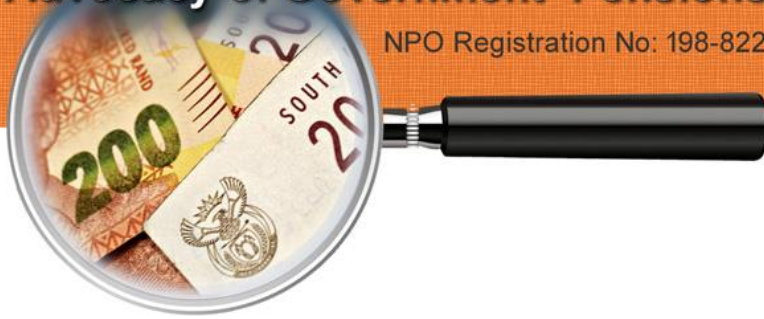


Association for Monitoring and
Advocacy of Government Pensions

(AMAGP)

NPO Registration No: 198-822



The Association for Monitoring and Advocacy of Government Pensions: An independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

f [GEPF Watchdog - Waghond](#)



NEWSLETTER NO 1 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 entities

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1,2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1,61 trillion. <https://www.GEPF.gov.za/>



Amagp needs
YOU!!

**The sustainability of your Pension Fund is under serious
threat!!**

WHAT MUST BE STOPPED / CORRECTED?

***Bad Mismanagement * Lack of Transparency ***

Bad Investment Decisions

Help us to protect the Pension Fund and all its assets ... now and
for the future. It is YOUR money and YOUR future !!



JOIN US NOW!!!

MORE INFORMATION AND HOW TO JOIN: WWW.AMAGP.CO.ZA AND ON FACEBOOK

The Editor's Word

AMAGP Watchdog kicks the year off with 44,154 members and AMAGP FORUM with 37,378 members. Compare this to the over 1,7 million members and pensioners.

Our SOE are internationally graded entities, being investment possibilities each in its own right. The investment downgrading by several reputable agencies reflects the deemed value of these SOE internationally. It is common knowledge why these SOE aren't regarded investment grade anymore. Our Fund is invested in several of these, usually in the form of loans or bonds, which ROI is suspect.

The value of our Fund's assets, according to the GEPF, has declined from about R1,9trn to about R1,6trn, a decline of about 15%. We can say the reason for the decline is mainly the effects of COVID destroying the economy, but I'm afraid we still haven't seen the end of the decline, which started before COVID happened.

The breadth of our Fund's investments are staggering, requiring many qualified and knowledgeable workers to keep track of all these investments, ferret out new credible ones, adjust investments as the economic and financial situations change, dispose of underperforming ones, including political interference. Just looking at the snapshot view in the GEPF and PIC Annual Reports doesn't allow for the full impact. This goes to confirm why we need the qualified and competent staff at the GEPF and PIC, and Trustees.

On 2 December the PIC reported to SCOF on the implementation of the Mpati Commission recommendations, indicating about 32% not implemented. This actually meaningless as the easy quick wins will make up most of the implementation, usually making up the 20% in importance of what must be implemented. Possibly the really important recommendations, those making up the 80% of what must be implemented, still haven't been touched.

Litigation is proceeding to recover lost and wasted GEPF funds, but the wheels of justice grind slowly. The Ayo case and others are proceeding but in the meantime, according to a headline in the Business Day, Ayo, ie Survé,

is paying out millions of dividends to his other company, depleting Ayo's cash that PIC wants back.

I wonder if we could generate support for amalgamating the politicians' pension scheme with the GEPF? You will remember they have a different pension scheme whereby their pension is paid out of the daily tax income, thus not subject to vagaries of economy and finances. After all, they are paid out of the same fiscus as other civil servants.

With so many pensioners receiving pension, fraud at the GPAA cannot be excluded. The temptation to siphon off small amounts from many pensioners, so they don't realise they are being defrauded, must be huge. It might be a good idea to regularly check your pension detail to ensure all the amounts are still correct, just as you should check your cell phone and bank accounts. Such small fraudulent transactions, of course, sad to say, have to be approved by those in charge. Mind, I'm not implying or saying it is so, just recommending; it makes good sense to keep checking where temptation exists.

[Now for the news summary . . .](#)

The FF+ asked the Minister of Finance if the GEPF is experiencing cash flow problems. Of course the answer was...
Read the question and lengthy comment below.

Stan Davis, who was in a position to know the facts of the PIC under previous names, provides a very interesting view of the PIC.

James Galvin comments on the Public Protector's report on the AMAGP's [in its pre-AMAGP capacity] complaints about the GEPF. The PP's report seems to be of the same value of the PP's other reports, that have been struck down by the courts one after the other.

Our very own Susan Voges has taken the time to summarise the GEPF benefits in a short easy to read piece. Refresh your memory what membership of the GEPF entitles you to.

To follow Susan's summary, Maya on Money tells us why it pays to be a member of the

GEPF. Please note the article is sponsored by the GEPF and might be very optimistic.

The PIC is evidently intending to convert the R95bn in Eskom bonds it holds into equity, meaning changing the long term interest bearing bonds into shares in Eskom. This doesn't sound like a good idea. Cosatu proposed it last year and, like most of these attempts at our Fund, it seems to be progressing from a possible thought-provoking disaster to an actual disaster.

Solidarity sent a strongly worded warning to the GEPF, PIC, and NEDLAC about the intended, planned, possible, probable conversion of Eskom bonds to equity. Read it to see what at least one labour union is doing for its members.

We again have the warning of retirement benefits not going to be as fully available as they were previously. This was reported last year, but the implementation is 1 March. Note especially if you were intending to emigrate with your pension.

Mica Townsend explains the 'offer' by the 'government' of a pension payment holiday in lieu of increases not being a good idea. She makes sense.

An ombudsman has now been appointed for the legal profession, after the Legal Practice Council came into effect in October 2018. We, as Fund members and pensioners, on the other hand, still don't have one after it was promised by one of our Trustees in 2017. Leaves too much room for thought about our Trustees.

NEWSNUUSNEWS NUUSNEWSNUUS

Synopsis

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1899[NW2414E]
1899.**

**Mr WW Wessels (FF Plus) to ask the
Minister of Finance:**

(1) Whether the Government Employees Pension Fund is experiencing any cash-flow problems; if so, what are the relevant details;

(2) whether he will make a statement on the matter?

REPLY:

The GEPF is not experiencing any cash-flow problems.

Comment

The AMAGP sent the comments below to the FF+, referring to the Minister's dismissive reply:

The Minister's answer is rather short and to the point. But is this answer backed up by the cash flow statements of the GEPF?

*To use the words "not", "any" and "problems" suggests an elementary classification of what **cashflow problems** entails.*

Perhaps the Minister looked at the bank account of the GEPF, and as there was cash on hand at the end of the year, reached this conclusion. Operating in a sphere of government where the cash basis of accounting is dominant, this would explain such an approach.

Unfortunately, the GEPF's accounts are compiled on an accrual basis and as a result, the details in the cashflow statement attempts to bridge the gap between accruals and cash. A proper analysis of the cashflow statement over time would have helped the Minister to a different conclusion.

Perhaps the Minister needed to be led in the questions to known areas of concern in the Cashflow Statement, for instance:

- 1. Is the GEPF's cash generated from **operations** positive or negative?
AND*
- 2. If it is negative - is this not a problem (a risk) that negatively impacts the sustainability of the FUND?
AND*
- 3. What steps will be taken and when to mitigate against this risk, which sits at the root of the FUND's sustainability?*

In addition, Christo van Dyk's comments:

We know that:

1. *The cash flows from operations has been negative since 2014. In 2020 the negative amount was R28bn (2019: R19bn) So the negative TREND is ongoing since 2014.*
2. *The FUND's core operations should be a source of cash (positive) and not a user. The Contributions have increasingly fallen far below Benefits, a trend.*
3. *The first step that should have been taken is to increase the contribution rate as per the actuaries' valuation of 2016 and 2018. The government should have been requested to provide contribution top-ups. The second step is to address all the investment portfolio inefficiencies preventing the productiveness of assets. This the actuary identified in 2018 as the factors causing "strain" to the Fund.*

Now, as the Minister was writing his reply to this question, it appears that the government was making overtures to the Trustees to actually get a contribution holiday. Apparently, this initiative (Ponzi scheme?) would yield R27bn in cash which the government will use to settle its wage dispute with public servants. Imagine what this will look like for FY2021 should the government's scheme be allowed by the Trustees. And when this Ponzi scheme has been implemented, will the Minister of Finance still maintain that the GEPF has NO cash flow problems?

Samevatting

Stan Davis verskaf agtergrond wat ons in staat stel om die hele GEPF pensioenkwessie beter te verstaan. Lees verder:

Ek wil graag n poging aanwend om sommige van die emosies en wanopvattinge rakende die hantering van ons pensioenvoordele en die GEPF met my eie ondervinding oop te maak.

Om mee te begin is dit belangrik om aan te dui dat ek die titel Sekretaris van die Staatsskuldkommissaris (wat reeds in 1911 gestig is) gehad het van 1984 tot 1988. Hierdie benaming is later verander na Openbare Beleggingskommissie en later na Openbare Beleggingskorporasie.

Ongeveer 1983 het Min Horwood die vereistes van voorgeskrewe beleggings vir versekeraars opgeskuif van 30% na 33% en vir pensioenfondse van 50% na 53%. Die

beleggings wat ek hanteer het was ALMAL VOORGESKREWE EN GEEN AANDELE nie.

Hierdie voorgeskrewe beleggings was almal LENINGS, elkeen met 'n vaste rentekoers WAT MARKVERWANT WAS.

Die korttermyn dra laer rentekoerse as langtermyn en die Staat se koers was die basis van alle ander rentekoerse. ESKOM was ietwat hoër, Kaapstad 'n bietjie hoër; met die kleiner munisipaliteite die duurste. SASOL, Randwaterraad, Lesotho Hoogland Waterskema, en soortgelyke instellings het staatsgewaarborgde lenings gehad en was dus feitlik dieselfde risiko as die Staat self.

Met die verhoging van die perke het die privaatsektor hande in die lug gegooi en uitgeroep dat dit 'n vorm van belasting is. Die regering het voet by stuk gehou.

In 1996 was die skepping van die GEPF 'n samesmelting van al die pensioenfondse van die onafhanklike state, asook die pensioenfonds vir tydelike werknemers en die Pensioenfonds van Geassosieerde Inrigtings (die universiteite, WNNR, SABS, ens).

Die OBK, soos hy nou daar uitsien, is ook verantwoordelik vir die belegging van die Werkloosheidsversekeringsfonds en Weduweesfonds, met geen bepaalde voorskrifte oor waar en hoe dit belê moet word nie. Onthou, bydraes tot die WVF is beperk tot seker vlakke wat almal benede dié van bestuur is. Dit kom daarop neer dat die WVF groei in bloeitye en gemelk word in maer tye soos nou, en daar is dus ook geen groei nie want die ekonomie is plat!!.

Die huidige OBK het sowat 23 beleggingsfirmas met professionele ontleders wat netsowel by Ou Mutual of Allan Gray kon gewerk het, dus opgeleide mense. Hulle moet adviseer oor bestaande beleggings en wanneer daar 'n nuwe naam opduik, dieper en harder ontleed voordat die finale oordeel aan topbestuur gegee word.

Beleggings moet oorweeg word teen die riglyne in die mandaat. Die Trustees het hier 'n belangrike inset te lewer want dit is nie net die 430 000 pensioentrekkers wat hier belangrik is nie, ook die 1 miljoen dienende amptenare.

Om die staatswaarborg in die argument in te gooi beteken dat die regering van daardie dag die tekort sal moet opmaak, MAAR as sake so sleg gaan dat die waarborg opgeroep moet word is die hele ekonomie en die regering alreeds bankrot!!

Ter opsomming: Die plekke waar 'n pensioenfonds mag/behoort te belê word in sy mandaat bepaal, wat natuurlik beteken die aktuarisse moet aandui in hoeverre die fondse voldoende sal wees om toekomstige en selfs uitkoopgeleenthede, finansieel na te kom.

Indien die Fonds se Trustees sou voel dat die voorgeskrewe voordele, die aanpassingskoers oorskry (Trevor Manuel het dit sommer ver oortref toe hy die enigste trustee was!) sal die Trustees baie goeie motiverings moet uithaal EN DIT SAL SLEGS GEBEUR AS DIE FONDS SE PRESTASIE DIE INFLASIEKOERS MET 'N STERK MARGE OORSKRY!!

Die reëls, die reëls, die reëls, en dan die vermoë om verantwoordelik en suksesvol te bestuur is die kern.

Kommentaar

*Insiggewende bydrae deur Stan Davis.
Ons behoort nou te vra:*

Word daar maandeliks/kwartaalliks/jaarliks gerekonsilieër om te verseker dat departemente wel die gevorderde pensioenaftrekkings, insluitende die werkgewerbydraes, stiptelik aan die GEPF oorbetaal?

Die moontlikheid dat die 'regering' dit selfs oorweeg om vir 'n jaar lank nie bydraes te wil maak nie is bykomend rede tot kommer, sonder om onnodig opgewonde te raak.

Samevatting

'n Bydrae deur James Galvin oor die OB se verslag oor die klagtes wat AMAGP ingedien het oor die Fonds:

Ek kon nou eers die verslag van die Openbare Beskermer lees. Ek is geskok met die uiters vrot, misleidende en oppervlakkige verslag. Nie een van die beleggings waaroor ons al amper 5 jaar terug gekla het, is dan ondersoek nie!! Die verskoning hiervoor is nie waar nie!

Die OB se verslag is gedateer 21_Mei 2020 en ek sien dit verwys na na die klaer soos volg: "The complainant is Mr A P Stemmet, a representative of . . . AMAGP. ". Dit is n fout. Die klagtes is gedateer 5 en 16 Februarie 2016 en AMAGP is eers in September 2016 gestig. Ons was destyds 'n klein groepie waarvan AP die leier was. Ek, hy en wyle M S du Toit was die samestellers van die versoeke aan die OB, met insette van ander.

Die klagtes het volgens die verslag oor drie onderwerpe gegaan, nl

1. The GEPF does not adequately monitor, etc etc;
2. The GEPF is not providing members with sufficient information; and
3. The complainant makes reference to alleged dubious investments.....

Die OB doen dan net verslag oor die eerste twee klagtes en ons besware word verwerp, alhoewel die praktyk vol lê van die GEPF se swak rekord hieroor. In November 2017 was ek teenwoordig toe 'n Trusteelid die tweede klagte as korrek erken het! Wat No 1 betref is dit algemene kennis dat die GEPF se monitering so power is dat ongerymdhede vir jare plaasvind sonder dat die GEPF oënskynlik daarvan bewus was. Dit is hoekom die Mpatikommissie aangestel is.

Die verslag gaan dan voort dat die derde klagte nie ondersoek is nie " ...Were not investigated due to the fact that they were subject of investigation in the Mpati Commission of Enquiry ..."

Hier is duidelik 'n fout want die Mpati kommissie is eers in Augustus 2018 aangestel, twee en n half jaar nadat die klagtes aan die OB gerig is. **Die kommissie het in Maart 2020 verslag gedoen en die Openbare Beskermer eers op 21_Mei 2020. Dit beteken dat ons hier met 'n verslag te doen het wat saamgeflans is nadat die inhoud van die kommissie se verslag bekend geword het.** Geen wonder dus dat soveel van die OB se verslae deur howe asblik toe gestuur word nie.

Die OB se verslag oor die GEPF is ontwykend, oppervlakkig en moet gelyk gestel

word aan al die ander verslae wat al deur die howe verwerp is.

My probleem is dat die verslag oor die GEPF nie soos die ander verslae deur howe verwerp is nie. Totdat dit gebeur bly dit staan en kan dit teen AMAGP gebruik word asof ons dit aanvaar, dit word reeds al in die GEPF se jaarverslag van 2020 herhaal. Ek het begrip dat AMAGP nie oor die fondse vir 'n hofgeding beskik nie. Te oordeel aan ander hofsake sou 'n aansoek deur ons om die verslag te verwerp, ongetwyfeld geslaag het.

Om die een of ander rede is die verslag wat alreeds in Mei aan die GEPF gestuur is, nie aan die klaer gestuur nie. Dit het ons met 'n ompad in Augustus 2020 bereik.

Dit is vreemd dat die OB se verslag sonder kommentaar oor die inhoud deur die Bond van Afgetrede Polisiebeamptes versprei is. Hoekom die Bond as verspreiders van hierdie bedenkbare verslag gebruik is, is nie duidelik nie! Die ontvangers daarvan sal dus glo dat die inligting daarin vervat en die skewe gevolgtrekkings die waarheid is.

Die vraag is hoe die situasie reggestel kan word.

Kommentaar

Kommentaar deur Adamus Stemmet:

Interessante punte word deur James gemaak. Dit het die OB het dus twee maande geneem om die Mpatikommissie se verslag te ontleed en dan haar eie gebrou, soos James sê, "saam te flans". Sy het egter Mpati se kritiek op die GEPF misgekyk of geignoreer.

*Dit is interessant dat Dawie vandag, in in sy rubriek UIT MY POLITIEKE PEN, in Die Burger die vraag vra **WIE SE BELANGE DIEN DIE OB EINTLIK?***

Een van ons lede het onlangs dieselfde vraag gevra en ook gevra of haar optrede saam met n faksie in die ANC nie deel van staatskaping uitmaak nie. Dit laat 'n mens dink.

Synopsis

By Susan Voges

It seems that everyone is listening to the news and making the deduction that loans can be done from their pension or they are reading the new Bill to the Pension Act of South Africa, where it states that you can use your pension as guarantee for a loan at a financial institution.

Please read the following and understand how the GEPF works and what governs our Pension Fund.

WHAT YOU NEED TO KNOW ABOUT A DEFINED BENEFIT PENSION FUND

Please take note, see what governs our pension fund.

The GEPF has very strict rules about the benefits it must pay to the members, pensioners and beneficiaries. These rules are set out in a law called the Government Employees Pension Law (or GEP Law).

IT IS IMPORTANT TO NOTE THAT THE GEPF IS NOT GOVERNED BY THE PENSION FUNDS ACT which governs most OTHER funds in the country.

This Law and its rules explain how the GEPF must collect money from contributing members and employers, how this money must be invested and how it must be paid out to those who are eligible for benefits.

It is important to note that the GEPF is a defined benefit pension fund and, therefore, has to adhere to strict regulations governing its financial liability to members and pensioners, as well as its financial soundness. The GEPF as a defined benefit fund is DIFFERENT from the pension funds offered in most of the private sector as they are normally defined contributions funds.

WHAT IS A DEFINED BENEFIT FUND?

A defined benefit fund is a fund where the benefits are defined in terms of the rules. In this type of fund benefits are generally guaranteed and are not dependent on the investment returns of the fund or on the level of employer contributions.

In the GEPF, the benefit is calculated based on the rules and the amount is determined based on the number of years of service and

the final average salary over the last two years of your employment.

It is important to note that defined benefit pensions pay out a secure income for life, which increases each year.

The GEPF has been paying pension increases that are inflation related in the last decade and reaffirms that the well-being of all of its pensioners remains a priority, which is why the increase has kept pace with inflation.

What you can lose when you resign, which in short are the following:

1. Monthly pension.
2. Medical aid subsidy.
3. Funeral benefit
4. To include in this list will be the spouse and child pensions.

Comment

An easy to read summary, thanks to Susan.

Synopsis

WHY IT PAYS TO BE A MEMBER OF THE GEPF

Maya on Money
14 December 2020



As a financial journalist I am increasingly concerned about misinformation provided to members of the GEPF by unscrupulous financial advisers.

Some advisers use fear tactics, telling members that their funds will be stolen or mismanaged by the government. Many GEPF members have been convinced by financial advisers to resign before retirement so that they can place their funds in a market-linked pension preservation fund.

What underlies these mistruths is the desire by these unscrupulous advisers to get their hands on members' significant fund values on which they can earn commission, rather than providing sound financial advice.

What many members do not fully understand is that the GEPF is a "defined benefit" fund. This means the pension received by members has nothing to do with the investment performance of the fund. It relates purely to the number of years of service, your average salary in the last two years multiplied by the accrual rate.

Market performance is irrelevant

Irrespective of the performance of the markets or individual investments of the GEPF, on retirement a member receives a guaranteed pension whether the Fund value rose or fell in the years before retirement.

This is different to a "defined contribution" retirement fund or retirement annuity, where the final retirement value depends on market performance.

When the market crashed in 2020 due to COVID-19, members retiring from private funds may have seen a reduction in the value of their pensions of up to 40%. Those already in retirement, who were relying on an income from their living annuities, either had to opt for a lower income or watched their capital reduce significantly, which impacts future income.

Yet members of the GEPF who were retiring in 2020 were unaffected. Their pension is determined by years of service and salary – not market performance. Those GEPF members already in retirement are still receiving their guaranteed income for life.

There are many advantages to belonging to a defined benefit fund, and you need to know what you are losing by switching out.

It is important to note that while private pensions may provide these benefits, they come at an additional cost. If you wish to include life cover, spouse pension, or funeral cover, a portion of your contribution goes to paying these premiums. With the GEPF, your full employee contribution goes directly to

retirement funding, not these additional benefits.

Guaranteed income

In terms of the income in retirement for a member with more than ten years of service, the GEPF provides a guaranteed income for life with a 50% pension for a spouse, should the main member pass away first. There is no additional cost for providing the spouse pension unless the member wishes to increase it to 75%.

As the GEPF does not have to pay retail prices for annuities, it is able to get better value than if the member had to purchase an annuity with a resignation benefit. The first five years of the annuity are guaranteed, which means if the member passes away within the first five years, the nominated beneficiaries will receive the balance of the annuity payments up to the end of the five-year period as lump sum.

The GEPF guarantees an annual pension increase each year at 75% of inflation. Historically it has paid an annual increase in line with or slightly higher than inflation. Due to 2020's market turmoil, next year's increase may be lower, but it cannot go below the 75% of inflation guaranteed, even if market performance is weak.

Spousal pension

If a member passes away before retirement with ten or more years of service, the spouse would receive a once-off lump sum (death-in-service gratuity) as well as a monthly pension equal to 50% of the annuity the member would have received had the member retired on their date of death. This is a lifelong pension and does not stop if the spouse remarries.

If the member has less than ten years' service, the value of the pension fund will be paid out to beneficiaries, of which the spouse is entitled to 50%.

If the spouse was a dependant on the medical aid, the spouse is entitled to a medical benefit.

A child is entitled to a child's pension up to the age of 22, which could be extended if the child is studying or disabled. A child is entitled to a

maximum of 25% of the benefit depending on the number of children. If there is a spouse, the remaining 50% would be divided by the number of children. If there is one child, that child would receive 25%. If there are three children, each child receives 16.67%. In the case where there is no spouse, each child receives a maximum of 25% unless there are more than four children.

Members and spouses have a funeral benefit of R15 000, while children have a funeral benefit of R6 000.

Leaving a legacy and securing your income

Most parents dream of leaving a legacy for their children and hope they can do this with their retirement fund. The reality is that most of us have insufficient retirement benefits to meet our own income needs for our retirement, considering we are likely to live at least 20 years post-retirement.

If, however, you have enough income from your GEPF pension to meet your needs, then you could consider using the gratuity lump sum, which is also available as part of your retirement package, for your children.

GEPF in numbers

In the last financial year, ending March 2020, the GEPF paid out the following benefits:

Retirement

- R9bn paid in gratuities.
- R2bn in annuity income.

Resignation

- R2bn resignation benefits paid to 22 678 members

Death

- R6bn paid in death benefits.

Funeral

- R8m funeral benefits paid for 21 274 claims

Child's Pension

- R9 million paid in orphan's annuities

This article was sponsored by the GEPF.

Comment

Allow me to wonder why the GEFP is sponsoring a journalist to polish its image.

There is little about the actual financial position of the Fund, all about the benefits and advantages. Depending on the 'government' guarantee under the present circumstances of state capture, large scale corruption and fraud at the highest levels, etc doesn't seem to be wise. However, the Fund still offers the best alternatives.

This article confirms the importance of having a dependable financial advisor.

Synopsis

Eskom's bailout emerging as equity swap by biggest bondholder

Moneyweb

By Antony Sguazzin, Prinesha Naidoo and Lyubov Pronina, Bloomberg

17 December 2020



Image: Bloomberg

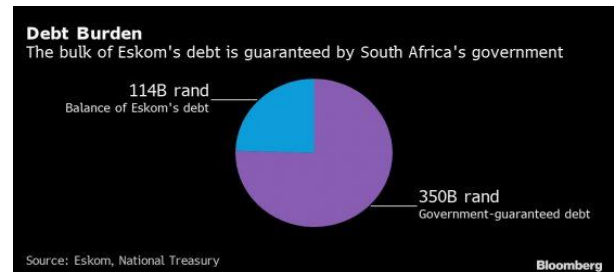
South Africa's biggest pot of available cash is emerging as the key to rescuing the debt-stricken national power monopoly.

The PIC has approached its parent agency, the National Treasury, with a proposal to ease the R464 billion load of obligations crushing Eskom, signalling officials are gearing up for the complex financial and political operation to convert about R95bn of Eskom debt held by the PIC into equity.

"There's still a need to undertake a due diligence to confirm the viability of this proposal," the Treasury said on 11 December in response to questions from Bloomberg, its first statement connecting the PIC to an Eskom bailout. "It is important that the PIC be allowed space to follow its internal governance processes in line with its standard investment evaluation process to mitigate against any possible breach of governance or

what could be perceived as political interference."

While international investors are cheering efforts to contrive a durable fix for Eskom, the idea of tapping the fund is already drawing warnings over the potential fallout. The swap, which could put Eskom into technical default, would pit the government against its own employees, set a precedent that could see other failing SOE knocking on the PIC's door, and rattle a private sector concerned that its money could be next.



Speculation of a PIC role has intensified in recent weeks since the President told Bloomberg that "innovative ideas" were being discussed, and Finance Minister Tito Mboweni said the fund was willing to contribute to a solution for Eskom. Labour, business and the government last week agreed to work jointly to reduce the utility's debt in the so-called Eskom Social Compact.

"The sustainability of Eskom's debt and the risks it poses to state finances are now arousing political interests, who are increasingly interested in grasping a solution," said Peter Attard Montalto, head of capital markets research at Intellidex. "Eskom's debt needs to be solved."

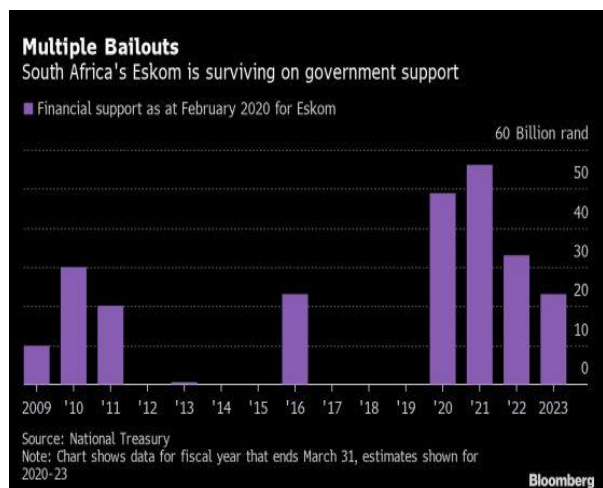
The scope of the task has increased since Goldman Sachs Group Inc. described the utility in 2017 as the biggest threat to South Africa's economy, which is just exiting its longest recession in 28 years.

'Materially Cheap'

Plans to rescue Eskom, which has said it can't afford to service more than R200 billion of debt, have also included dipping into the surpluses of state-run unemployment and compensation funds and converting some of its mostly government-guaranteed debt into sovereign bonds.

Credit analysts have been talking up Eskom as a 2021 top pick, citing the government's efforts, says Lutz Roehmeyer, the chief investment officer at Capitulum Asset Management GmbH in Berlin, which holds Eskom dollar bonds and isn't adding any more. "Investors are very bullish on the name and expect the sovereign to solve the problem," he said.

JPMorgan Chase & Co. this week called Eskom bonds "materially cheap" compared with sovereign debt.



While Cosatu, a key ally of the ruling ANC, has backed using PIC funds to help Eskom, other labour groups, including the 235 000-member PSA, and business leaders have opposed it.

Eskom's own employee pension fund has signalled resistance to the idea. It doesn't want to change the "risk-return characteristics" of its R2 billion investment in the company's debt or add to the holding, said Chief Investment Officer Ndabezinhle Mkhize.

Pitfalls

All the options being considered have their pitfalls. A debt-to-equity swap may have to be offered to all creditors and could be classified by ratings firms as a default. Converting Eskom debt into sovereign bonds could flood the market and unnerve holders of South Africa's R2,62tn junk-rated government bonds.

"We could lower the rating by one or more notches if the utility undertakes a debt restructuring, which, in our view, could be

tantamount to a default," Standard & Poors' said in a November 25 statement.

Eskom CEO Andre de Ruyter has been credited with improving operations since taking over but has said the debt question is in the hands of the government.

Ultimately, unpalatable as it might be, the government may find it just has to meet the utility's obligations by paying off its debt as it falls due.

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Comment

Changing bonds into equity, means the Eskom bonds, with a specific interest rate paid on maturity, become so many shares in Eskom. Shares have a price on the market, but what will the share value be? Thus, if our R84bn in Eskom bonds go the same way, our shareholding will have paper value but actually be worthless without an equal share value. Of course, Eskom's pension fund isn't participating in Eskom equity, must be a good reason why not.

The references to the fund are disquieting. The journalists probably equated the PIC to the GEPF but still.

This a simple political solution to write off Eskom's debt with no repercussions. It is also counter the GEPLaw and the GEPF mandate to the PIC.

Synopsis

10 December 2020

**TO: THE PRINCIPAL EXECUTIVE OFFICER
GOVERNMENT EMPLOYEES PENSION
FUND.**

Abel.Sithole@gepf.co.za/Ronette.Hartze@gepf.co.za

**AND TO: THE HEAD, CORPORATE
AFFAIRS**

PUBLIC INVESTMENT CORPORATION.
deon.botha@PIC.gov.za

**AND TO: OFFICE OF THE EXECUTIVE
DIRECTOR**

NEDLAC
Nolwazi@nedlac.org.za

**RE: COSATU'S PROPOSED ESKOM BAIL-
OUT**

1. We refer to the above and confirm that we are acting on behalf of our members employed in the public sector.

2. We would like to make it clear from the outset that this letter is not intended to be exhaustive, but we reserve our right to ventilate any relevant matter at the appropriate time and in the appropriate forum should it become necessary to do so.

3. We are a registered trade union that champions the rights of employees within both the public and the private sector. During the past decade we have been forced to venture into the realm of litigation in various courts to protect not only the rights of our members but also those of the larger public during a time when state capture, as it is currently known, depleted all, or most, of the government's funds and reserves. These are also the de facto funds and reserves of the South African taxpayers. We acted for employees within State Security, Denel and lastly SAA, wherein relief was sought from the courts to protect and preserve employment on behalf of our members, as well as all employees within the public and the private sector.

4. It has come to our attention that an Eskom Social Compact framework agreement was signed on the 9 December 2020, at the annual summit of the NEDLAC, which ostensibly paves the way for the conversion of R100bn worth of Eskom bonds held by the PIC into equity. With banks and other financiers becoming increasingly reluctant to fund Eskom, there is apparently a willingness to consider development finance institutions and other bodies like the GEPF and the PIC as sources of finance.

5. We therefore address this letter to yourselves, as representatives of members of the GEPF who are gravely concerned that their pension money, that was earned through years of hard work, would be used to assist Eskom in its current debt predicament without the necessary attention to and consideration of the negative implications such decision would have on the individual members of the GEPF.

FIDUCIARY DUTIES

6. We would like to point out to you, as the governing bodies of the GEPF and the PIC,

the well-known concept of fiduciary duties. These duties have always been and still are governed by the South African common law, which dictates that governing bodies must act in utmost good faith and in the best interest of the companies, institutions and/or individuals from whom they receive their mandate. This would include the need to exercise care, skill and diligence so as to promote success for the companies, institutions and/or individuals through independent judgement. It is further also well known that failure to properly perform these common law duties would result in individuals who are part of such governing bodies being rendered personally liable for damages as a result thereof.

7. It is further submitted that section 76 of the Companies Act, No 71 of 2008, addresses the standard of conduct expected from directors of a company and even extends it beyond the common law by compelling them to act honestly, in good faith and in a manner they reasonably believe to be in the best interests and for the benefit of their companies. Furthermore, they should perform their functions and exercise their powers with a degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions in relation to the company as carried out by that director, and having the general knowledge, skill and experience of that director.

8. The Act further states in section 77(2) that a director of a company may be held liable for any loss, damages or costs sustained by the company as a consequence of any breach by the director contemplated, inter alia, in section 76 of the Act.

9. In the General Provisions of the Financial Advisory and Intermediary Services Act, no 37 of 2002, in terms of which the PIC is registered, the Act stipulates that a provider must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.

10. The aforementioned duty of utmost care, we submit, is explicitly, alternatively implicitly, incorporated into the GEP Law of 1996 and its regulations.

11. We submit further that the aforesaid fiduciary duty places an obligation on the

GEPF and the PIC to act decisively against any person/party/entity which unduly influences, or attempts to unduly influence, said party in the fulfilment of their statutory obligation. We submit that Eskom Social Compact framework agreement, and the parties thereto, attempts to unduly influence the GEPF and the PIC in the aforementioned obligations.

DEMAND

12. We would therefore like to highlight and reiterate that a decision to provide funding out of employees' pension funds in order to assist Eskom in its debt debacle, when banks and other financiers are becoming increasingly reluctant to fund the utility, should not be taken lightly. We would further like to reiterate that the responsibility and repercussions of such a decision also rest on the shoulders of the individual members of the governing bodies of this fund and/or company.

13. As stakeholders of the GEPF we would not hesitate to hold the individual members of the said governing bodies personally liable in the event that funding towards Eskom was approved, without these individuals having adequately complied with their fiduciary duties while evaluating and approving the decision and the GEPF and/or its stakeholders suffer any damages as a result thereof.

14. The purpose of this letter is, therefore, to inform you that any steps or actions taken to implement any plan to utilise employees' pension funds to service the debt and/or a possible bail-out of Eskom (or the bail-out of any other badly administered SOC) will be in breach of the mandate of the GEPF and the PIC, their contractual obligations and statutory obligations towards their members.

15. Any such steps or actions to implement the Eskom Social Compact framework agreement would be challenged by way of legal action, including urgent legal action. In this regard, we therefore request you to confirm, by no later than close of business on Tuesday, 15 December 2020, that no such steps will be taken to use the pension monies as administered by yourselves in servicing the debt of Eskom and/or any other SOC. It would not be an investment. It would be a travesty.

16. Lastly, we demand from you, by no later than close of business on Tuesday, 15 December 2020, that you will act against Nedlac and the relevant parties to the Eskom Social Compact framework agreement, in order to desist from their actions to unduly influence the GEPF and the PIC in the execution of their statutory/fiduciary obligations.

17. Our rights herein remain strictly reserved.

Yours sincerely

Dr. Dirk Hermann
Chief Executive Officer
Solidarity

Comment

A strongly worded warning from Solidarity! It seems other labour unions aren't concerned about their members' future to the extent of being concerned about their pensions. I wonder if labour union leaders also have a different pension scheme to that of their members, as politicians do.

Of course, dear reader, you are wondering why AMAGP doesn't weigh in similarly. Let me refresh you on the AMAGP facts:

AMAGP is an entirely unpaid volunteer association, not a business, with no membership fees or any similar income. We would love to litigate but, in all probability, won't be able to afford even the first day's expenses.

AMAGP works with political parties, labour organisations, institutes, and other interested parties. Many of the initiatives you read about happened as a result of AMAGP providing solid evidence for interested parties to act on.

This 'compact' will be undoubtedly be the subject of more debate as it progresses.

Synopsis

March 2021 a watershed for retirement funds in South Africa: 5 things you need to know

Staff Writer
BusinessTech
22 December 2020



1 March 2021 marks a watershed for retirement funds in South Africa, says Jean du Toit, attorney and head of tax technical at Tax Consulting South Africa. Most funds are focussed on the annuitisation rules that have been pending since 1 March 2015, otherwise known as ‘T-day’.

T-day reforms

Back in 2013, the then Minister of Finance, Pravin Gordhan, tabled proposals directed at the governance, preservation, annuitisation and harmonisation of retirement funds. Initially, T-day was earmarked for 1 March 2015, but was postponed as a result of ongoing “consultations” with stakeholders.

Many will be aware that from 1 March 2021, members of retirement funds will be subject to the annuitisation rules, which means that they will only be able to withdraw one-third of the value of their retirement fund by way of a lump sum, where the balance must be withdrawn as an annuity.

The annuitisation rules do not apply where the retirement interest does not exceed R247 500, or to amounts contributed on or after 1 March 2021.

Withdrawal on emigration

Currently, members of retirement funds can immediately access their funds in a preservation or retirement annuity fund when they emigrate from South Africa, if such emigration is recognised by the SARB.

In terms of the latest Taxation Laws Amendment Bill, from 1 March 2021 withdrawal will only be permitted if the member can prove to have been non-resident for tax purposes for an uninterrupted period of three years. This means an effective three-

year lock-in of retirement funds from the effective date.

Importantly, for those who plan on leaving in the near future, in terms of National Treasury’s response to public comments on the amendment, members will be allowed to withdraw their funds under the current dispensation if they file a complete application before 1 March 2021.

Prescribed assets

Rules that remain unchanged (for now)

It is important to understand that the annuitisation rules are largely directed at aligning retirement funds to annuitisation, but this should not be conflated with the idea of compulsory preservation.

For example, currently you are permitted to take your full withdrawal benefits from your pension fund in cash upon termination of your employment. Some may understand the new rules to mean that this would no longer be possible, but this is not the case for now.

More changes coming

Further to his comments on Regulation 28, the Minister of Finance also said that “government will present legislation next year to allow for limited pre-retirement withdrawals under certain circumstances linked to mandatory preservation requirements.”

National Treasury mentioned this policy will allow access to retirement funds during times of crisis, but mandatory preservation, which was part of the agenda initially, looks like it will be part of the equation.

While changes are implemented progressively, fund members should keep their ears to the ground, as the government’s policy on retirement funds appears to be a moving target.

By Jean du Toit, attorney and head of tax technical at Tax Consulting South Africa

Comment

The change in retirement funds is intended to preserve your savings by not allowing you to withdraw the full retirement benefits. A good thing in my opinion, as it is easy to squander the huge amount of money leaving

the pensioner with little to survive on. It also prevents new pensioners from taking their pension and leaving for another country immediately after going on pension.

Synopsis

Business Maverick

Here we go again: Borrowing from the future

10x Investments

23 December 2020

By Mica Townsend



The government's recent offer to public servants to replace salary increases with a pension payment holiday is yet another example of how retirement savings are seen as a slush fund of sorts, a pot of money to be easily drawn on in times of difficulty.

In a country badly overdrawn and unable to curtail its spending, it is perhaps unsurprising that the R4,5tn held in public and private retirement funds is seen as a big, untapped piggy-bank, whenever South Africa hits a new financial pothole. But it really does create a counter-productive mindset for savers.

In 2012 already, the Ministry of Economic Development proposed that retirement funds provide "concessionary finance" to help pay for infrastructure development. It's not just the size of the retirement savings pot that makes it attractive, but the evasion of accountability it allows: being able to borrow from the future, without having to pay back, or suffer the consequences. The reasoning is persuasive, because the immediate urgency justifies the cost, and the long-term opportunity loss is not quantified.

Ostensibly, the government's offer to replace salary increases with a pension holiday is a pragmatic idea that settles the public sector

wage dispute and doesn't strain the budget or reduce pension benefits. The immediate impact on the GEPF is modest. Per its last actuarial valuation, future liabilities were 108% funded. The estimated R80bn contribution holiday, representing 4% of assets, wouldn't change this materially.

On the other hand, the long-term opportunity cost is enormous. R80bn earning a real after-inflation return of 5% per annum would be worth R1tn in 50 years' time – a staggering loss of investment potential. That is the true cost of our financial mismanagement, passed on to future generations.

Cosatu's proposal to grant Eskom a R250bn GEPF loan was premised on the same short-term thinking: protecting current jobs at huge expense to future investment.

It's ironic, because industry and government constantly admonish fund members not to cash in their retirement savings on changing jobs. These proposals promote the exact opposite. So does the DA's recent motion, to give people access to their pension savings during times of financial distress, such as the recent lockdown. The same contradiction also pervades our retirement fund law, which does not mandate saving, minimum contributions, or preservation.

The harm lies in the sub-text: that retirement funds double up as a rainy-day reserve, that there's no need to be financially resilient, that saving can simply be deferred. Surely, we must entrench the opposite mindset, that retirement saving is non-negotiable and serves one purpose only: to fund retirement.

Already, two-thirds of over 60's depend on the state old-age grant, and less than 10% of fund members can maintain their lifestyle in retirement. Of even greater concern is the rising number of people in the second half of their work-life. Ten million people expect to retire within the next decade or two, with little plan for what they will live on when they get there.

Few are prepared, because saving has not been made a priority, or they hope to delay their retirement. But the high ratio of young people entering the workforce versus those at the other end (2.4 to 1) underlines how difficult it will be to defend their jobs.

South Africa faces a huge unfunded pension liability threatening financial hardship to a growing share of our population. While we can do little to change that, we should persuade the younger generation to do better. For that to happen, our government needs to stop signalling that retirement funds are an appropriate source of emergency funding, either for national or private purposes.

DM/BM

This article was written by Mica Townsend, Business Development Manager at 10X Investments.

Comment

Ten million to retire in the next 10-20 years, what does that mean for the GEPP? We have only about 1,3 million members but they all want to retire with pension. If they withdraw their pension now, they won't have sufficient pension to prevent poverty when they retire.

Synopsis

POLITICSWEB



Siraj Desai appointed Legal Services Ombudsman - LSSA

Mvuzo Notyesi
8 January 2021

Law Society welcomes the appointment of the Legal Services Ombudsman

The Law Society of South Africa (LSSA) welcomes the Legal Services Ombudsman (Ombud) appointment, retired Cape Town High Court Judge Siraj Desai.

'This appointment is long overdue and should have coincided when the Legal Practice Council came into effect on 30 October 2018. I encourage the Department of Justice to ensure that the Ombud's office is fully capacitated as soon as possible so that the Ombud can become fully operational. The Ombud in terms of the Legal Practice Act (LPA) is independent and only answerable to

the Constitution and the law,' says LSSA President, Mvuzo Notyesi.

The LSSA commits itself to support the work of the Ombud's office, in the broader interests of the profession and our society.

The Ombud, in terms of the LPA, has the following key objectives:

- protect and promote the public interest in relation to the rendering of legal services as contemplated in the LPA;
- ensure the fair, efficient and effective investigation of complaints of alleged misconduct against legal practitioners;
- promote high standards of integrity in the legal profession; and
- promote the independence of the legal profession.

Besides, other powers, the Ombud is competent to investigate any alleged act or omission that may affect the integrity and the independence of the legal profession and public perceptions in respect thereof.

Issued on behalf of the President of the Law Society of South Africa, Mvuzo Notyesi, 7 January 2021

Comment

Comment by AMAGP

Appoint an ombudsman where it is necessary: the GEPP

AMAGP has taken note with interest that, according to newspaper reports, a retired judge has been appointed as ombudsman for the legal services. Although the legal profession is well controlled by the LSSA, this same body welcomes this appointment and regard it as "long overdue". It is also noted that the Department of Justice is involved in the matter.

Compare this with what is happening, or rather not happening, in a similar matter at the GEPP. If ever such an appointment is long overdue, it is at the GEPP.

What happened at the GEPP and PIC during the past few years makes it very clear that an ombudsman should have been appointed very, very long ago. Such an appointment could have prevented many malpractices, huge losses to the pension

fund, the poor state of solvency, political interference, delays of up to a year in the payment of pensions, lack of control of investments by its asset manager the PIC, which, for example, resulted in what happened at VBS Bank. Even the appointment of the Mpati Commission could have been prevented.

Members of the GEPF have been, since 2015, promised the appointment of an ombudsman. In November 2016 a Trustee promised that such an appointment would have been in place during August 2017. Now, more than three years later we are still waiting.

The question obviously arises what the motive for this delay is? Matters at the GEPF are regarded as being so secret that even members and, therefore, the owners of the pension fund, do not get any answers on this matter. Why?

A possible solution will perhaps be to amend the 1996 GEPLaw. If it will be possible to persuade the government to agree to such an amendment, is, however, doubted. The GEPF piggy bank is too valuable for them.

IMPORTANT NOTICE. PLEASE READ OR READ AGAIN IF YOU HAVE ALREADY

Please take a while again to really consider what the all-volunteer AMAGP is all about and is actually and continuously achieving. We need you to inform and motivate all the Fund members you know to join the AMAGP, to strengthen our voice when promoting the sustainability of your pension. We need many many more AMAGP members, not just on the Fb page. Keep in mind the Fund has just less than 2mn members, of which about 460 000 are pensioners and the other about 1 380 000 are still working and contributing members.

THE GEPF WATCHDOG/WAGHOND FACEBOOK PAGE

This Facebook page is the social media platform of the non-profit organisation “The

Association for the Monitoring and Advocacy of Government Pensions” (AMAGP). The AMAGP has only one agenda point – safeguarding the GEPF against looting and mismanagement.

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

Our Facebook page has more than 44 000 members and continually growing, but not enough. This 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 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/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”. There are also registration

forms in English and Afrikaans that you can print, complete and return to us under "Files" on the Facebook page.

AMAGP is not responsible for the accuracy or content of information contained in these resources or websites.

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

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

VRYWARING

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