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 your investment, your future

NEWSLETTER NO 5 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, around 406 395 pensioners and beneficiaries, and assets worth more than R1,6 trillion. https://www.GEPF.gov.za/

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 Facebook page. Keep in mind the Fund has about 1 600 000 members, of which about 400 000 are pensioners and the other about 1 200 000 are still working and contributing members. No, AMAGP isn't a trade union and has no membership fees: read the very first sentence at the top of this page please.

The Editor's Word

Many GEPF members are also members of a trade union. Be aware the trade unions do not really care about your pension, as that isn't their main function. They are also inclined to follow what the ANC/SACP/'government' prescribes, irrespective if it is good for their members' retirement, such as prescribed assets, giving Eskom billions, maintain vanity projects such as SAA.

Section 34 of the Prevention and Combating of Corrupt Activities Act 12 of 2004: Duty to report corrupt transactions, should be one of the concerns of the BOT and PIC to adhere to. Especially the CEO. Please read Section 34 of the Act online to see what it requires the BOT to consider.

FNB has joined ABSA in closing AYO's accounts. AYO went to court about this but court declined as the issue wasn't urgent.

The movement in share prices of many major companies the PIC and through it the GEPF are invested is slowly improving. Major players, such as Sasol, are slowly improving from their dire financial situation. This doesn't really improve the about 15% drop in Fund value due to COVID. Real estate is picking up. There is talk of the return in banking investment being heading for a decline, more detail in a later newsletter.

Just some information to worry about. There are about 130 SOE that we, the taxpayers, keep alive. Some seem to be good institutions, such as Blind SA, CCMA, Estate Agency Affairs Board, CIPC; others we know are doubtful due to mismanagement and cadre deployment such as Armscor, DBSA, Land Bank, PRASA, Petrosa, etc. The Fund [we] have millions invested in Eskom, Telkom, DBSA, Rand Water Board, SANRAL, Transnet, etc, all of which should provide ROI, someday, sometime. Just some information…

AMAGP has two statements included in the newsletter, one commenting on the continuing Survé/Sekunjalo saga, the other taking the saga one step further, highlighting the steps that should have been taken but seemingly hasn't.

The UDM explains its litigation about Lebashe and Harith, the PIC investment in them, and PIC executives now part of those PIC-funded companies. Here's hoping the litigation proceeds expeditiously.

A short discussion about taking your pension money before retirement age and reinvesting elsewhere. This is something you really need to investigate seriously before considering it.

Read the self-serving accusatory article from one of Survé's newspapers below, using stale rhetoric not recently seen. Playing the race card and citing anything to deflect the blame elsewhere. Of course, Survé's media [Daily News] roundly condemns the termination of his crumbling empire's banking in no uncertain but extremely vague, race and apartheid-based, and smoky terms [smoke obscures the reality so you can't see what is actually happening]. Read the article for enjoyment and entertainment of how to attack your enemies for them doing what is right without acknowledging you actually aren't.

In a letter to the editor, Adamus Stemmet explains why cadre deployment is one of the reasons for the failure of the state and contributing factor to the threat to the GEPF. Cadre deployment is increasingly being aired by the media as one of the leading reasons for 'government' failure.

BusinessLive informs us about the 'government' taking over Eskom's debt or transferring it to a special purpose vehicle. A similar vehicle has already been used by the PIC, resulting in billions in an account in Mauritius, of which very little is made known…

Business Maverick informs us of the public servants' unions compensation negotiations, contrary to 'government' intending a wage freeze, etc. No mention of pensions, of course.

Finally, Allen Greenblo of Today's Trustee provides a very lucid view of what pension funds should be considering investing in. Thoughtful reading indeed.

Synopsis

STATEMENT R5/21 ISSUED ON BEHALF OF THE ASSOCIATION FOR THE MONITORING AND ADVOCACY OF GOVERNMENT PENSIONS. (AMAGP)

4 April 2021

What is really going on in the Surve/Sekunjalo stable? How safe are workers' and pensioners' monies in his companies?

Recent media articles, such as ABSA cuts ties with Surve's Sekunjalo, AmaBhungane reports has caused a lot of anxiety among government pensioners. The reference to the Guptas as follows is really frightening: 'Anything media mogul Survé touches is anathema to one of South Africa's big four banks - the same bank that led to the change in cutting off the Gupta family from the banking system in 2016.' We know where the Guptas are now. This raises an immediate question about the security of the huge amounts of government employees and civil service pensioners' savings that the Public Investment Corporation (PIC) has entrusted to these Survé-linked companies.

Many perturbing things have happened since the PIC, on behalf of the GEPF, got involved with Surve's companies, be it Independent Media (Sekunjalo Investment Holdings) or AYO Technology Solutions. As court cases regarding transactions between the PIC, on behalf of the GEPF, and Survé's companies are pending and because these matters are, therefore, perhaps sub judice, we at AMAGP are careful not to comment on them.

The facts about the investment in Independent Media remain a matter of concern for our members, who are watching attempts to recover the more than R1bn invested in this company closely. It is also not necessary to repeat the negative conclusions reached the Mpati Commission on the R4,3bn investment by the PIC in AYO when, at the listing date in December 2017, the shares were R43 per share while by 23 October 2019 the share price had dropped to R5 - a decrease in value per share of 87%.

We issued a statement recently declaring our displeasure and concern about Survé and his companies being invited to state their case at a meeting of parliament's Standing Committee on Finance (SCOF), while court cases are pending. During this meeting Survé and his senior executives made no attempt to counter the adverse findings against them by the Mpati Commission. Instead, they took 90 minutes to praise themselves and to claim victimisation without providing evidence of why they alone, of all the media companies in the country, should be the target of financial sabotage. Their presentation was correctly described by the participating MPs as unsubstantiated conspiracy theories.

It is disappointing that the Minister of Finance, Mr. Tito Mboweni, and the PIC did not use this meeting to provide a report on their progress in implementing the Mpati Commission recommendations on sanctioning the Survé companies. This appearance by Survé and his executives at SCOF happened at the suggestion of the Minister of Finance, who is also the Minister responsible for the GEPF and the PIC. This smacks of political interference.

What also concerns AMAGP is that the court dates for the two PIC court applications against Sekunjalo Independent Media and AYO have not been provided. We are assured, with no evidence being provided, that the PIC has implemented 60% of the remedial recommendations the Mpati Commission made, including those made with regard to Survé and his companies.

To add to our discomfort, we have now become aware that ABSA, for fear of further reputational damage, has closed the bank accounts of 24 companies directly or indirectly controlled by Survé.

Obviously, many questions now arise in the context of the ABSA decision: How safe is money invested in these companies and can the PIC be trusted to recover the money owed to the GEPF? We need to know what steps the BOT is taking to prevent further losses of GEPF money. Will they keep contributors to the GEPF informed or will they continue to ignore our fears?

Adamus P. Stemmet (AP) Spokesman AMAGP

Comment

FNB has also terminated AYO's accounts. Other banks will likely follow suit.

Synopsis

The facts about the UDM's court cases: Lebashe and Harith General partners

By the UDM

The United Democratic Movement (UDM) wishes to clarify the confusion caused by the incorrect reporting around its multi-legged litigation against the former Deputy Finance Minister and Public Investment Corporation (PIC) board chairperson Jabu Moleketi, former PIC senior executive Tshepo Mahloele and their companies Lebashe and Harith General Partners, all of which were beneficiaries of PIC funding before Mr Moleketi and Mr Mahloele obtained financial interests in these companies.

The Supreme Court of Appeal (SCA) did not dismiss the appeal but struck it off the roll on the technicality that the interim order is not appealable. A written judgment will be issued in due course, but Justice Cachalia, who was presiding, indicated that there might be a minority judgment of one or two of the five judges who sat in the appeal.

The main case of defamation is still awaiting a trial date. It is at that trial, brought by Mr Moleketi and others, that the question of whether the UDM and its President Bantu Holomisa had defamed the plaintiffs, when they sent the letter to President Ramaphosa raising allegations which led to the appointment of the commission of inquiry into allegations of impropriety regarding the PIC.

Once the judgment is issued the UDM and its president will head to the Constitutional Court to appeal against the appealability ruling of the SCA.

Mr Moleketi and the others brought a second case for a gagging order in July 2020 regarding another letter dealing with allegations of similar corruption at the Development Bank of Southern Africa involving Mr Moleketi who used to chair the DBSA board.

They withdrew their urgent application and were ordered to pay the UDM's costs. They then brought their main defamation application which was argued in September 2020. Judgment was reserved and it is expected to be handed down shortly in that round of the many battles between these parties.

In short, at the moment the parties are awaiting two reserved judgments, one in the High Court and the other in the SCA. The UDM also awaits the payment of its costs by the other side as recently ordered by Judge Tolmay in the High Court.

The UDM is committed to exposing corruption whenever it rears its ugly head. One of the most prevalent forms of corruption is known as "the javelin" which refers to the situation where a public official "joins the private sector" only to find them benefiting from contracts concluded with their previous public entities. This is at the centre of all the cases between these parties.

Issued by:
Mr Bantu Holomisa, MP
UDM President

Comment

The UDM is a staunch campaigner for doing what is right. The murky view of many of the PIC's investments doesn't allow the full scale of the lack in ROI of these investments to alarm us. Very little is known of these investments, leaving the continued suspicion of lack of oversight and possible wrongdoing.

Synopsis

Can I transfer my GEPF pension fund into a private living annuity at retirement?

If so, are there any tax consequences to consider?

Moneyweb
By Michael Haldane
14 Apr 2021

Can a government employee who belongs to the GEPF. transfer their whole pension fund into a private living annuity at retirement? If so, are there any tax consequences to consider? I have noted that the GEPF on its website has guidelines that indicate it provides an annuity which appears to be a guaranteed life annuity of five years post-retirement at least.

The biggest benefit of the GEPF is that it has been structured as a defined benefit pension fund, that means all the members' and beneficiaries' benefits are guaranteed. In simple terms, it means that members of this fund do not have to be concerned about market fluctuations and anything associated with investment risk as their eventual annuity payments are guaranteed.

The well-published debacle around the Transnet Pension Fund unfortunately highlighted the concerns of members as to the actual wellbeing of some of these schemes – and the recent argument put forward by certain role players to have income levels capped at a paltry 4% to assure the solvency of these schemes has also increased members' uncertainty as to whether their interests will, in fact, be managed optimally, and whether there will be enough annuity income to live off.

The GEPF's current retirement age is 60. If a member applies for early retirement from the age of 55, then such a member could potentially lose 0,33% per month of the retirement benefit accumulated to date.

It is advisable to familiarise yourself with any penalties when accessing any retirement benefits early.

The only members who may in fact transfer their investment benefits from the GEPF are those who have resigned or who have been discharged. On resignation, a member may take full benefit of accessing a lump sum or may then decide to transfer the entire benefit to an approved preservation fund in order to access the capital at a later stage. The vested rights principle may be applicable, considering the recent changes to retirement structures.

The GEPF rules prevent a member from transferring benefits to another provider if they have already retired from the GEPF. Any member who wishes to have benefits transferred from the GEPF must, therefore, resign and not apply to retire from the GEPF. The benefits can then be transferred to a recognised retirement preservation portfolio.

When retiring from any preservation fund, the SARS retirement tax tables will be applied to any withdrawals made. The current one-third tax-free lifetime limit will be applicable, but with GEPF investments there are further potential tax-free benefits when accessing the capital.

Although the GEPF is a defined benefit structure, the member, unfortunately, does lose control of the capital and will not have any insight into the Fund's investment selection and may not change the income levels at any stage, if they decide to retire within the GEPF.

It is crucial to understand the actual benefits of the guaranteed annuity by retiring from the GEPF and forfeiting the capital, or to rather take control of one's own destiny by resigning and to structure a retirement portfolio outside of the GEPF that can also be adjusted annually in accordance with personal preferences and or needs. This further allows the possibility of the remaining capital to be left to an estate or beneficiaries.

Comment

Some good advice. Whether you should do it is for you to decide, but don't do it lightly without proper research.

Synopsis

STATEMENT R7/21
ISSUED ON BEHALF OF THE ASSOCIATION FOR THE MONITORING AND ADVOCACY OF GOVERNMENT PENSIONS (AMAGP)

Cape Town
18 April 2021

SEKUNJALO: INDEPENDENT MEDIA: AYO TECHNOLOGIES: OUR FEARS CONFIRMED

Two weeks ago, we asked in a media statement how safe our workers' and pensioners' monies are in the Survé/Sekunjalo group of companies. Although we pressed for assurances not a word was heard from the Minister of Finance, the Public Investment Corporation (PIC) or Board of Trustees (BOT) of the Government Employees Pension Fund (GEPF).

The recent closure of bank accounts of Survé-linked companies by ABSA and now also FNB for fear of reputational harm, also demands a response from the Finance Minister, the PIC and BOT. **However, we now accept the silence of these people and instances as confirmation and acknowledgement by them of our worst fears: Our pension fund stands to lose about R6bn in these very questionable transactions without a finger being lifted by the people and instances we have trusted with our pension savings.** What is more, they not even had the decency to react to the concerns of pensioners.

Obviously other banks will follow ABSA and FNB. We also note that many of AYO's banking transactions are done with the Bank of China. These recent developments keep reminding us of what happened with the Guptas.

The PIC, on the watch of the previous CEO Dan Matjila, risked almost R6bn in funds generated by the monthly stop order pension fund deductions of government workers, in two companies linked to Survé, Sekunjalo Independent Media and AYO Technology Solutions. It would have invested a further R3bn in Survé's dubious tech start-up, Sagarmatha Technologies, had it not been for the timely intervention by the Johannesburg Stock Exchange (JSE).

The JSE subsequently imposed a R6,5mn fine on AYO. AMAGP was alarmed by the reasons advanced by the JSE for this decision. In its statement the JSE said that it had … ***'identified apparent shortcomings in Ayo, including not having a suitable amount of qualified staff in the finance team and inadequate financial controls in place to ensure the accuracy and completeness of financial information disseminated to the market.'***

What AMAGP gleans from this is that AYO lacks the expertise necessary to generate sufficient income to repay the original investments in Sekunjalo and AYO, let alone generate a return on that money that would safeguard the pension requirements of the country's government employees.

What is equally disturbing is the submission by the PIC, that Sekunjalo Independent Media is technically insolvent when it filed papers in the Cape High Court in November 2019 seeking the liquidation of this company.

The assessment of the markets is relevant in this case because the R43 per share the PIC paid in a rushed transaction when Ayo listed on the JSE in December 2017 are now selling for less than R10 each – signalling a massive loss for the GEPF.

What led to the fears by ABSA and FNB, that their continued banking involvement with companies linked to Iqbal Survé could result in unacceptable reputational risk?

> Firstly, there was the finding by the Mpati Commission that all transactions between Survé and Daniel Matjila were suspect and needed to be investigated.
>
> Secondly, the Financial Sector Conduct Authority (FSCA) is investigating Survé for potential share price manipulation - a contravention of the Financial Management Act, which potentially carries a penalty of up to 10 years in prison, a maximum fine of R50mn or both.
>
> Thirdly, evidence before the Zondo Commission attests to the fact that two tranches of R10mn each were transferred from a secret slush fund to the Survé-linked African News Agency (ANA) for the purpose of training spies to infiltrate the newsrooms of rival news companies.

What is really alarming is that the provisional court dates for the applications filed by the PIC to liquidate Sekunjalo Independent Media and to recoup the R4,3bn irregularly invested in AYO, have been kept as a close secret by the PIC. It has been reported that the PIC refused to respond to enquiries in this regard by newspaper reporters. **WHY?** To sweep these matters under the carpet? Has it abandoned these court applications? Again, **WHY**? Will the PIC be held responsible by the GEPF? Or is the brotherhood between government, the PIC and BOT too strong to hold anybody responsible?

Two and half years have elapsed since Tito Mboweni informed parliament that Survé was refusing to repay the money advanced by the PIC for the purchase of the Independent Media newspapers. Five months later, Survé testified under oath at the Mpati Commission in April 2019 that, while he was refusing to service the loan from the state asset manager, he was servicing the loan from a Chinese consortium which part-funded his purchase of the Independent Media newspapers.

Still no visible steps to recover the money!

What this all makes clear, is that the chances of the GEPF receiving any financial benefit from the collaboration between Iqbal Survé and Daniel Matjila, which was revealed by the Mpati Commission hearings, is effectively zero.

In the meantime, AMAGP again expresses its concern about the absence from these deliberations of the GEPF's BOT. Are they doing anything to prevent yet more financial loss to the GEPF? Is effectively going AWOL perceived by them to be part of their remunerated fiduciary obligations?

If these huge amounts are allowed to slip away, how could government workers and pensioners ever again trust those responsible for such losses with the current and future financial viability of their pension fund?

The Board consists of 16 members. Eight are nominated by the employer – government. Six are nominated by the unions of which some obviously side with government when decisions are taken. This gives the government complete but unwanted control of this pension fund from the Minister downward through the PIC, with the Deputy Finance Minister as Chairman, of the GEPF.

The people most affected - the pensioners - are represented by one single member of the BOT.

Given the losses sustained by the PIC as revealed by evidence before the Mpati Commission, has the time not come to appoint independent asset managers? Furthermore, should the composition of the BOT not be reconsidered?

Seeing that no answers on the matters mentioned above are forthcoming from the Minister, the PIC and the GEPF, we at AMAGP now place our trust and hopes on the meeting of the SCOF during May 2021 when the GEPF is expected to present their annual report for 2020/21.

Hopefully they will then also provide the outstanding answers to the questions posed by members of SCOF more than a year ago on 19 February 2020.

Comment

The total still working GEPF members [about 1,2 million] and pensioners [about 400 000] are 1,6 million, according to GEPF statistics. Thus, the pensioners represent about 25% of the Fund with only 6% representation in the BOT [1 out of 16]! Does this not reveal the lack of concern about pensioners? Focusing only on contributing members of the Fund and not the beneficiaries.
'Government' has its own pension fund, and, no doubt, the trade unions management representing serving members also their own. Trade unions have a vested interest only in the current wellbeing and remuneration of the serving members, and little if any of their future when retiring. Begs the question, what is their role on the Board it they aren't looking out for the retirement or their members?
This statement was carried as is by BizNews on 19 April.

Synopsis

ABSA and FNB perpetuate apartheid tactics

Daily News
By Thabo Makwakwa, Bongani Hans
19 April 2021

ABSA and FNB have been accused of perpetuating apartheid era tactics in South Africa's embattled financial services sector.

Industry experts and political parties have raised these concerns after accounts belonging to black-owned businesses continue to be closed "with impunity".

Black-owned businesses and scores of ordinary South Africans, according to various analysts, have found themselves at the receiving end as banks in the country perpetuate what they described as 'weaponized apartheid era tactics' through financial exclusion of black people in the banking sector.

In an exclusive interview at the weekend, private financial consult and investigator Emerald Van Zyl said the apartheid tactics were in full swing and black people as well as their businesses were viewed as a 'risk'. He claimed they were either overcharged or shut down, disabling them from participating in the economy of the country.

"It is disappointing that banks are involved in such horrific crimes of apartheid tactics. They are deliberately sabotaging blacks. These are pure patterns of apartheid in motion," said Van Zyl.

According to Van Zyl, letters have been written to government officials exposing banks for their discrimination on black people. He added that he has since taken FNB to court for its "racist discriminatory treatment."

Director and Research Head at Firstsource Money and founding executive board member of London-based Monetary Reform International, Redge Nkosi said it was unimaginable that banks were closing accounts of individuals or firms that depend on them for their real economic activities.

"These institutions are supposed to fulfil the 'financial inclusion" purposes of society; a very important mission for the government. The only time I expect them to close accounts is when an account holder poses significant risk to both the bank, its shareholders and the public purpose for which they serve, e.g. some fraudulent act that places both the bank and the public in some danger. If the practice of closing accounts is viewed by the general public as one that is rather troubling, such an act could deter well-meaning firms or individuals from engaging in any meaningful business venture (investment) for fear of a bank or banks closing their accounts for reasons that are more political than anything else," Nkosi argued.

Nkosi added that the South African banking system was oligopolistic in nature and thus tends to act in "concert'. This is the challenge researchers or academics see in the banking system and that was why calls for the diversity of banking systems and models were being loudly made.

"It is common knowledge that SA banks are discriminatory in their practices. They do, obviously, not accept this but many people have proven it. But they also exert considerable influence over a number of issues in the economy that are in many ways political in tone," Nkosi said.

On Thursday AYO Technologies communicated to its shareholders that the company received notice from FNB on the closure of its transactional accounts and that it had since launched legal proceedings against the bank.

The move to close the company's accounts became a heavy subject of criticism by business organisations and political parties slamming FNB's decision to shut down the accounts of AYO Technologies. There are more than 2 000 people employed by the company whose jobs are on the line.

Nadiah Maharaj, FNB's chief risk officer confirmed the bank has given reasonable notice to terminate its banking services to Ayo Technologies but would not provide any further details.

Political parties also entered the fray, accusing the country's banking sector of being hellbent on destroying black-owned, progressive businesses that were not connected to the political elite.

The African Transformation Movement (ATM) also expressed shock and dismay at the Absa and FNB move, which it said was unwarranted. Through its spokesperson Sibusiso Mncwabe, the party said the banks had not provided tangible evidence of wrongdoings against Ayo and other associated companies.

"They (banks) have not shown us an outcome of investigations, which shows that there is money laundering. But we have got serious scandalous cases of Steinhoff, but Steinhoff is still operating as normal as we have not seen its accounts being cancelled while billions of Rands of pensioners were lost," said Mncwabe.

The ATM questioned criteria, which the banks used in targeting certain companies in which law enforcement agencies were not involved to prove wrongdoings. "We would be glad to get more from FNB and Absa that there is valid evidence, there are corrupt activities, there is money laundering in the accounts, and how does that affect the banks' business image. We don't know where the banks source the information that led to their decision," said Mncwabe.

The National Freedom Party (NFP) also lashed out at the two financial institutions, saying their action called for the establishment of a state-owned bank.

NFP MP Ahmed Munzoor Shaik-Emam said what the two financial institutions did was an example of how the private sector monopolises the country's economy.

"Our people will always be under the mercy of these few people that control the entire economy including the financial sector. There is absolutely no evidence; they have given no good reason why they are closing the accounts. This calls for government intervention, it calls for the South African Reserve Bank (Sarb) to intervene in this matter, and the NFP condemns with the contempt it deserves the attitude of the financial institutions, the monopoly and control they have over the economy in South Africa," said Shaik-Emam.

Comment

Guess who the Daily News belongs to?
I thought, dear reader, you might enjoy the self-serving cliché-ridden double speak in this excuse for an article. Note vague and untraceable wording when reference is made to those 'concerned' about the closure of the accounts. Look for meaningless phrases such as 'common knowledge', 'apartheid tactics in banking', and other similar excuses.
Read the second and third paragraphs again and realise how little is actually contained in them. Then the next paragraph refers to a person and institution of unknown credibility. Etc, etc.

Synopsis

Letter to the Editor,

CADRE DEPLOYMENT AND THE GOVERNMENT EMPLOYEES PENSION FUND

It is now official: It has always been ANC policy "to deepen the hold of the liberation movement over the levers of state." So has Minister Gwede Mantashe reasonably honestly admitted to before the Zondo Commission, although he tried to justify it. For all South Africans who over the past 27 years visited a government office for whatever purpose, this was not news. We experienced it.

Mr Enoch Godongwana was even more honest and brave enough to admit to cadre deployment - this is the man who believes the GEPF belongs to the government. He is also the Chairman of the ANC's NEC subcommittee on Economic Transformation.

During an interview he said "What is undermining accountability is the creeping of patronage under the guise of deployment …. greed is one …… where people are put in positions to get access to sources." Access to resources? Indeed. We know it.

What the two gentlemen said was of course nothing new. Already in February 2018 President Ramaphosa said: **All too often people have been hired into and promoted to key positions for which they are neither suitable nor qualified."** also **" ....contributes to nepotism, political interference....., lack of accountability..., mismanagement and corruption."**

The policy applies to all government instances and the decay down to the lowest level is clearly visible. The question and doubt thus involuntarily arises why the GEPF should be an exception? It was not. Does this not explain the unholy issues exposed in the Mpati Commission pertaining to the PIC and the GEPF? Also, what is not happening. Skewed and illegal investments? Misuse of government policy regarding the BBBEE to justify illegal investments? Rotten service where pensioners and widows must wait for up to one year for their pensions, to mention but a few?

Who are the cadres serving on the boards of the PIC and the GEPF? And the staff? Would these people, now that the ANC exposed its policy, resign? Or would the honest Mr. Godongwana point them out to us? Transparency demands this.

Mr Godongwana also said there is a feeling that cadre deployment served its purpose and should be replaced by professionalism. There is apparently a plan for this. Another ANC plan? A plan to be executed by deployed and incapable cadres? Like the toddler we say "Show me!!" He says it will happen. They say "As far as we can." Why is the gate for incapable cadres kept open?

Please explain more Mr. Godongwana.

Adamus P Stemmet

Comment

As always, a succinct letter from Adamus Stemmet, identifying the core of the 'government' problem. The easy way to change this is massive change in voting in the elections at the end of the year.

Synopsis

National

State may have to absorb R250bn of Eskom's debt to save it

BL PREMIUM

28 April 2021

By Garth Theunissen

Eskom's Megawatt Park headquarters in Johannesburg. Picture: Bloomberg/Waldo Swiegers

As much as R250bn of Eskom's debt, the equivalent of about 6% of SA's GDP, will have to be absorbed by the National Treasury to ensure the financial sustainability of Eskom, Absa says. It could push SA's fiscal debt trajectory to above the level the Treasury is targeting to stabilise its own finances.

Peter Worthington, a senior economist at Absa, said on Wednesday that improving Eskom's debt position could involve either moving R250bn of Eskom's debt liability directly on to the Treasury's balance sheet or creating a special purpose vehicle (SPV), guaranteed by the national government, to house a portion of Eskom's debt.

While that would push up the state's debt-to-GDP burden beyond the 88,9% it is targeting by 2025/2026, it may be preferable to leaving Eskom to deal with its debt in isolation, said Worthington. "Moving debt off Eskom's balance sheet and onto Treasury's would leave you with a cleaner, more sustainable Eskom," said Worthington.

"Treasury would also be able to borrow at cheaper rates than Eskom ... this is a problem for [the] government to fix and it's going to be easier for [the] government to deal with a centralised debt pool than leaving it up to Eskom, over which it has less control.

The government has so far avoided taking direct responsibility for Eskom's debt, as this would imperil its own fiscal stability and increase the chance of further sovereign credit ratings downgrades. Yet, people familiar with the process told Business Day at end March that the Treasury was in talks with several banks about creating an SPV to house at least R100bn of Eskom's debt.

Partial or full privatisation of state-owned entities remains unlikely given the political opposition to it but statements by the Department of Public Enterprises that it has been in talks with a possible equity partner for SAA may show a willingness by the government to partner with the private sector to solve its debt woes, said Worthington.

"If they sell a significant stake [in SAA] to a foreign investor it could mean they're more open to partial privatisation. Whether they'd sell a majority stake remains to be seen," he said.

Comment

The matter of SPV is contentious for the GEPF. The billions of the previous SPV the PIC had a hand in ended up in Mauritius,

actual status not available. Just the mention of another SPV should make the BOT sit up, take notice and refuse. Let's see …
Of course, it is just prudent of Treasury to be talking about an SPV, a well known financial instrument. Probably linked to Eskom?

Synopsis

Business Maverick

TRADE UNIONS REPRESENTING PUBLIC SERVANTS GET READY TO RUMBLE

By Ray Mahlaka
28 April 2021

Striking public servants march through the CBD of Cape Town on 26 August 2010. (Photo: Gallo Images/Nardus Engelbrecht)

Trade unions, including the PSA, others affiliated to Cosatu, and Fedusa, have rejected the government's revised compensation offer for 2021 and said negotiations have now reached a deadlock. The unions are closer to embarking on a strike.

Talks between the government and trade unions over salary increases for South Africa's public servants in 2021 have collapsed, with both parties failing to agree. South Africa has been here before and the contentious matter has become a merry-go-round, with trade unions representing public servants tabling inflation-beating salary increases every year, that the government decries as being unaffordable.

This year is no different. The government and trade unions last met on 23 April at the Public Service Co-ordinating Bargaining Council (PSCBC), where both parties negotiate terms of employment. At the PSCBC meeting, trade unions repeated their demand for a salary increase of CPI plus 4% — effectively 8,3% considering that the SA Reserve Bank expects consumer price inflation in 2021 to average 4,3%.

The government rejected union demands at the PSCBC and reiterated a proposal to not give public servants salary increases. Instead, the government's negotiators have revised their offer by sweetening other fringe benefits for public servants including increasing their annual leave, linking salary increases to employment level progression, and increasing daily allowances such as transportation and healthcare costs.

The government wants to impose a salary freeze for public servants over the next three years to cut its spending by R300bn and bring its ballooning debt under control. The compensation of public servants makes up 32% of the government's total expenditure of R2tn in 2021/22.

But trade unions have argued that the government is solely responsible for the mismanagement of public finances and the economy and that public servants shouldn't bear the brunt of the state's failures.

Talks have reached a deadlock

Trade unions have rejected the government's revised compensation offer and said negotiations have now reached a deadlock. The deadlock means that the government and trade unions cannot be left to their own devices to negotiate for resolutions to the impasse. Trade unions have two options.

> The first is that the government and trade unions stick to the PSCBC process, whereby negotiations will move to conciliation to break the deadlock.
>
> The second option is for trade unions to ask the mediator at the PSCBC for a certificate that allows public servants to go on strike over salary increases. *Business Maverick* understands that the PSA and Cosatu unions are prepared to embark on a strike only if it is protected.

Minister Mchunu has taken an unprecedented step by asking the public, including economists, actuaries, civil society organisations and individuals, for help in tabling proposals on how to end the deadlock. **DM/BM**

Comment

It seems trade unions and public servants aren't part of us, who have to bear the *negative economic effect of COVID. No mention of pensions, of course. Or the negative effect the massive salary bill has on the economy. A salary freeze is unlikely to affect civil servants negatively, I believe; I wonder if we will even notice a strike by civil servants if it is only a week. Will politicians be part of the strike then?*

Synopsis

Opportunity knocks, loudly and desperately

4 May 2021

INCE|Connect

By Allan Greenblo, editorial director of Today's Trustee

Retirement funds must take the lead. If they have to wait for government they could wait forever.

Don't breathe too easily just yet that the threat of prescribed assets is forever off the table. Rather assume that it will loom, as a sword of Damocles, depending on how institutional investors respond to the revised Regulation 28, still in draft, purportedly intended to facilitate investment in infrastructure.

There's an element of duplicity in the new Reg 28 being welcomed by pension funds. It's as if their investment in alternatives had been cramped by the old Reg 28. Yet few ever approached its ceilings. Perhaps their enthusiasm stems partly from relief that prescribeds remain the great unmentionable.

That's notwithstanding the reality. SA desperately needs infrastructure developments on a scale unaffordable by a depleted fiscus. It's depleted by having perpetually to top up for squander. Also, many existing state-owned infrastructure projects are in decay. They require massive refurbishment at taxpayer expense.

This is one level of the infrastructure challenge. Over and above it are demands for new infrastructure projects which must necessarily rely for finance on retirement funds.

Noble intentions

Proposed amendments to Reg 28, which set out prudential guidelines under the Pension Funds Act for funds' investments, are intended to allow for the "infrastructure gap" to be bridged. This is done through a series of redefinitions and revised ceilings; for instance, a 45% maximum exposure to domestic infrastructure across all asset classes.

Importantly, and sensibly, the decision to invest in any asset class remains the decision of retirement funds' trustees. But they can only make decisions based on the projects they create or are created for them. In the face of urgency, their wait for offerings from the state runs indefinitely from one year to the next.

At present the pockets of people's savings under management of retirement funds, which should lend themselves to long-term horizons, are overconcentrated on listed equities and government bonds. Their need for prudential diversification should theoretically lay the basis for an ideal marriage, between the public sector on the one hand and private-sector funds on the other, to live happily ever after in an infrastructure bliss.

But only theoretically. So long as the principle of trustees' fiduciary duty endures, private sector confidence in the public sector is too low for the partnership to be uncritically embraced. Suffice the testimony by ANC chairperson Gwede Mantashe to the Zondo commission on the overlaps of state and party, and the tolerance of maladministration.

Such is the state's record of governance failure and operational lethargy that President Ramaphosa's whole "kickstart" ambition smacks of fantasy.

Instead of advancing a focused clutch of projects for see-through to yield and impact, government has identified a myriad wish list impossible to assess. Instead of clarity on whether Reg 28 accommodates only public infrastructure, to the exclusion of private, there's obscurity. Instead of boldness in the unlisted space, which has greater potential than listed for local content and job creation, caution is the watchword.

In a report commissioned from Intellidex by Business Leadership SA, strong recommendations are made for infrastructure investment to be stimulated. The only surprise in them, long enunciated, would be acceptance and implementation by the ruling party in an ideological time warp. It shows in that, when public-private co-operation might have been expected to flourish through the Covid crisis, it failed.

Active funds

For its part, the private sector bristles with infrastructure initiatives. Asset managers Old Mutual Alternative Investments and Futuregrowth, to name two, are shining participants.

In May last year Stanlib launched its Khanyisa Impact Investment Fund, managed by Stanlib Credit Alternatives, targeting a return of 4,5% over rolling 12-month periods. More recently, in September, Novare started to build a R2bn impact fund with a targeted return of CPI+12% mainly from the agriculture, manufacturing and infrastructure.

Most recently, RisCura launched SA's first Impact Fund of Funds investment series. It focuses on unlisted debt, unlisted property an unlisted equity. The fund of funds structure enables "a pooling mechanism for long-term impact capital that can provide a stable source of funding for commercially competitive impact and development projects", points out MD Malcolm Fair, while also helping to mitigate risk and liquidity concerns.

Seemingly off the top of his head, Dean Moore of Alexander Forbes Investments rattles off a sample list of available opportunities within the private equity and infrastructure classes. None are "public infrastructure", but he believes that all can provide pension funds "with attractive inflation-beating returns that complement traditional asset-heavy portfolios".

Pension funds had better grasp the nettle. Or else. Imagine a government raid on their assets to support vanity projects managed by cadres. Not too hard to imagine, unfortunately.

THE DISEASE OF DEAFNESS

Maybe, in its desperation for money, government will at last listen to recommendations for the stimulation of investment in infrastructure. It's been said before, again and again, but this time it's from the Intellidex research endorsed by Business Leadership SA.

The're reminders of what sits in the bag of promises unfulfilled. There cannot be a public-private partnership when one party doesn't hear the other.

Interventions that are not subject to the binding constraints of capacity shortages and funding are arguably the simplest for the state to implement, argues Intellidex. Policy changes essentially "free" to government include:

- Opening up own-generation licensing for companies to easily build new electricity-generating plants of over 1MW;
- Licensing spectrum for cellular networks to expand capacity and grow 5G networks;
- Concessioning by state-owned enterprises, particularly ports and rail, for private companies to use existing infrastructure;
- Finalising the Mineral&Petroleum Resources Development Act and Mining Charter to remove policy uncertainty and allow investment to restart.

Allan Greenblo is editorial director of Today's Trustee (www.totrust.co.za), a quarterly publication mainly for the principal officers and trustees of retirement funds.

Comment

A crystal clear and lucid explanation of the opportunities for pension funds, as well as the lack of ‘government’ momentum. Pension funds ‘own’ most of the economy via the stock exchange, including real estate! Definitely over invested.
Then, don’t forget the pension funds’ terrifying thought of ‘government’ initiatives: “Imagine a government raid on their assets to support vanity projects managed by cadres”!

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 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 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.

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!

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