7621

Association for Monitoring and Advocacy of Government Pensions (AMAGP)

NPO Registration No: 198-822

SEMPER VIGILANS

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

www.AMAGP.co.za

GEPF Watchdog - Waghond

GEPF Forum

GEPF your investment, your future

NEWSLETTER NO 3 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
PIC – Public Investment Corporation
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 1.267 million active members, in excess of 524 030 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 7 March 2025.

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 contributing 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 the duty to protect and safeguard it against abuse.

The Editor's Word

The videos that you are seeing of the Chairperson each Friday are part of a series that were produced in the last quarter of last year, and subsequently refined, before being posted now.
It is the Chair's intention to produce another set of videos focusing on the following:
- The recently announced 2,9% pension increase.
- The conspiracy between COSATU, the Ministry of Finance and the GEPF, to justify a payment holiday of government contributions to the Fund for the coming year.
- That this payment holiday will result in a R60bn loss to the Fund.
- That this represents a breech of contract between the government and government employees, as an individual's pension is a service benefit.
- That this action will result in the GEPF being less sustainable and less able to provide pension adjustments in the future.

The anomaly in the Fund's assets hasn't changed yet, and media can decide which is the real one to analyse the GEPF assets, funding, planning, etc, against. And which one to use measured against the newest GEPF AR, the contents of which on its own are more than a year old. And assets of R3trn are now commonly used…

Now for news from the media

The UIF and Compensation Fund have the same challenges other statutory bodies have: corruption, mismanagement, irregularities. The AG reported on this; issues have been reported for the last 12 years.

The GEPF has issued a brief statement about the pension increase, getting it on record.

A repeat of an old reporting of the 'government's' intention to utilise 'the big pool of liquidity' in SA. Which we all know belongs to the individuals contributing to the pool and not to the 'government'.

The PIC is going to be investing in credit provision in Africa. That is concerning based on its record of unlisted investments' ROI.

A nice discussion about an email from a pensioner about the paltry increase, with a quite bland and noncommittal reply from the GEPF. Highlights some contentious concerns again.

It is now official, Arcelor Mittal is closing down plants with direct loss of 3 500 jobs and indirect loss probably at least double that.

Bidvest Group has fingers in many industries but is disposing of its financial arms. Looks like it will have a beneficial effect on its financial well-being.

Nedbank is also restructuring, hopefully with improved ROI.

Lastly, a nice article about the 'government's' quick fix intention but long term disaster: the pension contribution holiday.

NEWSNUUSNEWS

Synopsis

Call for intervention in 'horror show' at Compensation Fund and UIF

The Citizen
By Enkosi Selane
10 February 2025
The Auditor-General of South Africa exposed serious irregularities at the Compensation Fund and UIF.

ActionSA on Sunday demanded urgent intervention from the Minister of Employment and Labour, following damning audit findings that reveal widespread corruption and mismanagement at the Compensation Fund and Unemployment Insurance Fund (UIF).

Systemic issues with UIF and Compensation Fund
In a statement, the party noted that Auditor-General had exposed serious irregularities in the two funds, which manage a combined annual revenue of R46bn. "The findings can only be described as a horror show," said Alan Beesley, ActionSA's member of parliament.

"The Compensation Fund monies exist to protect and support hard-working South Africans in times of need, yet they have been turned into slush funds for fraud and maladministration." "The dignity of our nation's workers is being systematically stripped away by those entrusted to safeguard their welfare," said Beesley.

Compensation Fund's 12-year crisis

The Compensation Fund, responsible for providing compensation to employees for work-related injuries and diseases, has received disclaimer audit opinions for 12 consecutive years. According to Bulelwa Sikweyiya, a senior audit manager at the Auditor-General's office, this points to a fundamental breakdown in internal controls.

"At least for about 12 years now, the Compensation Fund has been a disclaimer opinion, and the key issues that we have noted over the years are pointing to a breakdown in the internal controls," Sikweyiya told MPs during the briefing.

Financial irregularities and mismanagement

The audit revealed the Compensation Fund's irregular expenditure stands at R485mn for the 2023/2024 financial year, while fruitless and wasteful expenditure increased to R652mn from R567mn in the previous year. "Instead of ensuring financial security for injured or unemployed workers, these funds have become breeding grounds for mass looting and impunity," Beesley stated.

The problems include missing transaction evidence, duplicate payments, fraudulent transactions through altered bank details, and reckless investments in failing start-ups.

Beesley also expressed frustration that the UIF has reportedly failed to submit timely financial statements and received qualified audit opinions for five consecutive years.

Calls for accountability

"The very institutions meant to offer relief in times of hardship are now robbing workers of their dignity and their right to financial security," Beesley said. "The Minister of Labour cannot evade responsibility for this disaster. If she cannot fix this mess, she must go. The political leadership overseeing these funds must be held accountable, not just with words but with real consequences."

ActionSA is calling on the Auditor-General to exercise the full powers of the Public Audit Act, including issuing certificates of debt against those who have failed to take remedial action.

Comment

Do the irregularities sound familiar? Irregularities in the GEPF/PIC revealed by the recent commissions of inquiry, the implementation of the recommendations of which, alas, seem to remain very quiet.

Synopsis

MEDIA STATEMENT

THE GOVERNMENT EMPLOYEES PENSION FUND PENSIONERS WILL RECEIVE A 2.9% ANNUAL PENSION INCREASE AS OF 1 APRIL 2025.

The GEPF is pleased to announce an annual pension increase of 2,9% to its pensioners effective 1 April 2025.

Pensioners who retired on or before 1 April 2024 are to receive an increase of 2,9%. Pensioners who retired after 1 April 2024 are to receive a proportionate increase based on the number of months they have been in receipt of pension up to 31 March 2025.

This pension increase is based on the 2,9% inflation rate for the 12 months ending 30 November 2024. It represents 100% of the November 2024 year-on-year Consumer Price Index (CPI), exceeding the 75% of November year-on-year CPI base increase required by the GEP Law and Rules.

The decision to grant this increase reflects the GEPF's strong commitment to balancing the interests of its pensioners with the Fund's long-term financial stability. The Board carefully considers increases beyond the stipulated base provisions of the GEP Law and Rules, reviewing factors such as the Fund's investment performance, financial health, and the ability to provide sustainable benefits.

The GEPF remains dedicated to serving the best interests of its pensioners, ensuring they continue to enjoy a secure and dignified retirement.

Issued by: Government Employees Pension Fund

Comment

For you to determine if it is good news.

Synopsis

Government in talks with South Africa's pension funds to access 'big pool of liquidity' for investment

BusinessTech
Staff Writer
3 November 2000

After six months of talking with the private sector and banking institutions, government is now in talks with pension fund managers around possible infrastructure investment in the country, says Dr Kgosientsho Ramokgopa, head of the Investment and Infrastructure Office in the Presidency.

Speaking at the launch of the president's infrastructure project preparation roundtable on 3 November, Ramokgopa said that the country's pension funds are sitting on a 'big pool of liquidity' and are now beginning to explore investment in infrastructure as an additional asset class. "Previously when we had conversations of this nature, the pension funds were not at the table. Now they are at the table, and are part of the exercise of co-creation, and we think in doing we will bel able to tap into that big pool of liquidity."

Ramokgopa said that previous infrastructure funding had been taken directly from the government purse, but that the impact of Covid-19 had led to a severely diminished fiscus. "Essentially we need to look at new sources of funding. But for you to be able to get projects funded outside of government's balance sheet, they need to be sound projects."

These 'sound' projects are a key part of president Ramaphosa's recovery plan for South Africa, with infrastructure and development identified as key to the country's turnaround.

Comment

This was released on 14 February 2025 but is dated November 2000. For those who follow news and, of course, the AMAGP, we can see the incremental assault on our Fund. Casual mention of pension funds' funds in the same breath as infrastructure, availability, public funds, 'government' projects, etc, are reported infrequently but often enough to realise that the threat is ever evolving and attempting new avenues.

Synopsis

South Africa's biggest pension manager lending over R8 billion to build rest of Africa

BusinessTech
Bloomberg
25 February 2025

The PIC sees private credit as a growth opportunity in Africa as it seeks to diversify outside of its home market. The PIC has deployed about R8bn to investments elsewhere in Africa in the past two years.

However, Chief Investment Officer Kabelo Rikhotso said on the sidelines of a conference in Cape Town on Thursday that the PIC is looking to increase that. The PIC avoids listed equities in other African countries as those markets are mostly small and illiquid, he said.

Private equity isn't an option either, as many businesses in Africa are family-owned and not interested in cash injections that would dilute their stake, he said. But there is appetite for credit. "We do think that to play in Africa, you have to be in private markets," Rikhotso said. "Private equity hasn't worked, but private debt is working well. You fund, and you receive your interest."

Private credit is increasingly seen as a vehicle to fund infrastructure development on a continent that lags behind others in access to energy, water, logistics networks and digital infrastructure. The African Development Bank estimates that $130bn to $170bn is needed for infrastructure annually, more than half of which is unmet.

The PIC invests mainly through intermediaries such as the African Finance Corp. to mitigate the political and regulatory risks, he said.

It recently invested $100 million in Africa 50, a unit of the ADB that mobilizes public and private financing for infrastructure development. "What we've learned on the continent is that you can't just go in and do it on your own," Rikhotso said. "We have to buy into vehicles that give us diversified exposure. You have to be in private markets and in partnerships."

The PIC has about 12% of its portfolio invested offshore, less than the regulatory limit of 45% that applies to private fund managers. About 4% of that is in emerging markets, with China and India holding the largest weightings in its portfolio, Rikhotso said.

Comment

I'm not sure what private credit actually means, but it looks like providing loans.
It seems close to investing where the ROI is uncertain.
Investing outside SA is good practice, which seems to be under explored by the GEPF and PIC. And might increase the paltry 3% ROI of their[our] investments in the latest reporting period.

Synopsis

Government pensioners bemoan 'insulting' 2.9% increase

Moneyweb
By Adriaan Kruger
28 Feb 2025

Image: Moneyweb

A state pensioner sent a long letter to Moneyweb complaining that the GEPF granted an increase of only 2,9% in pensions paid to public service pensioners, describing the increase as an insult. The increase comes into effect in April.

"Those who retired years ago on a low pension will be unable to survive," he says. "Appeals that an appropriate increase adjustment has become essential for those with a small pension [have] consistently gone unheeded. "Cadres in the GEPF and PIC prefer to ensure that available funds flow elsewhere; to 'investments' that have nothing to do with pensions," he adds.

"Private sector investors achieved returns of between 12% and 15% in the past year, whilst the largest investor in Africa, the PIC, managed a little over 3% on behalf of the GEPF. "Why this failure? There was clearly a big mistake," he complains in an email, asking: "Rotten management by ANC cadres?"

'Political control'

The unhappy pensioner says the problem stems from political influence over the PIC and GEPF. "The government is the biggest threat to the pension fund and ensures political control over the pension fund."

"The Minister of Finance determines the investment policy of the GEPF and he appoints the directors serving on the board of directors of the PIC. The Deputy Minister of Finance is the chairman of board of directors of the PIC. This equates to firm political control."

"Investments driven by political considerations are not in the best interest of the fund. State pensioners will continue receiving annual starvation increases until we free our pension fund from political control." "The political vultures will not rest until the pension barrel has been stolen dry. The President sets the example by making proposals on the funding of infrastructure projects with greedy eyes."

"Politicians want to lay their hands on the money through prescribed investments, motivating it by stating 'pension funds should be seen as national rather than private assets'," he says.

The email further alleges that figures in the GEPF's annual report reveal that the fund's sustainability has been decreasing over the last 15 years to the detriment of pensioners.

GEPF rules

The GEPF denies these allegations, implying that state pensioners will actually be better off compared to the expected inflation rate. "The 2,9% increase is based on the consumer price index of 2,9% for the period from 1 December 2023 to 30 November 2024," it replies in answer to queries.

"This increase is in line with GEPF rules which stipulate that pension increases must be at least 75% of the average percentage increase in CPI. In this case, the increase granted is 100% of the CPI figure, which exceeds the minimum requirement of 75%. "We understand the perception that the increase may seem low," it says.

Why not an above-inflation increase?

The GEPF increased pensions by more than the inflation rate in 2024, raising questions about why it could not do so again in light of food inflation still running ahead of the average inflation rate.

"The 2024 increase was above inflation as it was affordable at the time and it also took into account that the 2023 increase was lower than 100% of CPI," according to GEPF. It says investment returns over the last year allowed for an increase of only 100% of the inflation rate for 2025.

"While food inflation is a significant component of CPI, it is only one part of a broader measure that reflects the overall cost of living." "Increasing pensions based solely on food inflation would not accurately reflect the diverse spending of pensioners, as it would assume that individuals spend all their income on food alone. In reality, households spend on a wide range of goods and services and CPI is designed to capture the weighted average increase in the cost of this entire basket," it says.

Performance

The GEPF also disagrees with allegations that the PIC cannot generate the same returns as private fund managers because it focuses on social issues and investing for the common good instead of investing for the best returns.

"The PIC's primary mandate from the GEPF is to protect and grow the retirement benefits of GEPF members through prudent and responsible investment management. While the PIC also considers broader socio-economic and developmental objectives, these are secondary and pursued only when they align with the primary goal of generating competitive returns that benefit GEPF members.

"The PIC continues to deliver market-related returns despite challenging economic conditions, ensuring that members' benefits are safeguarded and enhanced over time. Comparing the PIC to private fund managers requires considering not only absolute returns but also risk-adjusted performance, investment time frames and the PIC's responsibility to ensure long-term sustainability.

Savings 'not used to fund government projects'

The GEPF says it is a misconception and inaccurate that pension fund money is used to fund government projects. "The GEPF is a retirement savings vehicle for government employees, funded through both employee and employer contributions.

"While some investments may be in projects that have broader socio-economic benefits, these are pursued only when they align with the Fund's mandate to deliver returns that benefit its members."

Fund 'financially stable'

"The GEPF is financially stable and well-positioned to meet its current and future obligations to members and pensioners," it says in response to questions about its sustainability. "The fund remains committed to granting pension increases that are both affordable and sustainable, ensuring the long-term viability of the fund while providing the benefits promised to its members.

"The financial health of the GEPF is assessed through regular statutory actuarial valuations. The most recent valuation, conducted as at 31 March 2021, reflected a funding level of 110,1%. "This means that for every R100 owed to members and pensioners, the fund had R110,10 in available assets to meet its obligations. The fund continuously monitors its financial health to ensure that it remains sustainable and capable of delivering retirement benefits to its members both now and in the future."

'Downward spiral' due to political pressure
Zirk Gous, spokesperson for the AMAGP), says an analysis of the GEPF shows its sustainability is in a "downward spiral". He blames poor returns on bad investments, in that the PIC bows to political pressure that forces it to invest as far as possible in investments that are primarily aimed at creating and protecting local jobs, promoting sustainable development, and transforming the economy and society rather than optimal investment returns.

"These investment fields are indeed laudable but should not be the responsibility of a pension fund." Gous says a big problem is that legislation that regulates the PIC and GEPF is not as strict as the Pension Funds Act (PFA) that regulates private pension funds.

"The PFA has a variety of clauses that protect those funds from potential abuse by the employer, like a 'best interest of the fund' clause, a clause of no investment in the business of the employer (but for very limited circumstances), a fit and proper test for key managerial posts and external supervision by independent financial institutions, none of which are found in the GEP Law.

"This creates two very different and potentially discriminatory sets of statutory rules regulating the SA pension environment with inferior statutory protection for state pensioners," says Gous. He urges the PIC and the GEPF to manage the pension fund against the single criteria of "the best interest of the fund" that will enable it to afford a much better increase in pensions than the 2,9% it announced.

Comment

Important to note the space that Moneyweb allocated. Note also the well-known GEPF replies. It is for you, dear reader, to decide which view is correct.
The increase for civil servants [read politicians] should also be based on the same reasoning of CPI, don't you think?

Synopsis

Important company cutting thousands of jobs in South Africa starting this week

BusinessTech
Malcolm Libera
3 March 2025

ArcelorMittal South Africa (AMSA) has confirmed that it will proceed with closing its steel business after talks with the government failed, which means 3 500 South African jobs will be cut starting from the first week of March. In January, AMSA announced that it had no choice but to wind down its Longs Business amid high energy costs, logistics constraints and an export scrap tax issue.

Although AMSA engaged with stakeholders throughout 2023 to find a solution, it said that the package of initiatives sought would not change the fundamentals of the structural problems. Hoping to prevent the closure, the government facilitated a temporary reprieve in February through a R380mn loan from the state-owned IDC, one of AMSA's shareholders.

This provided a brief delay, allowing additional talks to take place and ensuring ongoing supply to downstream customers who rely on the company's steel. However, AMSA ultimately determined that no workable solutions had emerged, and at the end of February, it confirmed the final wind-down of the Longs Business.

"Regrettably, despite our best efforts, the parties involved have not been able to find timely solutions required to defer the wind-down of the Longs Business," it said in a statement. AMSA noted that this decision was made because key priorities were not being addressed, including scrap metal export taxes, port and rail inefficiencies, energy prices, and key trade measures.

"The scrap export tax remains in place, and the Preferential Pricing System for steel producers using Electric Arc Furnaces continues to unfairly advantage them." "This is despite evidence from an independent Econometrix study on the damaging impact of the scrap Price Preference System and export tax," AMSA said.

"No further progress has been made on improving Port and Rail efficiency. Transnet has declined to negotiate improved tariffs." "Our application for a negotiated pricing agreement with Eskom has not been supported, and no progress has been made in this regard."

AMSA also noted that despite the company's repeated submissions of evidence demonstrating the adverse impacts of current policies, the government has remained quiet. "ArcelorMittal South Africa has received no formal communication from either the DTIC or National Treasury regarding the removal of the export tax or review of the Price Preference System.

"This continued policy inaction, combined with deteriorating cost structures, has accelerated the decline in operating conditions beyond what was initially assessed earlier this year," said AMSA. Given these challenges, AMSA's board and management concluded that there was no alternative but to proceed with the shutdown.

The process will begin with the closure of the blast furnace in the first week of March, with the last steel from the longs business expected to be produced by late March or early April 2025. The final wind-down into care and maintenance is scheduled for completion in the second quarter of 2025. The group said its decision would affect about 3 500 direct and indirect jobs.

Kobus Verster, AMSA's CEO, earlier this month said the Vereeniging and Newcastle mills, which indirectly support more than 100 000 jobs, supply between 350 000 tons and 400 000 tons of steel products that can't currently be manufactured by any other companies in South Africa.

The planned shutdown has alarmed other companies relying on the plants to supply steel to their operations because imports would be too costly and less reliable.

Comment

We have about R60mn in AMSA. The direct impact of this closure is still to be felt, the indirect impact on small businesses will be felt immediately, as well as an additional 3 500 unemployed in the shutdown plant's areas.
Interesting that the 'government' controlled entities declined to negotiate improved tariffs, as well as the export tax and pricing system, which might have prevented the closures and loss of jobs.
Contributing to the downward spiral of the economy…

Synopsis

Major bank in South Africa 'discontinued'

BusinessTech
Luke Fraser
3 March 2025

The Bidvest Group has placed Bidvest Bank as a discontinued operation in its latest financial results ahead of the bank's sale to Nigerian giant Access Bank. In its results for the six months ended 31 December 2024, the group said that its Financial Services segment was dismantled, and a formal process was started to dispose of Bidvest Bank and FinGlobal.

The acquisition is expected to close in the second half of 2025, subject to regulatory approvals. When the acquisition is concluded Bidvest Bank will be merged with the Access Bank's existing South African subsidiary.

Momentum Strategic Investments also agreed to acquire 100% of the share capital of FinGlobal in December 2024.

The Bidvest Group has also received binding offers from existing life insurers for 100% of Bidvest Life's share capital and claims. "As announced in December 2024, we are pleased with the respective signed offers that make both financial and strategic sense whilst also providing continued employment for employees," said the group.

Financials

Bidvest said its results for the period were decent despite the expected headwinds in bulk commodity movements and renewable energy products. The group was also affected by Adcock Ingram's unexpectedly poor performance, which the group owns a majority share in.

The majority of the Bidvest business generated substantial and consistent profits, with four of the group's six divisions reporting trading profit growth. "This performance was driven by continued demand for everyday essential products and services supplied by the Group across most sectors of the economy."

Group revenue increased by 5,7% to R64,5bn, while a slightly lower overall gross profit margin of 27,6% was achieved, mainly due to a large divisional mix shift.

The group's basic earnings per share (EPS) increased by 5,8% from 960,8 cents to 1 016,1 cents on the back of a 1,3% contraction in continuing operations EPS. The group also slightly increased its return to shareholders, increasing its interim dividend by 1% to 470 cents per share.

Comment

We have about R 17,9bn in Bidvest Group, to which this bank and FinGlobal belonged. And R 792,4mn in Adcock Ingram.

Synopsis

Nedbank as you know it is changing

BusinessTech
Luke Fraser
4 March 2025

Nedbank will undergo a major restructuring on the back of improved financial performance in 2024. This will see the group split its Retail and Business Banking (RBB) and Nedbank Wealth clusters into new segments, including:

- Personal and Private Banking (PPB)
- Business and Commercial Banking (BCB)
- Corporate Investment Banking

The restructuring will move various business segments around, with RBB also now including Nedbank Insurance and Nedbank Wealth Management.

Nedbank CEO Jason Quinn said that the operating environment in South Africa remained challenging in 2024, with GDP growth expectations of just 0,5% for the year. Nevertheless, the group delivered an improved financial performance as headline earnings increased by 8% to R16,9bn, while the group's ROE improved from 15,1% to 15,8%. Quinn said that good non-interest revenue, lower impairment charges and targeted expense management underpinned headline earnings growth.

With balance sheet metrics remaining strong, the group declared a final dividend of 1,104 cents per share, an increase of 8%. The group's full-year dividend per share increased by 10% from the prior year to 2,075 cents per share.

Restructure
In a bid to compete more effectively in the market, the bank is embarking on an organisational restructuring of its Retail and Business Banking (RBB) and Nedbank Wealth clusters.

The new group structure will lead to the creation of the Personal and Private Banking (PPB), an individual/non-juristic focused cluster. It will provide a full suite of products to individuals across its youth, entry-level, mass, middle, affluent and high-net-worth segments.

The reorganisation will also see the creation of Business and Commercial Banking (BCB), a juristic-focused cluster that will cover SME, Commercial and Mid-corp clients. The group said that BCB seeks to unlock accelerated growth opportunities via new compelling value propositions.

The Asset Management business will also move into Corporate Investment Banking and will focus on building out its product offerings and improving business origination with a new client-centric model.

Nedbank Wealth will also no longer exist as a stand-alone cluster. These changes will become effective on 1 July 2025.

Outlook
Looking ahead, Nedbank says it remains optimistic and expects the economic environment in South Africa to improve off a low 2024 base despite the risks of a possible trade war.

South Africa's GDP is expected to increase by 1,4% in 2025, while inflation remains well within the SARB's target range of 3% to 6%. The South African prime lending rate is also expected to drop by a further 50 basis points in 2025, reaching 10.75%.

Corporate lending should also pick up, but growth in household lending is expected to remain muted, only picking up in the second half of the year. However, risks are pointed to the downside.

Comment

We have about R16,29bn in Nedbank.

Synopsis

Pension fund contribution holiday could imperil GEPF

Business Day
5 March 2025
by Jabulani Sikhakhane

On the surface, the proposal that the government should take a partial or full holiday from making payments to the GEPF looks brilliant. But like all things that look good on the surface, it comes with risks.

At the time of writing, it wasn't clear whether the Finance Minister will go along with the pension fund contribution holiday, a proposal that may suit him but could imperil the GEPF. The risk is the demonstration effect and the moral hazards it brings about, whereby politicians get comfortable with the idea that there are easy ways out of making tough decisions.

SA is where it is financially due to the failure by politicians to manage the country's financial affairs judiciously over the past 15 years. This is happening while the government's capacity and ability to run the country has weakened, a point made by Reserve Bank governor Lesetja Kganyago in 2022.

"Much as I wish we had a strong state that could deliver high-quality public goods at reasonable prices, the facts reflect otherwise. Relative to the 2000s we have a weaker state, spending a larger share of GDP," he said.

In this environment, the pension fund contribution holiday proposal has political appeal because it can potentially save President Ramaphosa and his Finance Minister further political embarrassment. They were forced to postpone the tabling of the 2025 budget last month after failing to win cabinet approval for the proposed two percentage point VAT hike to 17%.

But shifting government contributions to the GEPF to other expenditures isn't without risk. To pay benefits to its members and their dependants, the GEPF relies on a combination of investment income and contributions (employee and employer). These benefits have been growing over the years, in part because of years of above inflation salary increases for public servants, reaching R141bn in financial 2024, up from R110bn five years earlier.

To fund the financial 2024 payments the GEPF used R109bn (net income) it earned from its investments managed by the PIC and R92bn in contributions by employees and the employer. The biggest chunk of the contribution, R59bn, came from the government.

"The fund receives sufficient cash flows from investment returns and contributions to ensure that all benefits are paid off without having to dispose of its investment assets," the GEPF noted in its 2023/24 annual report. If the government takes a contribution holiday the GEPF will have to change its strategy. A full holiday will leave the GEPF with a financial hole of R30bn-R60bn, depending on whether it is a full or partial holiday.

Government contributions for 2025/26 and thereafter should be higher because of salary increases and new members joining the fund. The fund can plug the gap, at least temporarily. It can sell down some investments to generate the cash it needs to pay benefits. Or it can ask the PIC, its investment manager, to shift more funds to investments that generate more cash in the short term.

But the GEPF is a defined-benefit fund, with its members and dependants guaranteed a certain payout, irrespective of member or employer contributions. In short, as government guarantees those payouts, if it adopts the contribution holiday it will in effect be taking money from one of its pockets, money it will have to replace further down the line.

The ANC has landed itself in a vicious cycle whereby the more it has failed to run the country effectively the more it wants to extend the footprint of government through such ventures as National Health Insurance and the state-owned bank. All of this has stoked sentiments against the size and role of government, which talks to how much of the country's economic resources the government should take and spend, and on what. These sentiments have also been incited by corruption, in the same way corruption did in 18th century Britain.

"While laissez-faire was rooted in Enlightenment ideas, it was also viewed as an antidote to the more corrupt and venal system that characterised government in the 18th century," writes Walker Hanlon, an American economist, in The Laissez-Faire Experiment.

Why Britain Embraced and then Abandoned Small Government, 1800-1914. Hanlon notes that Britain's swing towards a small government was "a practical and sensible, but also flexible reaction to an older and more corrupt system of government", in which state intervention "often served primarily to reward favoured groups at the expense of the rest".

SA now looks no different to 18th century Britain.

Comment

Keep in mind politicians have their own, separate, pension fund which is paid out of daily tax income and not from investments and little from contributions.
What would prevent the 'government' from deciding to extend the pension 'holiday' for the next decade or so?
What would the 'government' do if employers follow suit and also declare contribution 'holidays' as the 'government' does?
Also, the effect of such a holiday on our Fund will only be felt decades later when the present active members retire and there is a hole in the Fund's ability to pay pensions.

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 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 about 78 000 members, GEPF WATCHDOG (Fb) about 52 000 members and AMAGP 8 000 members. 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

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