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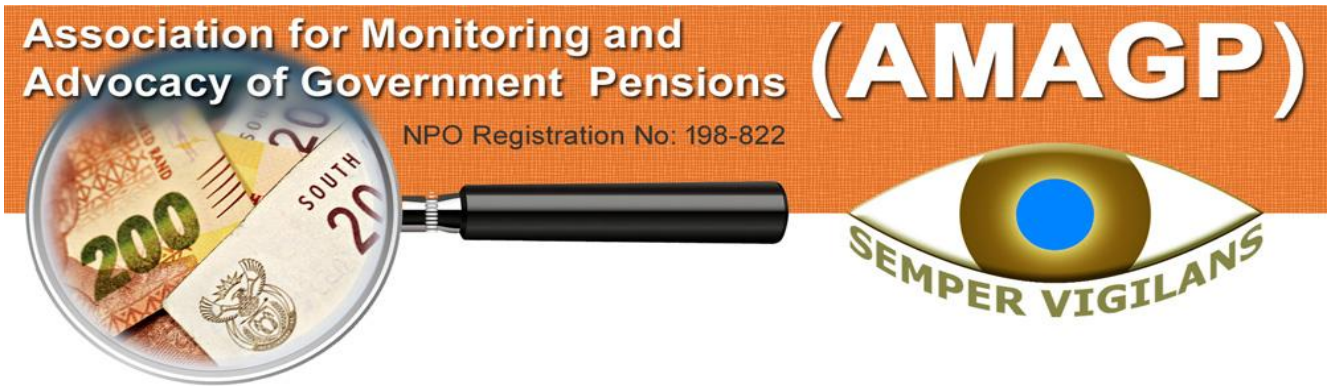


The Association for Monitoring and Advocacy of Government Pensions: A volunteer independent group of pensioners and civil servants concerned about the long-term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

GEPF Watchdog - Waghond

GEPF Forum

Join AMAGP

NEWSLETTER NO 13 of 2025

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
GPAA - Government Pensions Administration Agency
PIC – Public Investment Corporation
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 1.277 million active members, in excess of 548 765 pensioners and beneficiaries, and assets worth more than R2.34 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 22 June 2025.

WE [YOU] ARE THE OWNERS OF THE GEPF and we/you 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 548 765 pensioners and beneficiaries, and the 15 representatives from the multitude of trade unions and government departments representing the 1,277 million contributing members.

AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension fund in the RSA. But, WE [you] as members and owners of the Fund have the duty to protect and safeguard it against abuse.

The Editor's Word

The effect of the USA tariffs is unknown, but will in all probability be felt immediately, as prices are going to be adjusted to reflect what producers and suppliers expect to happen after September 2025. This may/will also have an implication on share prices, which is where a large part of our Fund's funds is invested.

AMAGP often has meetings and discussions with political parties about the GEPF/PIC and pensions. The secrecy of the Isibaya investments operating at a 46% loss is one of the items often mentioned. The last time information about these unlisted investments was provided was to parliament in October 2016 after pressure by the DA (Messrs Maynier and Lees). Please view this excerpt from parliament https://youtu.be/r3fdu0r0XLo?si=_t0TqR8iyKN_fHbX&sfnsn=scwspmo for more detail.

We have many commissions of inquiry meeting at great cost to investigate and recommend. A ploy often used to create the impression of something is being done about it without doing anything, like the Mpati Commission's recommendations, about which clarity of implementation is still not clear.

The PIC has invited proposals from non-bank financial intermediaries that support emerging enterprises in SA, to apply for funding from the PIC Early-Stage Fund, for investments between R75mn and R250mn. Economic growth and employment creation is part of the aim of the fund. The PIC seeks to provide financial support to historically disadvantaged individuals who run businesses in rural and township economies.
Source: Daily Dispatch, 16 July 2025, page 8.
Hmmm, just another name for Isibaya?

Now for news from the media

The latest actuarial valuation of our Fund's funds has been released by the GEPF. No discussion in the media yet. The actuaries seem to be satisfied but I am concerned about what they did not say. There is no correlation between the actuarial valuation and the GEPF AR of 2024. Or the PIC AR. There should be.

An independent view of the implications of withdrawals from your pension. I know, been said many times, but needs repeating every now and then.

Daily Maverick has good comment about the size of our investments, from their view of the PIC. Worth noting.

The PIC is throwing many more millions at Daybreak Foods, as reported to SCOPA. The PIC is convinced it can be turned around. Judging on performance over the last decade, what are the odds? The PIC also briefed SCOPA on Isibaya.

AMAGP's media release of 16 July makes a challenging statement. The ROI of other state institutions' investments are way more than that of the PIC/GEPF, by about 6%. Including the investments of the politicians' private pension fund.

NEWSNUUSNEWS

Synopsis

GOVERNMENT EMPLOYEES PENSION FUND RELEASES ITS LATESTSTATUTORY ACTUARIAL VALUATION RESULTS

12 May 2025

The GEPF recently published the report on its latest statutory actuarial valuation, performed as at 31 March 2024. The Fund continues to be financially sound with a funding level before contingency reserves of 119%. This means that for each R100 owed to members, the fund has R119 available to meet the payment. That is an improvement from the previous valuation, performed as at 31 March 2021, which reflected a funding level of 110,1%. Consequently, the GEPF is better positioned to meet its funding requirements as at 31 March 2024 compared to the previous valuation date.

The GEPF's funding policy requires the trustees to take steps to ensure that the Fund's funding level excluding contingency reserves is always above 90%. The results of the statutory valuation performed as at 31 March 2024 showed that the Fund's existing assets are sufficient to cover its liabilities before allowing for contingency reserves and that the Fund met the requirements set out in the funding policy. The funding level has improved mainly due to

- actual salary and pension increases being lower than those allowed for in the previous statutory valuation basis; and
- a wider gap between the discount rate and the salary and pension increase assumptions in the current valuation when compared to the previous valuation.

The GEP Law requires that the financial position of the Fund be investigated and reported upon by the valuator at least once every three years. The Fund therefore conducts a statutory valuation. The main purpose of the statutory valuation is to assess whether

- the existing assets are sufficient to cover the Fund's benefit obligations;
- the funding level meets the minimum requirements outlined in the rules and policies of the Fund;
- the Fund holds sufficient additional reserves to protect members' benefits.

This latest valuation of the Fund is based on a membership of 1 264 000 active members and 553 049 pensioners and beneficiaries. The pensionable salaries of members who contributed to the fund throughout the valuation period increased by an average of 7,6% per annum during the valuation period. Pensions increased by an average of 5,7% per annum during the same period. The employer contributed at 16% and 13% of pensionable salaries for Services and Other members, respectively.

The actuarial valuation basis was updated to reflect the prevailing market conditions as at 31 March 2024. The 2024 economic assumptions are overall weaker than in 2021, with a wider gap between the discount rate and the salary and pension increase assumptions. The fair value of the Fund's net assets as at 31 March 2024 was R2,34trn and the accrued liabilities totalled R1,97trn on the best estimate basis. The best estimate basis is a set of assumptions that do not allow for any margins of conservatism and imply a 50/50 chance of actual experience being either more or less favourable than expected. The Fund reflected a funding level before allowing for contingency reserves of 119% on the best estimate basis. In addition to the liabilities held in respect of its existing benefit obligations, the Fund also aims to hold additional amounts for the following reasons:

- to protect against the consequences of extreme adverse event(s) or scenario(s);
- to allow for potential future improvements in mortality rates; and
- to support pension increases higher than those allowed for in the valuation basis.

Although these reserves are additional obligations and increase the Fund's liabilities, the maintenance of relevant contingency reserves reflects best practice in responsible retirement fund management and are aimed towards ensuring long-term financial sustainability. The recommended reserves amounted to approximately R903billion as at 31 March 2024 of which the Fund can afford to hold approximately R374bn (or 41% of the total R903bn), resulting in a funding level after allowing for contingency reserves of 81,6% (74,3% in the previous valuation, performed as at 31 March 2021). The Fund's long-term target, which is an ideal position is a funding level of 100% after allowing for contingency reserves. As mentioned above, before allowing for contingency reserves, the Fund's total member and pensioner liabilities are 119% funded as at 31 March 2024.

In summary, the Fund continues to be financially sound as at 31 March 2024. The funding level, calculated on a best estimate valuation basis before allowing for contingency reserves, is 119% as at 31 March 2024 and the funding level has improved since the previous statutory actuarial valuation, performed as at 31 March 2021. While the Fund is currently able to afford only 41% of its recommended contingency reserves (up from 21% in 2021), it is important to stress that these reserves represent an additional buffer beyond the assets already set aside to meet members' benefits. Even with partial contingency reserves in place, the Fund has more than sufficient resources to honour its guaranteed obligations.

Issued by: Government Employees Pension Fund

Comment

The values represented in this press release are summaries, which values are reflected in different ways in the Annual Report. Don't be reassured that all is well with your Fund, on the

basis of this valuation being about 18 months old [March 2024 to July 2025].
Keep in mind that the Fund's assets were stated as R1,61trn for the whole of 2024, while the actuarial valuation was much larger at the same time. Makes you wonder which on is correct, doesn't it?

Synopsis

Why withdrawing your pension from the GEPF could be your worst financial decision

Moneyweb
25 March 2025
By Martin de Kock [Ascor® Independent Wealth Managers]

Image: Moneyweb

Withdrawing your pension from the GEPF may seem tempting, especially if you are facing immediate financial challenges. However, this decision can have long-term implications that can significantly affect your financial future.

This article delves into the reasons why withdrawing your pension from the GEPF could be your worst financial decision, while also clarifying the different types of pensions and the calculation formula used by the GEPF.

It is important to understand the different types of pension plans.

Defined benefit pension

A defined benefit pension plan guarantees a specific payout upon retirement, based on factors like salary and years of service. The GEPF operates as a defined benefit scheme, meaning your retirement benefits are predetermined and not dependent on investment returns. This arrangement offers stability and predictability, allowing you to plan your retirement with greater confidence.

Defined Contribution Pension

In contrast, a defined contribution pension plan does not guarantee a specific retirement benefit. Instead, both the employee and employer contribute a certain amount to an individual account, which is then invested. The retirement benefit depends on the performance of these investments. As a result, the final payout can vary significantly, making it less predictable.

The GEPF pension calculation formula

The GEPF uses a specific formula to calculate pension benefits, which follows this structure:
Pension = Average salary × years of service × pension factor*
* The pension factor depends on the choice exercised by the employee relating to the spouse benefit at the death of the employee (pensioner).

Key components of the formula

1. **Average salary**: This is typically calculated based on your average earnings over the last two years of your service.
2. **Years of service**: This refers to the total number of years you have contributed to the pension fund.
3. **Pension factor**: This is a predetermined percentage that varies depending on your years of service and specific rules set by the GEPF.

This formula illustrates the predictability and stability of the benefits you can expect from the GEPF, which is one of the key advantages of defined benefit plans.

The risks of withdrawing your pension

1. **Loss of guaranteed income**: Withdrawing your pension means losing the guaranteed income that comes with a defined benefit plan. The GEPF offers a level of security that is hard to replicate in other investment vehicles.
2. **Withdrawal rate**: It is extremely unlikely that an advisor can invest the retirement capital withdrawn in an investment vehicle that can provide the same level of income that the GEPF pension provides during

retirement. To achieve the required growth necessary to keep up with the income required may imply that unnecessary investment risk needs to be taken by the advisor that could jeopardise your retirement capital.

3. **Legislated withdrawal limit**: To reduce the effect of tax, the pension needs to be transferred to a retirement product, e.g., a living annuity. The withdrawal rates from a living annuity per legislation are 2,5% to 17,5%. Thus, once the withdrawal rate reaches the maximum rate of 17,5%, the annual or monthly income will start decreasing annually.

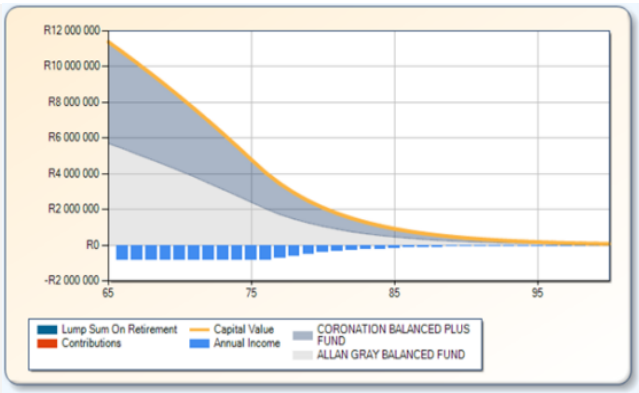
Example (actual estimate of GEPF benefits for an employee)

Average salary: **R1 066 025**
Years of service **45**
Pension Factor **1/55**

Pension = R1 066 025 × 45 × 1/55 = R872 202 per year (R72 683,52 per month)

Below is a forecast illustrating the possible outcome if the resignation benefit of **R11 378 142** was transferred to a living annuity on an investment platform using a 50/50 split between Allan Gray Balanced Fund and Coronation Balanced Plus Fund (a multi-asset proxy for investment).

From the graph, it is evident that at age 76 (11 years into retirement), the maximum legislated withdrawal rate of **17,5%** on a living annuity is reached. After this point, the annual income starts decreasing as the growth of the underlying funds cannot sustain the required annual income.



Source: The author

The long-term consequences

You lose the peace of mind that comes with knowing you have a steady income source for your retirement years. Given the unpredictability of life and the economy, having a defined benefit pension can provide a cushion against unforeseen financial difficulties.

Conclusion

Withdrawing your pension from the GEPF might seem like a quick fix to a pressing financial issue, but it can lead to long-term consequences that may jeopardise your financial stability. The GEPF's defined benefit structure offers a level of security and predictability that is hard to find elsewhere.

Understanding the implications of this decision, along with the pension calculation formula and the types of pension plans can help you make a more informed choice. It is essential to weigh the immediate benefits against the potential long-term repercussions and seek professional financial advice from a qualified certified financial planner.

Comment

One of the regular warnings about withdrawing from your pension. The amount used is an example, but the implication is clear, irrespective of the size of the initial amount invested.

Synopsis

After the Bell: The staggering size and stumbles of the colossal PIC

Daily Maverick
By Stephen Grootes
14 Jul 2025

If it is true that compound interest is the "eighth wonder of the world", then the PIC must be its colossus. It is so staggeringly big that it almost defies comprehension. The PIC currently has more than R3trn in assets. And it controls about 10% of the JSE.

The scale of it is so big that its investment decisions could not just make or break companies, they might even make or break

entire industries in South Africa. It makes the proposed Transformation Fund that would invest R100bn look like a tiddler by comparison. It is just that big.

The GEPF is its main client – millions go from government employee salaries into the Fund every month. Considering how much money we are talking about, it is quite strange that we don't talk about it more. One of the reasons for that is so many of its investments are in listed entities. Basically, it is putting money into companies listed on the JSE. And that means we can all see whether it's making good decisions.

This is a kind of forced transparency. In its 2024 annual financial statements it flags "transparency" as its first pillar of governance. And by and large, it works.

The problems come in, obviously, in its unlisted investments. This is where it makes decisions that we cannot see so easily. And I suspect we are going to see a lot more attention on this soon.

On Monday, News24 published an important story saying that the acting head of the manager's unlisted investments unit, Thabiso Moshikara, is being accused of trying to get a R3mn bribe from someone whose company is being funded by the PIC. The person making the claim, Ralebala Mampeule, even claims Moshikara came to his house with "unidentified males".

This must have come as a huge shock to the PIC and it will now have to investigate thoroughly. The problem is that it could take quite a while to know for sure what happened. Unfortunately, we now live in a society where it's entirely possible that someone offered Moshikara money for his influence, and when he refused, decided to simply make something up to get rid of him.

Or it could all be true.

At the same time, the PIC has recently been under fire over the Daybreak Farms fiasco. There it was quite clear that some of the directors and managers were just extracting money from a failing enterprise. Sunday Times journalist Sabelo Skiti had been warning us for years and years that this would happen at Daybreak. And his reporting and warnings were ignored by the PIC.

This has infuriated Finance Minister Enoch Godongwana to the point where he has instituted an inquiry into the unlisted fund. I've never understood why an institution as massive as the PIC would not act when someone like Skiti reports on Daybreak in the way he did. It surely has the resources to monitor its unlisted investments.

It is negligence that borders on the criminal to allow this to happen. I would think that its main customers, government workers, would be the first to shout and scream when this happens. It is their money that is going up in smoke. But they don't, because they're going to be fine.

But it does mean that perhaps, just perhaps, someone gets to play with a huge amount of money without a huge amount of attention.

It does look like the PIC is going to change slightly. There will probably be a new system to appoint its chair. Since 2021, the law has been that the Finance Minister can appoint a Deputy Finance Minister to the position of PIC chair.

And I think there will be more demands for more transparency. We should all know how the PIC makes its decisions in the unlisted space.

There are many advantages to being a colossus; you can take a lot of pain and keep trucking. But you are impossible to hide. And so, we will always want to know what is going on behind the scenes. **DM**

Comment

Mmm, the PIC investigation into Moshikara. Do we dare to hope it is swift and conclusive? Or will we see it quietly disappear with no clear result?

The light is shining on the unlisted investments, hopefully leading to better investing and transparency.

Another inquiry, probably leading to no action, Mpati's recommendations are used as an example.

Synopsis

PIC pumps R150m more into Daybreak Foods

BusinessDay
By Linda Ensor
16 July2025

The PIC is confident struggling poultry producer Daybreak Foods can be turned around.

The PIC last week invested an additional R150mn of its own operational funds in the now 100% owned company to protect it from liquidation and to allow the business rescue process, which commenced last month, to proceed. This brought the PIC's additional investment this year to R400mn and its total investment to R1,7bn.

Deputy Finance Minister and PIC chair David Masondo said in a briefing to SCOPA, the PIC did not intend to continue putting money into Daybreak, which had to improve. The business rescue plan, which Masondo hoped would avert liquidation, was expected by August 22.

PIC chief investment officer Kabelo Rikhotso said the company could be turned around but stressed the PIC did not want a long, costly business rescue process as Daybreak could not sustain its funding. He said that as Daybreak had fixed assets worth R700mn-R800mn the PIC was "comfortable" it would get its R400mn new investment back. But it needed a strong management team. Masondo said the PIC had underestimated the risk of its investment in Daybreak and overstated the returns. "This was the original sin," he said. "In this particular case the PIC overpaid for this investment."

The Committee was briefed on the performance of the PIC's unlisted investment portfolio the day after the acting head of the portfolio, Thabiso Moshikara, was placed on precautionary suspension on the basis of whistle-blower allegations, according to a News24 report, that he solicited a R3m bribe from businessman Ralebala Mampeule whose company Levoca 804 had received PIC funding of about R693mn.

Newly appointed PIC CEO Patrick Dlamini said the corporation planned to begin lifestyle audits of its senior officials. He said the PIC invested in unlisted companies to bring about transformation and job creation. The unlisted Isibaya Fund, which has a market value of R73bn and a total value of R116bn, is dedicated to transformation and developmental objectives and has created more than 190 000 jobs since inception.

Since 2020, R400mn, or 0,6%, of the total Isibaya portfolio had been impaired, with only one impairment of R100mn over the past three years in Enable Capital, which is in business rescue.

About 1% of the book is in the 20 worst performing investments, which include AfriSam (R11bn), Bayport (R1,8bn), Kefolile (R1,8bn) and Daybreak (R1,7bn). These 20 posed a significant drag on the portfolio's performance, the PIC said, adding that they were either in turnaround process, litigation, liquidation, business rescue or in the process of being exited. African Bank was also underperforming.

The top 20 investment performers constitute 61% of the total book.

Rikhotso said the total unlisted portfolio of 153 company investments comprised 4,5% of the total PIC's assets under management, which had grown 30% from R2,3trn in 2021 to R3trn by end-March 2025 and now stood at about R3,2trn. Of the entire book, 3,1% resides in the Isibaya Fund.

Two of the PIC's clients, the UIF and the Compensation Fund, have suspended their mandate to the PIC on unlisted investments. It also invests on behalf of the Government Employees Pension Fund and other smaller clients.

Masondo told MPs the PIC planned to set up a dedicated infrastructure investment unit within the organisation.

Comment

AFAIK the PIC doesn't have "its own operational funds", *it all belongs to the GEPF, UIF and other clients. So this is our Fund's funds being used to keep Daybreak alive. The Deputy Minister also said that the PIC didn't intend to continue putting money into Daybreak. The politicians deciding on where our Fund's funds are going?*
It may be that SCOPA now knows the dire status of Isibaya. It would be nice of positive improvement results – doubtful.

Synopsis

AMAGP Media Release 16 July 2025

Government Employees Pension Fund Plundering: R116 billion for 2023-24

The Government Employees Pension Fund (GEPF) was plundered for the year 2023-24 to the staggering amount of R116 billion.

The GEPF's funds are invested by the Public Investment Corporation (PIC) and, in the financial year 2023/24, delivered a 4,9% return on investment: in monetary terms, R116 billion. The principal aspect of the GEPF investment mandate to the PIC is that it 'operates under a clear mandate extending beyond the sole pursuit of maximising financial returns'; it also encompasses investments aimed at promoting 'economic development, industrialisation, job creation, and broader transformation within South Africa'

This mandate is dictated by the Minister of Finance to the GEPF Board of Trustees, in accordance with the GEPF Law, which requires that the Board determine such a mandate in consultation with the Minister. In pursuance of transformation, the GEPF's funds are invested in unlisted entities under the Isibaya programme and with the use of inexperienced BEE investment agencies, which deliver sub-par results.

The PIC, however, has 18 other clients whose funds it also invests. This includes the Unemployment Insurance Fund (UIF), the Compensation Commissioner Fund (CCF) and the Political Office Bearers Pension Fund (POBPF).

The returns on investment for these three funds for 2023/24 were 10,7%, 10,4%, and 10% respectively.

Critically, none of these three funds' investment mandates to the PIC is prescribed by the Minister of Finance, and none includes a transformation element. In fact, both the UIF and the CCF withdrew their transformation mandate to the PIC in 2019 due to poor returns.

This decision had spectacular results; Their annual returns on investment improved dramatically from that date.

For the GEPF, however, a ministerial-prescribed transformation mandate resulted in a drastically subpar return on investment of 4.9% or R116 billion. A 'normal' mandate based on maximum financial profit could have delivered a 10% plus return on investment for the GEPF, practically R232 billion.

Essentially, transformation-linked investments led to an opportunity loss of R116 billion for the GEPF in the financial year 2023-24. In bowing to the Minister of Finance, the GEPF Board of Trustees stands in breach of its fiduciary duty towards the members of the GEPF.

With a long-term funding level after contingencies of only 81%, the long term sustainability of the Fund is under direct threat of the ministerial-prescribed mandate of transformation.

Zirk Gustav Gous
16 July 2025
Spokesperson: Association for the Monitoring and Advocacy of Government Pensions (AMAGP)

Comment

The difference in the ROI is interesting, especially when you note the politicians' separate and private pension fund's ROI is decidedly better than that which the politicians prescribe for government employees.

THE GEPF WATCHDOG / WAGHOND FACEBOOK PAGE

Welcome to our page!!

Join AMAGP

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 AR that our Fund is in a superb condition. The AMAGP newsletters, annual reports and press releases tell a different story.

Member totals: Government Employees Pension Info (Fb) has in excess of 78 000 members, GEPF WATCHDOG (Fb) in excess of 52 000 members and AMAGP about 8 000 members and growing. The total is about 138 000. This isn't even close to being enough to convince the 'government' to pay attention when AMAGP releases media statements. The continued growth in AMAGP numbers 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 under "files and FEATURED". 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, but we urgently need your financial support for legal actions and other projects. 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

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