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: A volunteer 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 Forum

NEWSLETTER NO 16 of 2021

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 entity

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1,2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1,61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa. *https://www.GEPF.gov.za/ dd 5 September 2021*

IMPORTANT TO GEPF MEMBERS AND PENSIONERS

MANY GEPF MEMBERS AND PENSIONERS HAVE SPENT THEIR ENTIRE ADULT LIFE IN A CAREER IN ONE OF THE MANY STATE DEPARTMENTS OR WILL STILL DO SO. PENSIONERS DESERVE TO BE ABLE TO RELAX WITH THE EXPECTATION THAT THEIR PENSION WILL GROW AND KEEP UP WITH THE INCREASE IN THE COST OF LIVING.

THERE IS A GROUP OF PENSIONERS GIVING FREELY OF THEIR TIME AND ENERGY TO KEEP TRACK OF THE WAY OUR PENSION FUND IS BEING MANAGED BY THE GEPF BOARD OF TRUSTEES (BOT) AND THE PUBLIC INVESTMENT CORPORATION (PIC). THIS GROUP ESTABLISHED A NON-PROFIT ORGANISATION, WHICH IS KNOWN BY THE ABBREVIATION AMAGP (ASSOCIATION FOR THE MONITORING AND ADVOCACY OF GOVERNMENT PENSIONS).

AMAGP RESEARCHES AND MONITORS THE PERFORMANCE OF OUR PENSION FUND TO MAKE SURE THAT OUR PENSIONERS RECEIVE THEIR RIGHTFUL PENSION AND THAT THE FUND STAYS SUSTAINABLE. ALSO, TO EXPOSE ANY ATTEMPT AT USING THE FUND FOR ANY OTHER REASON THAN FOR THE BENEFIT OF ITS MEMBERS AND PENSIONERS. THE AMAGP HAS ALSO COMMUNICATED WITH AND RECEIVED CO-OPERATION FROM OTHER INSTITUTIONS THAT HAVE AN INTEREST IN THE GEPF, FOR THE PURPOSE OF PROTECTING AND PROMOTING THE INTEREST OF ALL THE GEPF MEMBERS AND PENSIONERS.

WHEN AMAGP WANTS TO NEGOTIATE ON BEHALF OF MEMBERS AND PENSIONERS OF THE GEPF, IT NEEDS A LARGE MEMBERSHIP, TO LEND CREDIBILITY TO ITS NEGOTIATIONS AND TO PROVE REPRESENTATION.

GEPF MEMBERS AND PENSIONERS ARE KINDLY REQUESTED TO JOIN THE AMAGP BY COMPLETING AN APPLICATION FORM THAT IS AVAILABLE ON THE WEBSITE www.amagp.co.za, OR THE FACEBOOK PAGE GEPF WATCHDOG. THE APPLICATION FORM CAN BE COMPLETED ONLINE OR PRINTED. APPLICATION FORMS WILL BE SENT BY E-MAIL TO ANY PERSON THAT SUPPLIES AN E-MAIL ADDRESS.

ENQUIRIES CAN BE ADDRESSED TO AS KLEYNHANS AT as.kleynhans@outlook.com

The Editor's Word

Note. The Fund's investment values used in the newsletters are from the 2019 GEPF Annual Report, said values probably in 2018 terms as the figures in the Fund's AR are usually a year or more old.

Dear reader, so many opinions and views in the media confirm the lack of governing in our 'government'. Read the extremely enlightening and realistic and terrifying first article below, by Allan Greenblo in Today's Trustee, for the background to what I'm saying next. Our Fund remains under threat. The 'government' is run by a movement, not a political party, with the word 'rule' included in many of its current election releases. This scary word 'rule' bodes ill for the 'government's' intentions about our Fund, the retirement future for the Fund's members and pensioners, and possible total appropriation of our entire Fund's assets by the 'ruling' 'government'.

It seems politicians have extremely deep pockets, as their court cases often end up at the Concourt. I cherish the thought that SARS investigate these politician deep pockets, which make lawyers' incomes expand astronomically.

Dear reader, be aware that gradual change rarely alarms those influenced by such changes. However, wishing to achieve such changes against the general will of those influenced by the changes can easily be done by proposing drastic dramatic changes, then implementing some small ones in the backlash of the drastic dramatic proposal, incrementally introducing such small changes until the drastic dramatic one is achieved. Think about the Green Paper's social security fund and its drastic dramatic proposals. Watch for the small incremental changes to support the Green Paper over the next few years. See the threat to our Fund escalate as these 'small' changes add up to the original proposals.
Do you really think the Green Paper was published without 'government' approval?

You will note the many articles, reports, press releases, etc, about our Fund's investments. We must be aware of what is happening to our Fund's known investments to keep up with the health of our Fund. Of course, we still aren't allowed to know about the unlisted investments as it might be much worse than we expect. Hopefully the next Annual Report will give more information about them, such as names, so we can follow their ROI or extreme lack of.

Now for news from the media

The first article by Allan Greenblo doesn't reveal anything about pensions and 'government' intentions that we don't already know and realise, but states it so clearly that the average reader might think about starting a stomach ulcer to accommodate the reality.

Steinhoff is still under discussion nationally and internationally, with an interview with a previous chairman, Christo Wiese, explaining some of the aspects. We will never recover our full investment, but ROI may remain for many years. Read what Christo Wiese has to say.
Keep that thought, until the subsequent liquidation litigation has run its course. If the liquidation is approved the settlement starts all over again. The lawyers are clear winners in this.

Some news on pension fund changes that don't influence the GEPF, except if the BOT in their confidential wisdom so decide.

Vodacom is expanding into Ethiopia in a small way, let's hope their entry there leads to bigger things.

There are titbits about acquisitions, ROI, activities and disposals of several of our investments.

Then a question of procedure and process in pension complaints, outside our fund actually, to show the GEPF isn't the only pension fund in the world with complaints.

We don't like to think about our life in the hereafter, but it happens to us all. Some information to consider: what happens to your pension when you pass away? Read the article en then do some research so your dependents/family/loved ones know what to do when that happens. The GEPF Forum has many such queries.

Spur, its various eateries and Afrimat are showing good ROI, read about it on the last pages.

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Synopsis

To get the economy moving, rely on retirement funds – not on government

Forget the concept of partnership with an incoherent administration.

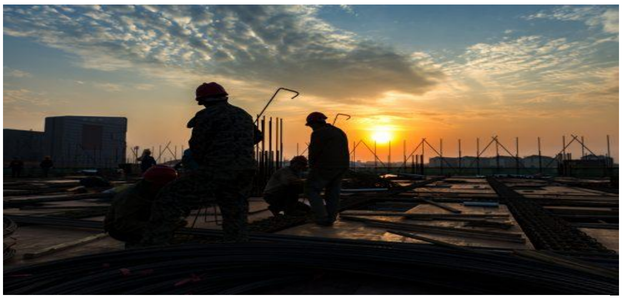


Image: Shutterstock

Today's Trustee
By Allan Greenblo
9 September 2021

Front and centre for retirement funds in their role to help tip back the Armageddon that engulfed SA in July, is infrastructure investment. Yet in the five years of dismal economic performance and listless job growth that preceded the Covid-19 smackdown, it has fallen far below the 30% of GDP target set by the National Development Plan. The worst laggard was the public sector, both quantitatively (overall spend) and qualitatively (value for money). That tells its own story.

In a pre-crisis era, less than two years ago, infrastructure investment was heralded by President Cyril Ramaphosa as the "flywheel" for stimulation of economic growth. Ambitious projects were drafted for public-private pension partnerships (PPPPs). No longer, even as an aspiration.

Forget the concept of partnership with an incoherent government. The field is open for retirement funds to do better on their own. Recall that changes to Regulation 28 of the Pension Funds Act were welcomed to facilitate new projects. By cruel twists of fate, however, these days investors have more than sufficient in their sights to begin rebuilding the old.

Preconditions for progress

But will they? Only in the event of sweeping reforms, of which the ANC government is incapable, just as it has now proven to be incapable of consistently delivering even the most basic and essential public services. Hidebound by ideological fantasies and corrupt pursuits left unaddressed, its record defies investor confidence – never more so than during the July mayhem.

Exposed as useless at the protection of people and property, local communities then came into their own. Taking forward their collective mobilisation into a civil initiative are retirement funds. Their investments are integral to the process of rebuild. No matter their willingness to reconstruct shopping malls, as a basic practicality, they cannot offer tenants an assurance that burn-outs won't happen again. Neither can Ramaphosa, irrespective of cabinet manoeuvres. By themselves, ministers cannot change a relaxed police service into a protective one or a lackadaisical military into a fighting force.

What matters less than the tip of the iceberg at cabinet level are the dangers that lurk beneath, in the state's resource and competence levels – significantly responsible for deteriorations infrastructure maintenance. Moreover, government's policy positions tend to undermine the certainty of direction that investors crave.

Ramaphosa's insipid promises, not to cause offence, have had their cover blown by the insurrection. Policy positions are confused, as in bits of privatisations on the one side and a ballooning public-sector wage bill on the other. His 'long game' is gone. The factionalism in his party, the frigid rollout of Covid vaccinations and the unabashed venality of a privileged elite were left to conflate.

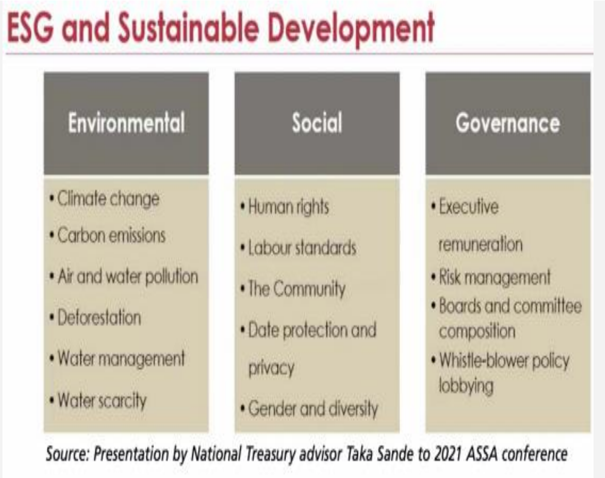
For the ANC government in its present form, given its present structures, time has run out.

Severe time pressures

But not so for citizens and investors. For them, time is critical and the role of retirement funds is decisive. They're on their own, to select just where they want to go and how to go about it, because government has relegated itself to irrelevance in the pursuit of jobs-orientated economic growth. Perhaps that's a good thing.

The combination of lootings and lockdowns has swept from the radar any pretence to retain in place the bureaucratic interventions of ANC rule, notably the race-based and statist-orientated.

Pension funds, representative of more South Africans than the ANC's policy-making bodies, can decide far better than they the terms on which they'll activate the flywheel. It's for them to spell out the terms, not for government to impose them, because their starting point is ESG (environmental, social and governance) criteria.



Source: National Treasury advisor Taka Sande

As a potential investment partner, government collapses at first base so long as Ramaphosa refuses to eschew cadre deployment. It's at the core of institutional havoc. And this is only the first base.

There's a contradiction in retirement funds' insistence on investee companies' 'sustainability' as the prerequisite for social impact and economic inclusivity, when the practice of government is squander.

In effect, then, there's a huge responsibility on the managers of those funds to take stands appropriate to their members' best interests. They need definition and they require an approach to political power radically different from the private sector's traditionally obsequious posture; so much the better, for bottom-up participation, were managers to be clearly mandated by representatives of fund members.

If 'stewardship' means the slaughter of holy cows, beloved of politicians determined to present themselves as progressive, best that they be identified outside the narrative of political correctness. That's inclusive of transformation programmes which should be called out for failure. In the pursuit of job-creating economic growth under ESG principles, all else falls away.

It applies even to the huge GEPF, otherwise its founding signature to the UN-backed Principles for Responsible Investment is tokenism.

Put differently, unless government complies with the requirements of retirement funds, not the other way around, they should remain independent to launch investment vehicles for strategies of their choice. Accountable to investors, it's for them to explain and justify the projects targeted; hospitals and schools, renewable energy and affordable housing, for instance; perhaps also such essentials as collapsed municipal functions as well as interventions in electricity supply and water security.

Now for the new minister

Not under his watch, said then Finance Minister Tito Mboweni, would intrusions into SA's fiscal sovereignty be tolerated; hence his inclination for spending constraint. But bereft of an ongoing commodities boom, successor Enoch Godongwana might be less fortunate were there to be a drainage of foreign exchange, at least on a scale similar to 1989 that forced the National Party government to abandon apartheid.

That's not an imminent danger because SA offers bond yields higher than in developed markets. Additionally, in terms of tax revenues, the commodities supercycle has made the extension of social grants relatively easy. Once granted, however, they cannot be withdrawn.

The events of July have shown the destruction of which an outraged populace is capable.

Fortunately, a humanitarian crisis has been averted. But for the future, once commodity windfalls are exhausted? On the sheer numbers of unemployed and unemployable South Africans, what are the alternatives to widespread starvation? It's too soon to say whether there's sufficient time for SA and indeed the region, to resurrect itself without some form of external assistance. It isn't too soon to dismiss the IMF option, however distasteful to an ANC government out of wiggle room.

Not all is lost.

That the SA Constitution has held firm against the Zuma-related onslaughts is the surest bedrock from which domestic and foreign investment can launch. So too has been the range of alliances through civil society, against those who would do it harm, and the emergence of youthful leaders in community initiatives.

It is in such alternatives to the sterility and hubris of the ANC's blue-light brigade that hope resides.

Comment

There isn't much to be added, the article says it all. The long term viability of our Fund rests on the continued growth of the economy, which Allan Greenblo so ably points out, the 'government' is ignoring. Pension funds must be able to invest in infrastructure growth where it will benefit the pension fund the most, not where the 'government' directs or pockets the most.

Synopsis

Christo Wiese on the Steinhoff settlement proposal

Moneyweb
By Ryk van Niekerk
10 September 2021

The original audio was in Afrikaans, as featured on RSG Geldsake, and has been translated in this transcription.

RYK VAN NIEKERK: Steinhoff's proposal to settle more than 100 legal claims passed the final hurdle as voting on the proposal was postponed to 10 September.

In terms of this exceptionally complex proposal, Steinhoff intends to pay around R25bn to settle the R130bn-odd worth of claims against the company. The largest individual claimant is former Steinhoff chair, Christo Wiese, whose claim runs to some R58bn.

Christo is now on the line. Christo, a warm welcome to the programme. The settlement proposal has been accepted by various claimants in South Africa and The Netherlands. Today saw a decision to postpone the voting process. Did something happen behind the scenes that could possibly thwart the approval of that proposal?

CHRISTO WIESE: No, Ryk. A process such as this is usually extremely complicated. If you think of the amounts involved, the jurisdictions and the number of people involved, claimants from bankers to contractual claimants to people who bought their shares on the stock exchange, one can understand that it is exceptionally complex and one has to expect that not everything will run smoothly. But one hopes tomorrow will signal the end of one of the steps in bringing an end to the sorry story.

RYK VAN NIEKERK: This settlement proposal has been dragging on for a long time; there was initially much dissatisfaction about it. Many of the claimants considered the money Steinhoff offered far too little. However, it seems now that most of these claimants are prepared to accept the offer. Is that your impression as well?

CHRISTO WIESE: That is certainly my view as well. Ryk, always remember that a settlement has one characteristic: it leaves all parties somewhat dissatisfied; that is the nature of a settlement.

RYK VAN NIEKERK: You are the largest claimant following your exchange of Pepkor for Steinhoff shares in I think 2014. That claim was R58bn. What was your settlement agreement, in particular? How much of that amount can you get back?

CHRISTO WIESE: Well, that is in the public domain. The settlement agreement was that I get R8bn of that back.

RYK VAN NIEKERK: That R8bn is a great deal of money, but still effectively a very, very big haircut you need to take to receive it. How do you feel about it?

CHRISTO WIESE: Ryk, if you consider that I worked at Pepkor with my colleagues for 50 years building a world-class business, that was what I call 'stolen' through fraud. What is most ironic is that those who stole it also now have nothing from it. The real beneficiaries are the bankers and people who lent money to the Steinhoff group long before the Pepkor transaction was concluded – a deal that now appears to be in the fraudulent statements. That is one of those big ironies.

Pep Stores, a business started by a family where all those worked there as a family, now belongs to people in New York and London who have never even seen a Pep store. That's one of the fraud's ironic outcomes.

RYK VAN NIEKERK: Many of them will get considerably more back than was invested. You are not the only one negatively impacted, but also ordinary people, those exposed to Steinhoff via their pension funds.

How did Steinhoff handle this situation?

CHRISTO WIESE: I think Steinhoff's current management and executive did the best they could in the circumstances. There is a general consensus that, should the company be liquidated, certain claimants such as myself would do far better. Liquidation processes are replete with kinks which destroy fundamentally strong businesses.

There might have been a potentially better outcome, but at the end of the day I, as well as the other claimants, decided to put the debacle behind us and go on with our lives.

RYK VAN NIEKERK: The former owners of Tekkie Town have adopted another approach – actually a very interesting one. They want to get the business they themselves created back. They are not looking to receive a payout. They have applied for Steinhoff's liquidation. Steinhoff will be lodging an appeal against a previous High Court verdict that that liquidation application could be heard in South Africa. That will probably be in court for a while.

But how is this settlement process affected or obstructed by this settlement proposal?

CHRISTO WIESE: I can truly not venture an opinion on that, Ryk. You will understand that in litigious matters, especially other people's litigation, it's not clever to express an opinion.

RYK VAN NIEKERK: Nevertheless, it's still very entangled, when do you foresee that you and other creditors will be able to draw a line, and continue with other rather more productive matters?

CHRISTO WIESE: I think all concerned, including the company, are keen to see this thing brought to a close as quickly as possible, but there are processes that have to be followed and people who do not necessarily consider that in their best interests. Fortunately, there are courts to decide these matters.

RYK VAN NIEKERK: We are currently seeing a big fight for settlements for former investors, but on the other hand the process of finding people accountable, Steinhoff's former chief, Markus Jooste, and his team, is much, much slower. What is your view of that slow progress?

CHRISTO WIESE: Well, Ryk, it's clearly disappointing that it's taking so long, because it raises doubt on the part of the man in the street about the workings of our legal processes. People are very quick to criticise the South African prosecution authority for taking so long, but one must keep two things in mind.

The first is that this type of fraud apparently committed and put together over a decade is highly complex.

The second thing is that in 2015 the German prosecution authority had already started investigating the people in Steinhoff. If one were to believe the newspaper reports, it laid a charge against Jooste only last week.

So these things are complex and will simply take time. I foresee that the criminal court case, when it ultimately gets to court, will also take quite some time.

RYK VAN NIEKERK: Over the four years since the bomb went off, have you had any contact with Markus Jooste?

CHRISTO WIESE: No. The last time I heard from him was the day after he announced his shock resignation. I asked him to help me sort out the mess and he promised to do so, but he never turned up.

Wiese backs legal settlement as Steinhoff claimants vote

By Janice Kew
Bloomberg
6 September 2021

South African magnate Christo Wiese. Image: Reuters, Mike Hutchings

Steinhoff International Holdings ex-Chairman Christo Wiese said he's supportive of the company's plan to resolve more than $8bn in legal claims and will vote for the settlement offer.

The South African retail tycoon, who was also the biggest shareholder in scandal-hit Steinhoff, has been among certain creditors locked in talks about the terms of the proposed settlement. "Some matters needed greater certainty," Wiese, 79, said by phone Monday. "A workable solution was reached."

Wiese, whose net worth declined by billions of dollars following the near collapse of Steinhoff in late 2017, didn't provide details of the issues that have been resolved, nor say whether other claimants would vote to pass the deal. "The settlement is a step in the right direction," he said.

Financial creditors and other investors seeking compensation for the loss in value of their Steinhoff stock voted on the deal Monday, with the majority of both groups in favour. Wiese and other so-called contractual claimants will cast their ballots at a rescheduled time on Thursday.

The PIC was among those voting in favour.

Lengthy battle

The company is battling to resolve the matter almost four years after auditors refused to sign off on its accounts, leading to the discovery of a litany of inflated profits and asset values. Former Chief Executive Officer Markus Jooste is the subject of several police investigations and lawsuits connected with the matter which remain unresolved.

In the year since Steinhoff announced the original $1bn settlement proposal to investors, there have been efforts by various claimants to squeeze more out of the deal and the company improved the terms of its offer in July.

Should the contractual claimants also vote for the deal it will still have to be ratified by a South African court and a separate Dutch process approved. Lancaster Group, owned by former Steinhoff director Jayendra Naidoo, as well as the founders of South African shoe retailer Tekkie Town, which Steinhoff bought in an all-stock deal in 2016, said they would opt out of voting on the settlement to pursue legal challenges.

Comment

The Steinhoff saga continues. There might be a settlement soon, but the liquidation proceedings might interfere. Alas, the real financial impact is unclear. If we compare the original purchase amounts with share value at the crash, it might make matters clearer. Unfortunately, we don't know what the settlement really means for the Fund, the Fund/PIC is quiet about this.
Still in the air is Lancaster's loan. Which was used to purchase Steinhoff. What will the Fund do about it? I predict some quietness followed by lots of silence and no comment as it is still before the courts.

Synopsis

Liquidation proceedings against Steinhoff can proceed

Court dismisses intervention application; states SA courts have jurisdiction.

Moneyweb
By Ryk van Niekerk
6 September 2021

The headquarters of Steinhoff International, in Stellenbosch. Image: Dwayne Senior, Bloomberg

The former owners of Tekkie Town can proceed with their liquidation application against Steinhoff International, after the Western Cape High Court dismissed the intervention application of two parties and confirmed that the local courts have jurisdiction to hear the case.

The court dismissed the applications of SIHNV Financial Creditors (a group representing Steinhoff creditors) and Frederic Verhoeven and Christiaan Robert Zijderveld (two Dutch administrators who were administering settlement proceedings on behalf of Steinhoff in the Netherlands) to intervene and oppose the liquidation application.

The court also ruled that the South African courts have the jurisdiction to hear the liquidation application. The judgment, therefore, paves the way for the Tekkie Town owners to continue with the liquidation application, which is set to resume on Thursday.

The former Tekkie Town owners sold their interest in the business to Steinhoff in 2016 for R3,2bn in Steinhoff shares. However, these shares became virtually worthless when Steinhoff's share price imploded in December 2017.

The former Tekkie Town shareholders did not institute a claim against Steinhoff as other investors did, but instead initiated legal proceedings for their former business to be returned to them. Also, earlier this year, they filed for Steinhoff's liquidation.

Mostert said in response that the "attack on our bid to liquidate Steinhoff could have been derailed by the attempted intervention of the hedge funds that bought Steinhoff debt after the revelation of the fraud and also by the technical argument around whether South African law provides for the winding up of an external company.

"There was also an attempted intervention from the Dutch administrators who participate in Steinhoff's self-architected settlement proposal. We are grateful that the ruling on all three of these issues went in our favour and now we can continue with our bid to have Steinhoff liquidated and bring the fraud and who are the beneficiaries of the fraud into the open."

Comment

Where does this leave us? We will have to wait and see, but expect the inevitable appeal. Hopefully the probable appeal process won't go all the way to the Concourt [as for all politicians with their surprisingly deep pockets].

Synopsis

3 retirement and pension changes South Africans should keep an eye on: economist

BusinessTech
Staff Writer
10 September 2021

While the formal introduction of asset prescription is unlikely in South Africa, certain elements of the ANC are likely to continue to push this narrative, says Jeff Schultz, senior economist at BNP Paribas South Africa.

Schultz pointed to the recent green paper published by the Department of Social Development, which proposes a 'national social security fund' with compulsory contributions of up to 12% of qualifying earnings. "The green paper was met with fierce criticism from the Treasury and the local pension fund and asset management industry that was not consulted on its release or content. The green paper has subsequently been withdrawn."

While the proposal was always likely to be a non-starter, Schultz said it magnifies the ongoing debate and disagreement on this matter within cabinet.

"We see it undoubtedly as another attempt to force **a form of asset prescription as a means to help fund more populist spending agendas** such as the national health insurance and a basic income grant – both of which featured prominently in the department's no retracted green paper," he said.

Retirement fund collateralisation

An additional development to keep an eye on are proposals by the Democratic Alliance to allow individuals to collateralise part of their retirement savings. The Pensions Funds Amendment Bill is currently being considered in parliament.

The DA has proposed that the law be amended to allow retirement fund members to access up to 75% of their retirement savings as security for a bank loan, instead of the current law where members can use their savings as surety to obtain a home loan only.

The chairperson for the SCOF, Joseph Maswanganyi, said towards the end of last month that the Committee will continue processing the Bill and, if National Treasury comes with another initiative, the Committee will allow it to take its course. "We don't what to be seen as stifling the process of the private member's bill," Maswanganyi said.

Regulation 28

The more likely and far less threatening pending change to retirement fund legislation will be the finalisation of the recent draft amendments to Regulation 28 of the country's Pension Fund Act, said Schultz.

This specifically deals with investment limits for the local pension fund industry and aligns with the Treasury's intention to provide a more conducive environment to attract investment geared specifically at infrastructure, he said.

This includes introducing a 45% upper limit for pension fund exposure to infrastructure assets and increasing the infrastructure investment limits for private equity investments.

Schultz said that this change is likely to be introduced by the end of 2021 or within the first half of 2022.

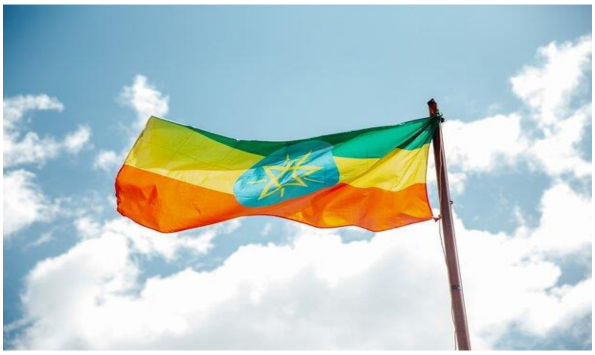
Comment

The change has been discussed to death in the last year. The Bill is on its last legs and might still be approved this year. It remains to be seen if our BOT will unilaterally and without consultation implement these amendments in the GEPF. And prescribed assets is never far away in pension funds' thoughts.

Synopsis

Vodacom on Safari in Ethiopia

14 September 2021
INCE|Community
By The Finance Ghost



At a time when rival MTN is pulling out of some difficult markets, Vodacom is gently expanding its African footprint. The South African market isn't growing as quickly as important African markets, which is why our local telecoms giants have invested beyond our borders.

In the year to March 2021, international revenue was around 28% of Vodacom group revenue. The group also owns nearly 35% in Safaricom, which would've taken the international revenue contribution from 28% to 38% if the accounting recognised a proportionate share of revenue from Safaricom.

That's not how the accounting works, so I've included this purely to give an indication of the relative size of Vodacom's SA and international interests.

The latest news is that a new mobile telecoms licence has been awarded in Ethiopia, the second largest country on the continent measured by population. The licence winner is a consortium called the Global Partnership for Ethiopia, which consists of various entities and funders including Safaricom and Vodacom.

Vodacom holds a 6,2% direct beneficial shareholding in the consortium. Safaricom is the leader of the consortium, holding a 55,7% stake. Vodacom participates indirectly in that stake through its shareholding in Safaricom.

An announcement on the funding of the Ethiopian entity will be released in due course. From an operational perspective, Vodacom will provide strategic support.

An important additional commercial term is that CDC Group, which holds a 10,9% stake in the consortium, has a put option which allows that group to sell its stake to Vodacom between year 8 and year 10 of the deal. The put option gives CDC Group the right but not the obligation to sell its stake if it so chooses. If the option is exercised, Vodacom would have no choice but to buy it.

The value of the option would be the fair market value at the time of exercise, capped to $1,74bn, which is around 10% of Vodacom's current market capitalisation.

This is a Category 2 transaction under JSE rules, which means that shareholders won't be asked to vote on the deal.

Comment

The SA market might have reached a saturation level, which is why the expansion makes sense. Even unemployed and never employed have cell phones and data. Looks like a good deal as we have about R28bn in total in Vodacom.

Synopsis

TITBITS

InceConnect
14 – 20 September 2021
Mostly by The Finance Ghost

Sanlam. The trend of companies simplifying their groups and focusing on core markets continues, with Sanlam announcing that it has agreed to dispose of its 100% stake in Sanlam Life & Pensions UK Limited. The price of €39mn is too small to require a shareholder vote or even a detailed announcement, but Sanlam has confirmed that the money will be used to reallocate capital to Africa and other selected emerging markets.
We have about R20,3bn in Sanlam

AngloGold Ashanti has confirmed that definitive agreements have been signed for the acquisition of the remaining 80,5% in Corvus that AngloGold doesn't already own. This $370mn deal is part of the mining group's strategy to consolidate one of the largest new gold districts in Nevada, located around 193 km from Vegas and next to Death Valley. Hopefully, this gamble will pay off for the gold giant that has recently released poor operational results.
We have a bout R6,5bn in AnglogoldAshanti.

Steinhoff and Pepkor. In preparation for its proposed litigation settlement, Steinhoff has announced a placement of up to 370 million shares in Pepkor. In addition, if the settlement goes ahead, a further 300 million shares would be distributed to claimants. Steinhoff currently holds 68,2% in Pepkor and that stake would decrease to 50,1% after these steps. This would give Pepkor a liquidity boost, with the free float (shares held by small investors) increasing from 31,8% to 41,7%.
We have Steinhof [ja well] at about R652mn, Pepkor about R648mn.

After announcing that it would be selling up to 370 million of its shares in Pepkor, Steinhoff has now confirmed that the market happily took those shares at a 9% discount to Pepkor's price. This raised R7,3bn which will be used in the creditor settlement plan.

Steinhoff has confirmed that Mattress Firm, which has more than 2 300 retail stores in the US, is "exploring" a listing in that country. The company has confidentially filed a draft registration statement with the Securities and Exchange Commission (SEC), so the company is clearly serious about the possibility.

Choppies is listed in Botswana and on the JSE. The company profit after tax for the 12 months to June 2021 of between BWP22,6 and BWP96,7mn, which is a truly enormous range. Still, at least it's a profit this year, unlike the prior year.
We have about R17,7mn in Choppies.

African Rainbow Capital Investments, which many people know as ARC, released its results for the year to 30 June. Unfortunately, the diluted intrinsic net asset value per share, also known as the directors' view of the underlying value of each share, fell from R9,54 to R8,77 per share. The company attributes the drop to the impact of the R750mn rights issue in October 2020 at a 10% discount to the market price. The share price is down 40% over three years.
We have about R775mn in ARC.

DealMakers
by Marylou Greig
17 September 2021
Shoprite, who last month reported it would shut down its operations in Uganda, has reached a deal with UAE-based mall developer Majid Al Futtaim to take over six Shoprite stores. Majid Al Futtaim currently operates two stores in Uganda under the banner of Carrefour. Financial details were undisclosed.
We have about R10,6mn in Shoprite.

Sanlam, via its wholly owned subsidiary Sanlam UK, has disposed of Sanlam Life & Pensions UK to Chesnara Plc for a transaction consideration of £39 million.
We have about R20,3bn in Sanlam

Fairhead and **Arrowhead** are still negotiating a potential single-step merger, as an alternative to the deal for Fairhead to acquire the B ordinary shares in Arrowhead for which agreements have been concluded.
We have about R359mn in Arrowhead.

MTN holds a 29% stake in IHS Towers and has announced that the company has filed to potentially list on the New York Stock Exchange. If that goes ahead, it should be good news for MTN as investors may then attribute a higher value to the stake in IHS than before.
We have about R42bn in MTN.

Accelerate Property Fund is really setting new standards in terms of how poorly minority shareholders can be treated. In a dispute with Azrapart, the developer of Fourways Mall, Accelerate has agreed to a R300m settlement. Accelerate doesn't have the cash, so shares will be issued instead. The current share price of R1,15 represents a discount of more than 80% to the net asset value (NAV) per share. The market cap is around R1,15bn, so around a quarter of the market cap is about to be issued in shares at a massive discount to NAV. This is incredibly value destructive for shareholders.
We have about R257mn in Accelerate

PPC has finalised the disposals of PPC Lime and PPC Aggregate Quarries Botswana. The proceeds from both transactions will be used to reduce PPC's debt.
We have about R1,73bn in PPC.

Comment

Keeps us up to date about our and our Fund's known investments, as revealed in the Annual Report last year, with data a year old at that time. At least we know enough to ask intelligent questions and have an intelligent conversation about our Fund's known investments.

Synopsis

Muvhango Lukhaimane is the Pension Funds Adjudicator.

Pension fund complaint? Don't go to the adjudicator before approaching the fund

IOL
By Martin Hesse
15 September 2021

If you have a complaint against a retirement fund, you need to approach the fund's principal officer or board of trustees before taking your complaint to the Pension Funds Adjudicator. This was the lesson learned by Ms J, when her complaint was dismissed first by the adjudicator and then by the Financial Services Tribunal.

Ntokozo Ngubane, a banking and financial services lawyer at Norton Rose Fulbright, writes in the law firm's Financial Institutions Legal Snapshots newsletter, that the Pension Funds Act requires you to lodge a written complaint with the retirement fund for consideration by the board, which must be properly considered and responded to within 30 days. Should you be dissatisfied with the decision of the board, Ngubane says, you may then lodge a complaint with the office of the Pension Funds Adjudicator, but only if this route has been followed.

He says Ms J lodged a complaint with the office of the adjudicator relating to a delay in the finalisation of a distribution of death benefits. The adjudicator dismissed the complaint on the basis that Ms J had failed to lodge a complaint with the board of trustees challenging the distribution and allocation of the benefits.

Dissatisfied with the decision of the pension funds adjudicator, Ms J lodged an application for reconsideration before the Financial Services Tribunal. The tribunal summarily dismissed Ms J's application for reconsideration on the following basis:

1. The application was filed out of the prescribed timeline;
2. The relevant beneficiaries were not cited; and
3. The tribunal did not have the jurisdiction to hear the matter, given that she did not formally lodge a complaint with the board of trustees. Consequently, if the adjudicator could not adjudicate the complaint, the same applied to the tribunal.

"The decision emphasises that individuals who are aggrieved by decisions of a fund must first seek recourse with the fund and then escalate the complaint to the office of the pension funds adjudicator. This provides funds with an opportunity to resolve the issue internally. Where this route is not followed it could result in matters that were capable of resolution at fund level being needlessly attended to by the dispute forums," Ngubane said.

Comment

The GEPF doesn't fall under the Pension Funds Act. However, we at last have our own ombud. However, keep in mind the GEPF process to be followed to have redress.
On the basis of reading this article it seems the adjudicator and fund valued the administrative process more than solving the complaint. Probably more behind this than the article says.

Synopsis

Your retirement benefits are separate from your estate and are not covered by a will

IOL
By Martin Hesse
14 September 2021

Did you know that your will does not determine what happens with your retirement fund benefits? If you die while belonging to a retirement fund, the distribution of death benefits to your beneficiaries is a separate process that bypasses your estate and any instructions in your will.

Shameer Chothia, senior consultant at Momentum Corporate Advice and Administration, says it's crucial for the sake of those left behind to understand between assets distributed to your heirs through your will and your retirement fund benefits.

Chothia says that Section 37C of the Pension Funds Act governs the distribution and payment of lump-sum benefits paid if a retirement fund member dies. These benefits are known as "death benefits" and, importantly, do not form part of the assets in a deceased member's estate.

Instead, Section 37C places a duty on the trustees of the retirement fund to allocate and pay the benefit in a manner that is fair and equitable. The benefit may only be paid into your estate in exceptional circumstances.

The retirement fund trustees need to identify your dependants and nominees and facilitate an equitable distribution of the money among them, taking into account all relevant factors.

Your dependants are, in most cases, the people who rely on you financially. Beneficiaries are the people whom you nominate to receive your death benefits after you die. The trustees of your retirement fund will first ensure that your dependants are taken care of financially, before considering your beneficiary nomination form.

It's important to nominate beneficiaries on the nomination form. "However, the nomination is not binding on the trustees, as the benefit must be distributed strictly in accordance with section 37C, and the trustees will first focus on your dependants," Chothia says.

Approved and unapproved benefits

There are two components to a retirement fund payout on death: your accumulated savings in the fund and a group life insurance payout. Chothia says employers can provide their employees with life cover through their retirement fund or through an insurance policy in the employer's name. "If the life cover is provided through the retirement fund, it is known as an approved benefit and is paid according to Section 37C of the Pension Funds Act, as explained. However, if the benefit is provided through a policy in the employer's name, it is known as an unapproved benefit, and this is paid according to the policy conditions, based on the member's beneficiary nominations. The trustees have no say in the distribution of unapproved benefits."

Recent changes to the Insurance Act make it even more important that members eligible for unapproved death benefits, provided by an employer policy rather than the retirement fund, complete a beneficiary nomination form.

If you haven't completed a beneficiary nomination form and the payout is from an unapproved policy, the benefit will be paid to your estate on your death. This means not only will your loved ones not have immediate access to the benefit, but because it is now in your estate it will incur estate duty and executor's fees.

Chothia says: "It's really important to get your financial affairs in order by ensuring beneficiary nomination forms are up to date, talking to your loved ones about your benefits and making sure all essential information is in one safe place if you pass away."

Comment

The GEPF Forum has many enquiries about death benefits, which benefits could be similar but probably isn't the same as those determined in other pension funds. It is advisable for all members and beneficiaries to check up on these benefits to prevent hardship on the passing away of the member or pensioner.

Synopsis

Are you ready for retirement?

Moneyweb
20 September 2021
By Martin de Kock [Ascor® Independent Wealth Managers]

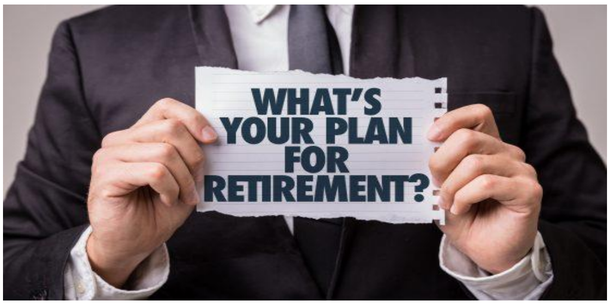


Image: Shutterstock

The question posed in our heading remains problematic – so many people are not ready for their retirement. Some believe that they can rely on a government pension (which is only true for the poorest retirees) and some are simply caught off guard, having worked hard all their life before 'suddenly' reaching retirement age.

Before we return to the question that we started with, a quick note about human nature. We often meet people who have been delaying their visit to a financial advisor for much the same reason that they postpone their next dentist appointment.

Perhaps you are scared, and you feel somehow more comfortable not knowing the exact state of your retirement savings. Perhaps you are a bit ashamed for not heeding the call and preparing for retirement in your twenties, thirties or even forties. Or perhaps you are simply still too busy and it, like your next teeth cleaning, can wait.

Now returning to the question at hand – how do you know if you are ready for retirement or not? Some prudent planners will say that if you have to ask that question, you may very well not be ready for retirement.

That is perhaps a bit simplistic, but it does shine the light on a very important point – you are primarily responsible for your retirement.

Government pensions, provided that your assets and income is low enough or completely non-existent, is a meagre R1 890 per month, so you cannot rely on the state to care for you after hanging up your working boots.

And working for a company does not guarantee you a sufficient pension. Open those letters from your retirement fund, ask for help from your HR department and ask a professional financial advisor for help.

Making use of the services of a fee-based financial planner makes sense as there is no pressure on the advisor to sell a product to earn their bread and butter. Products may be necessary to implement the advice, but this is secondary to the advice being given.

So, to answer the question in the heading, your chances of being ready for retirement can be boosted substantially by getting professional help and developing and sticking to a robust retirement plan.

Comment

One can never start retirement planning too early. However, in our youth we don't think far enough ahead because it is far in the future. Pity.

Note the mention of government pension. Note also the inadequacy of such a pension.

Synopsis

Spur - a tale of two halves

20 September 2021
INCE|Community
by The Finance Ghost

People are nothing if not adaptable. Consumer preferences change, which means businesses need to change too.

In a trading statement covering the year to June 2021, Spur made some positive comments about the group's ability to handle deliveries and take-aways, along with encouraging consumer adoption of new sales channels like click and collect.

The second half of Spur's financial year produced "improved results that indicate a slow, but positive recovery."

That comes through in the numbers. Full year franchise sales increased just 1% overall, but the second half produced a 67,6% increase vs. the comparable period last year. It must be remembered that the final quarter of the comparable year included the initial (and worst) lockdown.

The severity of local lockdowns vs. rules in other countries can be seen in the first half (H1) vs. second half (H2) performance in each geographic segment. The international segment's sales dropped 17,3% in H1 and grew 22,3% in H2. In South Africa, the swing was far more violent: down 31% and then up 74,5%.

When looking at full year numbers, the star performer was RocoMamas with 13,1% growth. The business model lends itself well to takeaways and RocoMamas has been an excellent acquisition for Spur overall.

The only other restaurant format to achieve growth was Spur itself, up 2,7%. Negative results were recorded by John Dory's, Panarottis, The Hussar Grill and Nikos.

Unfortunately, even though the restaurant-level sales were better in H2, the concessions given by Spur Corporation to franchisees had a negative impact on group revenue and profit.

Nonetheless, when all the noise is said and done, Spur expects its diluted headline earnings per share to be between 30% and 35% higher. The indicated range is 107,85 to 112 cents per share.

On a comparable basis without the unusual items, earnings would be down between 15% and 20%. When you consider the operating environment behind that result, it's not too bad.

Comment

We have about R 92mn in Spur. The ROI sounds good, we need many more like this.

Synopsis

Afrimat's track record is Hotazel

20 September 2021
INCE|Community
By The Finance Ghost

From 2009 to 2021, Afrimat achieved a compound annual growth rate (CAGR) of 22% in profit after tax. That is genuinely outstanding and is one of the reasons why the management team is so highly regarded.

Afrimat is more than just an iron ore company. In the construction segment, the company sells aggregates, concrete products and readymix, and undertakes contract crushing, drilling and blasting. In the industrial minerals segment, Afrimat operates in limestone, dolomite and silica. In the bulk commodities segment, Afrimat operates in iron ore and anthracite.

In the 2021 financial year, bulk commodities and construction materials both contributed 43% of revenue. Industrial minerals contributed 14%. However, the operating profit contribution of bulk commodities jumped from 53% in 2020 to 82% in 2021 as iron ore prices rocketed.

What goes up often comes down in the world of commodities. The iron ore price has seen sharp declines recently, taking the Afrimat share price with it down more than 10,5% in the past 30 days. Over the past 5 years though, the share price is up more than 117%.

Afrimat has been busy with two manganese deals and gave the market an update on Friday.

Back in August 2020, the resources company announced an acquisition of Coza Mining for R300mn. Coza is an iron ore and manganese exploration company, focused on the Northern Cape. The deal was conditional upon the Department of Mineral Resources and Energy (DMRE) giving the relevant consents and mining rights.

The news is that over a year later, the deal is finally unconditional and has been implemented. In further positive news, the Jenkins Mine (part of that deal) has commenced with production.

In May 2021 in a separate transaction, Afrimat announced the acquisition of the entire Gravenhage manganese mining right and associated assets. This is a long-life, near-development asset located 50km north of the bustling metropolis of Hotazel.

The purchase consideration is $45mn payable in two tranches plus $15m payable at the time of the first USD tranche.

The deal is still being implemented, with Competition Commission and Chinese government approval (required by the seller, Aquila Steel) already obtained. A Water Use

Licence and Section 11 approval in terms of the Mineral and Petroleum Resources Development Act (MPRDA) is still outstanding. The long-stop date by which the conditions must be fulfilled is 20 August 2022.

These deals take a long time to finalise, which is why capital allocation decisions in the resources sector are the hardest of all.

Comment

We have about R123mn in Afrimat. Good ROI in this investment!

THE GEPF WATCHDOG/WAGHOND FACEBOOK PAGE

The GEPF Watchdog/Waghond 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 and press releases tell a different story.

Our Facebook and AMAGP are together more than 57 000 members and continually growing, but this isn't enough. However, this continued growth confirms the ever increasing 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 "re" and "Files". You can get further information on our website – there is no reason to be in the dark regarding our/your 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".

We remain in dire need of dedicated persons to share in the burden of AMAGP. People who aren't afraid to work for the common good of members and beneficiaries of the Fund.

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

Welcome to our page – please help us to get thousands more GEPF members to join this page and the AMAGP, so that we will have the required bargaining power. **We are the owners of the GEPF**, and we have the right and the power to force the GEPF Board of Trustees, and the PIC, to manage and invest OUR money in a responsible and profitable way. To the advantages of members and pensioners, not looters and mismanagers!

VRYWARING

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