice when promoting the sustainability of your pension. We need many more AMAGP members, not just the Fb page. Of which there are already over 2 160, but not enough yet if we consider over a million GEPF members. Keep in mind we have just less than 2 million members, of which about 450 000 are pensioners and the other about 1 380 000 are still working but contributing members of our Fund.

- ROLE OF THE FACEBOOK PAGE - GEPF WATCHDOG/WAGHOND

This Facebook page is the social media platform of the non-profit organisation “The Association for the Monitoring and Advocacy of Government Pensions” (AMAGP). The AMAGP has only one agenda point – safeguarding the GEPF against looting and mismanagement.

Most of our GEPF members are content with the fact that pensioners still get their monthly pension (and some increases annually), and they are convinced by GEPF newsletters and ambitious briefings by the GEPF Board of Trustees that our Pension Fund is in a super condition. There is, however, another side to the coin!

As a member of the GEPF (working or retired), this Facebook page will keep you updated about any developments affecting the health of YOUR Pension Fund. It also provides you with the opportunity to participate in the debate and raise issues of concern. Although it is not part of the core business of this page, you may also raise matters regarding the day to day management of your pension administration, which we will gladly refer to the Government Pensions Administration Agency (GPAA). Please read the articles that are posted on the wall, BUT also read items saved under “Announcements” and “Files”. You can get further information on our website – there is no reason to be in the dark regarding our Pension Fund, and what you must do as a member.

This page will only have any value for you if you join the AMAGP. Kindly take note that you do not have to pay membership fees, or do any work for the AMAGP if you do not wish to do so – BUT your membership will add one more brick to the wall that the AMAGP is building to protect our money. You can complete the online registration form under “Announcements” (English and Afrikaans) at the top of the Facebook page, or you can visit our website at www.AMAGP.co.za, and complete the online application form that you will find under “Membership”. There are also registration forms in English and Afrikaans that you can print, complete and return to us under “Files” on the Facebook page.

The AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension fund in the RSA – BUT, we as members and owners of the Fund have to protect it against abuse.

Welcome to our page – please help us to get thousands more GEPF members to join this page and the AMAGP, so that we will have the required bargaining power. We are the owners of the GEPF, and we have the right and the power to force the GEPF Board of Trustees, and the Public Investment Corporation (PIC), to manage and invest OUR money in a responsible and profitable way.

VRYWARING

Die AMAGP maak die Nuusbrief beskikbaar as 'n diens aan beide die publiek en AMAGP lede.

The AMAGP is nie verantwoordelik en uitdruklik vrywaar alle aanspreeklikheid vir enige skade van enige aard wat sal ontstaan uit die gebruik of aanhaling of afhanklikheid van enige informasie vervat in die Nuusbrief nie. Alhoewel die informasie in die Nuusbrief gereeld opgedateer word kan geen waarborg

gegee word dat die informasie reg, volledig en op datum is nie.

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