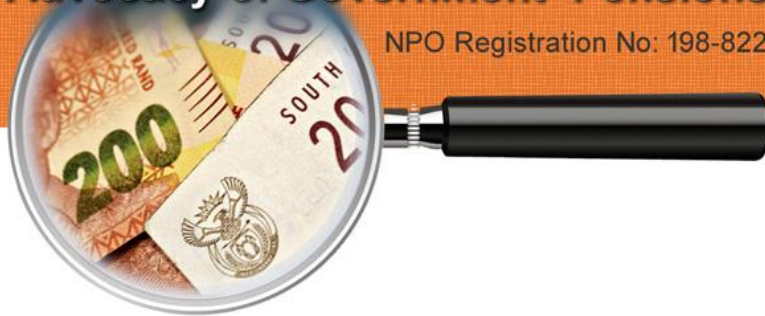


# Association for Monitoring and Advocacy of Government Pensions

# (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 4 of 2023

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

SLAPP - Strategic litigation against public participation

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 20 March 2023.*

***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

I know I've said this before, bear with me. Please page through the GEPF website. The worth of the assets are stated as more than R1,61trn on the landing page. However, scrolling down on the same page to the footer, you will see the value of the assets is R2,3trn. Anyone want to guess where the missing R0,7trn is?

Confirming the figures used in the comments below are taken from the 2022 GEPF AR, which on its own reflects the GEPF financial status as at the beginning of 2022. Said figures currently about a year old.

"It is surprising that we are particularly inundated with inquiries from non-members of AMAGP about the video currently being circulated. We are flattered and believe that the volume of inquiries confirms the necessity for the existence of AMAGP. Perhaps the time is now ripe for such persons to join AMAGP. For this purpose, an application form is attached. Link to Membership page: [amagp membership \(coffeecup.com\)](http://amagp.membership(coffeecup.com))

Please join and strengthen our hand. No membership fee is payable but donations are welcome because AMAGP needs funds to further protect your fund.

**Bank : FNB Brooklyn, AMAGP Business Account, Account Number 62743347454 Branch Code 251345"**

SLAPP (strategic litigation against public participation) is a well known tactic used by large business, where litigation is drawn out endlessly by said large business, up to the point where the smaller litigator can't fund the litigation anymore. Often such litigation is about ecological distress caused by big business operations, with the few against big business. The Constitutional Court has ruled on this recently to the advantage of the smaller litigator. For more information, Google is your friend.

Whatever you read about the PIC/Ayo court case, evaluate the tenor and contents of the reporting against the facts, such as the share price, annual reports, profit and loss statements measured against dividends, etc. Do not blindly believe any extremely positive or negative reporting without the facts to hand.

Some absolutely useless facts: The GEPF is loaned about R406,7mn to the Bakwena Platinum Corridor Concessionaire, and about R950mn to the Hot Dog Café.

The EFF 'lockdown' seems to have come and gone with few except the media aware of it. The date seems awkward, being in the middle of a long weekend when people are away from home and work and many businesses are closed in any case. Perhaps so the EFF can claim success because of so few at work?

## Now for news from the media

Some pension news about the status of the industry in general from Michell Acton. Unfortunately, not the GEPF but trends affect all pension and similar funds.

The case of retroactive changes to pension funds' rules is before the Constitutional Court. Interesting reading.

Our hidden unlisted Isibaya investment in Daybreak Farms is in the news again, in this instance the millions paid out in court cases, mostly against whistleblowers. See who are the real financial winners.

Eskom has gone to the trouble of informing us about progress in its battle against fraud and corruption. Eskoms seems to be able to show concrete progress in this respect, in contrast to many other institutions.

A brand new labour union has made a scathing attack on the PIC. We'll have to see how this union progresses in its journey to representative status, in the meantime the support is welcome.

Business Live has a brief but good article about the Ayo case and its involved ownership.

## NEWSNEWSNEWS

### Synopsis

**Retirement reform gets a boost from Godongwana**



## **Old Mutual's Michelle Acton applauds South Africa's retirement industry reform successes while looking at what still needs to be done.**

Today's Trustee  
By Michelle Acton  
Special Budget Edition February 2023

If you are someone who enjoys instant gratification and likes to see the results of hard work almost immediately, then working in the retirement fund industry is not for you.

Changes in this space take time to implement, and you must exercise a high degree of patience to see results. I often talk about “The world in 20 years’ time” as the realistic timeframe to work with.

In the retirement reform context in SA, looking through the lens of the recent 2023 Budget speech, you really need to rewind between 10 and 15 years to get a handle on things. This will show there are some incredible changes coming through, even if, to some, they seem extremely slow.

The successes, for example, include an increase in the focus of governance in retirement funds, a drive to reduce costs, and the shift to umbrella funds and consolidation, all of which support better and more sustainable member retirement outcomes.

In 2016 we saw the alignment of the tax deductibility of contributions for all retirement funding vehicles, with 27,5% of taxable income the new number. This made it a whole lot cleaner for members. Then in 2021, we saw provident funds being aligned with pension funds as regards annuitisation at retirement, with the compulsory one-third and two-thirds split at retirement.

Now, with the new two-pot system imminent, we will align withdrawal preservation across funds and help members by establishing an “emergency savings” pot.

So, with all these changes, what will the world look like in 20 years’ time for a pension fund member saving for retirement? The answer, I believe, is much better — thanks to lower costs, increased governance, compulsory preservation, and increased tax deductibility.

### **Imagining 2043**

While all these changes I’ve listed above go a long way for retirement fund members, the next step is to get more income earners *into* retirement funds and ensure that they are contributing sufficiently.

This is vital, since statistics released by National Treasury in late 2021 show that only about 6,8 million South Africans are contributing to retirement funds (and this could include duplication) out of an estimated 14 million people employed.

This means that less than half of all employed South Africans are saving for retirement. In a country where there is a limited safety net in the shape of the old age state grant, it is important that all employed people should be a member of a retirement fund.

The real question is: how do we achieve this? Well, we are seeing moves in the right direction. In finance minister Enoch Godongwana’s 2023 budget speech, for example, he referred to proposals being released later this year that will see people auto-enrolled.

Of course, that’s easier said than done. South Africa is a developing country where many smaller struggling employers are simply not able to pay contributions. But, if done properly and realistically, this proposal could ultimately increase the number of people saving for their retirement. This, in the end, is a crucial component in the long-term journey of retirement reform.

But for this to be successful, there would need to be some level of “minimum contributions”, a gradual process of implementation and phasing-in of the rules, and some focus on

what the “future retirement fund” would look like.

So, where would this put us in 20 years’ time? In a perfect world, it would result in all employed South Africans saving for their retirement in retirement funds. Due to the increase in coverage, it would most likely result in even further reduction in fees, and ultimately, better retirement outcomes for members.

And if that happens, there is also space for social security reform, since those changes would be complementary.

We cannot use the retirement industry to solve all the country’s problems, as this is not sustainable. But if the retirement industry is used optimally, then the social security system could focus on providing a retirement income safety net for people in the lower income brackets. Whatever is implemented must be affordable, sustainable, and implementable.

So, while implementation challenges do remain, the country’s retirement industry is undoubtedly stronger today than in the past. And it will be even stronger for future generations if we can lock down the reforms announced in Godongwana’s Budget speech.

#### *Comment*

*A nice positive view of the pension industry. We overestimate what can be achieved in the short term and underestimate what can be achieved in the long term.*

#### *Synopsis*

### **Much at stake in pension payouts case**

Applicant says retrospective decision infringes his rights, and industry warns that funds’ stability is at risk

BL Premium  
12 March 2023  
Tauriq Moosa

A legal challenge before the Constitutional Court aims to stop pension funds making retrospective changes in their terms that can affect payout rates.

The central question debated before the Court revolves around provisions of the Pension Funds Act and pension fund rules in general, and whether, after a pension fund amends its rules, a fund can act according to these changes despite not registering the new rules.

The applicant’s legal team, in arguments heard in early March, also raised concern about whether a retrospective amendment of a rule affects accrued benefits. The case arose because the applicant, Pandelani Mudau, says his rights were infringed when a retrospective decision by his fund minimised his retirement benefits.

Mudau is a former employee of the Vhembe District Municipality, where he worked for more than a decade. He was thus a member of the Municipal Employees Pension Fund. He resigned on 31 May 2013, and became entitled to withdrawal benefits from the fund in terms of its then rules.

The initial rules indicated that on resignation he would be entitled to three times his contribution plus interest.

However, in June 2013, after the fund was warned in an actuarial report that it would not meet its future liabilities, it amended the withdrawal benefit scheme. Instead of three times, the benefit would be one-and-a-half. The amended rule was to apply retrospectively from 1 April, almost two months before Mudau’s resignation.

“For most South Africans,” the applicant argued, “the benefits they receive when they retire or leave employment are their primary if not sole source of income. The question [in this case] is [therefore] a matter of great public importance.”

According to the Institute of Retirement Funds Africa (Irfa), the determination of this case could lead to a “radical change in the established legal position” in which funds operate, and “threaten the stability” of many funds. The Constitutional Court’s decision therefore could have a wide effect, given the central concern regarding the administration of pension funds.

Considering the timeline of events in this case, in July 2013, the fund applied to the relevant registrar to register this amended rule. Almost



a year later, in April 2014, the new rule was registered with retrospective effect to take place on 1 April 2013.

In October 2013 (that is, before the registration in 2014), Mudau received his withdrawal benefit of about R650 000 instead of about R2,1mn, which was calculated in terms of the new rule. He thus obtained a lower amount due to a not-yet-registered amendment, as this would occur only later, in April 2014.

In December 2013, Mudau complained to the pension funds adjudicator, before the new rule was registered, who found in his favour. The adjudicator held that the amended rule could not be applied before approval and registration (that occurred in April 2014). Further, such a rule could not apply to benefits that had accrued before registration. The fund was told to pay Mudau, with interest, using the old rule.

In August 2014 the fund sought a review application in the high court in Pretoria, and found itself, after an initial dismissal, before a full bench. The bench majority dismissed the fund's appeal too, finding that the adjudicator had no obligation to apply the new rule and that, since Mudau was not a member of the fund when the amendment was approved, it could not be approved retrospectively regarding him.

The fund then approached the Supreme Court of Appeal (SCA). In April 2022, the SCA ruled unanimously in the fund's favour. The SCA held that the act and rules read together permit the fund to amend its rules and to determine a date of application.

The SCA further held that retrospective application of the rule is allowed, to the inclusion of Mudau. The SCA thus dismissed Mudau's application to benefit from the earlier rule.

Mudau appealed to the Constitutional Court, arguing the matter is a constitutional issue, because it is about the correct interpretation of legislation, which is linked to constitutional rights. In response, the fund argued that no constitutional issues are raised and it would not be in the public interest to allow the appeal from the SCA. New arguments were also only now being argued before the Constitutional Court.

Mudau argued that while funds can amend rules and do so retrospectively, such amended rules cannot reduce or remove benefits already accrued in terms of an earlier rule.

Mudau argued that section 37A of the act does not allow for the reduction of benefits of former members, arising from an unregistered amendment. When the new rule was registered in 2014, Mudau was no longer an employee, and thus he argued the fund was applying an unregistered rule to the calculation of his benefits in 2013.

The fund argued that the Pensions Fund Act allows for rule amendments to take effect at any date the fund determines. There is also an implicit authorisation that allows for the adoption of retroactive amendments. As the fund's counsel argued: "To hold that a rule amendment cannot apply to events that predate its approval and registration, is to render meaningless and to invalidate its effective date, as well as the fund's entitlement ... to choose an effective date."

### **The fund's explanation for the urgent amendment**

The fund noted the importance and urgency of the amendment: "The old rule created an unaffordable withdrawal benefit that operated as a windfall particularly to newer fund members. It had to be urgently amended to arrest the fund's losses." The amendment was done therefore to keep the fund alive for the benefit of all affected persons, rather than to underpay any one person.

According to the fund's interpretation of Section 37A, it does not constitute a general prohibition against reduction of benefits. The fund also cites an SCA decision noting the provision is to prevent reduction due to external factors to pension fund rules.

Irfa, which was admitted as a friend of the court, argued that though retrospective amendments are common practice, there has been an understanding that these should not affect vested rights. It also argued that the outcome of the case could have enormous consequences for the stability of the entire retirement fund industry.

Irfa highlighted that backdating amendments assists a fund in preparation for financial

effects that such amendments may have. But an overview of the jurisprudence of the pension fund adjudicator shows it is industry practice that such amendments would not affect vested benefits.

Ifra also argued that as the constitutional right to social security arises from pension fund rules, an interpretation that protects, rather than undermines, such rights, is the one that is constitutionally compliant and thus preferable to any other interpretation.

Judgment was reserved.

### *Comment*

*Viewed from the relevant fund's viewpoint, it seems correct. Viewed from the fund's member, it isn't. If the fund had paid out the agreed amount when the member resigned, this court case would be moot.*

*It seems the lawyers are again big winners in this case. And what about SLAPP?*

### *Synopsis*

## **PIC's Daybreak Farms blows R57m to block whistleblowers**

Sunday Times  
12 Mar 2023  
By Sabelo Skiti



Whistleblower Mathapelo More

Invoices and internal Daybreak documents the Sunday Times obtained show that the money the PIC-owned company spent on legal action to legal services is more than R110mn, paid to the law firm Black-White, also known as Malahlela and Company, between July 2021 and November 2022.

In January, the Sunday Times reported on the ordeal of Daybreak whistleblower Mathapelo More, an auditor who tried to prevent the theft of more than R200mn from the company but was fired, almost lost her home and was unable to pay her child's school fees. Despite winning her case at the Commission for Conciliation, Mediation and Arbitration

(CCMA), the company tied her up in litigation at the labour court, which is yet to hear her matter.

This week, the Sunday Times can reveal that the R57mn spent to purge whistleblowers includes payments of:

- R23mn for "civil recoveries" from the executives for damages and unjustified enrichment in a case that never made it to court;
- R9,9mn for a labour court matter appealing axed Daybreak CEO Boas Seruwe's reinstatement that the CCMA ordered;
- R4,3mn for an ongoing defamation case;
- R5,5mn on More's CCMA case, which Daybreak lost;
- R4mn for supporting criminal investigations against two executives; and
- R9,3mn for "archiving".

Black-White is owned by Pule Malahlela, the former business partner of PIC company secretary Bongani Mathebula.

The Sunday Times previously reported that Mathebula contravened PIC policy when she irregularly appointed Daybreak's old board, which has since been removed. That board appointed Malahlela's law firm in a scheme that allegedly resulted in millions of rands flowing out of the company, the executives being purged, double payments being made and invoices being sent for work not done.

While the firm charged for supporting criminal investigations against the executives, it is not clear what role it played in an ongoing Hawks investigation into an allowance More received from Daybreak when she acted as internal audit head before her permanent appointment. Last September, the case, in which money-laundering and fraud charges were laid against her, was withdrawn from the commercial crimes court roll by the NPA, for lack of evidence after numerous postponements.

The invoices also show that Black-White charged Daybreak R1,7mn for "analysis and legal advisory" on the state capture commission, and for its watching brief on the court battle between Old Mutual and its former CEO Peter Moyo. It is unclear why Daybreak was interested in the state capture commission or in Moyo's case against the insurer.

Asked for comment, Daybreak, which has had a new board since October last year, said: "We note your questions and interest in the affairs of Daybreak. The new board is aware of the allegations of various irregularities within the organisation and takes these allegations seriously." "The new board has engaged legal counsel Webber Wentzel to assist and cannot comment further at this stage."

Of the millions Daybreak paid to hound out its executives, R10mn was paid to BlackWhite to review Seruwe's win at the CCMA following an arbitration process that ordered he be reinstated and paid R2mn in back pay.

More also won at the CCMA, which ordered Daybreak to pay her R735 329 in back pay. Black-White charged the company R5,5mn in fees for that case.

This week, More lamented what she described as the abuse of power and how the gains she and her former executive colleagues had made had gone to waste. "We worked so hard to turn Daybreak around and we were making profits and had just started paying dividends to the PIC. Then they came in and used the very same profits to make our lives hell," she said.

"What is sad is that we don't even know if Daybreak or the PIC are doing anything to recover the wasted monies." "We are yet to hear what will happen with the litigation against us."

The Sunday Times has seen leaked internal Black-White communication that appears to show that the company stopped receiving payments from Daybreak in November 2022.

Internal communications also appear to show that a top advocate, Les Morison, refused to accept further instructions from the law firm. In an e-mail, Morison said some of the cases the firm initiated against More, Seruwe and other executives were hopeless and should be settled as soon as possible. About the January article in the Sunday Times detailing More's ordeal, Morison wrote: "If the article is correct then the legal teams have been abused to crush a whistleblower, an utterly unacceptable use of the legal process."

### **Comment**

*Note the use of SLAPP in the case of More. Note further the absolute winners in each case*

*seem to be the lawyers. While the ramifications of each court case is unknown, it is interesting to see the seemingly huge amounts paid, eg R9,3mn for 'archiving'... The true status of Daybreak is vague as it is one of the unlisted Isibaya investments. Interesting the relationship between the former PIC Company Secretary and the law firm paid these millions.*

### **Synopsis**

## **How many Eskom employees have been charged with fraud and corruption**

By Myles Illidge  
10 March 2023



Of 144 criminal cases opened with the South African Police Service against Eskom employees for fraud and corruption, only 41 have been through criminal proceedings under the Criminal Procedure Act. This is according to the chairperson of the Eskom Board, Mpho Makwana, who published audit statistics regarding criminal activity at the power utility.

"Eskom is rooting out fraud and corruption within its ranks and supply chain through proactively implementing recommendations made by the Zondo Commission and beyond," Makwana wrote.

Citing audit figures from the end of the third quarter of 2022, Makwana revealed that only 41 of 144 cases have resulted in criminal charges. "During this period, owing to the governance clean-up efforts, 183 employees terminated their employment through resignation, abscondment (157), and retirement (26) during the disciplinary processes," Makwana said. "In total, 42 were dismissed due to fraud and corruption."

Eskom kicked off its clean-up effort by establishing the State Capture Task Team on 14 July 2022. “We are also working closely with the Special Investigative Unit (SIU) and are providing regular progress updates to the Standing Committee on Public Accounts (SCOPA), with the most recent update jointly presented to Scopa on 24 January 2023,” Makwana wrote.

Eskom is also going after former Eskom executives over fraudulent and corrupt activities highlighted in the Zondo Commission’s State Capture Report. “Our close collaboration with the law enforcement agencies is instrumental in addressing the Zondo Commission’s recommendations,” Makwana said.

“Key among the recommendations is that the NPA undertake the criminal prosecution of former Eskom board members and executives involved in decision-making that resulted in inter alia the breach of the Public Finance Management Act.”

The report singled out several former Eskom executives for dodgy dealings at the power utility, including the irregular coal supply to Eskom from Tegeta’s Brakfontein Colliery.

Makwana highlighted Eskom’s triumphs through its pursuit of these former executives.

“One of the success stories to date includes the matter relating to the unlawful payment of R1,6bn to McKinsey, Trillian and Regiments. Eskom has since recovered R1,1bn from McKinsey and has a judgement against Trillian,” he wrote. “Trillian has been placed in liquidation after the firm failed to abide by the court judgement and this has resulted in the sequestration of Trillian’s key shareholder and director.”

With the help of the SIU, the power utility has recouped more than R2bn in funds unlawfully paid to service providers and is currently recovering approximately R1bn from SAP. It is also pursuing the recovery of R3,8bn through civil action against 12 defendants who played a central role in State Capture.

Eskom’s dedicated State Capture Task Team is working to address the findings of the Zondo Report. The steps it has already taken include the following:

- Disciplinary action against delinquent employees;
- Flagging delinquent employees for future employment;
- Disciplinary action against dodgy suppliers;
- The deregistration of delinquent suppliers from Eskom’s supplier database;
- Blacklisting such suppliers through the National Treasury;
- Taking action against delinquent directors;
- Instituting civil recovery processes and criminal proceedings;
- Reporting of delinquent employees to professional bodies; and,
- The review of Eskom-specific policies, procedures, and governance requirements.

Makwana noted that Eskom doesn’t currently employ any individuals implicated in State Capture, as they either resigned or were dismissed in early 2018.

“Despite the arrest of a former Interim Group Chief Executive and 25 others accused of fraud and corruption at Eskom in relation to the Kusile contract on 27 October 2022, criminal proceedings continue to lag,” he added. “We are therefore closely monitoring all outstanding criminal matters and are working with the SIU, NPA and other law enforcement agencies to bring these to court as soon as possible.”

Eskom is also implementing various initiatives, including an automated procurement system to manage its spending better and protect against security breaches.

### *Comment*

*We have about R81,7bn in Eskom.*

*It seems some of the corrective activities at Eskom are bearing fruit, but rectifying the culture has to come from the top and will take time. It looks like Eskom is able to give factual feedback on its corrective actions, as not seen in the PIC’s annual vague feedback of 65% implemented.*

*The ROI on the loans, bonds, etc, might even realise this century.*

### *Synopsis*

Press Statement

Date: 14 March 2023

Release: Immediate



**PIC remains a cash cow for JSE listed companies under Mr Abel Sithole despite the public servants who contributes almost 100% of PIC's portfolio living in squalor while their pensions are dissipated.**

The PIC came under fresh attacks from the trade union Public Service and Commercial Union of South Africa (PSCU\_SA) on allegations of continuing corruption, notwithstanding the entity's new Amendment Act introduced in 2021 aimed for more transparent investments. As a result, the union called on Parliament to intervene by launching a fresh and unbiased Commission of Inquiry.

PSCU outcry followed recent scathing report published in the Sunday Times where an auditor, employed by the Daybreak Farm, a company owned by the PIC, blew the whistle on a multimillion theft scandal, and ever since the whistle-blower's life has been a nightmare while those fingered in alleged act are still walking free as if nothing happened.

The auditor who blew the whistle on her bosses in a bid to prevent the theft of more R200mn from the company has since received a raw deal from the PIC by not protecting her, but instead the entity opted to hide the looters. PSCU reiterated that the article by the Sunday Times, questioned the credibility and integrity of the state of affairs at the PIC.

The PIC Amendment Act introduced several measures to improve transparency and accountability in the management of the country's largest pension fund. However, the big question many workers asked is how possible could it be that a plethora of fraudulent activities still continues even though the Bill has accommodated trade union representatives on the Board.

PSCU vehemently called on parliament to look deeper into investments activities by the PIC in order to close grey holes and also rectify miscarriage of justice done by Mompati commission, which was clearly established solely to deal with certain individuals and to simultaneously protect companies like Steinhoff, who are alleged benefactors of Ms

Gill Marcus, who deliberately failed to disclose her relationship during the commission".

"It is evident that Mompati Commission was just meant to target certain individual companies instead of shaping the PIC to be corruption free. "For the current Minister with a history, that is not that rosy when coming to workers' pensions, to appoint his deputy as the board chairperson is viewed as a fatal blow to transparency,".

The PSCU echoed for a new commission that will investigate amongst other things the role of politicians and executives who played a part in shielding companies involved in over 200 billion failed investments. These companies include Steinhoff, MTN Nigeria, PPC, Tongaat-Hullet, Group Five and Edcon to name a few.

The PSCU is pushing for a new commission of Inquiry which will revisit all incidents and prosecute without fear, favour or prejudice in order to seek justice for the depositors in GEPF. "Let Parliament dig deeper into all doggy transactions and deals that involves big corporates which are shielded by the PIC".

"There is no doubt that the PIC is now a crime scene, and we absolutely believe that workers' pensions are in danger. As PSCU, we will leave no stone unturned for a new commission to look deep into what appears to be 'endemic graft' within the PIC," PSCU said.

It is clear to the PSCU that the current PIC CEO is just another lapdog, who is watching from the peripheries while the workers' pensions are squandered. Under his watch the COO of PIC remains suspended on full pay while the allegations against him have been kept secret. This is an indication there is fear from certain quarters that the COO may spill the beans on some of the executives and former Board members. Over the period we have witnessed a significant number of professionals leaving the PIC due to its toxic and unethical business dealings.

The PIC has wasted billions through nuclear waste type of investments that are looking only to generate massive profits to the JSE listed companies, who failed to create jobs that are desperately needed in the country.

Public servants have every right to rise against this government considering years of abuse,

exploitation and less than inflation salary increases while their pensions are being squandered," lamented PSCU.  
Media Enquiries: info@pscusa.co.za

### *Comment*

*This is a new trade union with uncertain membership. The sentiments are clear albeit couched in terms not usually seen in press releases.*

### *Synopsis*

## **Ayo's vanishing billions**

The PIC wants its R4,3bn investment back but there won't be much of it left by the time the court case is over

BL Premium  
16 March 2023  
Ann Crotty

Delport, the head of BT-SA (formerly British Telecom SA), was in the witness box in the PIC civil case against Ayo Technology Solutions. In the witness box Delport's information was both fascinating and tedious. For hours, the PIC legal team went through e-mails between various parties at African Equity Empowerment Investments (AEEI) and BT/BT-SA in the months before Ayo's listing in December 2017.

By Delport's telling, the relationship between AEEI and BT/BT-SA was not happy, and BT was particularly irked by AEEI's plans to draw it into the Ayo listing. A bit of background: AEEI is planning to ditch Ayo, which looks like a sinking ship. The planned unbundling of its 49% stake will see AEEI shareholders picking up near-valueless Ayo shares directly.

But, crucially, higher up, near the top of this corporate structure, is Sekunjalo Investments, controlled by Iqbal Survé, which holds 61,86% of AEEI. One of AEEI's most valuable assets is (or perhaps, was) its 30% stake in BT-SA that dates from 2008 when Sekunjalo was selected by the British multinational as its BEE partner.

Things seem to have gone well in the early years, though that is not certain because there has never been any disclosure of BT-SA's profitability. In mid-2017, AEEI reckoned the introduction of tougher BEE requirements presented good growth opportunities as potential customers sought to enhance their

BEE credentials. What better way to contract IT services than from a fully empowered entity such as AEEI?

Seemingly unbeknown to BT, AEEI's plan was to sell its BT-SA stake to Ayo for R900mn during the listing. Sasol was one such company. It approached AEEI and BT-SA for proposals. For AEEI it would be a valuable contract with annual revenue of about R430mn and gross margin of R121mn.

Such a prospect seems to have been crucial in the decision to create a new listing in the form of Ayo, and to do it promptly. Seemingly unbeknown to BT, AEEI's plan was to sell its BT-SA stake to Ayo for R900mn during the listing. Helped by optimistic projections relating to further BT-SA business, Ayo was listed at a gravity-defying R44 a share, giving it a market cap of just over R15bn.

This brings us to the PIC's case against Ayo.

The PIC pumped R4,3bn into Ayo's private-placement balloon ahead of the December 2017 listing on the JSE, in exchange picking up a 29,3% stake.

However, as it became evident that BT would not agree to Ayo buying the 30% BT-SA stake, and that Ayo didn't have much else, things took a turn for the worse. Within months the share price had halved, within two years it had slumped to low single figures.

Now the PIC wants its money back. It claims Ayo fraudulently misrepresented what it intended to do with the funds and overstated its relationship with BT-SA. Ayo says there was no misrepresentation and that the PIC CEO at the time, Dan Matjila, signed off on the transaction.

Just over five years later, there is not only "no deal" with BT-SA but the British firm remains intent on ending its relationship with any entity related to AEEI. A BT spokesperson tells the FM: "On June 1 2021, BT initiated the process of terminating its relationship with the Sekunjalo group. This process is still under way."

As for Sasol, which signed a contract with Ayo in May 2018, it decided by late 2020 that it had had enough and gave six months' notice.

Meanwhile, most of the PIC's investment has disappeared. Generous dividend payments (despite little evidence of profitability) and hundreds of millions of rand in loans to related parties have soaked up the largest portion of the R4,3bn. By the end of financial 2022, bank balances were R1,1bn, down from R2,2bn a year earlier.

Ayo's independent auditors, Thawt and Crowe JHB, are to be commended for not only pointing out the material uncertainty related to the group as a going concern but for detailing key audit matters. These included the valuation of Ayo's unlisted shares, occurrence of related party transactions and completeness of related party disclosure, valuation of intangible assets and goodwill and finance assistance provided to related companies.

### Comment

*The article is very clear. Note the involved relationship between Sekunjalo, AEEI, Ayo, and BT-SA: Sekunjalo owns about 62% of AEEI, which owns about 49% of Ayo and 30% of BT-SA.*

*Note the "Generous dividend payments (despite little evidence of profitability)". Interesting is the least I could say.*

*Note "By the end of financial 2022, bank balances were R1,1bn, down from R2,2bn a year earlier." Does this forecast the last of the dividends will be paid in 2023?*

*Our [the PIC] stake in Ayo dropped in value from an initial R4,3bn then to R698,4mn now.*

### Synopsis

## Premier

Sekunjalo

### Comment

We have

## THE GEPF WATCHDOG / WAGHOND FACEBOOK PAGE

Welcome to our page!!

The GEPF Watchdog/Waghond Facebook page is the social media platform of the non-profit organisation "The Association for the

Monitoring and Advocacy of Government Pensions" (AMAGP). The AMAGP has only one agenda point – safeguarding the GEPF against looting and mismanagement.

**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!

Most of our GEPF members are content with the fact that pensioners still get their monthly pension and perhaps a non-inflation related increase sometimes. They are convinced by GEPF newsletters and ambitious GEPF Annual Reports that our Pension Fund is in a superb condition. The AMAGP newsletters, annual reports and press releases tell a different story.

Our Facebook and AMAGP are together more than 59 000 members and continually growing, but this isn't enough. The 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.

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.

## VRYWARING

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

The AMAGP is nie verantwoordelik en uitdruklik vrywaar alle aanspreeklikheid vir enige skade van enige aard wat sal ontstaan uit die gebruik of aanhaling of afhanklikheid van enige informasie vervat in die Nuusbrief nie. Alhoewel die informasie in die Nuusbrief gereeld opgedateer word, kan geen waarborg gegee word dat die informasie reg, volledig en op datum is nie.

Alhoewel die AMAGP Nuusbrief skakels mag bevat wat direkte toegang tot ander internet bronne verleen, insluitende ander webtuistes, is die AMAGP nie verantwoordelik vir die akkuraatheid of inhoudelikheid van informasie binne daardie bronne of webtuistes nie.

## **DISCLAIMER**

The AMAGP provides the Newsletter as a service to both the public and AMAGP members.

The AMAGP is not responsible, and expressly disclaims all liability, for damages of any kind arising out of use, reference to, or reliance on any information contained within the Newsletter. While the information contained within the Newsletter is periodically updated, no guarantee is given that the information provided in the Newsletter is correct, complete, and up to date.

Although the AMAGP Newsletter may include links providing direct access to other internet resources, including other websites, the AMAGP is not responsible for the accuracy or content of information contained in these resources or websites.