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

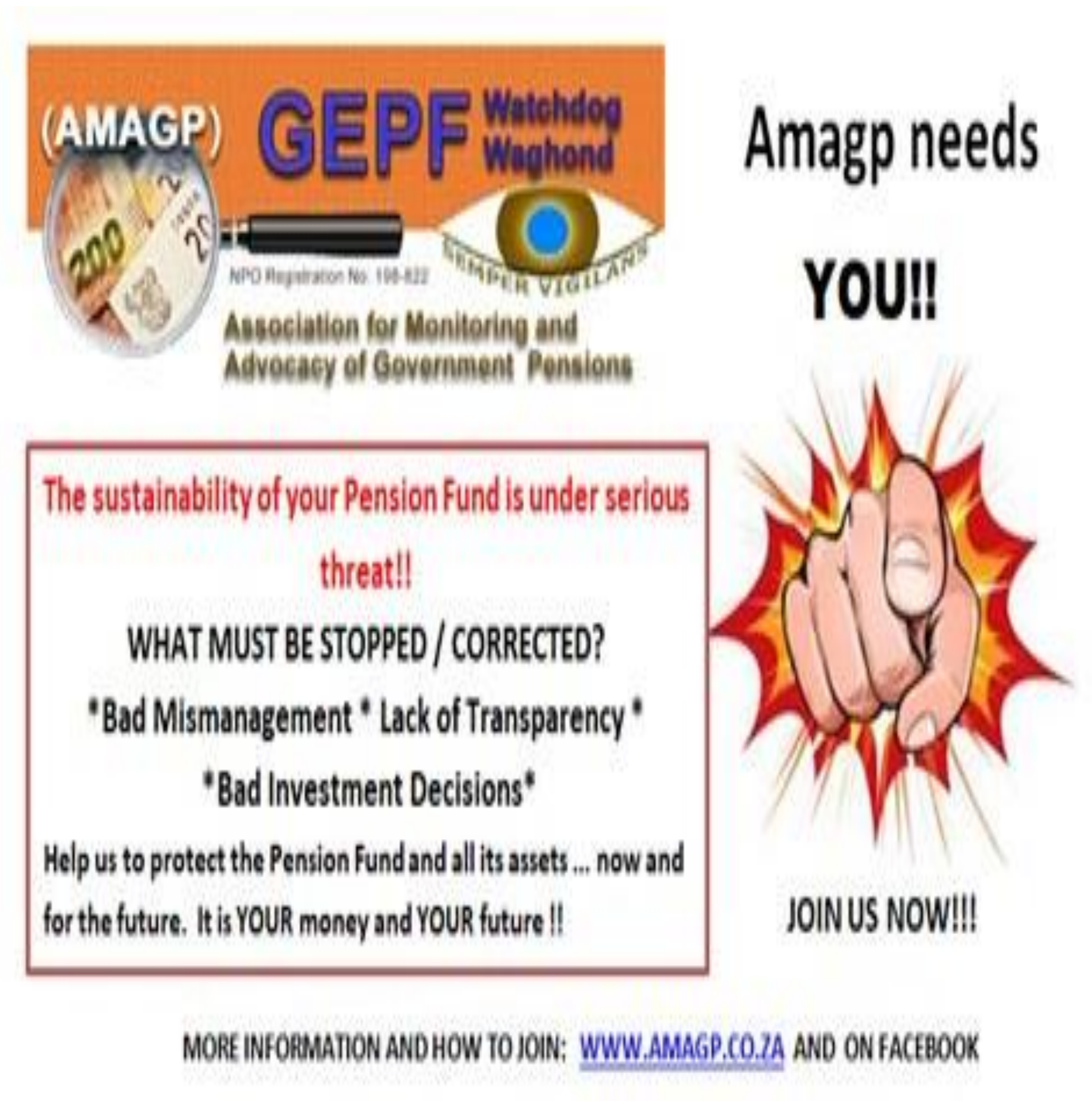
GEPF Forum

GEPF your investment, your future

NEWSLETTER NO 21 of 2021

AMAGP – Association for Monitoring and Advocacy of Government Pensions
AR – annual report
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 1,2mn active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1,61trn. 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 7 October 2021*


(AMAGP) GEPF Watchdog Waghond
SEMPER VIGILANS
Association for Monitoring and Advocacy of Government Pensions
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

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.

The GEPF website provides a download of the listed and unlisted investments, but only up to March 2018, which means 2017 figures. The 2020/21 AR is due soon, which should hopefully provide the investments up to 2020, possibly the unlisted investments too. Don't hold your breath for the unlisted investments or detailed comments about them in the AR.

If you didn't vote you can't complain about the 'government'! If you did vote, you can complain because then the 'government' isn't doing what you voted for it to do. Any country needs a strong opposition for good governance, both of which we don't have.

The GEPF regularly publishes a newsletter. GEPF/media/publications/newsletter will allow you to download Fundnews and Fundletter. Worth while reading. Visit the website once a month just to check for any news.

The election fever is over and the 'government', hopefully, is back at work and even better, working. I doubt if anything serious is going to happen before the silly season starts and everyone stops thinking about work.

The economy seems to be slowly returning to working and generating employment. We all need it.

Looking forward to the GEPF AR soon. It will give us news of ROI at least up to about December 2020, with final statistics up to March 2021.

The excitement about pensions, amendments to legislation, the whole pension arena in SA has died down a bit, but will appear in the media again next year. There is just too much going on behind the screens for it to die away.

Now for news from the media

To start off an article by IOl/Business Report asking questions that should have been asked at the Mpati Commission and weren't. Not for the faint hearted.

May on Money advises on a question of what happens to your pension money after your first five years on pension.

The PIC's interim Board's term expired without being replaced. I suspect the appointment of the new board may have been held in abeyance until after the election, sinecure. Which it was, new board announced on 4 November.

There are several articles by Barbara Curson of Moneyweb, starting with the PIC's AR and two about the GEPF's travails. Good reading.

Transnet posted a loss the past financial year against profit the previous year. The 'lumbering and bureaucratic monopoly" really needs detail attention.

Treasury has reviewed the contemplated changes in Rule 28 and amended them. This will probably be on parliament's agenda early next year.

Lastly, if you haven't heard of a living annuity before it is now the time to take a look at it so you don't sound uninformed when financial advisors want to part you from your pension money.

NEWSNUUSNEWS
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Synopsis

PIC to write off R1bn investment in Sunrise Energy?

IOL
By Adri Senekal de Wet
29 October 2021

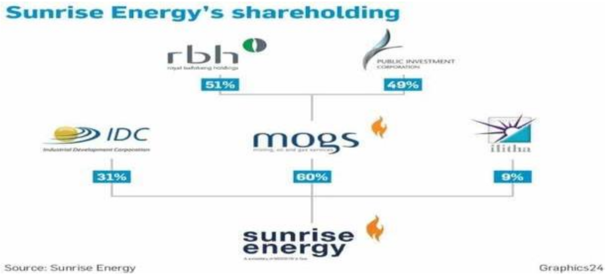
Business Report (BR) is investigating a loan by the PIC to Sunrise Energy via the Mining Services Group (Mogs). The PIC's loan to Mogs is over R1bn, indirectly to Sunrise

Energy. This loan has not been serviced in over five years, according to sources.

Mogs is a black-owned provider of value-added services and products.

PIC spokesperson Sekgoela Sekgoela said the loan was serviced but could not provide any evidence by close of business on Thursday on how it was serviced.

Sunrise Energy has also been in receipt of a loan from the Industrial Development Corporation (IDC) of R1bn in 2011.



BR questions why Sunrise Energy was not part of the Mpati Commission of Inquiry, when it appears to be suspicious as to how the loan was acquired.

- The PIC - Separating fact from fiction [23 April 2018]

- Editor's Note: Dr Iqbal Survé and Sekunjalo Investments have become the victims of McCarthyism

- Beyond the Narrow: The Daily Maverick lies continue ...

BR asked Sekgoela, if the former PIC chief financial officer, Albertinah Kekana, arranged the loan to Sunrise or Mogs. The PIC spokesperson denied this. Is it only coincidental that Kekana was appointed as the chief executive and chairperson of Mogs, one year later?

According to the Mogs website, Kekana was appointed chief executive of Royal Bafokeng Holdings in November 2012. She was previously the chief financial officer of the PIC and has extensive asset management, investment banking and business leadership experience. She is currently the Mogs chairperson.

The Sunrise Energy shareholding structure is as follows:

Mogs Oil & Gas Services: 60%,
IDC 31% and
Ilitha Group 9%.

Mogs is majority, 51% owned by Royal Bafokeng Holdings, the community investment company owned by the Royal Bafokeng Nation Development Trust. In 2016, the PIC, through the Kuseni special-purpose vehicle, acquired a 49% stake in Mogs.

The current chief executive of Sunrise Energy, Pieter Coetzee, leaves at the end of the year.

BR sent questions to Coetzee about whether it is true that his contract with Sunrise ends in December? Were you fired, or are you taking early retirement?

His response:
"Further to your rather rude enquiry below, I will be retiring with the full support of Sunrise Energy after many successful years in leading the business."

Sunrise Energy chairperson Kekana released a statement to the effect on October 12 that said: "Rumours are abounding that this was not a voluntary departure ..."

Hence, we ask, are there still dots that need connecting?

Adri.senekal@inl.co.za
Adri Senekal is the Editor in Chief of Business Report.

Comment

I can't find Sunrise Energy or Mining Services Group [Mogs] under the GEPF investments, so this is for interest only.
However
IOL and Business Report are some of Survé's media outlets. Read this article and compare the three bullet articles' contents with the facts of the matters. Fascinating reading indeed!
It is interesting that this matter is raised by one of Survé's media outlets, more than a 1 ½ years after the Commission's final report was released, leaving us to wonder why Survé/Sekunjalo didn't raise it at the Commission, where there was ample opportunity.

Note the vagueness and the partial quotes and questions in the article.
What on earth is McCarthyism and when did it happen to Survé and Sekunjalo?

Synopsis

What Happens to Your GEPF Pension After Five Years?

mayaonmoney
28 October 2021
By Maya

As a financial journalist I often come across misinformation spread by unscrupulous financial advisers when it comes to the GEPF.

Most of these untruths relate to members' funds at retirement, as the financial advisers are hoping for the member to rather resign, take their pension money and give it to the financial adviser to manage, at a fee.

One of the common misunderstandings is around what happens to a retiree's pension income five years after retirement. Members are told by advisers that their pension income will come to an end five years after retirement. This is completely false and misleading information.

The GEPF is what's known as a defined benefit fund. This essentially means that benefits are guaranteed for all members. The risk is pooled (as with any insurance product), so members who pass away earlier effectively cross-subsidise those who live longer.

As the GEPF does not pay fees or commissions, members receive a higher income than if the member had to purchase an equivalent annuity with a resignation benefit. Also, the GEPF guarantees an annual pension increase each year at 75% of inflation. This increase could be higher, if investment returns are good.

If you have more than ten years' service, the GEPF provides a guaranteed income for life. These days that could mean many years after retirement. The average GEPF member who retired at age 65 is now living 19 years in retirement or to the age of 84.

To give an example, if your GEPF pension is R20 000 a month and you live for the average 19 years post-retirement, by the time you die, the GEPF will have paid out R4,5mn in today's value.

If a member passes away at any time during retirement, the surviving spouse receives a 50% or 75% pension for the rest of their life. If the member had only married after retirement, the new spouse would still be entitled to the spousal pension.

The five-year guarantee period

The misunderstanding relates to the five-year guarantee period. The annuity is guaranteed for 60 months after retirement. This means if the member passes away within the first five years of retirement, the beneficiaries will receive the balance of the monthly GEPF pension payments up to the end of the five-year period, paid as a lump sum.

For example, if the member died 24 months after retirement and was receiving an income of R20 000 per month, the remaining 36 months would be paid as a lump sum of R720 000 (R20 000 multiplied by 36) to your beneficiaries.

In addition, the spouse would continue to receive a monthly spouse's pension from the first month after the member's death. However, after five years, no funds are paid to beneficiaries apart from the spousal pension.

The only exception would be if the retiree had a minor child, who would qualify for a child pension until he or she reaches the age of 22.

The only way to leave retirement funds to other beneficiaries, such as adult children, would be to invest the gratuity you receive at retirement.

For example, if you received R500 000 as your lump-sum benefit and invested it for 20 years with an average return of 4% above inflation, it would be worth R1,1mn in today's value.

This article first appeared in City Press.

Comment

There are many unscrupulous financial 'advisors' out there willing to take a pensioner's pension money and squander it. Be advised not to do anything with your pension money immediately after retiring on pension, let it rest quietly for some months while you allow all the would-be advisors to advise you. Then only after due diligence and with ample referrals, choose an advisor.

Synopsis

The PIC's interim board bows out with a whimper

Moneyweb
By Barbara Curson
2 Nov 2021

Image: Moneyweb

The interim board of PIC, which was appointed in July 2019, stepped down at the end of October.

At the media briefing which followed the final meeting of the interim board on 28 October, outgoing PIC board chair Dr Reuel Khoza said that at the time the interim board was appointed, the reputation of the PIC was beset by allegations of misconduct and irregularities. "The PIC was viewed with suspicion and alleged to serve those who were politically connected," he said.

Finance Minister Enoch Godongwana, who was busy electioneering and campaigning last week, has not yet named a successor to Khoza, nor a new PIC board.

Mpati Commission

The Commission's report (the Mpati Report) was released in March 2020. The commission made many recommendations towards improving governance processes and accountability, and an advisory panel led by retired judge Yvonne Mokgoro was established to assist the interim board in carrying out the recommendations of the commission.

Strengthening the key performance areas

Khoza said that when the interim board took over in July 2019, some of the shortcomings were so obvious that it didn't need a committee to investigate them.

The memorandum of incorporation was revised, and changes were introduced to the operating model.

There was an overconcentration of executive power in the position of the CEO. All key positions have been filled, chief operating officer (COO), chief risk officer (CRO) and chief technology Officer (CTO), except for the position of the chief investment officer (CIO).

The board took steps to strengthen the key performance areas:

- **Governance**: A separation of duties in management was introduced. The Social and Ethics Committee (SEC), introduced to implement transformation in 2019, was renamed SETCO (Social, Ethics and Transformation Committee).
- **Investment**: The CIO oversees investment processes and the COO oversees investment operations. The Investment Committee (IC) is a sub-committee of the board and comprises separate committees for listed and unlisted investments. The Portfolio Management Committee reports to the IC. Independent experts have been appointed to assist the IC in technical matters. ESG (environmental, social and governance principles) has been incorporated into investment processes.
- **Risk management governance and internal control**: An Audit Committee and a Risk Committee were established. An external service provider was appointed to assist the PIC with a Risk Management Improvement Framework (RMIP). The risk

mandate was expanded to include anti-bribery and corruption, ESG and ethics. The PIC has adopted a "more stringent and rigorous approach than what is prescribed by the Financial Intelligence Centre Act" in regard to politically exposed persons. External evaluators present the valuation of unlisted investments directly to the Audit Committee.

True test of performance?

The next GEPF actuarial valuation should be completed by the end of December. That will be the true test of how the PIC has performed in managing the investment portfolio on behalf of the GEPF.

The PIC said that it has been "resolute in implementing the [Mpati] Commission's recommendations and to act decisively against parties identified in the report".

"Remedial steps included disciplinary procedures against implicated officials, full cooperation with law enforcement agencies in respect of criminal investigations, and civil actions that were instituted to recover funds from investments that contravened PIC policies and governance processes."

However, this is not obvious to the public.

At last week's press briefing, Moneyweb asked the PIC if former CFO Matshepo More had been fired or asked to resign, whether her pension funds have been forfeited, and if the matter had been handed over to the National Prosecuting Authority (NPA).

In reply, PIC board member Advocate Makhubalo Ndaba, carefully choosing his words, said that after receiving the report on the disciplinary inquiry two weeks ago, the interim board had "terminated the contractual arrangement".

Does the interim board bow out with a bang, or a whimper?

Comment

The independent experts and external service provider appointed increases the cost to the GEPF, of course.
Having all these wonderful new policies might eventually cause the PIC to implement and use them.

Synopsis

Cabinet announces new PIC board

fin24
Jan Cronje and Londiwe Buthelezi
4 November 2021

Deputy Finance Minister David Masondo in the new PIC chair
Ziyaad Douglas, Gallo Images

Cabinet has announced the new board of the PIC. In a statement today Cabinet released the names of 13 people, who will serve on the fund manager's board, after the previous interim board's term ended on 30 October.

According to new rules governing how the board is chosen, the chairperson has to be either the Finance Minister, the Deputy Finance Minister, or a member of the economic cluster. Reverting to previous form, Deputy Finance Minister David Masondo is the new chair.

The new board will have to hit the ground running, as it needs to finalise a number of disciplinary processes, recover monies that the PIC lost, and implement the findings of the PIC Commission of Inquiry.

The PIC essentially faced a leadership vacuum at the board level for over two years, having to operate with an interim board. This was after all the old PIC board members resigned in February 2019 in the middle of the Mpati Inquiry.

And even that board ended its term left with only seven of its original members after seven resignations and the passing of Dr Xolani Mkhwanazi in early 2020.

The new board members are:

David Masondo (Chairperson);

Frans Baleni;
Ntombifuthi Mtoba;
Tryphosa Ramano;
Prof Bonke Dumisa;
Esther Barbara Watson;
Beverly Bouwer;
Mongwena Mugwena Maluleke;
Walter Hlaise;
Lufuno Mulaudzi;
Abel Sithole;

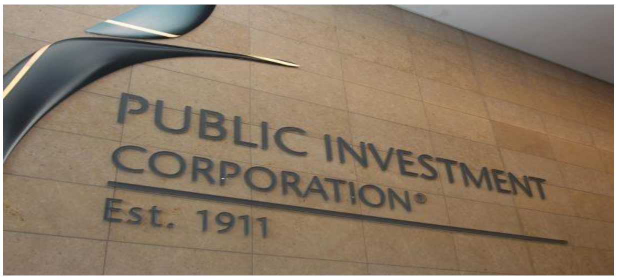
Comment

Let's see if this board is going tick off the Mpati Commission's recommendations one by one instead of reporting in general on changes at the PIC.

Synopsis

Facts, figures and more from the PIC's AR

Moneyweb
By Barbara Curson
11 October 2021



The PIC claims 96% of its investments aren't subject to allegations of impropriety. Image: Moneyweb

The PIC celebrates its 110th anniversary this year.

The PIC is the largest asset management company in Africa, with investments spanning domestic listed investments (85,93%), domestic unlisted investments (5,17%), and offshore and rest-of-Africa investments (8,9%).

Financial highlights

For the financial year ended 31 March 2021, assets under management increased to R2,3trn (2020: R1,9trn). This constitutes a small increase from the 2019 figure of R2,1trn. The GEPF is the PIC's largest client, comprising 89,24% of assets under management.

Profit for the year amounted to R528,2mn (2020: R189mn), and total comprehensive income for the year was R535,9mn (2020: R198,8mn) after taking into account the share of comprehensive income of equity-accounted investments of R7,7 million (2020: R9,8mn).

Dividend income amounted to R18,7mn (2020: R29,3mn), and interest income amounted to R176,9mn (2020: R200.3mn).

No dividends were declared in the current financial year. The dividend of R99 million declared in 2020 has not yet been paid.

Financial assets at fair value

The PIC does not disclose the details of assets it holds on behalf of clients, therefore it is not possible to ask any questions, such as whether it holds bonds in any struggling state-owned entities on behalf of the GEPF.

One would then expect that the GEPF will provide all the details of its investments, including the Isibaya Fund schedule, and be in a position to confirm that it is in agreement with all the valuations placed on the investments held on its behalf by the PIC, including the expected credit losses.

The PIC disclosed that the credit rating for the cumulative amount of bonds and listed shares is R2,1trn (2020: R1,6trn). An amount of R1,2trn (2020: R1trn) has an AAA credit rating, and only an amount of R137 million (2020: R124mn) has a B credit rating.

New executive model

A new executive model was introduced, leading to the appointment of a chief executive officer, acting chief investment officer, chief operations officer, chief risk officer, chief technology officer and head of ethics.

Associates

The PIC has a:

- 46% shareholding in Harith Fund Managers (2020: 46%);
- 30% shareholding in Harith General Partners (2020: 30%);

- 30% shareholding in Bophelo Insurance Group or 'BIG' (2020: 30%); and
- a 7,31% shareholding in the SA SME Fund (2020: 7,65%).

Harith Fund Managers and Harith General Partners both have a financial year-end consistent with that of the PIC, while BIG and the SA SME Fund have theirs in February.

Nzalo Insurance Service and Bophelo Life Insurance are currently going through liquidation.

Audit report

The PIC was given an unqualified audit report by the Auditor-General (AG) of South Africa. However, the AG made some concerning observations, including:

- An enhanced due diligence (EDD) was not always performed on politically exposed persons (PEP) as required by established policy "due to misalignment between the PEP policy and FICA Risk Management and Compliance Programme (guideline)". The AG added that: "The PEP policy requires EDD to be performed for all PEP identified, whereas the guideline requires EDD to be performed when PEP are identified as high risk."
- Management did not always implement effective financial systems of internal controls to ensure accurate disclosure notes to the financial statements, nor adequate measures to ensure compliance with applicable legislation.
- The internal control system failed to prevent irregular expenditure of R7,25mn paid to a former employee.

Implementing the recommendations of the Mpati Commission

The PIC is still implementing the Commission's recommendations, with the assistance of an advisory panel led by retired Justice Yvonne Mokgoro; "the board will crystallise those aspects of the Mpati Commission recommendations that merit forensic investigation".

"The PIC is working closely with law enforcement agencies to ensure that those implicated are brought to book" and implicated employees "were subjected to disciplinary processes".

However, high-earning executives are still on suspension.

> Matshepo More, who was the CFO earning R10,5mn per annum, was suspended on full pay in March 2019. For the year ended 31 March 2021, More earned another whopping R6,9 million.
>
> Roy Rajdhar, an executive earning R7,6mn per annum, was suspended on full pay. He resigned on 8 June 2021. In 2021 Rajdhar drew a salary of R7,3mn, which included a short-term incentive of R1mn and a long-term incentive of R1,5mn.

PIC CEO Abel Sithole explained that it is necessary to put someone on suspension to give them time to deal with any inquiries, and to not disrupt business processes.

Sithole did confirm that certain matters have been handed over to the National Prosecuting Authority (NPA).

Why the fuss about 4%?

Sithole noted in the PIC's integrated report that: "The predominant concerns the [Mpati] Commission raised relate to past investments made in the PIC's unlisted Isibaya portfolio." The Isibaya Fund invests in high impact areas for socioeconomic development. Unfortunately, not all the equity investments and loans were made for the right reason.

The Mpati Report questioned the PIC's "thoroughness in conducting its due diligence as well as its assessment of cumulative and reputational risks", granting a single party an investment in more than one project, and found that the PIC undercut the objectives of the Isibaya Fund.

Sithole however points to the small size of the Isibaya Fund, that it comprises only 4% (R70bn) of the total investments, and that "most of the PIC's investments – 96% – were and are not the subject of allegations of impropriety".

Part of the 96% will include the investments in Steinhoff and Ayo Technology. The PIC refers to these as "distressed investments" and is "making a concerted effort to find resolution".

If an asset manager with more R2trn of investments thinks that a badly managed fund only constitutes 4% of all the assets under management, there is a problem.

Comment

The last sentence allows one to conclude the arrogance of the PIC in dealing with other people's money.
Little revealed about the specific implementation of the Mpati Commission's recommendations, as is to be expected.
I wonder what an 'associate' of the PIC is?
The CFO in the meantime has been let go.

Synopsis

The sitting duck in the corruption fallout

Moneyweb
By Barbara Curson
10 Jan 2020

The Fund has some R173bn tied up in SOE, many of which are propped up by interconnected loans. If one large entity folds, we will see a ripple effect of imploding loans. Image: Moneyweb

The GEPF is a sitting duck, yes, but that duck is sitting on the taxpayer and the average consumer. In effect, because they are in charge of the entire economy, Luthuli House is the actual manager of the Fund. They also manage all SOE as well as most municipalities, and every single one those are bankrupt, why will the results at the GEPF be any different?

The pensions of government employees are guaranteed by the government. They will receive their pensions, whether there is money in the Fund or not. Where will the money come from then?

It is simply impossible for any socialist organisation to build capital, because all their efforts are focused on the destruction of capital. Socialism is the enemy of capital formation and the ally of capital destruction. A system of shared resources (socialism/collectivism) incentivises the most unscrupulous individuals in that group to exploit those resources at an ever-increasing rate. This system punishes and acts against ethical individuals who want to protect the resource. Such ethical and capable individuals get pushed aside, ignored, get demoted, ridiculed or are killed. The most unscrupulous get promoted and eventually land up in parliament.

The longer the ANC stays in power, the more emaciated the GEPF will become. Then the ANC will print the money to pay the pensions. They will not increase taxes to pay the pension, they will simply devalue the currency to pay the pensions. That means every citizen, who uses the rand, actually contributes to the pensions of government employees. Devaluation is a tax on the consumer and savers. Currency devaluation is a stealth tax and is the most severe and destructive form of taxation.

To cut a long story short. If you are a government employee and if you want to be able to retire, then vote for the FF+, DA or COPE. The ANC will destroy your pension.

Comment

Note the date. I suspect there is much more tied up in all the SOE than R173bn, at least R576bn according to my list of SOE, taken from the latest [two year old] AR. The media reporting on SOE viability leaves us to doubt on the ROI.

Synopsis

TITBITS

3 November 2021
INCE|Community
by The Finance Ghost

Sirius acquires more properties in Germany

Sirius continues to quietly buy properties that represent a deviation in strategy from logistics, yet nobody seems to notice (or care). In the latest example, there's a deal to acquire a multi-tenanted office property in Frankfurt for €21,2 million. The yield on the property is 2,8%.

The other two deals are at least closer to what Sirius normally does. There's an office and production space property in Essen for €12,2mn on a yield of 7% and a business park in Erfurt for €11,7mn on a yield of 5,3%.

Sirius is up nearly 7% over 30 days and nearly 50% year-to-date. The market just can't get enough of this fund.
We have about R343mn in Sirius Real Estate.

Adapt IT Volaris

Inceconnect
3 November 2021

In the Adapt IT - Volaris deal, Volaris has managed to mop up 3,2% of the shares in Adapt IT by just buying them in the market. Exit elections (i.e. a confirmed decision by shareholders to sell to Volaris) have been received for 18,8% of the shares in issue excluding treasury shares.

Progress is slow in getting to the 50% minimum, which means it is likely that a scheme meeting will need to go ahead to bring the deal to a close one way or another
Volaris is in the process of buying AdaptIT. We have about R10mn in AdaptIT.

PIC fails to provide an exemplary service to government pensioners

Barbara Curson
21 Oct 2019

The PIC pays a dividend of R80m to government off the back of income on assets surely owned primarily by the state employee pension pot?
Valid comment.

Comment

Mergers, acquisitions, delisting, takeovers, consolidations; we all wonder when a snippet catches the eye if the Fund has an interest in that company.

Synopsis

The GEPF faces five red flags

The difficult part will be clawing back the loss – through the PIC.

Moneyweb
By Barbara Curson
4 Dec 2020

Image: Moneyweb

The destructive force of ANC politics will cause the GEPF to erode more value. Politicised asset allocation decisions, under the guise of the false hope of transformation will destroy value.

Socialism, collectivism and communalism enable the most unscrupulous individuals in the community to rise to the top, where the system incentivises them to plunder that community at the maximum rate. Take the Tripartite Alliance for instance.

The Tripartite Alliance is this gathering of the most unscrupulous and underhanded individuals in the country. They pretend to fight for unity while they are undermining the unity and stealing from each other. They depend on their unholy alliance to prolong the looting spree. They support each other in the looting process, while they are stealing from each other.

The GEPF spends money on ANC projects while that money belongs to Cosatu members and government employees. The cadres use the pension savings of cadres to provide financial support to cadres to receive "consultation fees" from cadres. Cosatu members take the ANC to court to force them to use the pension savings of Cosatu members to pay higher wages to Cosatu members. The Alliance uses the pension savings of government employees to fund the salaries of government employees at bankrupt SOE. The ANC uses the money of Cosatu members to bribe Cosatu members to vote for them. Nobody in this communist cesspit realises what is going on, because they are too busy scheming against each other, under the pretence of unity.

Under the table, they are stealing from each other, while above the table, they are unified. This is communism in action – the destruction of property and the misallocation of capital.

The Tripartite Alliance is doing exactly what the textbook predicted they would do. They are plundering the assets of the nation, squandering the savings of government employees, misallocating capital, destroying property rights and stealing from each other. They are unified in this process.

Comment

Read carefully and slowly for the full impact of what Barbara Curson is saying. What more is there to say? Note the date.

Synopsis

Transnet in desperate need of partnerships to get flailing parastatal back on track

Daily Maverick
By Sasha Planting
1 Nov 2021

State-owned logistics operator Transnet has always been a lumbering and bureaucratic monopoly. If recent results say anything, it is that CEO Portia Derby is doing her utmost to turn this behemoth around. It's a mammoth job and Covid has set the project back. It may be too early to tell whether the ship is turning or not.

State-owned logistics operator Transnet declared an R8,8bn loss for the year to March 2021 for the first time in decades, down from a R2,3bn profit the year before

Management puts the blame squarely on lower volumes and revenues related to the Covid-19 pandemic and ensuing lockdowns. However, escalating theft from its multi-product fuel pipeline and rail system also weighed heavily on its results, with third-party claims and environmental provisions relating to pipeline spills amounting to R5bn.

The results, which were audited by the Auditor-General rather than a private sector firm, were released with a qualified opinion and reflected irregular expenditure of R104bn, down from the R131bn recorded for the previous year.

"We did not enter the 2020 year in a strong financial position and faced a tough year as a result of the pandemic and the economic slowdown that resulted," said CEO Portia Derby on Friday at the presentation of the company's results.

The focus in the year has been on resolving irregular expenditure, strengthening governance systems, improving and simplifying procurement policies and maintenance, she said.

Revenue fell 10,5% due to lower volumes across the four biggest business units: Pipelines, Freight Rail, Engineering and Port Terminals. Rail moved 13,7% lower than budgeted rail tonnages, the ports handled 11,5% lower than budgeted port container volumes and the pipeline transported 26,4% lower than budgeted pipeline volumes.

Operating expenses rose 16% to R47,8bn, which limited any wiggle-room management may have had.

Management impaired financial assets to the tune of R987mn, and non-financial assets (notably trains) by R3,3bn. After finance costs and other costs and adjustments, the company found itself in a loss-making position.

Nonkululeko Dlamini, Transnet CFO since July 2020, notes that gearing, at R129bn, remains within Group covenants. However, finance costs of R11,2bn are becoming a noose around the proverbial albatross's neck. The downgrade of South Africa's credit rating to sub-investment grade is also of concern, as it raises the cost of capital going forward.

The new management team, led by Derby, who joined earlier in 2020, has worked hard to set the giant organisation on a sustainable trajectory. A new strategy, the Growth and Renewal Strategy, aims to reposition Transnet for growth with partnerships and collaborations at its core.

But within the business units, there are significant operational and financial problems that need to be resolved.

Transnet's pipeline business, which transports 70% of the refined fuel, crude oil, gas and jet fuel used in inland areas, saw revenue fall by 14,6% to R4,8bn, as demand for especially aviation fuel plummeted during the lockdowns of the preceding year.

While volumes may rebound, rocketing fuel theft from the pipeline, which in some places is less than a metre underground, is becoming a liability. This forced Transnet to make an almost R1bn provision for environmental remediation and rehabilitation, and a R4bn provision for possible claims against the company.

As a result, Pipelines reported a R2bn loss before interest, tax and other accounting treatments. It reported a R3,8bn profit in the previous year.

Transnet Freight Rail (TFR), the biggest of the operating units, saw revenue fall by 11,6% to R39,4bn as freight volumes fell during the pandemic. However, while iron ore and coal are expected to recover, general freight, which fell by 21%, may not recover.

Derby notes that derailment incidents, increased theft and vandalism across all corridors, persistent locomotive failures and reliability issues, network speed restrictions and challenges at various ports contributed to the poor performance and cost the company customers.

The division reported earnings before accounting treatments of R14,3b, a 24% decline on the previous year. Debt stands at R75,5bn and the net debt-to-Ebitda ratio is 5,3. Generally a ratio of less than three is acceptable. Anything above four is a red flag. Transnet's Port Terminals division, once the cash cow of the organisation, saw revenue fall by 5,2% to R13,1bn as a result of Covid, adverse weather conditions, unfavourable market conditions, poor rail supply, poor maintenance and equipment challenges.

While operating costs were well maintained, earnings fell by 24% to R3,6bn and profit before tax by 65% to R1,3bn.

Transnet Engineering (TE), which reported a R1,5bn loss, is in deep trouble. The advanced manufacturing unit, which once planned to build 70% of the infamous and now aborted locomotive project, is in the throes of a business reorganisation to ensure it is sustainable and less dependent on TFR for income. Derby noted that TE could in future provide its engineering capabilities to the port operations.

Derby acknowledges that, across the board, Transnet's operational performance has been declining in recent years, resulting in a financial position that is "marginally constrained".

"This means we cannot make the required infrastructure investments to grow the freight system for the benefit of the economy from the strength of our own balance sheet alone."

Partnerships, not privatisation, she stresses, are the way forward.

Comment

Transnet seems to be too large and may benefit from unbundling. We have about R21bn in Transnet bonds.

Synopsis

New pension changes proposed for South Africa

BusinessTech
Staff Writer
3 November 2021

The National Treasury has published amendments to Regulation 28 of the Pension Funds Act for public comment. The changes primarily deal with pension funds investing in infrastructure and include new restrictions around investing in cryptocurrencies.

The Treasury published its draft amendments to Regulation 28 of the Pension

Funds Act in March 2021 for public comment, detailing the projects in which South African pension funds could soon invest.

Treasury said that the proposed review of Regulation 28 is informed by calls for increased investment in infrastructure given the current low economic growth climate.

The amendments proposed that the overall investment in infrastructure across all asset categories may not exceed 45% regarding domestic exposure and an additional limit of 10% in respect of the rest of Africa.

The proposed Regulation 28 amendments use the same definition for infrastructure as the Infrastructure Development Act of 2014. Under this Act, infrastructure includes installations, structures, facilities, systems, services or processes which are strategic integrated projects or part of the national infrastructure plan.

However, Treasury said that it has since received several comments and complaints around these proposed changes, with a new draft amendment bill aiming to address these and other issues. The updated changes are outlined in more detail below.

A new definition of 'infrastructure'

Treasury has expanded its definition of 'infrastructure', which was previously limited only to part of the national infrastructure plan, which excludes private sector infrastructure and infrastructure in the rest of Africa or abroad.

The revised definition is that infrastructure is 'any asset class that entails physical assets constructed for the provision of social and economic utilities or benefit for the public'.

"This definition takes better account of the United Nations' Principles for Responsible Investment (UNPRI) and the input from Association for Savings and Investment South Africa (ASISA)," it said.

"The 'social' aspect of the definition will accommodate impact investing by retirement funds. Impact investments are investments made to generate positive, measurable social and environmental impact alongside a financial return."

Infrastructure limits

The second area of concern was around the infrastructure limits set out in the regulation. Some submissions argued the limits were too low, and others that the limits were too high, or the adjustments were not going to impact infrastructure investment by retirement funds.

"A further comment was that the infrastructure columns introduced in the first draft caused confusion and that it was more important to deal with the availability of bankable projects for retirement funds to invest in," Treasury said.

"The revised draft removes the infrastructure columns. However, the overall investment in infrastructure across all asset categories will be kept at 45% in respect of domestic exposure and an additional limit of 10% in respect of the rest of Africa."

Onerous reporting

The first draft regulation required retirement funds to provide reports on their investment in infrastructure. Some respondents perceived this requirement to be too onerous.

The second draft eases the reporting requirements and provides for reporting only on the top twenty infrastructure investments by a retirement fund.

Cryptocurrency

A new restriction in Regulation 28 on retirement funds' investment in crypto assets has been introduced because they are seen to be of very high risk, Treasury said.

"This restriction is in line with the Intergovernmental Fintech Working Group (IFWG) policy proposal of not allowing collective investment schemes and pension funds to have exposure to crypto-assets be maintained until further notice."

Comment

The proposed changes seem to be little changed from current allowance for pension fund investments. Why then the change?
I fail to see why retirement funds are to report on their infrastructure investments. What would be the purpose of such data? The pensions' annual reports should be sufficient.

Synopsis

Benefits of a living annuity

A living annuity may be a viable long term investment solution depending on your return objective and lifestyle goals.

Moneyweb
29 October 2021
By Michael Haldane - Global & Local Investment Advisors

Image: Shutterstock

Upon retirement we all need peace of mind in terms of maintaining our current lifestyle, however, this calls for important decisions regarding sustaining this lifestyle post-retirement. There are several retirement products one can invest in before retirement which includes preservation funds, retirement annuities, provident and pensions. I have decided to narrow it down to living annuities, which is a post-retirement product.

Due to the need to maintain your present lifestyle, a lot of questions can be asked in reference to annuities such as: Should I invest my retirement funds into a living annuity? If I choose a living annuity, will I run out of funds before I die? If I choose a living annuity how will this benefit me? This article unfolds the benefits of investing in a living annuity.

To answer these questions, I am going to centre my thoughts on the benefits and demerits of living annuities, which I believe is sustainable in the long term relative to other post-retirement products. Firstly, the most important benefit is that you are allowed to nominate a beneficiary, thereby securing the remaining capital for your spouse or heirs. This will give you surety that when you pass away your beneficiaries will have some sort of income. Since a living annuity does not form part of your estate, your beneficiaries will have immediate access to the funds. If no beneficiaries are nominated, then the funds in your living annuity will be paid into your estate.

When your beneficiaries have received the funds from your living annuity, they have three options to choose from which are:

- Option 1: Withdraw the living annuity as a lump sum;
- Option 2: Transfer the living annuity in their name and
- Option 3: Withdraw a portion as a lump sum and invest the balance into a living annuity in their name.

Please note if your beneficiaries elect to do a withdrawal, tax is charged in the hands of the deceased. If they elect to take a living annuity the income will be taxed in the hands of the beneficiary.

Another benefit as per legislation, you can draw an income from your living annuity that is levelled between 2,5% to 17,5% per year of the value in your living annuity. You can choose whether you would like to receive your income on a monthly, quarterly, bi-annually, or annually, however, this largely depends on your lifestyle bearing in mind that your income does not fluctuate if the value of your investment changes. On the anniversary date you are able to change the level of your income and this should be discussed with your financial advisor to ensure that your withdrawal does not exceed your investment growth rate.

You can determine your own asset allocation which is not restricted by Regulation 28 of the Pension Funds Act. Asset allocation deals with spreading your living annuity into different asset classes thus reducing risk concentration on one asset class. Your asset allocation should be based on your risk tolerance and return objectives, thus aiming at maintaining your income level and providing long term growth. It is often best to consult your financial advisor to help you determine the asset allocations of your living annuity.

One of the downsides of a living annuity is that the investment value and returns are not guaranteed and may increase or decrease. The value of your investment depends on the market value of the underlying investments. If there is a downfall in the markets, then your capital could reduce or not keep up with inflation. Another downside is that your income will be taxed as per the income tax table. Generally, costs are an important consideration and can be very expensive. Most living annuities charges an initial advisor fee, annual advisor fee, administration fee and investment management fee. These fees can be as high as 2,5% per annum and can accelerate the depletion of your capital.

Keeping the above benefits in mind, a living annuity may be a viable long term investment solution depending on your return objective and lifestyle goals. Regardless of market volatilities that may affect your investment, your investment strategy must be fully anchored in achieving your desired long-term financial goals.

Comment

Keep in mind for your retirement and pension planning.

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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