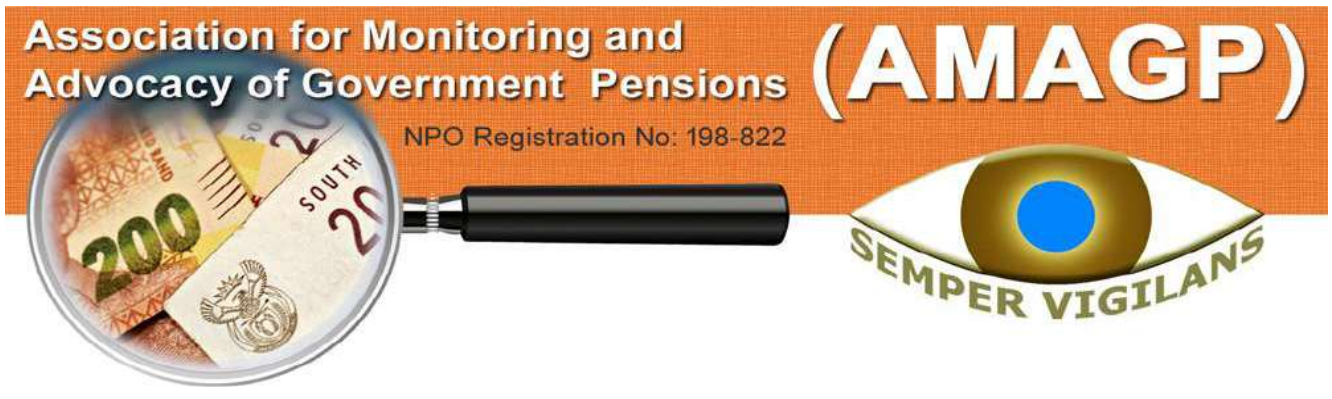


The Association for Monitoring and Advocacy of Government Pensions: A volunteer independent group of pensioners and civil servants concerned about the long-term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

GEPF Watchdog - Waghond

GEPF Forum

Join AMAGP

GEPF
your investment, your future

NEWSLETTER NO 7 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 1.277 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 16 April 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 4524 030 pensioners and beneficiaries, and the 15 representatives from the multitude of trade unions and government departments representing the 1,267 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

Please note, dear reader, that the GEPF has at last decided on what the value of our assets are. The GEPF website stated R1,61trn on its landing page and media touted R2,34trn. It seems the media is now correct as the figure on the website has been changed. Let's see what the figure is in the next GEPF AR, which should be released October/November this year.

The turbulence in financial and economic matters, relating to USA, is ongoing. Give it at least till middle of the year to settle. At least the political excitement in SA should be more stable then too.

Am I being cynical if I expect the GEPF to use this for a low pension increase and low growth in investments?

The following video link will provide interesting GEPF food for thought. The GEPF has published a refutation of the video, which refutation doesn't really say more than the GEPF usually says. The refutation isn't available on the GEPF website yet.

https://l.facebook.com/l.php?u=https%3A%2F%2Fyoutu.be%2FQijSOrtCZ5M%3Fsi%3DiH2kc-ltudaMuWpI%26fbclid%3DIwZXh0bgNhZW0CMTAAAR7BsB5wnFOS18F_gZbcKgvnfWaBhh1PbqGEENt8cKgRXeI8gZO1yFeDJZt2-A_aem_DYeYfX4XWJ-SjVfZAGDhNg&h=AT2B6FEpOPuNB9-4qbAAQjT6tEAfoZ2ZVDWrslTaz8JsauHIhU-adBShYVjTq4RF7tTz6fFVIFNFRp1cPvJzpwo52GR8Sldm9KqSjkeRZ9IJxVnXAgtfd4axiA3V8z9FNY3eCjImR9Fe0KU4&__tn__=-UK-R&c[0]=AT2qiTzaQnI9OhU9mg2TF01RmxaSDY-T-szmbtKGfcPTFF5vQ8U8S3SEyLA3pNmdAvLj6XD6dwbbkN5JAFKiXl-K2oiURBZa_Y3W9ed7gbEDGds0q3jF8WDAKlKrzET-UXdIS-AcBSEF9uSEHBG4Qw9PGe5dq3tGsUClKyt7tT989UeqJa3PpdaU8OPekEQ-oD1V9HbRFXjOHCdanle48_QMkaIMk-qEwA3UaTxlOvTZOTsDiH63cq3_N6nwD5jH0Q

The 2024 GEPF AR

Keep in mind the contents of the GEPF AR were relevant at 31 March 2024, while the report was only submitted to parliament in November 2024, eight months later. Detail already old and probably invalid at that submission. More in the next newsletter.

Isibaya Portfolio

From the 2024 GEPF AR

'The Isibaya portfolio was established in 1999 to house the GEPF's unlisted developmental investments portfolio. Its objective is to deliver on the Fund's developmental impact objective and generate positive financial returns. The GEPF has committed more than R100bn across the three Isibaya funds. The PIC has on behalf of the GEPF committed R78bn and invested R72bn in investments across sectors including renewable energy, financial services and housing.

Fund I R23bn
Fund II R70bn
Fund III R25bn
Total R118bn

The portfolio is managed by the PIC on behalf of the GEPF and includes a mix of developmental and private market investments in South Africa (81%) and the rest of Africa (19%). Fund III, the latest vintage commitment, is in the investment stage, while funds I and II have reached the end of the investment stage.'

Comment

No details but evidently Isbaya is running at a 42% loss, which raises the question of why those investments were chosen, the competence of the brokers involved, and who really gained from the investments. Note, Isibaya ROI isn't mentioned in the AR at all. Interesting.

Ayo Technology

From the 2024 GEPF AR

'In December 2017 the PIC (on behalf of the GEPF) participated in an initial public offering (IPO) through a private placement, in terms of which the PIC subscribed for 29% (99,8 million shares) of the issued shares in Ayo Technology Solutions (Ayo) on the JSE to the value of R4,3bn at R 43 per share.

In May 2019 legal proceedings were initiated against Ayo on the basis of possible irregularities such as possible inflation of their share price value and material irregularities. The litigation proceedings led to a share buyback proposal for the shares owned by the GEPF (through the PIC) R619,4mn in March 2024 for the share buyback transaction. The JSE, PIC (on behalf of the GEPF) and Ayo engaged on the transaction as the JSE necessitated that its listing requirements

needed to be adhered to for the buyback transaction to be considered as valid. In July 2024, the JSE approved and accepted the Ayo settlement terms are compliant with its regulations and the buyback transaction could then be recognised for financial reporting purposes.
The share buyback resulted in the GEPF disposing 17,2 million of its holding in Ayo Technology at R36 per share. A loss on disposal of R120,2mn was accounted for on 1 July 2024.
After the share buyback transaction, the GEPF now holds 82,6 million shares at 50c per share resulting in a holding of R41,2mn in Ayo.'

Comment

It looks like a netto loss on the 'investment' of about R4,3bn. Quite a drop in value from IPO R43 and R4,3bn to the current R0,50 and R43mn. Murky stuff still. ROI is still negligible if at all.

Dear reader, you will remember a similar IPO was forestalled largely owing to AMAGP's due diligence in bringing the ramifications of the intended IPO into the light of awareness.

Now for news from the media

Murray and Roberts is in business rescue. No idea what the effect on our investment would be, but it seems we will get most of our investment returned. It was a good investment for many years.

Shoprite is bragging about sourcing products from Black women owned businesses. I trust this will reflect in improved ROI.

Advice from economist Dawie Roodt about the current financial situation relating to pensions in SA. Looks like good advice.

The sudden drop in the Rand exchange rate probably has many worried about the future. Read this article for reassurance.

An insightful letter from DR Petzer with a very valid comparison of the GEPF pension increase to the civil service salary increase of 5,5%, making the GEPF reasoning hard to accept. A bit long but very worth while reading for the clear logic.

The Standard Bank has a retirement warning for pensioners and contributing members.

The huge drain on pensions with the two pot is still to be fully seen. A quick look at what the pension future might be form Businesstech.

An old PIC investment, which didn't happen, has raised its head again. I wonder why.

NEWSNUUSNEWS

Synopsis

One of South Africa's biggest companies commercially insolvent

Businesstech
Staff Writer
10 Apr 2025

The South African engineering company, Murray & Roberts, says the business rescue plan will leave the company commercially insolvent, with the board looking to voluntarily wind up the business.

Murray & Roberts Holdings published its interim results for the six months ended 31 December 2024, showing a loss before interest and tax of R646mn, up significantly from the loss of just R2mn in the year ended June 2024.

This loss was attributed to guarantees from Murray & Roberts Ltd (MRL) projects being called by clients to fund project completion. As the holding company provided surety to the guarantee providers, it reflected the associated loss in the current period.

The group's results were presented with MRL's finances listed as discontinued operations as it is in business rescue. MRL saw Revenue of R4,6bn and a loss before interest and tax of R960mn.

How business rescue will hit the parent

Murray & Roberts is the group's primary operating company, which entered into business rescue in November 2024 after what it called a "perfect storm" of setbacks.

Murray & Roberts experienced significant liquidity constraints, impacting operations, leading to substantial losses due to delays in equipment procurement and project progress.
A final blow came in November 2024 when De Beers resolved to review its operational plans

at the Venetia Mine in South Africa, resulting in the 'descoping' of its contract with Murray & Roberts Cementation Pty Ltd.

"This contract represented more than 50% of Murray & Roberts Cementation's revenue and this descoping exacerbated the liquidity squeeze across the group's South African operations," it said. This ultimately led to the business being put into business rescue proceedings on 22 November 2024.

The plan includes the sale of MRL's main assets, being the Cementation Company and Murray & Roberts UK. In terms of the BRP, the assets will be sold to a consortium of investors led by Differential Capital.

The group said that the proceeds of the sale should be sufficient to repay all secured creditors, but concurrent creditors will only be partially repaid. Unsecured or concurrent creditors are estimated to receive between 5 and 10 cents in the Rand.

Comment

We have about R74,1mn in M&R. Another good business gone in a flash. We should be getting our investment back.

Synopsis

Shoprite boosts purchases from Black women suppliers

Moneyweb
By Yinka Ibukun, Bloomberg ·
10 Apr 2025

Image: Bloomberg

Shoprite Holdings, the largest retailer in Africa, spent a record amount with businesses partly or fully owned by Black women last year as it ramped up efforts to diversify its supplier base. The supermarket chain said it bought stock worth R18,3bn from firms in which Black women hold at least a 30% stake, up 8,5% from the year before. That's the most since it began tracking the data at least six years ago.

"We're intentional about the support we give to suppliers" across underrepresented groups, Maude Modise, who heads enterprise and government relations at Shoprite Group, said Monday in an interview.

Shoprite runs programs through which it gives small businesses, particularly those that are Black-owned, practical guidance. It also extends loans and other financial support to suppliers, so they have more cash available to run their operations and meet demand.

The group, which includes grocers Checkers and U-Save, operates in 10 African countries. But 90% of its 2 794 stores are in its home market of South Africa.

Comment

We have about R20,5bn in Shoprite. Not sure if their Black Women initiative added any ROI, makes good headlines I believe. Any initiative to grow small business needs attention, not just where Black Women feature.

Synopsis

Dawie Roodt's advice to people with money in South Africa

BusinessTech
Staff Writer
10 Apr 2025

Efficient Group chief economist Dawie Roodt says that South Africans need to accept that the country is heading into some difficult times but advises them not to panic and make rash decisions about their investments.

According to Roodt, South Africans are feeling uncertain and concerned about the state of the country and its position in the geopolitical mess playing out in global markets. "A few things happened in South Africa recently that adds to this uncertainty that we've been experiencing for some time," he said.

"Do we have a budget or not? Do we still have a government of national unity or not? What is

happening with the Trump tariffs?" The economist said that these questions have caused a lot of anxiety, and rightfully so. But he urged investors to keep a cool head.

The South African economy will reel from all these events, he said. "These will all hit the economy, and economic growth will be less than previously thought. If we see 1% (in 2025) we will be quite lucky."

During these times, there are always opportunities to make money—but there are also a lot of opportunities to lose money, he warned. "One way of losing money is to realise your losses – if you start selling your assets now, it's probably not the right thing to do," Roodt said. "Rather sit this out."

Dawie Roodt answers the big questions

Regarding worries over the passing of the 2025 budget, Roodt said that the reality is neither here nor there. "The acceptance of the budget doesn't change that much. We're talking about relatively small amounts of money," he said.

While the R30bn in taxes is a lot of money, in the bigger picture of the full budget it's not really that much. Instead, the dramatics in parliament and the furious debates in portfolio committees are more political posturing than anything else. This is because the real concern with the fiscal outlook, the fact that spending has become unsustainable, is still largely unaddressed.

Roodt said that the focus on the budget is an overall positive thing, because it is forcing a much finer look at the budget and how the fiscal accounts need to be balanced.

Efficient Group chief economist Dawie Roodt

South Africa's tariff woes

The third major question looming over South Africa is the global hit from US President Donald Trump's tariff war. South Africa, along with virtually all countries, was hit with a minimum 10% tariff on exports this past week..

Roodt said that the United States is sitting with the same problem as many other countries – its economy is in trouble, with the state simply spending too much money and needing to cut back. While it is attempting to axe state spending, the Trump administration also sought to get in more revenue through the tariffs.

"The Americans are running huge trade deficits with most countries in the world – they import more than they export. That's the thinking behind the tariffs," Roodt said. He noted that there are various views on whether the strategy will work, but the bottom line is that the tactic is extremely disruptive, especially in the short term.

This, along with the turbulence around the budget and the future of the GNU, forms the basis of his advice to anyone with investments. "My advice to people is to understand that we're heading for some difficulty and the South African economy will be affected by all of this – but it's not the end of the world," he said.

"The best you can do is sit on your hands, talk to your financial advisor, and don't take any unnecessary quick decisions that you will be sorry about later."

Comment

The parlous state of the SA economy is well-known, as are the reasons for it. The turbulence created by the USA isn't going to ease soon as it will have long lasting global economic effects.

The SA economy's performance has a direct influence on the GEPF's well-being, as that is where most of the GEPF investments are. With it goes the GEPF ROI.

A probable below inflation pension increase and below pension industry ROI of our Fund next year.

Dawie Roodt is offering good advice, pay attention.

Synopsis

Rand reaches record low on Wednesday, trading at R19,93/$

The Rand was in freefall due to disagreements in the GNU and fears that it will collapse, while the US' import tariffs were simply making matters worse for the local currency.

Last Friday, the local currency breached the psychological barrier of R19/$, trading at R19,01, down from R18,30 on 31 March. The local currency already traded above R25/$£ on Tuesday and even reached R25,47 at one stage on Wednesday before strengthening slightly to R25,22 on Wednesday night.

Global and domestic issues reason for the Rand's distress

Maarten Ackerman, chief economist at Citadel, says the Rand's fall is due to the global risk triggered by Trump' tariffs as well as domestic issues around the gridlock on the budget and the future of the GNU. "To be honest, the Rand took more pain as a result of the local issues due to uncertainty whether the GNU will stay together, while there was a little less pain from the global tariff announcement."

Koketso Mano, senior economist at FNB, also says several factors contributed to the Rand's decline in the past week, including global policy uncertainty. "This increased risk aversion in financial markets and negatively affected emerging market currencies. In addition, local issues, such as instability within the GNU and uncertainty around economic reforms added pressure on the local currency."

Threat to DA participation in GNU rattled financial markets

Annabel Bishop, chief economist at Investec, says the threat to the DA's participation in the GNU has severely rattled financial markets. "The Rand is currently the worst performer in the emerging market basket of currencies. Severely heightened political uncertainty has seen the domestic currency reach R19,44/$, with the Rand's weakness driven by domestic factors alone."

Bishop says that without the threat of the DA exiting the GNU, the Rand would be substantially stronger, well below R18/$ after the imposition of universal tariffs from the US, with many countries seeing higher protectionism.

Nolan Wapenaar, Co-CIO at investment firm Anchor, also believes the Rand faced an onslaught from domestic confidence flailing as the GNU displayed weakness. "This is dampening the global enthusiasm for South African assets at a time when the Trump trade war has financial markets distressed and investor risk appetite is rapidly shrinking."

Rand reached record low against the US $

Ackerman says the Rand is touching on a record low, and if the GNU breaks up, the Rand can certainly test those levels. "We are definitely in that range of record lows at this point in time."

Bishop says if the GNU breaks up, the Rand will likely head towards R21/$ immediately and then weaken to beyond R22/$ depending on the new partners of the GNU, with the sudden shock to financial markets and worries over a left-shift in economic policy.

Wapenaar believes that although the Rand is not at a record low yet, it is certainly quite plausible that we will test a new low for the Rand in the coming days.

Mano says the Rand was also weak in 2023 when it hit R19,86 as global concerns over economic growth, rising interest rates and geopolitical tensions, weighed heavily on markets. "Locally, the high levels of load shedding and fears of further power cuts also dampened confidence and growth prospects."

What is the fair value of the Rand?

If the Rand hits R20/$, it will not be a fair value. Ackerman says they believe the Rand is normally overreacting at these kinds of levels. "Fair value in our mind is probably closer to purchase power parity, and at this point in time, it is closer to R18,50 or maybe a little higher."

Mano says that, based on their estimates, the fair value of the Rand is around R18/$. "Therefore, the Rand is currently undervalued and could correct if domestic policy risks or global trade tensions ease."

Wapenaar agrees, saying Anchor believes fair value for the Rand is closer to R16/$. "The massive risk-off sentiment means that the Rand is significantly weaker than it ordinarily would be. As the trade war escalates, the Rand can keep weakening and certainly could

breach the R20/$ level, although we do not think that the weakness will be sustained."

Where will the local currency go in the coming days and weeks?
Ackerman says his expectations for the coming days and weeks depend on how the risk environment develops. "If we do get news that the GNU is coming to an end or that the ANC is looking for different partners, the Rand will definitely test levels just below R20 or even as high as R22.

"On the other hand, if the GNU can stay together, it will immediately bring stability for the Rand. On top of that, if China continues with what they were talking about the last couple of weeks to stimulate their economy to protect them against the trade tariffs, coupled with a continuation of the GNU it can actually put the Rand on a very strong footing."

Mano expects the Rand to remain under pressure, but some recovery is possible. "The US $ is also facing challenges, which should prevent further significant weakness in the Rand. Additionally, higher gold prices and lower oil prices could provide some relief.

Wapenaar says in the near term, the local currency could do anything. "A let-up in the trade war would see some recovery, while further escalation will see the Rand trade weaker than R20 to a $.

Comment

The rate of exchange is complex and volatile and subject to huge fluctuation without notice, as is clearly visible in the past week. Note the similarity of the contributors' conclusions.
The volatile and uncertain internal political theatre in SA has a huge influence on the exchange rate, much more than the economy.
The Rand has been undervalued for decades and shout be trading at about R16 I believe.
Ou Fund has investments outside SA, which investment change in value with the exchange rate.

Synopsis

Dismally Poor Pension Increases for GEPF Pensioners

AMAGP Watchdog Facebook Page
by D Robert Petzer
11 April 2025

Here is a strange anomaly regarding Public Servant salary increases announced by the Department of Public Service and Administration (DPSA) and the GEPF pensioners annual pension increases. Below follows an extract from the DPSA's salary increase announcement.

Implementation of PSCBC Resolution 1 of 2025
The PSCBC Resolution 1 of 2025 provides that for the financial years 2025/26, 2026/27, and 2027/28, employees on salary levels 1 to 12, including those under OSDs, will receive pensionable salary increases as follows:

- **Financial Year 2025/26**: A 5.5% increase effective April 1, 2025.
- **Projected Consumer Price Index (CPI)** for financial years 2026/27 and 2027/28, as determined by the National Treasury during the main budget tabling.

In light of this resolution, the Minister for Public Service and Administration has determined that salary scales that applied up to 31 March 2025 be adjusted by 5,5% for the 2025/2026 financial year across all salary levels with effect from1 April 2025.

It is very important to place this statement in context. As previously stated, the **CPI for the period December 2023 to November 2024 was 4,4%**; so, while the salary increase of the Public Servants seems to be high one needs to understand that **simply increasing their salaries by CPI only keeps them on par with inflation.** The **1,1 percentage points above the CPI is therefore improving their financial position ever so slightly.**

Now consider this extract from the announcement by the GEPF:

The GEPF is pleased to announce an annual pension increase of 2,9% to its pensioners effective 1 April 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 GEPF is dedicated to helping its pensioners maintain their purchasing power amidst rising living costs. **This statement is misleading since the increases granted are determined at 75% of the CPI; therefore, if one follows the logic expressed under The Public Servant heading, explaining their 5,5% increase, pensioners' purchasing power is not maintained. In fact, in order to maintain purchasing power pension increases should be at least 1% point above CPI. This has never happened so that gradually pensions erode over time.**

However, all pension adjustments are subject to the Fund's financial affordability at the time of review. The question now arises how can the DPSA acknowledge that the CPI is 4,4% but the GEPF, who is supposed to be caring for the most vulnerable members of society, the elderly, get the CPI wrong?

The founding provisions of The Constitution of Republic of South Africa States the following:

> The Republic of South Africa is one, sovereign, democratic state founded on the following values:
> (a) **Human dignity, the achievement of equality and the advancement of human rights and freedoms.**

Chapter 5 of **The Older Persons Act 13 of 2006** deals with The Protection for Older Persons (Sections 24 to 31).

The Department of Justice website –

> The Older Persons Act, 2006 is intended to protect, promote and maintain the status, rights, well-being and security of older persons. It is an Act that aims at combating the abuse of older persons.

One of the types of abuse that amount to 'abuse of older persons' in terms of the act is Economic Abuse.

Economic abuse includes **depriving an older person of economic or financial resource he/ she is entitled to by law, including those that he/she requires out of necessity, e.g. failing to provide money or food to the older person;** children with an older person to force him/her to pay for the well-being of their children; etc.

In refusing to grant us the pension increases, which we are entitled to in terms of legislation, the GEPF is depriving the elderly GEPF pensioners of economic/financial resources that such pensioners are entitled to by law, including those resources that they require out of necessity, e.g. failing to provide money or food to the older person. Since the GEPF is not taking care for the GEPF pensioners by providing proper increases, in spite of rising taxes, council utilities such as property rates and taxes, increased water and electric costs and increased medical expenses, many GEPF pensioners will very soon no longer afford to pay all their expenses and could end up in a position where they are forced to sell their homes.

Sadly, the GEPF, which is supposed to care for the elderly GEPF pensioners in terms of their mandate to administer the pensions of GEPF pensioners, is guilty of contravening **The Older Persons Act, 2006.**

The GEPF is contravening the following national laws:

> Government Employees Pension Law, 1996.
> The Constitution of Republic of South Africa
> The Older Persons Act 13 of 2006

I strongly feel that in terms of Chapter 5 of **The Older Persons Act 13 of 2006** deals with The Protection for Older Persons (Sections 24 to 31). a complaint/charge should be laid against the GEPF for contravention of the terms of this law. Maybe then the GEPF will get up and take notice of our plight.

We need to stand up be more vocal, not just cheer from the sidelines.

Comment

Extremely clear and valid letter.
Alas, the GEPF always has a handy way of not answering, using generalities while at the same time extolling how well the Fund is managed and how well the Fund is growing.
The eroding effect of inflation means that pensions are worth less with each passing year if increases aren't keeping up with that very same inflation.
PSCBC - Public Service Co-ordinating Bargaining Council

Synopsis

Standard Bank retirement warning

Daily Investor
By Kirsten Minnaar
12 April 2025

Only 6% of South Africans can afford to retire comfortably, and while the two-pot retirement system offers access to savings, misusing these funds can further jeopardise long-term financial security. Standard Bank recently explained that instead of retiring, most people are forced to continue working to pay off debt, care for family or drastically adjust their lifestyles due to unforeseen costs.

South Africa's two-pot retirement system, which was launched in September 2024, allows access to a portion of your retirement savings while preserving the rest for your future. Standard Bank said understanding when and how to use these funds wisely is key to maintaining long-term financial security.

First, the bank advised that everyone should choose the right retirement vehicle for themselves. "Knowing which retirement savings option to take requires an understanding of the associated benefits and strategies," the bank said.

In this regard, there are a number of options available to choose from.

Retirement annuities (RAs) are a tax-efficient way to save. They allow you to deduct contributions up to 27,5% of taxable income while enjoying tax-free growth.

Pension and provident funds, on the other hand, are employer-backed savings that offer stability and employer contributions.

While tax-free savings aren't traditional retirement vehicles, they provide tax-free withdrawals, making them a great long-term supplement. "Your retirement fund is designed to grow over time without being interrupted," Standard Bank said.

"Making frequent withdrawals for non-urgent expenses could significantly impact the growth of your retirement pot. A better approach is to build an emergency fund in a high-interest savings account or explore diversified investment options."

"According to SARS, by February 2025, more than 2,4 million members applied to withdraw R43bn from savings using the two-pot." "That's 40% of the 6,5 million South Africans who contribute to retirement funds."

Two-pot warning

While it can be tempting to tap into your savings pot to meet short-term financial needs, the bank stressed that consumers should be informed about tax implications before doing so. "Withdrawing from your savings pot before retirement means you'll pay more tax upfront, reducing the amount you actually receive," the bank said. "Many individuals make the mistake of withdrawing without calculating the tax impact, leading to unexpected financial setbacks."

Consulting a financial advisor can help you understand how withdrawals affect your financial plan. "An advisor can guide you through tax-efficient strategies, helping you maximise your savings while securing your financial future. Remember, every smart decision you make today strengthens your long-term prosperity," Standard Bank said.

While a wealth advisor can help you structure comprehensive financial plans, Standard Bank pointed out some other investment avenues to consider.

Real estate provides long-term capital appreciation and rental income, although it can attract maintenance costs and risks associated with geographic concentration and tenant laws. Investing in shares or trading foreign currencies through platforms like Shyft or EasyEquities also offers opportunities for portfolio diversification.

While the long-term effects of the two-pot system are still unfolding, Standard Bank explained that seeking financial guidance can help South Africans navigate this new landscape confidently. "Expert advice ensures you make informed decisions that balance your immediate needs with a secure financial future."

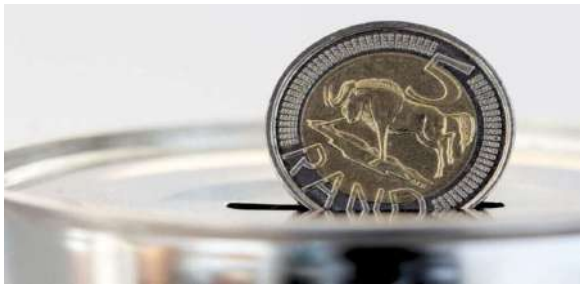
"So, take control of your finances, understand the system, and make wise choices today for a comfortable future."

Comment

The challenge of many members is that they have little or no wealth to plan or manage.

Synopsis

Pension fund warning in South Africa



Businesstech
By Malcolm Libera
12 April 2025

SARS is concerned about the rising number of South Africans withdrawing from their retirement savings. Many experts warned of severe long-term consequences as a potential second wave of withdrawals looms.

However, given the country's tough economic climate, many have viewed the system as a financial lifeline and rushed to make withdrawals. Just months after its implementation, insurers, fund managers, and even SARS have reported that withdrawals have far exceeded initial expectations.

SARS Commissioner Edward Kieswetter recently revealed that SARS anticipates collecting between R11bn and R16bn in taxes from two-pot withdrawals. He highlighted that this is more than double the Revenue Service's initial estimate of R5bn to R6bn.

Speaking at an Allan Gray webinar, Kieswetter added that about 2,4 million fund members have withdrawn over R43bn since the system was introduced. Kieswetter noted that this accounts for nearly 40% of the 6,5 million South Africans contributing to retirement funds. These withdrawals have significantly boosted tax revenues through direct taxes and increased consumer spending through VAT.

Warning of a second wave

Another concern is that a second wave of withdrawals is expected in 2025, with fund managers reporting growing interest from members since the start of the new tax year on 1 March 2025.

Alexforbes, one of the country's largest retirement fund administrators, has observed a notable spike in member activity. Vickie Lange, best practice head at Alexforbes, said that during this period, logins to the company's member portal exceeded one million. This is a sharp increase from the roughly 500 000 monthly logins seen in December, January, and February.

To illustrate the long-term impact of early withdrawals, Leone Hitge, Investment Marketing Manager at Ninety One, compared the retirement savings outcomes of two hypothetical investors. Assuming each contributed R100 000 annually to their retirement annuity (RA) over 20 years, Hitge modelled their outcomes with a portfolio return of CPI plus 5%.

> Investor A, who withdrew all available funds from the savings pot every year, accumulated R2,26mn after 20 years. In contrast, Investor B, who left their savings untouched, saw their nest egg grow to R3,39 million. This is over R1mn more than the investor who chose to access their savings pot.

"In a nutshell, withdrawing all the funds from your savings pot every year can reduce your total retirement portfolio by approximately a third compared to leaving it untouched," she said.

"When you contribute to an RA, your contributions are tax-deductible within certain limits, and the growth on your investment is tax-free," she explained. "Pre-retirement withdrawals from your savings pot come at a cost. These withdrawals are taxed, which means you could receive significantly less than the amount you withdraw."

"In some cases, a withdrawal may even push you into a higher tax bracket, increasing your overall tax burden."

Comment

Many do not have the wealth or means to postpone going on pension. Early pension withdrawals ease current crises but may lead to larger crises when retiring. This is a problem for each prospective pensioner to solve individually.

Synopsis

The R5,2bn PIC deal that quietly disappeared

Businesstech
Staff Writer
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In October 2018, the PIC and Pelo Agricultural Ventures announced they bought a majority shareholding in Karan Beef for up to R5,2bn. However, this deal never happened, and the PIC never shed light on what went wrong.

Pelo Agricultural Ventures is a black-owned holding company that operates in the agricultural sector in South Africa and the rest of the continent.

Karan Beef, which was founded by Ivor Karan in 1974, operates the largest cattle feedlot and abattoir in Africa. It is a global powerhouse in the South African and global meat market, which made it a good investment for the PIC.

"This is a historic deal concluded in terms of our clients' developmental investment mandate, which will support the much-needed transformation in the agricultural sector," the PIC said at the time. "It will bring new entrants into the sector at ownership level and will be instrumental in bringing emerging farmers into the value chain of beef production in South Africa."

The asset manager said it was happy that the Karan family had decided to sell part of this vital asset to South Africans. Former PIC CEO Daniel Matjila said the transaction, which ensured Karan Beef's ownership remains local and in black control, must be celebrated.

Ivor Karan said it was a ground-breaking deal for agriculture in the country, and that it was good news that the company would remain South African.

The deal disappears

The Competition Tribunal approved the acquisition of Karan Beef by a PIC-controlled firm. However, the deal was never concluded. There was no official statement on why the deal failed. However, in 2019, allegations of corruption related to the R5,2bn deal between the PIC and Karan Beef surfaced.

Some of the allegations were contained in a report of the Judicial Commission of Enquiry into allegations of impropriety at the PIC. One of the allegations involved Deputy President Paul Mashatile, who was the ANC's Treasurer-General at the time.

It was alleged that the deal was constructed to inflate the selling price by R1bn and pay Mashatile the amount. Despite numerous invitations for those with information to present it, no one came forward to substantiate the allegations.

Ultimately the Investment Committee approved the transaction on certain conditions. The conditions were met. However, since the resignation of the whole PIC Board on 1 February 2019, the transaction stalled and ultimately failed.

The reason the deal did not happen was that the long stop date expired before it could be concluded. That means that Karan Beef remained a family-owned business. Ivor Karan continues to manage the business and is chairperson of the Karan Beef board.

His three sons, Matthew, Justin, and Avron, are all involved in the business, and his wife handles building and maintenance.

Comment

This intended acquisition was reported in a previous newsletter some time ago, but it has been raised again. On the one hand it is just a normal investment that didn't reach the final investment point. On the other hand, the resignation of the entire Board while the deal is pending makes one wonder why it didn't proceed. Interesting.

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 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.

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