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 10 of 2022

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 1.2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1.61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa.
https://www.GEPF.gov.za/ dd 26 April 2022.

We are the owners of the GEPF and we have the right to expect 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. Take note of the single pensioner on the BOT, with the election coming up.

The AMAGP remains 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.
YOU IN FACT!!

The Editor's Word

You might not know or remember; the Transnet pensioners were in dire straits after their fund was mismanaged. After many years [decades?] of expensive court cases, they obtained justice, with many pensioners passing away in the meantime in penury. Now, two years after being granted their rightful due, the remaining pensioners are still battling. The Minister of Public Enterprises is evidently responsible to see this sad state of affairs is resolved, to which the Ministry answered a parliamentary question:
"(a). The Ministry of Public Enterprises and the Ministry of Finance are currently assessing the submission. Once all the government processes have been adhered to and finalized, the Departments of Public Enterprises will revert to parliament to provide a final response accordingly."

The sad state of affairs, which the members of the GEPF can also be in if they don't maintain a watch over the BOT and the GEPF doings.

At the same time, watch out for renewed investments now that the PIC mandate has been renewed. Those 'government' projects lagging behind because of funding might suddenly show life …

AMAGP se segsman, Adamus Stemmet, het op 31 Mei 2022 uitgetree. Enige AMAGP lid wat graag hierdie belangrike pos op 'n vrywillige basis wil oorneem, kan op hierdie plasing reageer of 'n epos na my stuur by as.kleynhans@outlook.com
****
AMAGP's spokesperson, Adamus Stemmet, retired from this post on 31 May 2022. Any AMAGP member who wishes to take over this important post on a voluntary basis, can react to this message or send me an email at as.kleynhans@outlook.com.

Note. The Fund's investment values used in the newsletter are from the 2021 GEPF Annual Report. Such values are probably from about December 2020, as the AR was compiled after 31 March 2021, making the data only a guide to what the value of our Fund's visible investments currently are. The very recent actuarial value will be included when I get around to it.

Keep in mind AMAGP is entirely volunteer and unpaid and the unpaid volunteers will in due course pass on to final pension. At some time AMAGP's activities will cease if YOU members and pensioners don't step forward to take over the reins.

AMAGP regularly appears on the radio programme RSG to discuss pension matters. To determine how to provide better advice to our members, it would be appreciated if you could participate in and complete the survey by clicking on the link below.
https://control-mb.v3lomail.com/index.php/survey/vz702m8gey91c

Now for news from the media

Remember the AYO loans? The billions in shares bought at R43 are trading at R 2,62 on 27 May. The shares are paying a dividend for the second year running, which is good. However, the source of the funding for the dividends seems to be uncertain.

The Ministers of Transport and Public Enterprises are taking legal advice about fake news published about them in Independent Media, which is one of the media in Survé's collection of media outlets.

A good article from Sakeliga about BEE and why it is stifling economic activity. A bit long but good sense in the mainly political implications of BEE in South Africa.

A short piece about corruption in the Police logistics, which shouldn't be newsworthy for the GEPF. What is relevant is the use of Sassa holders in the scheme and policemen involved retiring while the case is being investigated.

Barbara Curson provides an introduction to the threat facing government pension. With frightening questions in summary.

The COO of the PIC has been suspended and two of the senior officials have resigned. This doesn't gender confidence after the Mpati Commission findings.

Eskom remains in the news, with the 'government' stating clearly that the GEPF taking over a large part of its debt is still being discussed. Horrifying! And only the PSA reacted, no comment from other unions.

The IMF also commented briefly on the status of Eskom's debt.

NUUSNEWSNUUS

Synopsis

Ayo dividends near R1bn as 'PIC cash pile' dwindles

Despite interim loss, group will still pay over R120mn in dividends …

Image: Shutterstock

Ayo Technology has declared an interim dividend of 35c per share despite the group reporting a headline loss of R122mn (35,9c per share) on revenue of R859mn in the six months to 28 February 2022.

The interim dividend totals R120,4mn but is more modest than the R223,7mn (65c per share) dividend declared at the half-year mark in 2021.

In total, Ayo declared dividends totalling R326,9mn in the last fiscal.

Since listing in 2018 and with this interim declaration (to be paid on June 14), Ayo will have paid out a total of R950mn in dividends.

It defended the large dividend declared in 2021 (65c interim and 30c final), telling Moneyweb that "Ayo has an established track record of paying dividends and decided to maintain its dividend despite a challenging trading environment".

It continued: "While committed to its listing vision, the group retains a significant cash balance and returned some of this cash to shareholders. The Board declared a dividend with the realisation that its shareholder base were largely pensioners who had not received much dividend income during the pandemic."

Ownership and controversy

Its 2021 annual report discloses that Ayo has 1 133 individual shareholders who hold 12 million shares, or just 3,5% of the group.

In 2017, the PIC controversially invested R43bn for a 29% stake in the technology solutions firm linked to Iqbal Survé.

Survé's family holding company, Sekunjalo Investment Holdings, has a majority stake in JSE-listed African Equity Empowerment Investments (AEEI) which in turn holds 49,36% of Ayo. This means Sekunjalo has indirect control over Ayo.

The PIC and the GEPF issued a summons to Ayo in May 2019 which sought a declaration that the subscription agreement entered into by the PIC with Ayo be declared unlawful and set aside. The summons also requested that "Ayo be ordered to pay the PIC R4 290 654 165, together with interest of 10,25% per annum accrued from 22 December 2017 to the date of final payment".

Ayo instructed its attorneys to oppose the action and says "the matter is currently in discovery".

In its financials, Ayo says that: "In the event that the PIC and GEPF are successful in their court application, management believes that they will be able to reconfigure the Company into a pure investment holding company. Ayo has several subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for Ayo."

Last year, Ayo received R1,848mn in dividends from its subsidiaries. In the six months to 28 February 2022, it received dividend income of R3,129m from these units.

Objections

Ayo further noted in its 2021 annual report that: "The consistent association and discredit of our brand with investigations of impropriety at the PIC during the Mpati Commission of

Inquiry continues to erode the value we work hard to create for our stakeholders."

Ayo has previously objected to the description of its cash balances as the "PIC's money". But without the investment of R4,3bn by the manager of government pensions, it is unlikely the Ayo would have billions in cash on hand.

Last year, the group earned R164mn in interest. Of this, R96mn was from its cash balances, without which its R200,5mn loss before tax would've been 50% higher.

In the most recent six months it received interest income on its cash of R36,7mn. Ayo highlights that there "was a significant decrease in the prime overdraft rate, which resulted in a significant decrease in the interest rate that the group obtained for its cash holding". Its loss before tax was R85mn. It says in prior years "the group earned an average of 3,5% per annum from its cash holdings".

Its financials show a total of R207,9mn invested with Vunani Securities.

Cash burn

The results for the half-year to end-February show bank balances of R1,513bn.

In the six months, it burnt through R650,2mn in cash from a balance of R2,16bn at the start of Septembe).

In the last full financial year (2021), it burned through R1,06bn in cash.

The PIC indicated in December that Ayo's dividend payments would be "subject to legal review".

Comment

We can only speculate on the source of the "retains a significant cash balance".
Interesting, Vunani [see above] just happens to be one of the fund managers of the GEPF.
If I follow this correctly, Vunani is one of Survé's companies, thus the GEPF pays commission to it for the investing it does. Hmmm …
The court case? Dating back to May 2019, seemingly with nothing happening? Except probably with well-paid lawyers writing letters to one another to keep the case alive but moribund.
Whose money is being used to pay the dividends if AYO is lossmaking?

Synopsis

Independent News Media a Fake News Factory – Mbalula & Gordhan

Politics Web
27 May 2022

Joint media statement by the Ministers of Transport and Public Enterprises

The Ministries of Transport and Public Enterprises wish to dismiss the falsehoods and fake news peddled by the owners, editors and 'journalists' of the Independent Newspapers group, who are determined to advance anti-democratic political objectives in and outside of Government, by regularly misleading the public with disinformation.

For the past three days, various titles of the Independent group have published a series of patently false front-page stories regarding Ministers Fikile Mbalula and Pravin Gordhan.

With dishonest speculation and malicious conjecture these headlines – "Fikile Mbalula, Pravin Gordhan allegedly fell out over R17 billion Sanral contracts" and "Fikile Mbalula allegedly accuses Pravin Gordhan of trying to cause rift…" – make accusations, with no factual basis, that Minister Gordhan has improper, corrupt relationships with service providers of the South African National Roads Agency (SANRAL), that "Gordhan interfered" in SANRAL tenders to benefit a private company and that there is disunity and divisions in Cabinet.

These events, which according to the group's newspapers, are based on the mythical accounts of anonymous "Sanral and government sources", apparently occurred at a Cabinet meeting on 18 May 2021, where, the public is told, the two Ministers "fell out" about SANRAL contracts.

This is patently false: First, Minister Gordhan did not attend the Cabinet meeting because of other responsibilities. Second, Minister

Gordhan has no business or personal interest in, or with any company that does business with SANRAL. Third, he has no authority at all over SANRAL or its procurement processes – the entity reports to Minister Mbalula.

This joint statement demonstrates clearly that there is mutual respect and collegiality between the two Ministers as cabinet colleagues. Both serve in Cabinet at the pleasure of the President, and both are unequivocally committed to carrying out their mandated duties, with professionalism and in the interest of the country.

Both Ministers are seeking legal advice on how to protect their rights and how to take action against a persistent, malicious, disinformation campaign conducted by Independent Media. It is important for the public to be reminded that Independent Media are deliberately not members of the South African National Editors' Forum, nor the South Africa Press Council and do not fall under the purview of the Press Ombudsman. In that sense, this has clearly become a 'rogue' element in the South African media industry. Is it no wonder that we have now been witnessing this devastating decline in (even the absence of) journalistic ethics, and standards of news reporting?

Of greater concern to the Ministers, however, is the damage these newspapers cause daily to our democracy by misleading the public with false narratives and fake, manufactured 'news'. This cannot be allowed or accepted: there must be consequences for their conduct.

We have entered a dangerous period in our democracy when once a reputable and influential newspaper group, which ought to hold elected officials to account (with facts and indisputable evidence gathered from diligent investigations), has descended into a totally discredited 'news factory'. This is bad for the country and the media industry that plays such a vital role in our democracy by informing the public.

The call to the rest of the South African media fraternity is to be cautious and vigilant when placing reliance on news headlines produced by Independent Media. Similarly, the public must be reminded of the group's audacious 'expose' in 2021, when they reported to the world, without evidence, that a mother of Tembisa gave birth to 10 babies at the Steve Biko Academic Hospital in Pretoria.

Lest we forget: South Africa and the world are still waiting to see the decuplets!

This newspaper group was bought with the pension money of public servants and it is a total irony that the government, which contributes a substantial amount to the pension contribution of public servants, is under consistent constant attack from Independent Media.

Ministers Mbalula and Gordhan are totally committed to their respective responsibilities and will take every opportunity to expose state capture, corruption and theft, and those who wish to disrupt government and the ruling party.
Issued by Department of Public Enterprises, 27 May 2022

Comment

Dear reader, a very lucid view by the politicians. Independent Media is one of the media in Survé's collection of media outlets.
*Note the reference to the newspaper group Independent Media being bought with "*pension money of public servants", *ie the GEPF.*
These are ia owned by Independent Media:

- *Cape Argus*
- *Weekend Argus*
- *Daily News*
- *Cape Times*
- *The Mercury*
- *Pretoria News*
- *Saturday Star*
- *Sunday Tribune*
- *Sunday Independent*
- *IOL*
- *The Star*
- *Business Report*

Synopsis

Why Sakeliga opposes BEE and what we will do next

PoliticsWeb
By Piet le Roux
27 May 2022

On 14 February 2022, almost five years after the initial litigation, Sakeliga achieved what was the first significant roll-back of a BEE-type law in South Africa in the Constitutional Court. The Court confirmed that the 2017 public procurement regulations, which disqualified companies from tendering based on the race of their owners, were unlawful and should be set aside.

Important as it was, the judgment was nevertheless limited in scope and merely established the first exception to what has hitherto been BEE's uninterrupted statutory expansion. At the Black Business Council dinner last night and the conference today, I was surprised to hear a different view, namely that there is already a massive roll-back of BEE going on. To this concern I must reply that, Sakeliga's court victory notwithstanding, BEE as a policy is still going strong in this country. We hope to change that, of course.

Today, after this one court case, companies who were prohibited from tendering for state contracts based on their owners' race have a prospect once again of offering their goods and services for public benefit, and members of the public likewise have that to look forward to. In consequence, the public had to suffer procurement of goods and services from an artificially and greatly diminished pool of suppliers.

Even among this audience here at the Black Business Council conference, some would have been excluded because of pre-qualifications. For example, in the Supreme Court of Appeal our case benefitted much from the testimony of a black lady, who owned 51% of her real estate company but who was disqualified from tendering because the state insisted on companies with 100% black ownership.

The judgment caused quite a stir and is, I suspect, the reason I have been invited to participate in this panel. The judgment was not welcomed by the Black Business Council. Indeed, even many of my fellow panellists have expressed concern and criticism. President Ramaphosa's reference last night to organisations that undertake what he called 'lawfare' on BEE was surely in reference Sakeliga and its litigation.

Common ground

One thing on which there seems to common ground, it that BEE as a policy is not working. The consensus extends to both proponents and opponents of BEE. There is indeed widespread dissatisfaction with BEE, even if it is for different reasons.

One more thing on which there might be common ground is on the purpose of BEE. I hear different versions of it every time I listen to a speech or read an article after events like this conference. But let met venture a proposal, and let it stand to be corrected, if necessary. I wish to propose that BEE, by whatever name it goes (eg. economic transformation, procurement, SMME development), is only a means to an end, not an end itself. If the end, toward which BEE is aimed, is the flourishing of black communities and black people in South Africa, then this is a legitimate aim, a laudable aspiration, and worthy of support.

Uncommon ground

Where I think paths diverge is on the evaluation of BEE as the appropriate means to the end. Increasingly, a swell of criticism against BEE as a policy, as a means, has been building. Not because people do not want the aim achieved, but because of their practical experience of BEE: both personally and at a social level.

The concern with BEE I want to put to you here, is our view that it is fundamentally impossible for the policy of BEE as we know it to achieve the aim of a flourishing black community and a flourishing society.

If I should summarise the objection from business's side, then I think of the words of the Harvard economist Ricardo Hausmann. He warned against especially the ownership element of BEE in a 2007 report for the Mbeki government. He called it: "An open-ended tax on existing and new capital".

Hausmann's concern was prescient. As is often the case with legislation or policies, BEE achieves the opposite of what its name would suggest. Its failure has nothing to do with the black part, but rather everything with the economics part. Or rather, the lack of economics, for BEE is the substitution of economics and politics.

It is a system of political instead of entrepreneurial capital allocation. Instead of goods and services being measured against the yardstick of what it means for consumers and the public, we measure it against government prescriptions. Complying with these prescriptions adds layer upon layer of structural cost to doing business in SA, and crowds out real value generation between people of different race groups and communities. Along the way it inevitably sacrifices on price and quality, a burden borne by the public.

Our argument that the policy of BEE adds structural cost to the economy, to the detriment of the quality and quantity of goods and services available to the public. I often hear government speaking about BEE as if it carries no cost, but this is misguided. If the government's interventions were cheap to comply with, businesses would not have gone to such lengths to avoid it, and government would not have kept expanding its range of statutory instruments. If BEE had no structural effect on cost, why would it be necessary to introduce pre-qualifications in tenders, or a points system that discounts price, or a Competition Authority that blocks mergers and acquisitions based on BEE criteria?

Alternative

"But what is the alternative?" one might ask. Ironically, the future of real empowerment probably lies in something identified, but rejected, by the architects of BEE 20 years ago in the 2001 report by the BEE Commission. It was chaired, notably, by now President Cyril Ramaphosa and was the basis for the Broad-Based BEE Act of two years later.

Reflecting on about 300 major BEE deals in the 1990s, the report identified and sought to curtail what it saw as a threatening development at the time. "The new trend is to fund [BEE deals] using a private equity model that: a) insists on own contributions, sector focus and operational involvement by the BEE company; and b) passes some of the risks to the target company."

In other words, the BEE Commission was concerned not that companies were unwilling to do business with black people, but on the conditions attached. These conditions were basic business requirements: companies insisted on a) the partner adding real value; and b) having skin in the game.

Sakeliga's future approach to BEE

BEE is not going to disappear overnight. While Sakeliga will do its best, the policy has found a deep foothold over decades and is still currently expanding. However, as much as Sakeliga will seek to hasten the turn-around, in the end BEE will collapse under its own economic contradictions: it is not a suitable means to an appropriate end.

Now, I might be wrong. BEE might actually work differently. Maybe I fundamentally misrepresent economics. That would be the point to challenge Sakeliga: by showing that BEE is increasing and improving the public availability of goods and services in this country.

For the foreseeable future, Sakeliga will remain a sparring partner for BEE proponents. We are expanding our efforts and will launch major challenges publicly and in the courts against the regulatory and legislative quagmire BEE presents. Last night, President Ramaphosa said that we are waging lawfare against BEE, but that is incorrect: Sakeliga's efforts are simply a legitimate reply, in the public interest, to what is, in fact, lawfare emanating from government.

Issued by Sakeliga, 26 May 2022

Comment

A very lucid view of BEE in South Africa, indicating the cost and practicality. Well worth reading. BEE seems to add costs to doing business if I read Sakeliga's standpoint correctly.
With the PIC's Isibaya mainly investing in BEE firms, Piet le Roux' s statement is of importance to us.

Synopsis

Pretoria family racket allegedly fleeced state using Sassa pensioners as front for dodgy police service providers

Illustrative image|Sources: Adobe Stock|SAPS logo

Daily Maverick
By Pauli Van Wyk
29 May 2022

Curious coincidences in investigations relating to questionable police service providers led the National Prosecuting Authority to believe that a family racket based in Pretoria uses Sassa pensioners, friends and family as a front to obscure their crooked dealings with the state. So far, one lieutenant-general, three brigadiers, two colonels, two lieutenant-colonels and a senior clerk in the police's supply chain management division were arrested in several cases, on charges of corruption and fraud, along with Chetty family members from Gauteng and their Gqeberha friends.

To catch a cop

In an investigation involving 23 crooked cops and about 30 companies that received more than R100mn in questionable state contracts, the NPA has arrested and charged members of the Chetty family, who live in Pretoria and Midrand, and their associates for running a vast, corrupt organisation.

Since at least 2016, Kishene Chetty and his father, Krishna, used companies registered in the names of employees, family members, friends and Sassa pensioners to fleece the state, notably the police, the NPA's Investigative Directorate (ID) found.

The ID indicated the true total contract value of the Chetty racket may be 10 times higher than first anticipated. The investigation continues.

The true damage done to South Africa and her people is, however, not through the theft of state money by one family racket, but rather the corrupting of an entire chain of command in the Police's supply chain management division.

Before their arrest in February 2022, some of these officers retired, perhaps sensing looming disaster. The rest have since been dismissed and are awaiting trial. The trouble is that corruption in one case often breeds corruption in several others which, over time, establishes a systemically dysfunctional system.

Corruption must also remain hidden to be successful. In the attempt at hiding the truth, more crimes are often committed.

ID spokesperson Sindisiwe Seboka said the ID was looking to "soon" enrol the main Chetty case again, this time, presumably, with the racketeering certificate ready. The drama, as the Nixon Watergate scandal taught the world, always explodes in the cover-up.

KJP Traders and the second Sassa pensioner

The case of how the second Sassa pensioner, Sarathamoney Devi Sigmoney, was used to shield alleged fraud and corruption, at first seemed totally unrelated to, and, in physical distance, far removed from the Chettys.

Events were set in motion when Colonel Fernando Luis from the Anti-Corruption Unit in the Eastern Cape complained about the quality of furniture delivered to his unit by a company called KJP Traders.

Luis was forced to receive office furniture he did not need nor want. Worse, the furniture was of poor quality, he complained. When he took up the matter with the manufacturer, they told him he was "obliged" to receive and sign for the furniture and that "it was an instruction from SAPS Head Office".

Smelling a rat, Luis reported his suspicions and the investigation landed on the ID's desk.

The police officers involved were allegedly caught trying to cover up their crimes by committing even more wrongdoing. The

NPA's ID caught up with them and their cases will be tested in court.

The harm done to the police by private business interests, greed and a devastating lack of consequence management will, however, need time to correct. **DM**

Comment

What is the implication of people receiving pension being involved in such crime and being found guilty? It depends on the nature of the pension of course, but if a very senior official such as a Lt-Gen retires and is then found guilty in such a case? What happens to the pension? I presume it carries on as normal; it needs some thought by the GEPF I think.

Synopsis

Is the GEPF vulnerable? Part I – Political risk

A snapshot of South Africa's political economy over the last 26 years.

MoneyWeb
By Barbara Curson
6 Jun 2022

The GEPF was formed in 1996, early on in South Africa's new democracy. It was a time of great optimism, positive political energy, business confidence, and growth.

With assets under management of some R2,1trn, and the government as the ultimate guarantor of the defined benefits to be paid to GEPF pensioners, what could go wrong?

A brief look at South Africa's political economy over the last 26 years

To understand the future political risk it is necessary to look at the last 26 years.

In 1996 the SA economy was vibrant. In his optimistic 1997 Budget Speech, then finance minister Trevor Manuel spoke of the exceedingly positive political outlook, but cautioned that the budget "challenges the Government to exercise choices, not all of them popular, to construct the environment within which all of our people will flourish".

In 1996, when the SA economy grew by 3,1%, it was the fourth consecutive year of growth.

The country had implemented the RDP, adopted a five-year plan, Growth, Employment and Redistribution (Gear), and established the National Empowerment Fund. The government commenced a programme to restructure SOE.

The government started being aware of crime. In his 2008 Budget Speech Manuel reported that: "Reinforcing the fight against crime is both about effective institutions and appropriate mobilisation of resources."

Meanwhile, SARS had gone from strength to strength, and by 2008 current Public Enterprises Minister Pravin Gordhan had served 10 years as commissioner of Sars.

In 2009 Jacob Zuma was appointed president of South Africa.

By 2014 the government had adopted the National Development Plan 2030 (NDP) as the "country's framework for economic and social transformation", stating: "The plan aims to accelerate growth to eliminate poverty and reduce inequality by 2030."

The then Minister of Finance Gordhan blamed "five years of global economic turmoil" as having "tested South Africa's public finances".

But we now know that state capture had already started eating away at South Africa's economy.

When Gordhan presented the 2016 budget it was a time of "low growth, high unemployment, extreme inequality and hurtful fractures in our society". National Treasury expected economic growth of 0,9% in 2016, after 1,3% in 2015.

It was reported that energy investment would amount to over R180bn over the next three years, as "construction of the Medupi, Kusile and Ingula power plants is completed".

Transnet was in the process of acquiring 232 diesel locomotives for its general freight business and 100 locomotives for its coal lines. Government guarantees to SOE amounted to R467bn – 11,5% GDP.

Even in 2015 Gordhan saw that the strength of the major state-owned companies was in their capacity to “partner with business investors, industry, mining companies, property and logistics developers, both domestically and across global supply chains”.

Nothing has come of this, other than the proposed sale of 51% of South African Airways (SAA).

In 2017 Gordhan reported that government debt stood at R2,2trn, or 50,7% of GDP. Optimistically, he announced that government debt would stabilise at about 48% of GDP over the next three years.

The 2017 Budget Speech also announced that the Prasa “continues to implement its modernisation and rolling stock renewal programme”, stating that: “Over the medium term, R16,7bn is allocated for 70 new train-sets for Metrorail.”

February 2018 saw Zuma resign from office and Cyril Ramaphosa take the oath as president of the country.

The then finance minister Tito Mboweni in his 2019 Budget Speech announced that Ramaphosa would fight corruption and state capture.

In 2022 gross debt reached R4,3trn (75,1% of GDP).

Commissions of inquiry

Former Public Protector Thuli Madonsela released her State of Capture Report in 2016. It led to the establishment of the Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State, better known as the Zondo Commission.

The Zondo Commission has already released four voluminous reports detailing its findings.

The Nugent Commission of Inquiry into Tax Administration and Governance by SARS released a report detailing the destruction of the revenue service in 2018.

In 2020 Ramaphosa released the report of the Mpati Judicial Commission of Inquiry into Allegations of Impropriety at the PIC concerning investment decisions made on behalf of the GEPF in the years 2017 and 2018.

The final Zondo report will be released in June. The mountain of evidence collected by the Zondo Commission has been made available to the NPA.

State-owned entities

SOE have incurred hundreds of billions in irregular, fruitless and wasteful expenditure, have allowed procurement irregularities, have traded while insolvent, and have failed audit reports. Many have not published 2021 annual reports.

The 2022 budget reported that “many state-owned companies remain reliant on government support, and several have missed their capital investment and loan disbursement targets”.

The 2022 budget reported that the “total amount for approved guarantees is expected to decrease by R21,5bn to R560,1bn by the end of March 2022, with associated exposure estimated to increase by R32,1bn to R416,8bn”. It added that: “Eskom accounts for 78,7% of these guarantees.”

Collapse of law and order

Over the years we have seen the collapse of law and order, including mafia-type attacks on construction projects, sabotage to Eskom’s plant and equipment, the wave of terrorism looting and arson attacks in the civil unrest of July 2021.

No big names have been held accountable, they still walk free, spending their ill-gotten gains with wanton abandon.

It is now 2022. There is only one government entity sitting on R2,1trn.

The obvious questions to be raised …

- If the GEPF becomes cash-strapped in 15 years’ time, will the government have the finances to bail it out?
- Who will be in government in 10, 20, 30 years’ time?
- The GEPF has already been harmed by corrupt practices, why should this not happen again?

- Where the politically connected criminals and arsonists have already resorted to murder, terrorist attacks, money laundering and theft, is this R2,1trn prize untouchable?

Comment

A good summary by Barbara Curson. The questions should make all the GEPF members and pensioners sit up and take notice.
I am looking forward to part 2. Or probably not, the threat only changes and doesn't diminish, irrespective of what the 'government' says.

Synopsis

PIC suspends COO, two more senior employees resign

By Bloomberg News
Moneyweb
2 Jun 2022

The PIC said it suspended COO Vuyani Hako pending an investigation into allegations of misconduct against him.

The PIC released a statement on Hako's suspension on Thursday. Separately, Lusanda Kali, the acting executive head of developmental investments and private equity, and Sholto Dolamo, the head of research and projects development, resigned, the PIC said. Dolamo was also recently acting chief investment officer.

The suspension and resignations are the latest turmoil to hit the fund manager, which oversees R2,34trn in mainly government worker pensions. The PIC was the subject of a judicial inquiry, which questioned governance and political interference at the institution. A number of senior executives including its then CEO Dan Matjila, quit or were suspended during or after the proceedings.

"The PIC would like to assure all its stakeholders that these resignations and the suspension of its COO will not destabilise the PIC's ability to deliver on its investment mandate," it said.

Hako confirmed his suspension when reached on his mobile phone, declining to elaborate on the allegations. An employee at PIC said Kali was not available when a call was made to the fund manager's head office.

"I am resigning to pursue new opportunities, as the next step in my career," Dolamo said in a response to a text message. "I have served the institution at a senior level well during very rough times and now it's time to move on."

He declined to specify where he is going but said he will remain within the industry.

Hako served as acting chief executive officer of the PIC after Matshepo More, who was also acting in the role, was suspended in 2019 and later fired.

Kali was the subject of a nine-page letter of complaint from staff in her division last year. They alleged that she had failed to initiate talks to renew an investment mandate with the PIC's biggest customer and breached the employment contracts of some of her staff.

Comment

Our investment agent, the PIC, seems to remain embroiled in controversy. This doesn't really create a belief of trust in the PIC's investments for the GEPF.

Synopsis

STATEMENT 3/21

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

Cape Town
21 February 2021

ANOTHER SHOCKING ATTEMPT TO LOOT THE GOVERNMENT EMPLOYEES PENSION FUND (GEPF)

We have learned with shock and dismay from a newspaper report that another attempt is being made to loot the GEPF in an effort to save ESKOM.

This effort does not differ much from previous attempts by Cosatu, supported by Nedlac. In fact, only the ringleader apparently has changed from Cosatu to Nedbank.

The newspaper report states that one of the options is to transfer at least R100bn of ESKOM's debt of R464bn to "a special--purpose vehicle overseen by the Public Investment Corporation (PIC)".

It is also stated that the PIC is considering a wide range of options as if the PIC is in charge of the assets of the GEPF. Not a word is said about the GEPF Board of Trustees (BOT) which is the controlling body of the GEPF. The latter appears to be ignored completely.

We have pointed MANY times already that the PIC is a mere asset manager and that the BOT is in full control of the GEPF and its assets.

The report also states that "It (PIC) has previously proposed converting the Eskom debt into equity...." This is factually incorrect. It was in fact Cosatu's suggestion which was then rejected as being illegal.

We at AMAGP suggest that the PIC can only act in terms of its mandate and relevant laws. Proposals such as this one are indeed beyond that of the PIC's mandate. In fact, if the suggestion is not implemented with a clear view to the sustainability and growth of the Pension Fund, it will be illegal.

It is our view that the proposal was made before consultation with the BOT, which we believe will never agree with illegally harming the pension fund.

Pensioners are really sick and tired of these regular attempts to divert money intended for a peaceful retirement to bail out bankrupt managed and empty stolen State Owned Enterprises. It is trusted that the Board of Trustees will very strongly oppose this new attempt to loot the GEPF.

We also call on the GEPF Board of Trustees to publicly and openly denounce any such attempt to loot the GEPF, and then to publicly inform members of the pension fund accordingly.

Adamus P Stemmet
Spokesman AMAGP

VERKLARING 3/21.

UITGEREIK NAMENS DIE VERENIGING VIR DIE MONITERING EN BEVORDERING VAN STAATSDIENSPENSIOENE (AMAGP)
Kaapstad
21 Februarie 2021

NOG 'n SKOKKENDE POGING OM DIE STAATSDIENSWERKNEMERSPENSIOENFONDS (GEPF) TE BEROOF.

Ons het met skok en weersin uit 'n koerantberig verneem dat nog 'n poging aangewend word om die GEPF te plunder om ESKOM te red.

Hierdie poging verskil nie baie van vorige pogings deur Cosatu, ondersteun deur Nedlac, nie. Inderwaarheid het slegs die voorbok van Cosatu na Nedbank verander.

Die koerantberig noem dat een van die opsies is om ten minste R100 miljard van ESKOM se skuld van R464 miljard oor te dra na "'n spesiale-doel-voertuig onder toesig van die OBK (Openbare Beleggingskorporasie)".

Dit noem ook dat die OBK 'n wye reeks opsies oorweeg asof die OBK in beheer van die bates van die GEPF is. Nie 'n woord word gesê oor die Raad van Trustees (RVT) wat, hoewel hulle in beheer is, blykbaar heeltemal geïgnoreer word nie.

Ons het al soveel keer daarop gewys dat die OBK bloot 'n batebestuurder is en dat die RVT in volle beheer van die GEPF en sy bates is.

Die berig noem ook dat "Dit (OBK) het voorheen voorgestel dat die Eskom-skuld in aandele omskep word..." Dit is feitelik verkeerd. Dit was Cosatu se voorstel, wat toe as onwettig verwerp is.

Ons by AMAGP stel voor dat die OBK slegs ingevolge sy mandaat en betrokke wette kan optree. Voorstelle soos hierdie is inderdaad buite daardie mandaat. Indien die voorstel nie duidelik met die oog op die volhoubaarheid en groei van die pensioenfonds in werking gestel word nie, sal dit onwettig wees.

Na ons mening is die voorstel gemaak voor raadpleging met die RVT, wat ons glo nooit sal instem om onwettig die pensioenfonds te benadeel nie.

Pensionarisse is regtig siek en sat vir hierdie gereelde pogings om geld wat vir hul vredevolle aftrede bedoel is, te herlei om vrotbestuurde en leeggesteelde staatsbeheerde instansies te red. Daar word vertrou dat die Raad van Trustees hierdie nuwe plunderpoging sterk sal teenstaan.

Ons doen ook 'n beroep op die Raad van Trustees om in die openbaar openlik enige sodanige poging te verwerp en dan ook in die openbaar die lede van die pensioenfonds dienooreenkomstig in te lig.

Adamus P Stemmet
Segsman AMAGP

MEDIA RELEASE

Eskom: PSA rejects any form of bailout in converting bonds to equity

Media release by the PSA
24 November 2021

The PSA will strongly oppose any proposal for the GEPF, as the biggest investor in Eskom Debt, to consider its bonds being converted into equity to assist in rescuing Eskom.

Recent media reports on such proposals to the GEPF have resulted in renewed major uncertainty amongst the more than 235 000 PSA members who also belong to the GEPF. Such a bailout of the SOE will have a detrimental impact on the GEPF and its members. Any such consideration by the PIC will be an irrational, irresponsible, gamble with government employees' pension money.

The PSA, on behalf of the Union's members, has a significant, direct interest in how GEPF assets are invested and in the PIC governance structure and management. The PSA is aware that the GEPF lent a substantial amount to National Treasury for government to pay Eskom a grant to assist with the debt crisis. Such conduct is of grave concern to the PSA, especially since public servants are still waiting for their 2020-annual salary increase. It is concerning that money can be found to bail out a struggling SOE but for its own workers, government pleads poverty. These continued "investments" in Eskom, without following a consultative process with relevant stakeholders, raise serious concerns about PIC's commitment to agreed processes. There is also concern about the way the PIC administers "social responsibility" loans or grants.

The PSA was shocked to learn that the PIC has tabled a proposal to convert Eskom bonds into equity, which may result in overweighting in local equities and underweight in more stable asset local bonds. Such a decision may impact negatively on the asset liability model read together with the Fund's developmental investment policy of which the objective is to earn good returns for the Fund's members and pensioners while supporting positive, long-term economic, social, and environmental outcomes for South Africa. The developmental investment policy has four key pillars, including a sustainable future (i.e., green economy). As Eskom is one of the main users of fossil fuels the GEPF, as a responsible investor, should also consider the environmental impact before taking a decision.

This proposal will further create new challenges for the GEPF to rebalance its holdings across asset classes to comply with its rules.

The PSA condemns the latest Eskom proposal as reckless and irresponsible, given the current economic environment and the fact that Eskom cannot fulfil its financial obligations and depends on government handouts.

The PSA has continuously warned against reckless bailouts to struggling SOE and even made submissions to the Zondo Commission on Eskom bailouts. Although the GEPF is a defined-benefit fund, it does not give government and the PIC leeway to continue with such irresponsible practices. If the GEPF or the PIC even considers such a bailout, this will be against their own decision, as captured in annual reports, indicating that there will be no investment in any struggling SOE. The PSA will not hesitate to institute legal action, should this become necessary, to protect GEPF members' pension investments.

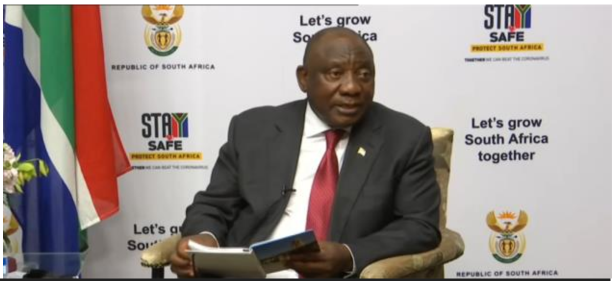
Comment

Once more dear readers, you are reminded about why AMAGP was established and exists. You are in the loop to realise what the 'government' intends with your pension savings. There is extreme doubt if any such "investment" of our pension savings will ever be recouped.

The press release by the PSA is a year ago. As then, it doesn't seem as if any of the unions are concerned about their members' pensions. I wonder what changed in the past year for them not to react?

Synopsis

Ramaphosa has not given up on pension fund support for Eskom



President Cyril Ramaphosa engages with the media on Friday, 10 June 2022. Screenshot

Fin24
Carol Paton
10 June 2022

President Cyril Ramaphosa says he is still pursuing a controversial plan which will see government pension funds used to reduce Eskom's debt. He was responding to questions from journalists at a briefing at parliament on Friday afternoon.

Eskom has relied on National Treasury for the past three years to pay a large part of its debt service costs. But for as long as Eskom's quantum of debt remains so high, the company will be unable to borrow to make new investments in energy capacity. The ability to borrow is important as large, new investments must be made in the transmission grid to enable new renewable projects to come on stream.

Said Ramaphosa:

"Eskom's debt has ballooned because there has been overpayment for power stations and Eskom's expenses have been growing."

Ramaphosa referred to a proposal made by Cosatu a year or two ago in Nedlac, which suggested that the GEPF convert debt it holds in Eskom to an ownership or equity stake. This proposal caused alarm among members of the GEPF, who were concerned it could endanger their savings. The management of the GEPF has in the past been reluctant to embrace the proposal.

"This matter has been in discussion at GEPF level and it is a matter that can still be taken forward. I do not see it as a measure that could collapse government pension funds as these are long-term funds and not everybody retires at the same time. This proposal is still on the table," he said.

Comment

Terrifying words in the last paragraph. It should make every GEPF member shiver with fright when the 'government' wants to use your pension savings to pay the debts of an SOE.

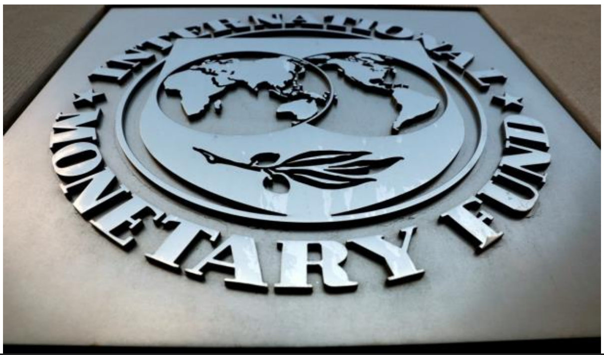
Especially terrifying is that the "matter has been in discussion at GEPF level". My perception is that GEPF funds transferred to pay Eskom debt will never be repaid either by Eskom or the 'government'. And will lead to more of our pension savings being used for the bottomless pit of so-called 'government' debt.

Yes, keep in mind the pensions deductions on your salary are probably going to pay debt you did not incur.

Synopsis

Downsize Eskom debt, IMF urges government

Fin24
Carol Paton



FILE PHOTO: The IMF logo is seen outside the headquarters building in Washington

The IMF has completed its annual staff visit to SA urging the government to "downsize Eskom's balance sheet and restore its commercial sustainability".

This implies support for a government takeover of Eskom debt, although the statement is not that explicit. While the Treasury provides Eskom with annual cash transfers to cover debt costs, it has been reluctant to take Eskom debt on to the sovereign balance sheet.

However, it is increasingly likely that Finance Minister Enoch Godongwana will make an announcement on Eskom debt in the medium-term budget policy statement in October.

Says the IMF:
"Any solution to Eskom's debt problem must be preceded and accompanied by concrete and credible actions to downsize the company's balance sheet and restore its commercial viability. These include efforts to cut costs and collect arrears, as well as a more predictable tariff-setting mechanism."

In a statement responding to the IMF report, the Treasury said it was "working on a sustainable solution to deal with Eskom's debt in a manner that is equitable and fair to all stakeholders. Any solution will be contingent on continued progress to reform South Africa's electricity sector and Eskom's own progress on its turnaround plan and its restructuring".

The IMF says that the "operations, finances and governance of Eskom and Transnet need to be improved decisively and quickly, as these are key obstacles to private investment and growth".

The IMF also expresses concern about Transnet, which it says "needs to restore the operational capacity of the freight rail system and improve the efficiency of its ports". This should include accelerating reforms that attract private sector investment.

The IMF staff report suggests that Treasury make use of the ongoing revenue windfall from high commodity prices to reduce debt and rein in unproductive fiscal spending to put the debt-to-GDP ratio on a declining path and boost confidence.

It expects the economy to continue its recovery after the pandemic as lagging sectors – tourism, hospitality and construction gradually catch up. Mitigating the impact of Covid-19 and recent floods, and preserving well-targeted social outlays, are key priorities.
The SA Reserve Bank "will be indispensable" to keep inflation expectations anchored.

The Treasury statement again confirms its stance at the February budget that "any permanent increases in spending will be financed in a way that does not worsen the fiscal deficit".

Comment

Talk is cheap. Without implementation it remains talk. I believe we all are looking forward to our taxes not lining the pockets of the few but being used to the advantage of the many.

THE GEPF WATCHDOG/WAGHOND FACEBOOK PAGE

Welcome to our page.
Please help us to get thousands more GEPF members to join this page and the AMAGP, so we have the required bargaining power. **We are the owners of the GEPF**, and we have the right to expect 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!

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 GEPF Annual Reports that our Pension Fund is in a superb condition. The AMAGP newsletters and press releases tell a different story.

Our Facebook and AMAGP are together more than 58 000 members and continually growing, but this isn't enough. Tthe 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.

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.

VRYWARING

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