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

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GEPF your investment, your future

NEWSLETTER NO 9 of 2022

AMAGP – Association for Monitoring and Advocacy of Government Pensions
AR – annual report
BOT – Board of Trustees [of the GEPF]
FSCA – Financial Sector Conduct Authority [previously the FSB]
GEPF - Government Employees' Pension Fund
PIC – Public Investment Corporation
PSA – Public Servants' Association
ROI – return on investment
SCOF – Standing Committee on Finance
SCOPA - Standing Committee on Public Accounts
SOE – state owned entity

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

We are the owners of the GEPF and we have the right to expect the GEPF Board of Trustees and the PIC to manage and invest OUR money in a responsible and profitable way, to the advantages of members and pensioners. Take note of the single pensioner on the BOT, with the election coming up.

The AMAGP remains in dire need of dedicated persons to share in the burden of AMAGP. People who aren't afraid to work for the common good of members and beneficiaries of the Fund.
YOU IN FACT!!

The Editor's Word

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

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

The voting for the pensioners' Trustee on the BOT extended to 31 May 2022. So vote please.

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

Now for news from the media

Busi Mavuzo of Eskom made quite a splash at SCOPA where she was asked to leave when stating her case clearly and unambiguously. The IFP chairperson the next day released an apology for his precipitate action. Hmmm.

BusinessMaverick questions the financial soundness of the GEPF based on the actuarial report. Rightly so, we do too.

The PSA is justly concerned about an investment the PIC did for the UIF, where the broker earned about R47mn in commission. And the UIF reports insufficient funds for its work.

There is a series of articles about the GEPF's renewal of its investment mandate with the PIC, its opaqueness and the lack of ROI of the unlisted investments.

Treasury is still concerned about the "new" SAA and the terms and conditions of the 'sale' to Takatso. Said terms and conditions still clouded, unclear and little known.

There is a slight change in income tax for pensioners that all pensioners must take note of, and ensure their financial advisor also knows about.

The ANC evidently is developing a policy to dispose of some of the SOE. This is good news if it carries over to 'government' and it ever happens.

NUUSNEWSNUUS

Synopsis

Busi Mavuzo: the saviour of SCOPA?

Politics Web
Douglas Gibson
26 April 2022

Busi Mavuzo is a board member of ESKOM. She is also the CEO of Business Leadership South Africa. SCOPA is the Parliamentary Standing Committee on Public Accounts. In appearing before SCOPA recently, dealing with the ESKOM mess, she was asked to leave when she told the truth.

Her "offence" was to decline, in her capacity as a board member of ESKOM, to accept the smear that the board and the CEO, Andre de Ruyter, both appointed by the government, should accept the blame for the mess that ESKOM has become. Both she and all board members, plus de Ruyter must accept scrutiny and accountability, but what about the ANC?

She stated clearly that it is the direct fault of ANC government inaction over many years. Everyone in South Africa, must know this. After all, President Zuma appointed Ramaphosa and Gordhan to fix ESKOM a decade ago, long before the current ESKOM board and long before the exceptionally brave de Ruyter agreed to take on an almost impossible task.

Presumably, the modern-day SCOPA, not the one I served on for some years, prefers witnesses to tell lies or at least to "gild the lily" to avoid offending the government and more specifically, to avoid embarrassing the ANC. That the chairperson of SCOPA, Mkhuleko Hlengwa, a member of the IFP (Inkatha Freedom Party) saw fit to throw her out for "grandstanding," seems to observers to be a repudiation of the role he has sworn to fulfil without fear or favour.

If SCOPA is sliding down the slippery slope of mediocrity and integrity, like Parliament's Ethics Committee did recently on the Mkhize matter, then we perhaps have an answer to the question posed in a PhD thesis by Koliswa M Matebese-Notshulwana. "Why is there a growing problem of financial misconduct and abuse of public funds in the public sector despite the existence of SCOPA as a parliamentary oversight mechanism?"

The thesis concludes that "…notwithstanding the good intentions underlying the oversight role of SCOPA, democratic South Africa's financial management continues to be afflicted by corruption, fraud and theft. Failure to take action against cases of fraud and corruption brings into question the effectiveness and efficiency of the oversight role of parliament." There can surely be no stronger indictment of SCOPA and parliament failing to carry out their respective roles effectively.

Parliament is not what it was in the early days of our democracy. And there is no reason that this should be and remain so. Those of us who care about parliament find it painful to witness the decline of the mechanisms set up to protect our democracy. It is of course the inevitable consequence of a political party having been in power far too long for the good of the country (or of itself, for that matter). But surely, we do not have to wait until 2024 when the ANC will possibly lose its majority and be replaced by a new government – in all probability a multi-party government. That will be like a blast of fresh air and renewal through all our institutions and not least parliament itself.

That process could begin now. Parliament should appoint an all-party committee to consider whether all the institutions of parliament, including SCOPA and the Ethics Committee, set up to facilitate its oversight function are working satisfactorily and what regulatory or legislative amendments are necessary or desirable to strengthen that oversight function.

South Africa may yet have cause to thank Busi Mavuso for her straightforward and truthful evidence before SCOPA.

Douglas Gibson is a former opposition chief whip and a former ambassador to Thailand.

I apologise to Busisiwe Mavuso - Mkhuleko Hlengwa

Mkhuleko Hlengwa
27 April 2022

IFP MP and SCOPA chairperson says he was asked by his party to reflect on his application of the rules

Statement on SCOPA-ESKOM Meeting by Mkhuleko Hlengwa

On Monday, 25 April 2022, at its ordinary weekly meeting, the IFP NEC requested a briefing from me on the set of circumstances which characterised the SCOPA meeting with the Eskom Board on Friday, 22 April 2022, with particular focus to the interaction with Board Member Ms Busisiwe Mavuso. I briefed the NEC accordingly.

Whilst the NEC has accepted my explanation and upholds that the rules of Parliament were correctly invoked insofar as the construct of SCOPA is concerned, the Party asked me to reflect on the manner in which these rules were applied, and to give due regard to how Ms Mavuso may have felt, considering the sentiments she expressed on Radio 702 on Monday, 25 April 2022.

I have done this. Accordingly, I wish to express an apology to Ms Mavuso; which I will convey to her in due course. I accept that the situation could have been handled better.

I thank the IFP NEC for its guidance on this matter.

I have noted the DA's filing of a complaint against me with the Speaker of the National Assembly, and I look forward to appearing before the Powers and Privileges Committee, should I be called upon to do so.

While my exchange with Eskom during the SCOPA meeting escalated in the manner that it did, it was an exercise of my responsibility as Chairperson to caution against attempts to draw SCOPA into partisan politicking in the discharge of its work.

Boards and Executives of all State-Owned Entities have a fiduciary responsibility in law. The Board of Directors of Eskom are the Accounting Authority of Eskom and thus carry the burden of responsibility and accountability. Oversight and accountability are often uncomfortable, especially when so much is wrong in the country, but they are a necessary exercise of our constitutional and democratic dispensation. Those who hold office through election, appointment or deployment must accept that they will be held accountable for how they exercise their duties, and for the performance of their respective entities.

Mkhuleko Hlengwa MP
Issued by the IFP, 26 April 2022

Comment

Busi Mavuso is an example of someone who isn't afraid to speak out about what is right and what isn't. We should question SCOPA, and the chairperson of SCOPA, on their seeming lack of parliamentary oversight over public accounts.
A public apology like this one clearly indicates the SCOPA chairperson wasn't carrying out his party's policy.

Synopsis

How financially sound is the Government Employees' Pension Fund?

BusinessMaverick
By Sasha Planting
28 April 2022

The country's biggest and most important pension fund is healthy, but there are some reasons to be concerned.

The extraordinary rise in the value of the JSE between March 2020 and March 2021 stemmed three years of declining values within the GEPF and has placed it in a sound financial position as far as short term commitments are concerned.

However, it is unlikely that investors will see another year where the JSE rises by 55%, which makes the long-term soundness of the fund even more important.

According to an independent actuarial valuation of the fund's value, assets of R2,042bn covered excess liabilities of R1,868bn, meaning that as of 31 March 2021, short-term liabilities were covered by 110%. This is up from 108% in 2018, when the last actuarial valuation was performed.

According to the actuaries who prepared the report, African Origins Actuarial Solutions, peer reviewed by Alexander Forbes Financial Services, this means that the fund was financially sound on the minimum funding basis at the valuation date. The trustees' targeted minimum funding level is 90%.

This is particularly pleasing and, given that the JSE has risen by another 13% between March 2021 and March 2022 to reach 75 907, suggests the fund has in all likelihood advanced further.

However, this is where the good news ends.

When it comes to the minimum or short-term funding basis (assets – liabilities), it appears that the fund was largely pushed into positive territory by the positive movement of the JSE. But there was another push from a surprising and unexplained factor: the decline in the annual growth of pension liabilities.

Pre-2018, pension liabilities averaged R125bn per year, but according to the actuarial report, these fell to an average of R65bn per year (R'm 1 854 519 – R'm 1 662 640/3 years).

Financial position of the fund	31 March 2018 R'm	31 March 2021 R'm
Fair value of assets	1 800 068	2 041 346
Accrued service liabilities		
Active member liability	1 171 396	1 218 049
S-case and exits in progress liability	11 673	27 095
Pensioner liability	451 487	595 256
Child pension provision*	10 535	0
Deferred pensioner liability	0.5	0.6
Data reserve	8 785	9 135
Discriminatory practices reserve	8 763	4 983
Total accrued service liabilities	1 662 640	1 854 519
Balance of assets before contingency reserves	137 428	186 827
Minimum funding level	108.3%	110.1%

Source: GEPF Statutory Actuarial Valuation. March 2021

This change is not fully explained by the fact that the government reneged on its three-year salary agreement in the past year. *Business Maverick* put the question to the GEPF, which had yet to answer at the time of going to print. However, such gains cannot be relied upon to carry the fund in the long-term (Assets – (Pension Liabilities + Recommended contingent reserves)).

According to the actuaries, the fund does not have sufficient assets to cover the recommended solvency reserve and other contingency reserves in full.

The surplus of R186,8bn is available to cover these reserves, but this is sufficient to fund just 20,9% of recommended reserves.

Allowing for the full solvency reserve and other contingency reserves reflects a long-term funding level of 74,3% (down from 75,5% in 2018). The GEPF's funding policy states that the trustees should strive to maintain the long-term at or above 100%.

This means that at the valuation date the fund met the minimum funding level of 110,1%, but as the contingency reserves are only partially funded, it does not meet its long-term funding objectives.

For observers, this is concerning. "Although the minimum funding level is satisfactory, we have been concerned for quite some time, about the shortfall on the long-term funding level which has been declining for a number of years now," says Adamus Stemmet, a spokesperson for AMAGP.

"As a pension fund provides for the long term, this should obviously be of concern not only to pensioners and serving members, but to the Board of Trustees."

The FSCA has indirectly weighed in on the subject: "Funds can set up solvency contingency reserve accounts, but there is no requirement to fully fund these reserves. Accepting that pension funds are long term arrangements and sponsored by employers, the registrar is concerned that a risk premium approach (*which the GEPF uses — Business Maverick addition*) without funded solvency contingency reserves may not adequately protect members."

As they have done in previous reports, the actuaries recommended to the GEPF and the Minister of Finance that the government increase its contributions to fund the shortfall. In the latest valuation, the valuator recommended that the required employer contribution rate be increased from the current 13,5% to 14,2%, or by some R2,5bn per annum.

Given the pressure on the fiscus, this seems unlikely.

For the average pensioner, the fact that contingency reserves are not fully funded is largely irrelevant. The GEPF is a defined benefit scheme which means that pensioners are guaranteed a secure income for life which increases each year in line with inflation. Any shortfall in the fund must be met by the employer, the SA Government, which by implication means the taxpayer.

This is where the number crunchers at the AMAGP grow concerned.

"The GEPF's investment performance has been below target over the 5-year, 10-year and 15-year periods and our calculations suggest that in 2020 (the year the GEPF postponed the 2020 statutory valuation), liabilities exceed assets by an estimated

R133bn, bringing the minimum funding ratio to the region of 92,7%. As such, the GEPF was not solvent at that date," says Stemmet. If accurate, it means that in 2020, the fund broke through the solvency barrier, for the first time since 2004.

Granted it was an abnormal year, given the market's hysterical reaction to Covid, and markets (and the fund) have recovered, but it shows that in the face of unexpected market movements, a healthy long-term funding rate is required to ensure the fund remains solvent. **BM/DM**

Comment

Dear reader, it should be abundantly clear from this very lucid report by Business Maverick, why AMAGP is so concerned about our pensions. Our Fund used to be adequately funded but it isn't any more.
The actuarial report in all probability reflects the Fund's funds at about December 2021, if we include the time it takes to collate all the figures, for the report to be ready by 31 March 2002.

Synopsis

UIF: PSA CONDEMNS IRRESPONSIBLE INVESTMENT OF R1,8BN

Reuben Maleka
4 May 2022

The Public Servants Association (PSA) learnt with shock that the UIF invested an amount of R1,8bn without due diligence. Allegations that those who benefited from this shoddy deal are connected to politicians are deplorable and confirm the PSA's long-held view that politicians and their allies are shamelessly enriching themselves from the public purse.

The company that facilitated the investment earned a shocking R47,5mn advisory fee, despite leading the UIF to invest in a sinking ship. The involvement of the PIC as the body that made the investment on behalf of the UIF, is extremely concerning as the PIC is also responsible for the GEPF. This reckless dealing with the public purse can either be owing to a genuine lack of insight in dealing with investments or corruption with the intention to benefit certain individuals. The latter is more likely as the PIC is deemed to have the expertise to deal with such and even more complicated transactions.

The UIF's funds are intended to assist beneficiaries when they lose their jobs, during maternity period or prolonged sickness, and must also contribute to the reskilling of beneficiaries to enable them to either get employment or start their own businesses. It is thus deplorable that investment corruption should impact on these most vulnerable beneficiaries. It cannot be a coincidence that an unstable business was chosen for the investment of this huge amount and, as usual, no one is held accountable for the loss.

The UIF recently reported to parliament that it was running out of money during the Temporary Relief Scheme payments, whilst incorrect payments amounting to billions of rands were made. The UIF further wanted Public Service employees to contribute to the Fund whilst money is being wasted through maladministration and corruption.

It is extremely concerning that most state entities are losing money owing to various forms of maladministration, corruption, and abuse of power. Politicians and their allies are enriching themselves at the expense of service delivery to citizens as the Public Service is left incapacitated.

The PSA urgently calls on the Minister of Labour and Employment to ensure stringent consequence management for those who failed to exercise due diligence, resulting the vast loss of UIF funds. In addition, the Special Investigation Unit and the Office of the Auditor-General must be involved to ensure that the culprits face the full might of the law. Should this looting continue, the country will lose its sovereignty owing to the inability to govern and service escalating debts.

Comment

As clear as can be. What more is to be said…

Synopsis

MURKY DEALINGS
State pension fund sticks with the 'secretive' Public Investment Corporation on BEE investments

Photo: Adobe Stock | Logos: Supplied

Daily Maverick
By Ray Mahlaka
3 May 2022

The GEPF has agreed on a new mandate for unlisted investments with the PIC. In other words, the PIC will continue managing the Isibaya Fund and pouring GEPF money into BEE deals.

Despite the PIC trail of sullied investments worth billions of rands, the GEPF is sticking by it on BEE and unlisted deals.

The GEPF mandates the PIC to invest the pension savings of public servants in a range of asset classes (including listed shares, bonds, property and unlisted companies) to generate attractive returns while supporting South Africa's developmental goals.

But the GEPF's investment relationship with the PIC was up in the air for more than a year as neither institution had an agreement on the management of investments into unlisted companies.

The PIC's mandate to oversee the GEPF's portfolio of unlisted investments, called the Isibaya Fund and worth more than R70bn, expired in March 2021. And the GEPF opted to not renew it, bringing into question its relationship with the PIC as the latter managed the former's portfolio of unlisted investments, or Isibaya Fund, since 1997.

Started at the time as an "impact investment fund" with a focus on infrastructural investments with an economic and social benefit, the Isibaya Fund has morphed to prioritise investments into companies with a favourable BEE profile. About 10% of the GEPF's pension savings shifted into the Isibaya Fund.

The GEPF is not ready to cut ties with the PIC as it has agreed on a new mandate for unlisted investments with the PIC. In other words, the PIC will continue managing the Isibaya Fund and pouring GEPF money into BEE deals.

The PIC is not prepared to disclose the financial terms of its new arrangement with the GEPF on the Isibaya Fund. The PIC didn't specify if it would still manage R70bn under the Isibaya Fund as before, or whether the GEPF had reduced this mandate amount.

When pressed for more information on its new mandate with the GEPF, the PIC told *Business Maverick* that it won't be commenting. The PIC was only prepared to say that the new mandate allows it to deploy investments on the GEPF's behalf, into companies that are based in South Africa and the rest of Africa.

In South Africa, the PIC will consider investments up to R500mn per company. And in the rest of Africa, the PIC investments of between R316mn and R632mn.

Old habits die hard

The PIC's secrecy around its new mandate with the GEPF on the Isibaya Fund is arguably reminiscent of its old habits. It is the secrecy and opaqueness surrounding the Isibaya Fund that led to sullied investments worth billions of rands to be pencilled in by the PIC when Daniel Matjila was at the helm of the asset manager from 2014 to 2018.

That the Isibaya Fund invests in companies that are not listed on the JSE, or any exchange, takes away the transparency or disclosure requirements on the part of the PIC. The way the Isibaya Fund came to work under Matjila was that deals were opaquely selected.

Most of the controversial or dud investments that the fund has made include among others Independent Media, AYO Technologies, Erin Energy, VBS Mutual Bank and S&S Oil Refineries. Underscoring this is that the Mpati inquiry into the governance affairs of the PIC has found that 41% of the R123bn of the asset manager's unlisted investments, including the Isibaya Fund, were at risk and were "on watch, underperforming" or non-performing.

The Mpati inquiry has called for greater transparency regarding the PIC's investments under the fund, requiring the value of its investments to be listed online and in real-time

But the PIC is off to a poor start if it isn't prepared to disclose the terms of its new mandate with the GEPF on unlisted investments. **DM/BM**

Opaquely - difficult to understand or know about, especially because things have intentionally been kept secret or made complicated. Adj, Cambridge Dictionary

Comment

It does seem as if this lack of transparency obscures investments that would cause serious distress to every pensioner and member of the Fund if made known. However, seeing as the 'government' and trade unions have the overwhelming majority on the BOT, I doubt we'll be getting any better information on the ROI from these investments, except in the Annual Report.

Synopsis

New law will force the PIC to be more transparent in how it manages money

Fin24
Londiwe Buthelezi
17 Feb 2021

- The Public Investment Corporation Amendment Act will ensure greater transparency into the dealings of the state-owned asset manager.
- Among other things, the Amendment Act says organised labour must be part of the board and that the Deputy Finance Minister or another deputy minister from the economic cluster must be appointed as the chair of the PIC board.
- The Act requires the PIC to report the investments of workers' deposits, whether listed or unlisted, and to list all big deals that require the Finance Minister's approval.

The President has signed the PIC Amendment Act, which promises to bring greater transparency into the dealings of the state-owned asset manager. The National Assembly adopted the Amendment Bill in February 2019 and then refereed to the Council of Provinces, but it has taken two years for it to be signed into law.

The amendments also sought to improve governance and accountability at the PIC, following revelations of rampant mismanagement of PIC funds.

The Amendment Act seeks to prevent a re-occurrence of PIC governance failures, among other things, by diversifying the Board to include someone from the Department of Finance, representatives of the GEPF as well as three representatives selected by organised labour in the Public Service Collective Bargaining Council.

The Act also states that the Finance Minister must designate the Deputy Finance Minister or any other deputy minister in the economic cluster as the chairperson of the PIC board.

As far as the PIC's investment activities are concerned, the Amendment Act requires that, every year, the asset manager must report the total number and details of requests made to the Finance Minister to approve any significant transactions requiring such approval in terms of the Public Finance Management Act. The PIC will also be required to indicate which of those material transactions were approved by the Minister.

A report reflecting all investments of deposits, whether listed or unlisted, must also be submitted to the Finance Minister annually, and be published on the PIC's website. In addition, the Act guides the PIC to invest in ways that will ensure the sustainability of the depositors' funds and to support job creation, industrial development, export growth, sustainable development and investments that will boost SA's economy.

A great day for workers

Cosatu said that, while these amendments was "long overdue", it will be a critical tool in the fight against corruption, state, and corporate capture.

The fact that the Amendment Act prescribes how the Board should be constituted was critical as the existing law gave the Finance

Minister the power to appoint directors as he saw fit, said Cosatu. It added that this was the first time that workers would be represented on the PIC Board.

It said the representation of organised labour on the Board would help ensure that workers have oversight and a say on how their hard-earned funds will be invested. The labour federation expected workers to have more power as the Act also compels the PIC to receive a mandate from its depositors on how they want their funds to be invested.

"This will address previous situations where the former PIC management disregarded the views of the GEPF and the UIF," Cosatu said.

Government pension fund freezes R70 billion mandate with PIC

Fin24
Antony Sguazzin
18 Nov 2021

Getty Images

The GEPF said it may take as long as a year to negotiate a new mandate with PIC that will allow it to enter into new unlisted investment deals.

The PIC oversees a R70bn unlisted investment fund for the GEPF, but its mandate lapsed in March. While deals initiated before it ended can be completed, new ones can't be concluded.

The mandate lapsed following a government inquiry into governance shortcomings and alleged corruption at the PIC. The GEPF is now negotiating a new agreement with more stringent requirements over "consequence management", among other things, Mabesa said.

In May staff at the PIC's unlisted unit, known as Isibaya, wrote to senior management and the asset manager's investment committee saying the lapsing of the mandate had put the company into an "existential crisis". The PIC has refuted this.

Government pension fund finally gives PIC a mandate to manage its unlisted investments again

Fin24
Londiwe Buthelezi
3 May 2022

After more than a year, the GEPF and the PIC have finally agreed on a new mandate for unlisted investments. When the PIC's mandate to oversee R70bn of the GEPF's unlisted investment fund lapsed in March 2021, the pension fund didn't renew it.

The GEPF first introduced the unlisted developmental investment mandate in 1997, for an entity called the Isibaya Fund. The mandate was renewed without problems over the years, until the Mpati Commission of Inquiry highlighted governance shortcomings and alleged corruption at the PIC.

In 2020, the commission found that many of the governance lapses involved unlisted investments, including the PIC's investments in Ayo Technology.

In a statement, the PIC emphasised that the developmental investment funds falling under this newly negotiated mandate were crucial for generating financial and socioeconomic benefits for SA's economy. This money helps fund developmental projects in South Africa and the rest of Africa. "[They do so] by addressing structural imbalances in the economy to facilitate transformation, economic growth, job creation, and environmental and financial returns," said the PIC in the statement.

The PIC didn't specify if it would still manage R70bn under the Isibaya Fund or whether the GEPF had reduced this. But the GEPF previously said that it expects to reduce the amount of money it allocates to the Isibaya Fund under the new mandate.

Nevertheless, the PIC said under the new mandate, the target of developmental investments for South Africa is between R300mn and R500mn per entity. But it may consider "attractive investments" starting at R100mn per entity. Its developmental investment portfolio for other African countries will mainly comprise of investments between $20mn (~R320mn) and $40mn.

Comment

The reports above are clear. It seems that, after the reaction about the Commission of Inquiry into the PIC died down, our Fund has renewed the PIC's mandate for Isibaya. No mention of the increasing lack of ROI from Isibaya or the absolute lack of transparency.
See more comment below from Christo van Dyk and Adamus Stemmet.

***Christo van Dyk** [from an email]*

I am looking forward to the improved transparency about the unlisted and non-domestic portfolio as referred to by President Ramaposa in his media release of the Mpati Report.
(Extract herewith, **my emphasis)**

"*Conduct of the PIC with regards to FAIS and other legislation*

The PIC is, amongst others, regulated under the Financial Advisory and Intermediary Services Act, which mainly governs the relationship between the PIC and its customers, such as the GEPF.

*A key requirement of the Act is for **investment professionals at the PIC to be "fit and proper" by acting with honesty and integrity at all times.***

*The investment mandate agreement between the PIC and its main client, the GEPF, emphasises that the **PIC must make "prudent" investment decisions.***

*In the light of the **above-mentioned improprieties and questionable** investments decisions taken the PIC has, in some instances, **not acted in compliance with FAIS Act and legal agreements with the GEPF.***

The Commission found that the relationship between the GEPF and the PIC is strained and that efforts should be made by both parties to restore trust and a good working relationship.

*There should be a review by the PIC and its customer on the various investment strategies adopted by the PIC in meeting the clients' requirements, including the non-domestic and unlisted investments strategies, which are areas **that have sustained massive losses.***

*The PIC and GEPF, and its other clients, **should support maximum transparency on transactions and disclose as much as possible**.*

This will lessen potential improprieties."

Sunlight is the best disinfectant - I agree.

Considering that the 2021 GEPF Annual Report were rather economical about progress in dealing with the PIC about the noncompliance, the non-prudent investments and the "massive losses" as highlighted above, GEPF members should be provided with comprehensive feedback on these issues as a start.

In the PIC's 2021 annual report, the auditors raised the internal control weakness regarding PEP's and highlighted the following noncompliance:

"*ASSETS UNDER MANAGEMENT*
20. Some of the investment activities performed did not in all instances comply with investment policies and guidelines, as required by section 10(1) and (2) of the Public Investment Corporation Act 23 of 2004 (PIC Act).
The following are instances of non-compliance identified:
*€ In some instances, **an enhanced due diligence was not performed on politically exposed persons (PEPs**) as required by established policy."*

Notwithstanding the central role PEPs have played in the monetary and reputational losses suffered by the GEPF, the issue of proper due diligence is raised AGAIN!.

Perhaps an detailed explanation as to HOW, notwithstanding all of the above, the decision to reappoint the very same asset manager who is responsible for the losses in funds and reputation, without following an open and competitive bidding process, should start to make sense to GEPF members.

This in turn would allow GEPF members to reconcile the recent actions with what is expected of the Trustees of a Global Leading and Reputable pension fund.

Adamus Stemmet *[from an email]*

GEPF - PIC AND THE UNLISTED INVESTMENTS MANDATE - HOW DOES THE FSCA FEATURE IN THIS?

I refer to the renewed mandate by the GEPF to the PIC regarding Isibaya investments.

In 2017, according to Dr Dan Matjila, 30% of these investments were " underperforming " This has now risen to 41%. The question is with the continuous losses and, therefore, no hope of earning an income for the GEPF, these investments still comply with Section3 of the 1996 law?

It is my view that investments should only be made with a view to the sustainability or growth of the pension fund. If I am right, the Isibaya investments do not qualify and are illegal. The socio economic purposes for these investments as declared by the GEPF also disqualify these investments.

I also enclose a few remarks by one of our members regarding some of the findings of the Mpati Commission. His remarks about the licence of the PIC are very interesting.

"The MPATI report dealt with the FSCA in a couple of places. It's likely the full report was also given to the FSCA.

Perhaps something AMAGP management may wish to pursue with the FSCA is whether ALL THE MATTERS flowing from the Mpati commission report that falls within the ambit of the FSCA's legal enforcement mandate, has it been PROPERLY and FULLY dealt with?

If so, where would members of the public and GEPF MEMBERS specifically find details of these actions?

What is a surprise is that the PIC has apparently retained their FSP licence without any suspension notwithstanding the degree of malfeasance mentioned in the Mpati Report.

We know the Mpati report confirmed that there are no Exemptions under the FAIS Act available to the PIC.

EXTRACT FROM MPATI
"*Exemptions under the FAIS Act*
74. The Registrar has the power to exempt any person or category of persons, including key individuals and representatives, from any applicable provision of the Act (which includes the regulations, rules or codes of conduct, any notices given, and any determinations made by the Registrar) either on the Registrar's own initiative or on application by an FSP (section 44 of the FAIS Act).
75. The FAIS Act however, unlike similar legislation in other jurisdictions, does not have a sophisticated investor exemption. While specific exemptions exist in respect of certain categories of clients, ***pension funds are specifically excluded from the exemptions.***
76. As such, there are no specific exemptions applicable to the PIC."

So how is it possible for the PIC to continue being licenced without any sanction from the "independant" regulator? "

Synopsis

SAA remains a financial burden, Treasury warns

Moneyweb
By Antony Sguazzin, Bloomberg
10 May 2022

South Africa's decision to sell a majority stake in the country's loss-making national airline SAA represents an ongoing financial risk to the state as the terms were skewed heavily toward the buyer, the National Treasury concedes.

The finer print of the deal that saw the Takatso Consortium take a 51% shareholding in SAA last year represents a "contingent liability," the Treasury said in a document emailed to SCOPA that was later withdrawn.

That's partly because Takatso – made up of Johannesburg-based Global Airways, which owns domestic airline Lift, and private-equity firm Harith General Partners – has the right to assess whether any ongoing liabilities in SAA be settled by the government, the Treasury said in the document seen by Bloomberg.

The emergence of the concerns came as Public Enterprises Minister Pravin Gordhan was set to appear before SCOPA. Gordhan, a former Finance Minister, had made the removal of SAA from the state roster a key tenet of his role overseeing the Department of Public Enterprises.

The terms “may result in the state providing funds in excess of its shareholding,” the Treasury said.

While the letter was withdrawn, Finance Minister Enoch Godongwana said at the hearing that the National Treasury didn’t participate in the sale process and the substance of the “letter stands.”

The Department of Public Enterprises declined to comment further.

Treasury not consulted

The National Treasury said it was not consulted on the sale of the stake and remains in the dark about a number of other agreements such as Takatso’s proposed issue of preference shares to the DPE.

It’s also concerned that government guarantees on SAA’s debt remain in place, according to the document.

The Finance minister at the time of the sale, Tito Mboweni, clashed repeatedly with Gordhan over SAA, maintaining the company be allowed to go bankrupt and airlines operated by private companies. He was replaced by Godongwana in August.

“The strategic equity partner may assume very minimal shareholder risk for the acquisition of a majority shareholding…,” the Treasury said.

Comment

Remember our shareholding in Harith? We indirectly own a part of the “New” SAA because of our shareholding in Harith.

Synopsis

A big pensioner tax change has hit South Africa

Businesstech
Staff Writer
14 May 2022

SARS has introduced new regulations for pensioners in South Africa, which has generated a significant amount of concern due to a change in payments.

For a pensioner who receives income from only one source, e.g. a pension fund or an annuity that has been purchased with a registered provider, SARS ensures that the correct PAYE deductions are made from the monthly pension, explains Belinda Sullivan, head of Corporate Consulting Strategy at Alexander Forbes.

“But many pensioners may have more than one source of income”, she said. “For example, you may be receiving your monthly pension, rental income from a property and perhaps other income that you may have from another policy. These different sources of income are added together at the end of the tax year to calculate the correct tax that must be paid.”

“As a result, this may result in you being placed in a higher tax bracket compared to the amount of tax that has been paid to SARS at the end of the tax year. So, what this effectively means is that the PAYE currently paid may not be in line with what is due to SARS – which means you will need to pay in additional money to SARS to meet your tax that is due.”

Pensioners can ask their pension fund administrator to deduct a higher amount of PAYE to better align the tax payments they make with the tax due at the end of the tax year, Sullivan said, adding that not many pensioners were making use of this option, resulting in a tax debt at the end of the year.

With effect from 1 March 2022, SARS introduced legislation that allows it **to determine a more accurate PAYE deduction amount**.

A fixed rate is calculated, based on the information that SARS has on hand. SARS has confirmed the fixed rates of PAYE to be deducted from the pensions or annuities.

A pensioner has the option to "opt-out" and maintains the current level of taxation. This means that the pensioner could end up having to pay additional tax at the end of the tax year. Alternatively, the administrator can apply the fixed rate as advised by SARS, which should ensure that there is no additional tax debt at year-end.

A pensioner can opt out of this approach at any time, by confirming their selection, in writing, to the retirement fund administrator. Pensioners must be reminded that this may result in them having to pay into SARS at the end of the tax year.

"Many pensioners have, therefore, seen an adjustment to their monthly pension now due to the change in their tax deduction, based on the PAYE rates – if they have not 'opted-out' of the revised tax adjustments to take into account more than one source of income," said Sullivan.

"If you are not sure how this affects you as a pensioner, it is important to contact your financial advisor and or your pension fund administrator.

Comment

Good advice to take note of. Keep in mind that working members deduct pension contributions from their tax return, which is why you pay income tax on your pension when you retire to become a pensioner.

Synopsis

Era of costly bailouts for failing SOE that have been drain on economy over – ANC document

IOL
Kailen Pillay
15 May 2022

An ANC draft discussion document on the economy, prepared for its conference, has proposed an evaluation to determine which of the many SOE should be sold. The paper boldly claimed that the "era of bailouts for state-owned enterprises is over". The document outlines the ANC's strategic approach to economic transformation and highlights several key policy issues that require deeper thought and discussion.

The discussion document is still in the draft stages and has not been finalised by the ANC's NEC. Once final, it will be distributed for discussion at the ANC's national general council (NGC – also known as the policy conference) in July and its December national conferences.

The draft paper notes that SOE have been a drain on the economy and the fiscus, proposing an evaluation to determine which should be sold, repositioned or consolidated. It states that workers placed at risk through restructuring and repositioning would be retrained and employed elsewhere.

"Most of these state-owned enterprises were once well-run, profitable companies that were internationally competitive," the paper read. "The decade of state capture destroyed many of them, as have structural changes in some of their sectors."

The paper further read that the government's efforts to clean up corruption and appoint competent management would not rescue the majority of struggling SOE and that those should just be closed or sold.

"There is no shortage of buyers wanting to buy some of the state-owned enterprises. Equity partners may be required in some instances," the paper read. "Time is running out. The status quo cannot survive."

The economic transformation draft document also suggested that the government remove some Eskom debt and cautioned against buying an oil refinery, which is under consideration by the Central Energy Fund.

It also suggested a bigger effort to lower fuel prices through a revision of the margins for wholesalers and retailers and a reduction of the fuel levy.

The paper stated that policies were also urgently required to increase investment in electricity generation capacity and the energy mix, both by public and private entities.

Overall, the paper concluded, drastic measures needed to be adopted to transform the country's economy.

The party also recognised that its "failure" to deal rigorously with corruption in much of the past decade "weakened the ability of the state to provide infrastructure and other services".

"Over the past 10 years, slower growth has brought a fall in the rate of job creation and rising unemployment. Ownership of financial assets is still deeply unequal, with estimates suggesting that the richest 5% of households own well over three quarters of the total.

"Support for small and medium businesses and land reform have remained too small to transform livelihoods and economic opportunities for the vast majority of our people.

"Access to quality education is still largely determined by where you live and how much money your parents make. The mobilisation of investment in new productive capacity has been inadequate and, since 2008, has been severely constrained by the shortage of electricity and load shedding," the report read.

Comment

A refreshingly realistic view of the SOE, reflecting the reality we all know. However. Let's see if this policy document makes it past the cadres and into government iimplementation.

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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