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 12 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 13 July 2022.

WE ARE THE OWNERS OF THE GEPF and we have the right to expect the GEPF BOT 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, representing all 450 000 pensioners.

The Editor's Word

The PIC reports to parliament quarterly, with minutes of the meetings. These minutes are available to all to see what the PIC reported and the answers to questions raised by the MPs on the Select Committee on Finance. The minutes provide a most interesting view of the PIC. The minutes of the meeting of 14 June https://pmg.org.za/committee-meeting/35203/ reveals

- Of the 377 recommendations of the Mpati Commission, 77% have been carried out, without stating which of them. *[unchanged since 2021]*
- The recommendations are divided into those the PIC have to implement *[331]*, those the Department of Finance to implement *[31, of which 15 by the GEPF]*, the rest requiring other instances to implement.
- The implementations include legal action from court cases to criminal investigation.
- The preferred action is to settle out of court, which usually is less expensive and takes less time to complete.
- The GEPF investments comprise about 64% of the PIC's investment portfolio, the rest is the UIF, Compensation Fund and other instances.
- The PIC has about R2,5trn in assets under management
- The PIC will be focusing on increasing the unlisted investments in the next three years.
- Investments will change from one all encompassing fund approach to four funds that will be sector and region specific.
- The report stressed economically viable investments, while there was discussion by the ANC representative about funding rural communities in the Eastern Cape to become economically viable. *Mmmmmm*
- The PIC's exposure to SOE is about R125bn, of which Eskom is about R86bn.
- The settlement of the Steinhoff fiasco is in its final stages.
- The GEPF has assets of about R2trn *[note the GEPF website states R1,61trn]*

By now Christo Van Dyk's election to the GEPF Board of Trustees, have sunk in. We can be sure he will take care of the interests of the pension fund, financial and administrative, in the interest of contributing and beneficiary members. However, he will need support to strengthen his hand. AMAGP appeals to all existing members to embark on a recruitment campaign to see if we can increase our membership to over 500 000. With such a number Christo will have more clout than we can imagine. AMAGP's link for joining is www.amagp.co.za and membership is free, yes FREE.

Dear reader, there has been a distressing complete lack of replies about new blood in the AMAGP management and replacing our spokesperson. As well as comment about the newsletter. Shame on you, dear readers.

The newsletter serves to keep you informed of Fund matters wider than that available from GEPF notices and newsletters. We would like you to seriously reflect on the newsletter, and even read it, and give us feedback about its value, contents, format, reach or anything else your feel like telling us about the newsletter.
Such feedback to go to As Kleynhans at as.kleynhans@outlook.com please.

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 'n epos na my stuur by as.kleynhans@outlook.com
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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 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 values only a guide to what the value of our Fund's visible investments currently are.

WHO STOLE MY PENSION?

A brilliant book to read, explaining what is happening and going to happen to pensions, by Robert Kiyosaki and Edward Seidle. Written in easy to read and understand text, with ample reasons and explanations.
https://zoboko.com/text/g2rp0jpp/who-stole-my-pension-how-you-can-stop-the-looting/59

No, we don't get any commission on sales of the book, it is extremely worth reading. Start with Chapter 19.

Now for news from the media

Christo van Dyk is the sole representative for all GEPF pensioners on the GEPF BOT. He provides feedback on the election process.

An article from The Friend - prescribed assets and the basic income grant are still lurking in the background, especially the grant. They aren't going to go away it seems.

The PSA shares its unease on the pension accessibility proposal. Briefly.

Barbara Curson's part II about the GEPF makes disquieting reading. I'm sure you want to be disquieted, so read what she has to say.

Remember the purchase of vacant land between Klerksdorp and Stilfontein some time ago? And the complicated way in which it was purchased, with nobody clear who is going to gain the most from the deal? Well, amaBhungane's report on it provides the basis for an intriguing major movie, I would hesitate to call it a blockbuster, but the intricacies could provide fuel for a daily soapy for at least a year.

The sale of our investment in Premier Fishing and Brands is interesting, seeing it is so similar to other GEPF investments in the same group of companies. Take note.

Lastly two titbits: the sale of GEPF shares in a Survé company at a loss, and sale of GEPF property some time ago.

NUUSNEWSNUUS

By As Kleynhans

Our new Pensioner Trustee on the GEPF Board of Trustees, Mr Christo van Dyk, was requested to address our AMAGP members on his experience of the election process during the AMAGP AGM that was conducted via webinar this morning. Mr van Dyk could unfortunately not attend the meeting in person and sent us the note below.

Friends

I was asked to give Feedback on the election process - results / shortfalls / challenges. I hoped to do so in person at the AGM, but travel arrangements and flight availability worked against such plans.

I will only arrive in Pretoria after the AGM.

RESULTS

The candidate supported by AMAGP received the most votes and will serve as Pensioner Elect Trustee for the next 4 years. So, a successful outcome.

SHORTFALLS

Context - the voter turnout was very low. It was also very low in 2018. Apart from voter apathy (which is a global problem) the dysfunctional postal system also played a big role. Then of course the user-friendliness of the online voting system caused lots of frustration.

Interesting, quite a number of postal votes was returned empty to EMCA.

WHAT WORKED

In a nutshell, the difference was that AMAGP used the shortfalls as opportunities. Although motivation did dip the longer the election carried on, it was never a case of giving up.

The following, in my view, were the key factors of the eventual success:

- Identification of a SINGLE candidate endorsed by AMAGP very early in the election process.
- Having a clear election manifesto that tied in with historical concerns raised by AMAGP members themselves.
- It was a masterstroke to package the new candidate to continue the work of the previous Trustee elect, Dr Frans le Roux.

- The use of Social media ie. FB (get 10 more to vote initiative) as well as WhatsApp, emails.

- Consistent and continuous messages of encouragement and feedback to vote online.

- The targeting of old age homes and the use of networks ie. Military veterans, Teachers, etc.

- Direct assistance to people to vote online.

- Daily interaction with election agents to address queries via a single contact point.

- The continuous effort by a number of key AMAGP members and overall great teamwork.

Vriende en kollegas

Vir diegene wat deelgeneem het aan die GEPF TRUSTEE VERKIESING, wil ek net weereens baie dankie sê. Jou stem was goud werd, gegewe die lae stempersentasie oorhoofs. Die volgende 4 jaar gaan baie interessant wees.

Ek gaan my bes doen om die vertroue wat in my gestel is te kan regverdig.

Groete
Christo

THANK YOU

Friends and Colleagues
A BIG thank you to those who participated in the recent GEPF TRUSTEE ELECTION. Considering the low voter turnout, the actual votes were worth their weight in gold. The next 4 years will be interesting.

I will do my best to justify the trust placed in me.

All the best.
Christo

Comment

For those of you who voted, thank you.
It seems from our total of 450 000 pensioners, only about 12 000 voted. This after notice by the GEPF, repeated calls to vote, etc. A symptom of apathy, distrust in the system, disillusion, indifference – "my vote won't make a difference". I trust with the next election we will have massive voter turnout.

Synopsis

Prescribed assets and a BIG for more dependency and political control

The Friend
Anthea Jeffery
14 July 2022

The SACP is gearing up for its 15th national conference, to be held before the end of this month. Its revised programme, entitled the South African Struggle for Socialism, was supposed to be released in the form of a discussion document in April, but has yet to be made public.

Against a backdrop of rising fury at the failures of the ANC government to keep the lights on, fix the potholes, run the trains, punish the perpetrators of last year's riots, or protect people from surging crime, the SACP is determined to 'produce concrete programmes, campaigns and policies that will re-ignite the hopes and confidence of our people in our movement'.

One of its key aims is to 'reinstate prescribed assets', which it says will 'go a long way towards re-igniting employment creation and the redistribution of wealth'. It also wants to move towards 'a universal basic income grant, as part of building a comprehensive social security system'.

In the light of this SACP statement and the party's long-standing influence over the policy decisions of its ANC ally, it is worth re-examining where the country stands on prescribed assets, comprehensive social security via the proposed National Social Security Fund (NSSF), and the introduction of a basic income grant (BIG).

Prescribed assets and the NSSF

For many years, the ANC has been calling for a return to the 'prescribed asset' rules used by the National Party government to compel pension funds to invest more than half their assets in government bonds and SOE. Also relevant, however, is the 'Green Paper on Comprehensive Social Security and Retirement Reform'.

The Green Paper proposes the introduction of the NSSF, into which employees will have to pay 10% of monthly earnings between R1 860 (the amount of the old age pension in 2021) and R23 000 (the earnings ceiling for contributions to the Unemployment Insurance Fund or UIF).

The relatively few employees who earn more than the UIF ceiling will be able to contribute to approved private pension funds out of their remaining or 'supplementary' earnings. Private funds and their members will nevertheless be hard hit as 'roughly 75% of present retirement fund members will be transferred from the private sector into the…NSSF'.

What of the savings that pension fund members have already accumulated? According to the Green Paper: 'Members of retirement funds may be granted the opportunity to transfer their accumulated retirement savings to the NSSF but will not be obliged to undertake any actions relating to accrued rights that would leave them in a poorer position.'

This is ambiguous at best, especially as the ANC is unlikely to see the NSSF as putting people 'in a poorer position'. Like its SACP ally, moreover, the ruling party views social security as a 'public good' which the state and not the private sector must provide. These factors suggest that the transfer of accumulated savings to the NSSF will in time become obligatory. This will give the state control over accumulated pension and other savings worth some R6trn.

Will this enormous savings pot then be made subject to prescribed asset rules requiring investment into Eskom and other bankrupt and failing SOE? SACP support for this idea suggests Regulation 28 could in time be changed to demand just this.

However, the same outcome could also be achieved in a less obviously coercive way. As Greenblo pointed out last year, just as the risk of prescribed assets seemed to be waning, so the Green Paper brought it back, though in a different guise.

The board that oversees and controls the NSSF is to be drawn from the four Nedlac constituencies of the government, labour, business, and civil society. Business representatives will be significantly outnumbered, while the representatives of the other three groups are likely to be deployed cadres of the SACP/ANC alliance in the main.

According to the Green Paper, all board members will be appointed by the Minister. Overall, the board is likely to be a pliant instrument of the revolutionary alliance and may in any event (as Greenblo has warned) have little choice but to 'do the state's bidding' in making its investment decisions.

Other problems with the NSSF

According to the Green Paper, the NSSF will provide retirement, disability, and 'survivor' benefits (monthly payments to the dependants of those who die prior to retirement) to all employed South Africans, including the self-employed and those working in the informal sector.

In doing so, it will largely push the private sector out of both the retirement and life insurance industries. According to the Green Paper, it will also reduce the costs and complexity of the present fragmented system and improve 'coverage, administrative efficiency, delivery and transparency'.

But business representatives at Nedlac have warned that there are multiple risks and problems in the Green Paper's proposals. One major concern is that contributions to the NSSF will have to rise substantially if the 'defined benefits' it promises to all pensioners are to be sustained in an environment of low growth, high unemployment, and escalating public debt.

Modelling of the NSSF proposal by the International Labour Organisation (ILO) has confirmed this risk. According to the ILO, there is likely to be 'a significant escalation in contributions in the future', which will erode individual earnings.

This may encourage people to opt out of the NSSF by working informally, as has happened in many Latin American countries where employees have likewise confronted rising mandatory contributions to state pension funds.

If people start moving into the informal sector to avoid mandatory NSSF contributions, pension coverage will diminish rather than expand. The tax take will also decrease, making it more difficult for the government to sustain its spending. Inefficiency and corruption are also likely to loom large, as experience with the PIC has shown.

Basic income grant (BIG)

The Green Paper also calls for a BIG to supplement existing old-age, child support, and disability grants. It proposes that the BIG be paid to all adults between the ages of 18 and 59, rather than being confined to those who meet a means test.

A universal grant has two advantages, the document says. First, it will be simpler for SARS to claw back grants paid to wealthy individuals than for Sassa to 'interview millions of applicants to determine whether they qualify based on their income'. Second, a universal system will make it 'easier for government to sell an increase in taxes on the working population'.

How big a tax increase does the Green Paper foresee? The Green Paper begins by acknowledging that the tax increases needed to fund the initial R200bn might seem 'astronomically high', but it soon discounts this objection. Most people will find that 'the benefit received is larger than their increase in taxes', while 'the wealthiest deciles will only see a slight reduction in income on average'.

This perspective was echoed last month by the Institute for Economic Justice (IEJ), which said that a BIG would require only a 'slight' increase in taxes on the wealthy. The IEJ wants the BIG to go to all adults aged 18 to 59, start at the food poverty level (currently R620 a month), and rise in time to the upper bound poverty level (around R1 300 a month). According to the Centre for Development and Enterprise (CDE), a BIG starting in 2023 at the food poverty line (increased by 6% for inflation) would cost R280bn in its first year alone. It would also require each of the 3,5 million people in the wealthiest 10% of households to pay an extra R80 000 a year in personal income tax or roughly R6 500 a month.

For most individuals in this category, the extra tax would reduce their disposable income from some R25 000 to R18 500 a month. This is not a 'slight' reduction in income, as the Green Paper claims and the IEJ echoes.

Imposing a tax increase of this magnitude on a skilled and relatively mobile group could spark a further flight of capital and skills. It would also reduce consumer spending, diminish the tax take, deter direct investment, and curtail economic growth. This in turn would weaken the rand, push up inflation, trigger additional interest rate hikes, and increase the country's already massive burden of public debt.

A poor substitute for jobs and self-reliance

Though current social grants (including a 'social relief of distress' grant initiated during the Covid-19 lockdown) help some 28 million South Africans to survive, they are an inadequate and increasingly unaffordable substitute for the jobs and self-reliance most people would prefer to have.

The grants have also increased dependency on the state and given the ANC a vital instrument of social and political control, especially at election times. As political analyst Moeletsi Mbeki has noted, ANC voters do not support the ruling party for ideological or policy reasons but 'because of their material dependence on the ANC government'.

This, of course, is why the SACP/ANC alliance wants increased dependency on the state for pensions and/or a BIG in the run-up to the 2024 election. This is also why it wants prescribed asset rules and/or the NSSF to give it control over the country's enormous pot of pensions and other savings – and so expand its patronage machine.

This is also why the revolutionary alliance's self-serving stratagems must be defeated so as to throw off the dead weight of the failing state and start building up the country once again.

Comment

The law of unintended consequences. The original intention might not be what realises on the ground eventually and probably won't be.
A thought provoking article indeed. It seems the single pension fund is still lurking in the background, concealed by new terms and words. Income tax will definitely increase to fund this proposal, which increase in tax will mainly be in those levels that already face the most challenges to their monthly survival.

Synopsis

How will this influence the Long Term Sustainability of our pension fund?

MEDIA RELEASE: PSA welcomes new proposed retirement system

11 July 2022

The PSA welcomes the proposed two-pot retirement system, which entails creating a savings portion and a preservation portion in each retirement pot, as presented by the acting Director-General of National Treasury.

One of the five areas highlighted in a recent presentation was the Conduct of Financial Institutions (CoFI) Bill, which is an indication that the Bill will be tabled in parliament later this year. The Financial Sector Regulations Act (FSRA) gives customers and financial institutions and indication of what to expect from the financial sectors whilst the CoFI Bill will outline what customers and industry stakeholders can expect from financial institutions.

It is noted that the Pension Fund Act (PFA) is being amended to align with the Bill and will be renamed as the Retirement Funds Act. It is, however, not clear how these changes will impact on the GEPF as it appears that the GEPF will also be subjected to the same legislative and regulatory requirements.

The Minister of Finance previously announced that legislation is being amended to allow members of private pension funds to withdraw a portion of their benefits for the purpose of mitigating the impact of the COVID-19 pandemic.

During a meeting of the Public Service Coordinating Bargaining Council (PSCBC), the employer stated that the two-pot system is not applicable to the GEPF but it appears that there is a change of heart from the government. It is, however, the PSA's view that this may require an amendment to the Pension Fund Rules applicable to public servants to benefit from such provisions. Whilst the PSA welcomes the change of heart by government, it is prudent for government to start with engagements at the level of the PSCBC as the recognised platform to address this matter. Such engagements will allow parties to constructively participate and analyse the proposal and the impact it may have on the GEPF and its members.

The PSA calls for the Minister of Finance to expedite such discussions with labour to ensure that the required amendments to the GEPF Law are considered and amended for consideration.

Comment

This pension proposal is still in the development stage, wending its slow way through to eventual approval. There are advantages and disadvantages, taking your retirement money to survive your current financial crises, in the hope your finances will improve later. Very, very difficult to decide which one to choose.

Synopsis

Is the GEPF vulnerable? Part II – Balance sheet

By Barbara Curson
14 July 2022

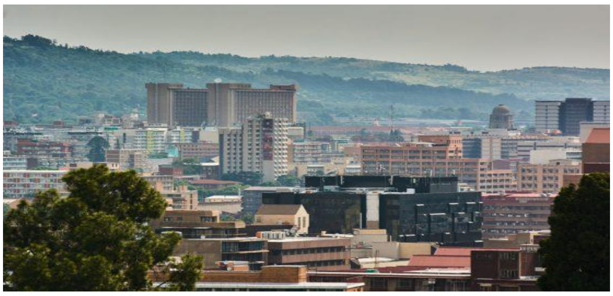

Image: Waldo Swiegers/Bloomberg

Contingency reserves (Rm)		
	2021	**2018**
Mortality improvement reserve	49 955	48 259
Pension increase reserve, past service	242 750	161 883
Pension increase reserve, future service	140 983	108 751
Solvency reserve	459 152	402 000
Total contingency reserves	**892 840**	**720 893**
Excess of assets over liabilities	186 827	137 428
Unfunded contingency reserves	**706 013**	**583 464**

This is the second in a series of articles looking at the GEPF in terms of political risk, its balance sheet, and its investment strategies.

The GEPF is a defined benefit pension fund for government employees, but does the government's role as ultimate guarantor hold water? Will a 20-year-old who has just signed up for government service and who will contribute to the fund for the next 45 years, be able to look forward to a pension based on their last salary, payable with adjustments for inflation, until death?

We should not be blinkered by the current situation, where the current assets of the fund at R2,1trn exceed the financial liabilities, excluding contingency reserves, by 10,1%.

The GEPF has outsourced the management of 82% of its R2,059trn investment portfolio to the PIC. This has not been without controversy and allegations of corruption, and the GEPF has been left with tainted legacy assets in its portfolio.

Actuarial report

An actuarial report is prepared every two to three years. The most recent indicates that the fund was in a sound position at 31 March 2021 and will be for the foreseeable future. The previous actuarial report was prepared as at 31 March 2018.

The actuarial report indicates that the minimum funding level, which excludes any contingency reserves, is 110,1% (2018 actuarial report: 108,3%). The minimum funding level is calculated by dividing the fair value of assets by the total accrued service liabilities. The excess of assets over liabilities goes towards funding the contingency reserves, if required.

However, the fund can only fund 20,9% (2018 actuarial report: 19,9%) of the contingency reserves calculated at 31 March 2021. The unfunded amount is R706bn (2018 actuarial report: R583,5bn).

Moneyweb contacted the GEPF and National Treasury to understand why the contingency reserves were not accounted for in any way.

The GEPF's response

Moneyweb asked the GEPF if the government has a contingent liability for the unfunded contingency reserves of R706,1bn.

The GEPF replied: "The government would only raise a contingent liability if the minimum funding level was below 90%. What is referred to as the long-term funding level is additional reporting allowing for the full contingency reserves. This is done to try align with the reporting done for private sector pension funds. Even then, under a reporting structure similar to the PFA [Pension Funds Act], the fund would disclose a 100% funding level as the PFA does not allow for contingency reserves to put a fund into a deficit."

National Treasury's response

Moneyweb asked National Treasury if it should not provide for the underfunded contingency reserves of R706bn, as the government is the ultimate guarantor of the GEPF.

National Treasury responded: "For now there is no need for government as the ultimate guarantor to step in. As indicated in the 2021 actuarial valuation report, the GEPF is in a healthy funding level above the agreed minimum agreed. The fund is able to meet its funding obligations. The valuator of the fund has also certified that the fund remains financially sound on the minimum funding basis. The state will always step in based on workable measures should such a need arise."

Assurance … and risk

The panacea to any concern regarding the financial stability of the fund is that the GEP Law provides that if the fund had to reach a point where it is not financially sound, then the board will "implement a scheme or arrangement aimed at restoring the fund to a sound financial position".

Presumably this means they will form a committee.

Apart from the risk that the government may not be in a position to save the GEPF if the time had to come, there are other major risks facing the fund:

- The GEPF has to look far into the future; as a defined benefit fund, it must grow its asset base to be able to fund retirement benefits in 50 to 70 years' time.
- Any major restructuring that results in retrenchments will deplete the fund.
- The GEPF must be able to withstand any attempt by the government or corrupt government cadres to tap into its pool of assets.
- If the government continues on its journey of providing a comfortable haven for criminals, and continues to appoint inept and dishonest or exceedingly gullible cadres into powerful positions, how good is its legal commitment that it must guarantee the GEPF pension benefits if the fund runs into trouble?

Recent history provides cold comfort.

Comment

Barbara Curson always has a clear view of implications for your pension. I like the comment "they will form a committee", implying postponing any action indefinitely. While those the Fund is designed to support suffer.

The GEPF gives its invested value at about R1,6trn on its website today, while Barbara uses the beginning of 2022 GEPF website figure/last year's reports as R2,1trn. Makes the conclusions more meaningful due to R500bn less investment to base planning on.

Synopsis

The veteran, the doctor and the PIC's dodgy R600m land deal

Daily Maverick
By Dewald van Rensburg for amaBhungane
15 Jul 2022

Extracting money from the PIC for dubious projects seems to have been easy, if you were willing to shell out massive 'fees' to connected gatekeepers. That's the implication of the latest investment debacle amaBhungane has uncovered involving the troubled state pension fund manager**.**

The fixer behind the PIC's contentious investment in 1 000ha of empty land on the N12 highway between Klerksdorp and Stilfontein is fighting tooth and nail for a R180mn "transaction advisory fee" he claims he is owed.

The apparently outlandish fee, fully 35% of the total PIC investment of R510mn (ex-VAT), is allegedly owed to retired military veteran Colonel Papi Kubu through his firm PKX Capital. By way of comparison, advisory fees on PIC investments of this scale tend to be less than 2%.

What's more, Kubu had agreed in writing to pay a board member of the GEPF up to R50mn to help "facilitate" the deal. Until now, this has been the hidden background to one of the most puzzling investments at the scandal-ridden PIC.

The PIC bought an undivided 60% share in the land straddling the N12 for R586,5mn (including VAT) on behalf of the GEPF. It was meant to be the site of an ambitious mixed-use development, but this has not materialised and the GEPF now values its share of the property at only R178,8mn. If Kubu's fee was acknowledged as a liability, the value of the investment would drop to about R70mn.

Kubu has been in court since 2019 trying to get paid for setting up this deal in terms of an advisory agreement he signed with the erstwhile owners of the land, Isago@N12 Development (Isago), in 2017. The legitimacy of the agreement is being challenged, and the case has resulted in a trove of documents and sworn statements becoming available that challenge the probity of yet another large PIC investment where well-connected individuals could still walk away with millions.

Vuyani Hako, the PIC's executive head of property investment, under whose watch this deal was consummated in November 2018, was recently placed on precautionary suspension pending an investigation into "allegations of wrongdoing".

It was also possibly the last deal signed off by disgraced former PIC chief executive Dan Matjila, who delivered his resignation letter one day after approving the land purchase. The former PIC boss, via his lawyers, told *amaBhungane* that his signing of the transaction documents does not mean he is the one who evaluated and approved it. Matjila added that "the approval was based on a thorough Due Diligence that included an independent valuation of the asset".

He also emphasised there was no provision for payment by the PIC to any party who had not provided service to the PIC: "The fee in dispute has nothing to do with the PIC; it is between the respective parties." Yet even without the revelation of the bloated advisers' fees, the deal was still bristling with red flags.

The PIC seemingly accepted Isago's own valuation of its land without question. The PIC even set aside a large chunk of the investment to pay off Isago's debt stemming from an older failed deal where values had allegedly been exaggerated. The PIC previously defended the Isago transaction against criticism, even arguing that the price was a bargain. This has now changed.

In response to *amaBhungane*'s detailed questions, the PIC has made an about-turn, admitting that "this historical transaction is the subject of an independent forensic review which is under way".

'Connections'

The land deal had its origin in a "memorandum of agreement/commissions agreement" signed between Kubu and Isago in 2015. In terms of their agreement, Kubu, through his company PKX Capital, would "facilitate" the sale of the land to a consortium comprised of black business chamber Nafcoc and Veterans Development, a company of liberation stalwarts that included the since-deceased Caleb Motshabi.

The agreement recorded that "an opportunity has arisen in terms where 'PKX' can use his connections to facilitate the sale of the properties for the amount of R850mn (exclusive) for a commission/fee of R300mn".

Kubu told *amaBhungane* by phone that he was to be the "paymaster", meaning his "commission" would indirectly cover many other expenses. One of these expenses was seemingly the "connections" cited in the agreement with Isago.

Kubu's foremost connection appears to have been Dr Alex Mahapa, a board member of the GEPF, the same client of the PIC that would end up with the dud investment on its books. Mahapa was also a deputy director-general in the Department of Military Veterans at the time, after having been a DDG at the Department of Public Service and Aadministration. He and Kubu both served on the Advisory Council on Military Veterans when the Isago deal came along.

Kubu appointed Mahapa's company, Alfonso Business Enterprise, to approach the PIC for funding. In terms of two written agreements, Alfonso would earn a R20mn "facilitation" fee or as much as R50mn if it could get the PIC, meaning the GEPF, to provide the full R850mn asking price.

As a result, Mahapa would simultaneously represent the interests of the GEPF and stand to personally earn millions by squeezing as much money out of it as possible for an investment that was highly speculative at best. Mahapa declined to answer questions about his agreements with Kubu.

Instead, he provided *amaBhungane* with a witness statement he had provided in the litigation that later ensued between Kubu and Isago. In it, Mahapa admits he was approached by Kubu "to assist them to get appointments with relevant officials in PIC". "In the first meeting, I went with them to present their proposal in PIC offices and they presented to Mr Kapei Phahlamohlaka …"

Phahlamohlaka was a senior manager for direct investment at the PIC and remained Isago's point of contact years later. He resigned from the PIC in 2021 to join Transnet as head of property.

Said Phahlamohlaka: "PIC representatives, including myself on behalf of GEPF, held several meetings with different representatives of Isago discussing their proposed investment, including Papi Kubu and Dr Mahapa among others… At no stage was I pressured to have a meeting with anyone from Isago and/or PKX Capital, including Dr Mahapa," he told *amaBhungane*.

"I have not been aware or privy to any agreements and/or promises of commission made between Dr Mahapa and Papi Kubu at the time of the transaction… However, I want to categorically state that I have never asked PIC to pay a commission amounting to R50mn for Isago or any transaction while employed at PIC." "A R50mn commission is excessive for any property transaction of the Isago value."

A new deal

By March the following year, apparently at the PIC's insistence, the original consortium buying the Isago land with PIC funding had been replaced by the South African National Military Veterans Association (SANMVA) Trust. Along the way, the expected level of funding from the PIC was evidently also tempered from the original R850mn for 100% ownership, down to R680mn for a 60% share.

As it turned out, the PIC later approved funding of R510mn (excluding VAT) which, according to the pro rata formula, entitled Kubu to R180mn instead of the R300mn initially agreed to. Percentage-wise it was still the same astonishing 35%.

There is no concrete evidence that the PIC at this point understood that the company to which it was giving more than half a billion rand planned to pay a third of that onwards to an adviser. It was, however, far from the only problem with the deal.

Paying off other people's debts

In March 2018, with the PIC yet to finally sign off, Isago was hit with a R137mn claim stemming from an ill-fated previous land sale it had also carried out with Kubu's help. The application came from the curators of the Municipal Councillors' Pension Fund (MCPF) and was accompanied by very serious suggestions of impropriety with the previous Isago deal.

The Financial Services Board (now the FSCA) ordered an investigation. The board slammed the prices paid to Isago as vastly inflated. The proper value of the R137mn investment was R46,5mn, according to their own independent valuer.

The PIC's decision to invest anyway, despite this history, raises serious questions.

Shortly after the MCPF claim, the PIC sent Isago an approval letter for a co-investment in the land signed by the now-suspended Hako. Later that year, when the final purchase documents were signed by Matjila, they even specifically made an allowance for paying off the MCPF debt.

They record that of the R510mn (ex-VAT) being invested, a total of R204mn would be made immediately available to settle the MCPF and other smaller claims against Isago. It is not clear why the PIC would spend millions paying off a third-party debt where there was, at the very least, a suggestion of potential malfeasance.

Irrespective of this, the balance of R306mn would go into an escrow account from where only the PIC (on behalf of the GEPF) could call for funds to be released. The idea was to ensure that there was always money at hand for spending on the actual development work.

Dodgy invoices for alleged work

After the PIC investment came through in late 2018 and Isago's creditors were paid off, Kubu sent his invoice. It simply bills Isago a clean R180mn for "transaction advisory services". There is every indication that Isago was initially going to try to pay up. On 26 May, Isago forwarded the invoice to the PIC's head of property, Hako, and requested a payment for "transaction advisory and related services" from the escrow account. The R306mn should be reduced to R126mn, it said.

As noted above, Phahlamohlaka viewed a R50mn fee as excessive, much less a R180mn one. PIC staff wanted more detail on the gargantuan fee. Far from strengthening Kubu's case, the paperwork he submitted made it appear that justifications for the fee were being invented on the fly.

Instead, Kubu now presented the 35% as being the incidental tally of real services rendered. The invoice breakdown lists third-party invoices of R33,4mn, the bulk of which goes to Kubu's contact at the GEPF, board member Dr Alex Mahapa. Mahapa would get paid R20mn in terms of the consultancy agreement disclosed in his witness statement.

The invoices from third parties that supposedly form part of the R180mn also raise questions. In the narrative report Kubu provided alongside the invoices, he however pointedly claims that he had discussed his fee with the "PIC management team" he dealt with as Isago's adviser.

Kubu did not answer detailed questions from *amaBhungane*, including the identity of this alleged "PIC management team".

Knives out

After seemingly assenting to paying Kubu and formally requesting money from the PIC to do so, Isago suddenly changed its tune, leading to ongoing litigation and a criminal complaint of fraud. There is merit to this as the deal proposed in the fee agreement would have seen the PIC fund the SANMVA Trust to buy into Isago, while the ultimate transaction saw the PIC buy into the Isago property directly.

As things stand, a court ruling on Kubu's civil claim is expected, while the 1 000ha of supposedly prime development land lies fallow. **DM**

Comment

This shortened article, like many from amaBhungane, is very detailed but at the same time, very clear. It seems this transaction was all about who gained the most commission, revealed by the ongoing court cases. In the meantime, it seems our Fund has another piece of real estate which isn't ever going to be worth the money we paid for it.

Samevatting

Survé-bootjie Kantel

Die Beeld
Deur Nellie Brand-Jonker
17 Julie 2022

Nul. Dit is hoeveel aandele die Staatsdienspensioenfonds [GEPF] nou hou in 'n maatskappy wat aan omstrede sakeman Survé Iqbal verbind word. Die Openbare Belegginskorporasie [OBK], wat die GEPF se geld bestuur, het sy "totale belang" in die genoteerde vissery-maatskappy Premier Fishing and Brands [PFB] verkoop, het PFB aangekondig.

Die datum van die transaksie word nie gegee nie, maar dit is waarskynlik teen 'n reuse verlies verkoop.

Einde Augustus verlede jaar was die OBK se belang no 19,7% [51,2miljoen aandele]. Die aandele het die OBK voor PFB se notering in Maart 2017 in 'n private plasing teen R4,50 elk gekoop. Die aandeleprys het sedert sy notering met 81% gedaal, wat beteken die OBK het teen 'n groot verlies verkoop.

PFB se aandeleprys is nou 83c, en as alles op een slag verkoop is, is sowat R42mn daarvoor gekry.

In 'n verslag oor 'n ondersoek na die OBK se beleggings is gesê die OBK-komitee, wat oor genoteerde beleggings besluit, het 'n maksimum van R339,3mn bekragtig.

PFB se naam was voor sy notering in 2017 Premier Food and Fishing. Voor dit was hy Sekunjalo Industrial Holdings. Luidens sy jaarverslag einde Augustus 2017 het die GEPF 23,7% [61,7miljoen aandele] gehad.

Die ander groot aandeelhouer was en is steeds die genoteerde African Equity Empowerment Investments [AEEI], waarin Survé ook 'n belang hou. AEEI het tot 55% [143 miljoen aandele] gehou en einde Augustus verlede jaar 56,2% [146,2 miljoen aandele]. Die twee was nog tot einde Augustus 2019 die enigste aandeelhouers met meer as 5% van die uitgereikte aandele.

Einde Augustus 2020 het nog 'n maatskappy op die lys van groot aandeelhouers verskyn, naamlik 3 Laws Capital, met 'n belang van 9,04% [23,5miljoen aandele]. Onlangs, in Mei, is aangekondig 3 Laws Capital het meer aandele gekoop, wat sy belang tot 29,4% opgestoot het. Kort daarna is dit tot 30,1% verhoog. Volgens Sake se berekening, moet dit sowat 78,2 miljoen se aandele beloop.

Dit is onseker of 3 Laws Capital die OBK se aandele gekoop het, maar met die laaste openbare inligting in die jaarverslag tel dit omtrent op tot dié syfer.

Navraag is daaroor gedoen.

Dit is bekend dat 3 Laws Capital se grootste aandeelhouer Sekunjalo Investment Holdings is met 'n belang van 85%. Die aandeelhouer van die dié Sekunjalo is die familietrust van Survé, die Haraas Trust. Meer inligting oor 3 Laws Capital is in Maar 2018 gekry in die voornoteringserklaring van 'n maatskappy wat Sekunjalo wou noteer. Die JSE het 'n stok voor die notering gesteek.

Maar 3 Laws Capital was die promotor en sou geregtig wees op 'n suksesbetaling van tot R52,5mn as die volle bedrag wat hulle met 'n private plasing wou insamel, bereik word. PFB is een van die maatskappye in die groter Sekunjalo-groep was sukkel om sy bankrekeninge oop te hou. Die maatskappy moet nie verwar word met die Wes-Kaapse vismaatskappy met dieselfde naam wat een van sy volfiliale is nie.

Teen die dag van sy voornoteringsverklaring was sy groot filiale wat 25% of meer van sy bates of inkomste verskaf, Premfresh en Premier Fishing. Premier Fishing SA is die visvang- en verwerkingsmaatskappy van die groep en hou medium- tot langtermyn visvangregte vir Suidkus kreef, Weskus kreef, ansjovis en sardyn, en ander vis.

Sake het in 2017 berig 'n groep voormalige werkers van Premier Fishing in Saldanhabaai wil hê ondersoek moet gedoen word na die moontlikheid van skynbemagtiging by die genoteerde maatskappy. Daar was vrae oor wat van 'n werkerstrust se aandele geword het, wat die maatskappy gehelp het om 'n viskwota te kry.

Premier Fishing en AEEI het toe aangevoer die werkers se aandele is teruggekoop, hulle is uitbetaal en die trust to niet gemaak. Sowat 400 werkers het in 'n stadium 20% van Premier Fishing gehou, het 'n document vir die vismaatskappy se aansoek om 'n viskwota van 2001 getoon.

Kommentaar

Ons belegging in PFB lyk soortgelyk aan ons belegging in Ayo Technology - 'n hoë aankooprys met die aanvanklike plasing met 'n snelle, ongeveer 80% of meer, daling in waarde. Daarna onbevredigende opbrengs op die belegging.
Dit blyk volgens www.simplywal.st dat PFB jare lank al onderpresteer, gevolglik is die besluit om ontslae te raak daarvan waarskynlik 'n goeie een.

Synopsis

PIC divests from Iqbal Survé's Premier Fishing and Brands

A JSE regulatory news service announcement on Wednesday put the GEPF holding at zero.

BL Premium
20 July 2022
Katharine Child

The PIC has sold its entire stake in Premier Fishing and Brands, a firm controlled by Iqbal Survé.

According to Premier's most recent annual report for its 2021 year, the GEPF held 51 million shares, accounting for 19,73% of the company. A JSE regulatory news service announcement on Wednesday put the GEPF holding at zero.

Comment

For those of our readers whose Afrikaans isn't up to it, the short version of the sale of Premier Fishing and Brands, one of Survé's companies.
According to www.simplywal.st, Premier Fishing and Brands earnings declined by 38,9% over the last 5 years, the share price has been volatile over the last three months, the dividends haven't been covered by the

earnings and the latest financial reports are more than 6 months old.
We had R52mn in Premier Fishing according to the 2021 AR, about R1,10/share. Original purchase price R4,50. For the past six months, the highest share price was 85c and lowest 40c. I wonder what they really sold for and who bought them.

Synopsis

PIC appoints independent joint venture to dispose of 70 GEPF properties

Real estate services firms JLL and the Empact Group will oversee the sale of properties to the private sector

23 April 2021

The PIC has announced a strategic decision to optimise the GEPF property portfolio. It has identified about 70 assets that fall outside its investment criteria that it wants to dispose of in 2021 and has appointed a joint venture (JV) between JLL and the Empact Group to broker the sale of these properties in tranches.

The portfolio comprises mostly small and noncore assets. This is the first time the PIC has appointed commercial agents to broker the sale of GEPF properties to the private sector. These properties are investment grade and are made up of a basket of asset classes, which include retail, industrial and commercial, as well as specialised classes such as student housing, schools and data centres.

PIC CEO Abel Moffat Sithole says: "Optimising the portfolio now is a move in the right direction. As with all asset managers, portfolio optimisation through constant analysis and review of any investment portfolio is good business practice. We need to ensure stable returns for our clients, and therefore will be reinvesting the proceeds of the sales into further investment opportunities.

Comment

We have a huge property portfolio, it certainly can be trimmed to reflect only those that provide ROI. We'll have to wait for the end of the year to see which were sold, as they will only appear in the 2022 AR by about September of October this year.

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

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