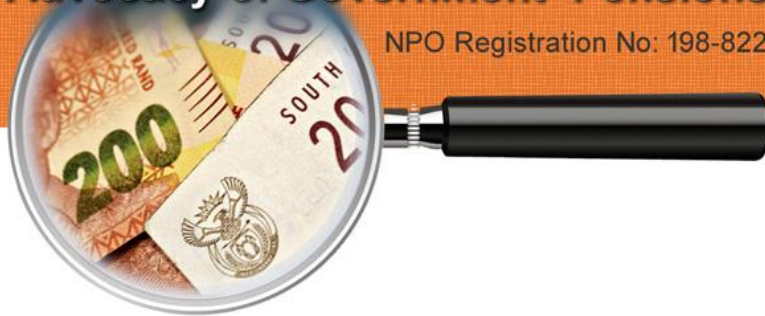


# Association for Monitoring and Advocacy of Government Pensions

# (AMAGP)

NPO Registration No: 198-822



*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](http://www.AMAGP.co.za)

f GEPF Watchdog - Waghond

f GEPF Forum



## NEWSLETTER NO 15 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 1 October 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. Note the misbalance: the single pensioner on the BOT representing all 450 000 pensioners and the 15 representatives from the multitude of trade unions and government departments representing the 1,2 million active members.

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.

## The Editor's Word

**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.

### What is the real value of the GEPF assets?

The 2021 GEPF AR, with much fanfare, stated R2,1trn. Note, this reflects estimated GEPF assets as at 31 March 2021. This changed very quietly to R1,61trn in the middle of February 2022. At the same time the members dropped from 1,65 million to 1,5 million, the pensioners and beneficiaries from 473 312 to 450 000 and the assets dropped from R2,09trn to R1,61trn.

What would be your conclusion about the different figures? Clearly the BOT and GEPF itself have different versions and figures? At the same time the assets managed by the PIC is touted as R2,1trn.

Hmmmmm

Conclusion: The assets the PIC is managing is commonly misused as being that of the GEPF.

I trust the pensioner member on the BOT will ensure this is resolved.

Note the new spokesman for AMAGP. We are grateful for Adamus Stemmet being the spokesman for so long. It is an exacting and very responsible task. Welcome Zirk Gous please.

Today's Trustee, a quarterly magazine, usually has impressive and thoughtful articles and reports. The September/November 2022 issue has impressive articles about pensions. Some of the articles are in this newsletter, more in the next newsletter.

## Now for news from the media

AMAGP again keeps the assault on our pensions in the public eye. The newest statement from AMAGP reminds us that the GEPF mandate to the PIC might be to the detriment of future pensioners.

Joe Kleinhans had his letter published in Business Day, indicating the value Business

Day places on such letters and the threat against our Fund.

The Minister of Finance wants the GEPF to invest in 'government' infrastructure projects, in an address at the GEPF annual thought leadership conference [whatever that means]. It seems this relentless onslaught recurs every quarter in some way.

Multiple income tax – hmmm. For those of us fortunate enough to have work and pension, note that SARS wants you to declare both streams of income, with a resulting higher tax rate on your monthly pension.

UBank has been placed under curatorship. Ubank is focused on low-income miners but the possible implications of several banks being under curatorship at the same time ...

The new BOT chairman discussed his views about the GEPF in a recent interview. He seems to be inclined towards using the GEPF for 'economic transformation' ...

The AIDC again recommends the GEPF taking over the Eskom debt, based on generalisations. Read the statement yourself.

The PIC has had to reinstate its fired CFO. The CFO argued that others with similar offences weren't fired and won in the CCMA. Amid other suspensions at the PIC, it doesn't inspire confidence.

The banks' refusal to further do business with Surve's Sekunjalo Group has been overturned by the Competition Commission. The banks are considering their options. More detail in the article below.

Lastly, a juicy one about the well-paid politician's pension fund. Why the fight to become politicians and even more to remain so might be clearer.

## NUUSNEWSNUUS

### *Synopsis*

STATEMENT 5/2022

Issued on behalf of the Association for Monitoring and Advocacy of Government Employees Pension Fund (AMAGP)

## **GEPF not acting in the best interest of civil servants/pensioners**

The Government Employees Pension Fund (GEPF) is not acting in the best interest of civil servants and pensioners. Much rather it is pursuing the best interest of the economic ideologies of the ruling party.

The investment agent of the GEPF, i.e. the PIC, informed the National Council of Province's in June this year that it plans to ramp up the unlisted asset share of its investment portfolio (practically the Sibaya investments) from 5% to a 'visionary' 25% to drive transformation and job creation – 25% of R2,3trn! The GEPF defended this new mandate to the PIC based on the GEPF strategy on its social objectives to 'achieve crucial social outcomes' which are 'critical for a functioning economy' and 'contribute to economic growth'.

In direct contradiction, the other two PIC clients i.e. the UIF and the Compensation Fund (CF) informed Skopa on 6 September that they withdrew their mandate to the PIC to further invest in unlisted entities because of poor performance in that sector, and they quoted their loss-making figures.

It boggles the mind that the UIF and the CF clearly are pursuing the best interest of their members while the GEPF pursues the economic ideologies of the ruling party! It is not the function of a pension fund to pursue a functioning economy or economic growth – it is the function of government.

Above is possible because of the founding legislation of the GEPF and the PIC that flagrantly discriminate against civil servants and pensioners. Private sector pension legislation (Pension Funds Act) clearly stipulate that all investments should be in the best interest of the fund and that investments in the business of the employer is not allowed. The Government Employees Pension Law miraculously has no similar provisions and is formulated to effectively give the employer (the State) full control over the fund. The dangerous reality is that the State has full control over R2,3trn of civil servant pension funds and pursue its political end destructive economic policies with that sum of money.

The end result of above: civil servants do not enjoy equal protection and benefits of pension law and their precious pensions are squandered on 'the business of the employer'

Zirk Gous  
Spokesperson: Amagp

## **Die GEPF tree nie op in die beste belang van staatsdienswerknemers en pensioenarisse nie**

Die Staatsdiens Pensioenfonds (SDPF) (Government Employees Pension Fund - GEPF) tree nie op in die beste belang van staatsamptenare en pensioenarisse nie. Veel eerder ondersteun dit die ekonomiese ideologie van die regerende party.

Die beleggingsorgaan van die GEPF, nl die Openbare Beleggingskorporasie (OBK) (Public Investment Corporation – PIC), het in Junie vanjaar die Nasionale Raad van Provinsies ingelig dat dit beplan om die persentasie van sy beleggings in ongelyste entiteite (bekend as die Sibaya beleggings) te verhoog vanaf 5% na 'n beplande 25% met as doel: transformasie en werkskepping; dit beteken 25% van R2,3 miljard! Die GEPF verdedig hierdie nuwe mandaat aan die OBK uit hoofde van hul sosiale doelwit strategie, waardeur kritieke sosiale doelwitte nagestreef word en wat dan belangrik is vir 'n funksionerende ekonomie maar ook om ekonomiese groei te stimuleer.

In direkte teenstelling met bogenoemde het die ander twee OBK-kliënte nl die Werkloosheid Versekeringfonds (WVF) en die Vergoedingsfonds (VF) op 6 September 2022 vir Skopa ingelig dat hulle hul mandaat aan die OKB om wel te belê in ongelyste entiteite terug getrek het. Hul motivering: ongelyste entiteite het 'n swak beleggingsgeskiedenis, en hul syfers om dit te staaf aan Skopa voorgelê.

Dit is verstommend dat eendersyds die WVF en die VF duidelik die beste belange vaan hul lede najaag terwyl andersyds die SDPF presies die teenoorgestelde doen en eerder die ekonomiese prioriteite van die regering van die dag voorop stel. Dit is nie die funksie

van 'n pensioenfondse om ekonomiese groei en 'n funksionerende ekonomie na te jaag nie – dit is die funksie van die regering.

Bostaande is moontlik omdat die wetgewing wat die STDF en die OBK skep dit moontlik maak en flagrant diskrimineer teen staatsdienswerkers en pensioenarisse. Privaatsektor pensioene word gereguleer die Pension Funds Act, wat bepaal dat te alle tye die beste belang van die fonds nagejaag moet word en dat daar geen belegging mag wees in die werkgewer se besigheid/maatskappy nie. Hierdie twee anti-korrupsie meganismes bestaan nie in die Government Employees Pension Law nie en die staatsdienswerker geniet geen diesulke beskerming teen werkgewer uitbuiting nie. Die gevaarlike realiteit is dat die werkgewer - dws die staat - effektief volle beheer oor SDPF-fondse van R2,3 miljard het.

Die somtotaal van bogenoemde: staatsdiens werknemers geniet nie dieselfde statutêre beskerming tov hul pensioene as privaatsektor werknemers nie en hul pensioene word verspil op die beleidsprioriteite van die werkgewer nl die staat

Zirk Gous  
Woordvoerder: Amagp

#### *Comment*

*Just keeping the danger to the GEFP in the public eye.*

#### *Synopsis*

## **LETTER: State abuses pension funds**

Business Day  
12 September 2022



Picture: 123RF/FLYNT

There is a new form of state capture that thrives and is freely accepted, this while government leaders supposedly commit themselves to oppose any form of state capture.

The giant public service pension fund, amounting to R2,3trn, is managed by the PIC on behalf of the GEFP. The GEFP is not regulated and protected by the Pension Funds Act like other private retirement funds. It is not allowed to use an investment broker other than the PIC.

The PIC has already shifted 5% of its investments to unlisted companies. It is a poor economic decision because losses skyrocket. Some of the unlisted companies are bankrupt or have had to be liquidated.

However, the PIC has decided to expand its investments in unlisted companies to 35%. The justification for it is that it pursues essential social goals.

The state as employer is essentially in control of the PIC's assets. Investments are captured under the banner of essential social welfare for citizens. Thus, the government abuses pension funds to try to save its faltering social wealth creation programme.

This is done with pensioners' money and without a hitch. Pensioners don't burn tyres or block roads over it. They seem to accept it with resignation.

**Joe Kleinhans**  
Annlin, Pretoria

#### *Comment*

*Thanks to Joe Kleinhans for keeping the public informed of the ongoing threat against GEFP pensioners.*

#### *Synopsis*

**Please read the letter by our AMAGP Chairman below, and also the note at the bottom of the letter.**

5 August 2022

Dear AMAGP Members and AMAGP Supporters,

## **CONTRIBUTIONS TO TRANSFORM AMAGP TO A STRONG ORGANISATION WITH SUFFICIENT RESOURCES TO PROTECT OUR GEPF FUNDS**

1. On 4 August 2022 AMAGP Management decided the time has arrived to extend AMAGP's strong characteristics in the interest of a healthy GEPF with a sustainable long-term future.

2. It is of great importance that AMAGP (from the approximately 430 000 pensioners) increase its membership by at least 50%.

3. Of greater importance is that registered members and Facebook supporters contribute a small amount on a regular monthly basis. The minimum monthly contribution is R30 but can be higher on a voluntary basis for those who can afford it. Management comprehends that those who benefit from lower pension income (less than R10 000 per month) cannot afford it. Management expresses its thanks and appreciation to the approximately 2% of members who do make voluntary contributions.

4. AMAGP members at the time of the recent election for a new Board of Pensioner Trustees proved that we can stand together as a group (with the election of Mr. Christo van Dyk with an overwhelming majority of more than 5 000 votes as a trustee)! Let us build on this and do it again. The minimum contribution barely compares to the price of a cup of coffee, but the greater collective advantage will enable AMAGP to thicken its voice to address any threat to our pension fund and to pursue such threats, for example, to curtail further investment in ESKOM or ISBAYA schemes (black empowerment). The latter is currently absurdly high (R500bn) and reveals exceptional losses!!

5. Any poor investments must be fully opposed. How can we allow that billions of Rands be wasted in state-controlled entities such as ESKOM where an ANC legacy created a culture of union gangsterism, with accompanying sabotage, theft, and corruption? Why must we permit empowerment projects to steal and misuse our funds; here we recall the Daybreak chicken farm that had to be saved from bankruptcy with an increase of 100% in

shares holding. This poor management places our fund in a high risk situation.

6. Let us demonstrate our determination.

(Albert van Driel)  
Chairman: AMAGP

### **NOTE**

Whilst we are still waiting for the online debit order, you are welcome to sign a debit order at your bank in favour of AMAGP. Please use the following details Bank - FNB, Account Holder - AMAGP, Branch Brooklyn 585 with branch number 251345, and Account Number 62743347454. Please use your ID number as a reference and inform Carl Thomas at carlt1959@gmail.com as soon as you completed the debit order.

### **Lees asseblief hierdie brief asook die nota onderaan die brief.**

5 August 2022

Geagte AMAGP lede en AMAGP ondersteuners

### **BYDRAES OM AMAGP TE TRANSFORMEER IN 'N STERK ORGANISASIE MET VOLDOENDE BRONNE OM ONS GEPF FONDSE TE BESKERM**

1. Die Bestuur van AMAGP het op 4 Augustus 2022 besluit dat die tyd aangebreek het om AMAGP se sterk eienskappe verder uit te brei in belang van 'n gesonde GEPF, met 'n volhoubare lang termyn (LT) toekoms.

2. Dit is van groot belang dat AMAGP (uit die nagenoeg 430 000 pensionarisse) sy ledegetalle met ten minste 50% vermeerder.

3. Van groter belang is dat geregistreerde lede asook "Facebook" ondersteuners 'n klein finansiële bydrae op 'n gereelde maandelikse grondslag maak. Die minimum voorgestelde bedrag per maand is R30, maar kan hoër wees vrywilliglik vir diegene wat dit kan bekostig. Bestuur het begrip dat mense wat lae voordele kry (onder R10 000 per maand) dit nie kan bekostig nie. Bestuur spreek hul dank en waardering uit vir die nagenoeg 2% lede wat reeds vrywillige bydraes maak.

4. AMAGP lede het met die onlangse stemming vir 'n nuwe Pensionaris Trustee, bewys dat ons kan saam staan as 'n groep (toe Mnr Christo van Dyk met 'n oorweldigende meerderheid van 5000-plus stemme as trustee verkies was)! Kom ons bou daarop voort en doen dit weer. Die minimum bydrae vergelyk skaars met 'n koppie koffie; maar die groter kollektiewe voordeel sal AMAGP in staat stel om sy stem dik te maak en enige bedreigings teen ons fonds daadwerklik op te volg, byvoorbeeld om verdere ESKOM-beleggings of ISBAYA skemas (swart bemagtiging) aan bande te lê. Laasgenoemde is tans bespotlik hoog (R500 miljard) en toon buitensporige verliese!!

5. Enige swak belegging moet met hand-en-tand teengestaan word. Hoe kan ons toelaat dat miljarde rande vermors word in 'n staatsbeheerde instelling soos ESKOM waar 'n ANC-nalatenskap 'n kultuur van vakbond-rampokkery geskep het, met gepaardgaande sabotasie, diefstal en korrupsie? Hoe kan ons toelaat dat bemagtigingsprojekte ons fondse steel en misbruik; hier dink ons aan die Daybreak hoenderplaas wat van bankrotskap gered moes word met 'n verhoging van GEPF/OBK aandeelhouing tot 100%? Al hierdie swak beleggingsbestuur plaas ons fonds op hoë risiko!!

6. Kom ons toon ons vasberadenheid !!

(Albert van Driel)  
VOORSITTER: AMAGP

#### NOTA

Terwyl ons wag vir die debietorder is u baie welkom om 'n aftrekorder ten gunste van AMAGP te aktiveer by u bank, met die volgende bankbesonderhede: Bank - FNB, Rekeninghouer - AMAGP, Tak - Brooklyn 585 met taknommer 251345, en Rekeningnommer 62743347454. Gebruik asseblief u ID nommer as verwysingsnommer, en verwittig vir Carl Thomas per epos by carlt1959@gmail.com dat u 'n aftrekorder voltooi het.

#### Comment

*A very reasonable request, seeing that AMAGP are unpaid volunteers since inception and still are. Any campaign such as this needs funds to achieve its goals, in this case there is ample transparency.*

#### Synopsis

## Finance minister asks South Africa's pension funds to 'co-invest' in government projects

Businessstech  
Staff Writer  
15 September 2022



Finance minister Enoch Godongwana has called on the GEPF to consider “co-investing” in government infrastructure projects, as the country faces a deep shortfall in funding to address growing infrastructure needs.

Addressing the GEPF annual thought leadership conference on 15 September, Godongwana said that there are other opportunities for pension funds to co-invest with the government, especially in the delivery of infrastructure in the country.

He said that South Africa needs to finance both brown and greenfield infrastructure projects, requiring in the region of R1trn over the next five years. Put differently, South Africa needs to lift the level of fixed investment in the economy to at least 30% of GDP from the current level of around 19% of GDP, he said.

However, the government is struggling to raise the necessary funds. “Investment in South Africa, measured as gross fixed capital formation, has lagged in GDP for some years now. This is owing to continued global and domestic uncertainty, as well as the re-emergence of pre-existing domestic growth constraints – chief among them being unreliable electricity supply,” he said.

“As the government, we cannot close this gap alone. We will require partnerships with the

private sector, especially in the finance sector.”

He said that pension funds in particular sit on major resources and investing in infrastructure would be mutually beneficial. “A growing economy that produces jobs will spur household savings on which the pension industry thrives. And higher savings will mean more money that can be invested back into the economy,” he said.

In addition to funding problems, Godongwana acknowledged that the country also needs to develop infrastructure projects that pension funds and the private sector want to invest in. “As the government, we are doing our part to create a conducive environment for the private sector to invest in the delivery of infrastructure. We acknowledge that the problem is not merely a lack of private sector desire to invest. The obstacle is often the insufficient supply of investible infrastructure projects.

“Inadequate project design and preparation, as well as regulatory and institutional frameworks that are too difficult to navigate, are not conducive to private investment. Our Public-Private Partnership (PPP) framework is long overdue for revision, It takes too long to get a PPP off the ground,” he said.

To address this, the finance minister said that Treasury aims to create a centre of excellence for PPPs, as well as introduce an expedited approval process for projects below a predetermined value.

Godongwana, who was the ANC’s head of Economic Transformation at the time, said that prescribed assets were something ‘to be investigated’, but could not be instated without substantial consultation and a robust review process by the government.

Talk of prescribed assets has since all but disappeared from the discourse around pension funds.

### **Comment**

*The use of pension funds to make up the misuse of our tax money has been under discussion for years. Pension funds are already heavily invested in the economy, not necessarily in ‘government’ projects. The existence of pension funds is ROI to the*

*advantage if its members, not uncertain returns on uncertain projects. See the reports further below.*

### **Synopsis**

Information from Susan Voges  
6 September 2022

## **MULTIPLE INCOME TAX LETTER FROM GEPF**

Many members received a letter from GEPF informing them that they have been identified as someone receiving more than one income. I hope this post will answer a number of your questions.

1. GEPF confirmed that the letter is legit. They mentioned that if you received one and are convinced that you do not receive more than income, then you must contact GEPF and inform them. I would suggest playing it safe and select the PAYE option as that means your tax deduction will remain as is and not be increased now.

2. If you pay in every year and want to increase your tax deduction to avoid this, and you received a letter, use this option to increase your tax deduction by selecting SARS FIXED RATE.

3. Many of you complained that the % tax sounded very high. My suggestion: download the SA Tax App for you (or any of those tax calculator Apps but for SA tax). I have come to the conclusion that it is higher than it should be because it was not implemented from March until September so they must now accommodate that amount between Oct and Feb.

4. Select the age group you fall under, key in your gross monthly pension, it will indicate your monthly and annual tax and the %.

- Then only compare it with the % fix rate tax indicated in the letter.
- Calculate then that % from your current gross monthly pension and you will know how much more it will be a month.

The contents of the letter are the following:

Dear xxxxxxx

TAX CHANGES AND DEDUCTION OPTIONS

The South African Revenue Service (SARS) has recently implemented legislative changes that affect the processing and payment of monthly pensions.

17.99% 2023 (**this will be different for each person**).

This letter serves to inform you that SARS has identified you as an individual who has multiple sources of income.

SARS has therefore instructed the Government Employee Pension Fund (GEPF) to deduct PAYE at a rate of for the remaining months of the tax year.

You have a choice to either have your tax deducted as per the fixed rate directive or per the normal monthly PAYE tax tables.

Please indicate your choice in the demarcated area on the next page. Thereafter sign, scan and email it to [multipleincomesources@qpaa.gov.za](mailto:multipleincomesources@qpaa.gov.za).

Alternatively, you can post it using the self-addressed enclosed envelope or submit it at your nearest GEPF office.

GOVERNMENT EMPLOYEES PENSION FUND  
NOTICE TO GEPF TO DEDUCT TAX FOR THE TAX YEAR 2023

I, \_\_\_\_\_ ID no: \_\_\_\_\_  
herewith choose the following option:

Signature \_\_\_\_\_

Date \_\_\_\_\_

Please tick the box next to your option

PAYE tax tables

SARS fixed rate %

CPxxxxxxx (*pension number relevant to the member receiving the letter*).

**Comment**

*Good advice from Susan. Pensioners, please plan properly. [PPPP]*

**UBank's Curatorship Should Not Affect Millions of Ex-miners Across SADC**

Ubank Limited has a unique structure as it is wholly owned by Ubank Group Limited, which is wholly owned by Teba Fund Trust and is administered jointly by the National Union of Mineworkers (NUM) and the Minerals Council of South Africa, previously known as the Chamber of Mines

SarWatch Writer  
3 June 2022

The Southern Africa Resource Watch (SARW) is concerned that the recent decision by the South African Reserve Bank's (SARB) Prudential Authority (PA) to place UBank under curatorship will affect millions of mineworkers and their families, who have unpaid funds deposited with the bank. SARW calls for urgent attention on ensuring that former mine workers across SADC whose monies are banked with UBank should not suffer because the bank has been placed under curatorship.

The institution has a long history of providing basic financial services to mineworkers and their families, such as facilitating the remittance of funds to families and dependents in rural and labour sending areas, using a linked account facility. UBank has around 4,7 million accounts, mainly among mineworkers and their families.

The recent decision to place UBank under curatorship is alarming, particularly for migrant mineworkers and their families who have monies banked with UBank and have faced numerous challenges and obstacles in obtaining these monies. Currently, the institution requires a letter of authority from the Master of the High Court in South Africa. SARW has learnt from numerous former mineworkers and their families that acquiring these letters of authority in South Africa poses many challenges, as the bank only recognizes documents issued in the country.

SARW applauds the SARB and PA for the swift action and decision to place UBank under curatorship before its capital inadequacy issues get out of hand. It is our



hope that this will protect consumers and prevent a repeat of what happened with VBS.

In March SARW held a high-level meeting on unclaimed benefits in SADC where former mineworkers and widows of ex-miners shared stories of how they have been affected by the non-payment of the monies due to them. One of the widows, Ms Sonto Simelane from Eswatini recalled how she had to borrow money to bury her husband who worked at the Beatrice mine, when he died in 2019. Since his death in 2019, she does not have access to her late husband's funds to repay the debt. She needs a letter of authority from the Master's Office in South Africa for UBank to transfer the money to her late husband's estate. Her funds are still locked at UBank, while she is accumulating debt. Ms Simelane has travelled to South Africa twice to try to secure a letter of authority since they do not recognise the letter issued in Eswatini. Given that she is illiterate, she has had to engage expensive lawyers to help her obtain the letter.

### *Comment*

*See below for comment.*

## **South Africa places Ubank under administration**

BusinessTech  
Bloomberg  
16 May 2022



Subscribe

South Africa placed Ubank Ltd, a lender partly managed by mine workers, under administration.

Finance Minister Enoch Godongwana appointed KPMG South Africa as curator of the bank because of concerns about the lender's corporate governance, a high number of internal-control weaknesses, and a lack of sufficient capital to ensure the viability of the bank, central bank Governor Lesetja

Kganyago told reporters Monday in an online briefing.

"KPMG will be responsible for Ubank with immediate effect," Kganyago said. "This is being done to proactively mitigate the adverse consequences on Ubank's depositors, and to preserve the stability of the South African banking and financial services sector as a whole," he said.

Ubank was created more than four decades ago to serve as a savings fund for mine workers. It converted to a commercial bank in the early 1990s and is now owned by a trust that is managed by trustees elected by entities including the National Union of Mineworkers and the Minerals Council South Africa.

The Minerals Council referred queries to the banking regulator while NUM's General Secretary Makgabo William Mabapa said the union was shocked by the development. "We were called last night by the Prudential Authority advising that we should raise R800mn," Mabapa said. "Of course, that money was successfully raised within 24 hours. We are wondering why the PA decided to advise the Reserve Bank to take such a drastic decision."

In 2014, the central bank put African Bank Holdings Ltd under curatorship after the lender's bad debts rose and the market shunned its bond sales.

The central bank is now planning an initial public offering for African Bank, which exited administration and is currently operating as a normal bank, after it failed to find suitable buyers for its 50% shareholding.

### *Comment*

*Be aware that Ubank South Africa isn't related to Ubank Australia.*

*Note the inclusion of African Bank in the report. A short step to the GEPF owning one or two bankrupt banks?*

*Do we see the subtle establishment of the state bank?*

### *Synopsis*

**We must transform investments, says GEPF's new chair**

Dondo Mogajane says the GEPF must be an economic transformation tool. So, has the GEPF regained its appetite for shareholder activism?

We must transform investments, says GEPF's new chair Dondo Mogajane, the newly elected chair of the GEPF, wants to re-focus Africa's largest retirement savings fund to be more deliberate in addressing race-based economic inequality in SA.

In an exclusive interview with Today's Trustee, Mogajane elaborated on how he believes there is value in investing pension savings to drive economic inclusion in townships and small towns, with a particular focus on empowering women.

In part, this is because he feels the transformation imperative for the country is losing steam. "We seem to have forgotten that. We seem to have put that in abeyance and concentrated on other things," says Mogajane.

It's a clear declaration of intent for the man announced as chair of Africa's largest pension fund in July 2022. In particular, Mogajane, a former director general of National Treasury, decried how shareholder activism aimed at advancing black people has lost momentum. "Let us use the GEPF as a tool for transformation. Let us understand its mandate within [the] transformation objective that we have to carve for ourselves as a fund, because we have got a lever in what we guide the PIC to do," he says.

Mogajane speaks particularly of the need to empower black-owned asset manager firms. "We have to broaden empowerment in a big way," he says. "I am not saying there is a kitty to be misused: there is R2,1trn that we oversee — we have to guard it, we have to build it and expand. It must be sustainable."

Ultimately, the GEPF has more scope than most, given that it's a defined benefit fund. But Mogajane is clear that the entity must "make sure that we preserve the fund."

## Sustainable investments only

Mogajane takes over at a time when calls are growing for pension funds and state pension funds in particular, to be used to fund infrastructure projects, and cashhungry state-owned entities. He is clear, however, that the GEPF won't be used as a kitty to fund unsustainable investments. "The fund cannot be dictated to by government," he says. "We are there essentially for members who happen to be government employees, my first port of call is to protect their investments, my second port of call is to grow their investments to [secure] their future."

The GEPF must remain a liquid, well-resourced fund 50 years from now, he says. "The fund cannot come tomorrow and say, sorry we do not have money ... we should be able to meet our obligations to the next of kin, the surviving beneficiaries that are there. We should be able to be sustainable whilst growing the cake," he says. It's an important point, given the stories that have emerged of the PIC investing billions in companies that were poor investments from the start, which ended up losing money.

Thankfully, the GEPF has a big buffer, but this is reduced with every poor investment. Says Mogajane: "I do not want to be writing off impairments every year, where we support companies and they just collapse and we lose billions. It should not be, otherwise we will be an irresponsible board of trustees."

### Comment

*Of concern is the 'economic transformation' and 'race-based economic inequality'. This clearly isn't the purpose of the GEPF. It also seems as if he is concerned about sustainability and preservation of the Fund. However, it seems there is a bias towards adventures with the reference 'the GEPF has a big buffer'. If you read the GEPF ARs over the past 10 years, this 'buffer' definitely isn't. The 'calls are growing' part of the article surely is an extreme generalisation, otherwise, dear reader, you would have seen it in the general daily news.*

*The GEPF website at the time of the interview indicates R1,61trn in assets, which figure is correct?*

## "Use GEFP to deal with Eskom's debt"

Today's Trustee  
September/November 2022  
By Ruan Jooste

As SA reeled from stage 6 loadshedding, in the very week that Eskom proposed an astounding 32,1% electricity price hike from April next year, the issue of how to mitigate the risk that the power utility poses to SA's economy has assumed centre stage.

The big problem is Eskom's nearly R400bn debt.

This is clear from its results for the year to March 2021, which showed that while it made a R6,6bn profit before finance costs, once the R31.5bn interest cost on its debt is factored in, Eskom made a bottom line loss of R18,9bn.

A new report from the Alternative Information and Development Centre (AIDC) this month has a solution on how to address this crisis. The AIDC's idea is to harness the balance sheet of the PIC, which manages R1,91-trillion in assets for the GEFP and other public agencies, including the UIF. The AIDC believes these funds could be used to reduce Eskom's debt, taking the pressure off the wider economy.

In June, the International Monetary Fund (IMF) urged the SA government to "downsize Eskom's balance sheet and restore its commercial sustainability". This appeared to be tacit support for shifting Eskom's debt onto government's balance sheet, even if the IMF didn't say so explicitly.

Until now, Treasury has been reluctant to take Eskom debt onto the sovereign's balance sheet, even though bonds issued by the struggling utility are already underwritten by the state. Speculation is running high that finance minister Enoch Godongwana will make an announcement on a plan to tackle Eskom's debt in his medium-term budget policy statement in October.

In the AIDC's report, it argues that the national budget must not be used to support

looted and indebted SOE. Rather, it says, Eskom could be rescued using the surplus resources of the GEFP. One way to do it would be for the PIC to take over part of Eskom's debt, possibly convert its existing bonds into equity, held by the state-owned asset manager. It says this creative approach is needed to stave off greater austerity measures in the economy.

But how risky is this for the GEFP's pensioners? After all, pension fund trustees have a fiduciary duty to ensure they get the best return for members and Eskom is hardly a failsafe investment.

The AIDC argues it isn't risky at all. This is partly because the GEFP is a defined benefit fund, so pension payouts are guaranteed by the employer, which is the state in this case. "Secondly, contributions and income from investments are guaranteed (as it has been since the late 1990s) to exceed pension payouts even if the GEFP uses some of its vast financial resources to save Eskom," it wrote.

This isn't the first time such a scheme has been proposed. Back in 2020, the PIC approached National Treasury with a proposal to ease Eskom's debt, which at that stage sat at R464bn. The idea, it seems, was to convert about R95bn of Eskom bonds into equity in the power utility. But not much has come from that.

One pension fund actuary says the fund should partner with existing developmental financial institutions such as the Industrial Development Corporation and the Development Bank of Southern Africa "We need to transform these state structures and institutions to serve the interests of the majority, and most importantly, make sure that people retire comfortably without becoming just another ward of the state."

### Comment

*The AIDC think tank seems to be aligned with the governing ANC if I read the website correctly. The generalisations in the AIDC statement are trite. Reading the GEFP and PIC ARs will convince the reader that the defined benefit concept can't be depended on, neither are the contributions and income guaranteed 'to exceed pension payouts'.*

### Synopsis

## PIC in flux as CFO reinstated

Today's Trustee  
September/November 2022  
By Ruan Jooste

The governance headache at the PIC only seems to be growing, rather than diminishing.

In June, Parliament's select committee on finance was briefed about the PIC's challenges in executing its mandate, including the revolving door in the top suite. In recent months, there has been a wave of suspensions at the PIC, which has created an atmosphere of uncertainty.

This month, another decision from the CCMA threw the cat amongst the pigeons, as the labour tribunal ordered the PIC to reinstate its former CFO, Matshepo More, whom it had fired last October. The PIC's charges against More included the fact that she'd signed a memo approving a R4,3bn deal to finance Iqbal Surve's AYO Technology Solutions, before this was approved by the PIC's management committee.

However, More argued that the organisation was inconsistent: other PIC staff had been found guilty of similar offences, but not dismissed. Quite what the PIC does about this CCMA order has yet to be seen. All it has said is that the board "is considering the arbitration award and will take advice on the way forward".

### *Comment*

*Uninspiring if the PIC condones certain offences, isn't it?*

### *Synopsis*

## **Banks ordered to keep Surve's accounts open**

Today's Trustee  
September/November 2022

Another decision making waves this month is the Competition Tribunal's order preventing three banks from closing the accounts of Iqbal Surve's Sekunjalo Group and ordering five others to reopen accounts they'd closed for the next six months.

Surve had complained to the Tribunal that by closing his accounts, the banks had demonstrated either an "abuse of dominance" or "collusive conduct". The banks, however, had countered that they have the right to enforce contractual terms, particularly where retaining those clients "may cause the bank significant reputational risk". This is especially so if someone is implicated in wrongdoing, they argued.

The Tribunal said that Sekunjalo had shown that the banks engaged in a "concerted refusal to supply banking services", which had the effect of preventing the company from "participating or expanding within the markets in which [it] operates". It has now ordered the banks to keep the accounts open for six months, or until a wider probe by the Competition Commission into Sekunjalo's claims is finalised.

The individual banks, however, aren't taking this ruling lying down. One of the banks, Absa, told Business Day that it "disagrees" with that decision, while others said they were deciding on an "appropriate course of action".

### *Comment*

*Let's see how far this goes. Definitely it can't be easy for Surve and his empire to bank when eight banks don't want to do business with it. This going to lead to court cases, with many appeals.*

*Meanwhile, there is the R4.3bn loan to Ayo, the repayment of which isn't resolved yet.*

### *Synopsis*

## **The cushy pensions of SA's top politicians**

The retirement fund for political office-bearers is financed by the taxpayer – and it's staggeringly well-funded.

Ruan Jooste  
Today's Trustee  
Sept/Nov 2022

Chances are, you've never heard of the Political Office-Bearers Pension Fund (POBPF), an entity that certainly has some unique, and eyebrow-raising characteristics.

Consider this: the fund was not established by legislation (though it does fall under the

Pension Funds Act), nor does it have to be audited by the auditor general, nor is it required to publicly divulge its business. And yet this is a fund directly financed by you, the taxpayer.

The fund was established on 27 April 1994 (although the structures were only set up in 1998) to provide retirement and other benefits for political office-bearers. This includes the cabinet (other than the President), members of Parliament, provincial premiers, and officials in provincial legislatures other than those who belong to the GEPPF.

According to the fund's principal officer Belinda Burger, who answered questions through the consultant to the trustees, there are more than 900 contributing members to the POBPF. There are also 28 "deferred pensioners", being people who left political office but have not yet taken benefits from the fund.

"Political office-bearers are not 'employees' as such," says Rosemary Hunter, pension and financial specialist lawyer at Fasken attorneys. True employees of Parliament don't really count as "political officebearers".

But the fund is only "underwritten by the state", in the sense that the state pays salaries to political officebearers, and their contributions to the pension fund form part of this remuneration.

"Otherwise, in its present form, the fund operates as a pure defined contribution arrangement in which the members carry the investment risk – like any private sector DC retirement fund," says Hunter.

But according to the fund's website, there was a defined benefit element as well. This is because the benefits a political office-bearer ultimately gets are calculated "based on factors such as your pensionable salary and years of service [and] the investment returns earned on the fund's investments do not affect these benefits."

In March 2016, however, these defined benefit elements of the formula were written out of the fund's rules. "Those who were members of the fund at the time were compensated for this by having additional

amounts credited to their fund credits," the fund notes.

The financial reports show that the amount of the member's "equalisation amount" or "terminable gratuity" depended on his or her salary when they left office.

And the politicians are all too aware of this. There were instances of ministers quitting Parliament entirely when they were demoted, so that they could leave with the higher pension benefit, rather than stay on as a parliamentarian with no certainty of re-election.

Still, the fund says that a parliamentarian who served more than one term, or for more than five years, also gets a "gratuity" from Parliament when they leave, equal to four months pensionable salary for every five years they served. And this is in addition to whatever they get from the fund.

### **An 11% return**

Needless to say, that is rather generous. But with R4bn in assets under management, to service fewer than 900 members, their pension fund is also clearly wellfunded. Perhaps that's why the other generous benefits from the fund include death, disability, funeral, life and resignation benefits. And it even pays for a portion to divorced former spouses of members.

In a newsletter in January 2022, the fund confirmed that the insured benefit payable on the death of a serving member would be equal to five times his or her annual pensionable salary — about 60% of their total remuneration.

So how are investment returns looking?

Well, for the year to March 2022, the fund reported an 11% return — which is below the 23,1% recorded by the GEPPF for 2021, but above the returns of the Eskom Pension and Provident Fund (EPPF), which were below their inflation-linked benchmarks over one, three and five years.

It's a comparison that matters, since the GEPPF is the largest public pension fund in the country, while the EPPF is the largest private

fund. Both are also defined benefits funds and are also bankrolled by taxpayers.

But there are also vast differences between the three funds: the EPPF has 85 000, members, the GEPF has close to 1,3 million members, while the POBPF has about 1 000.

All of which suggests that Alexforbes, which administers the POBPF, is doing a decent job. As is Belinda Burger, the principal officer of the fund, who is also a past employee of Alexforbes.

She says she left Alexforbes in 2018 and went through an interview process with other candidates, before being appointed in 2020.

### *Comment*

*This might be why politicians fight to the death to remain in their positions, even up to the Constitutional Court. And why they might not be concerned about the members of the GEPF.*

*Why funded by the taxpayer? The 'government' contributes to the fund out of the monthly tax returns, ie on a day to day basis. Evidently keeping its contribution current and sufficient, not like with the GEPF where the GEPF AR laments the 'government' contribution is in arrears.*

*Read the third sentence again, and wonder.*

*I seriously doubt the ROI of 23,1% reported by the GEPF for 2021. The GEPF AR has too many anomalies, especially in the unreported investments.*

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