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 14 of 2021

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

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1,2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1,61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa. https://www.GEPF.gov.za/ dd 4 August 2021

IMPORTANT – PLEASE READ AND ACT – YES YOU

AMAGP needs the services of a good researcher and compiler of reports. A once-off task to analyse the legislation applicable and relevant to the GEPF, specifically those aspects the AMAGP can use to ensure and improve the viability of the Fund. Make yourself know to As Kleynhans, whose contact details you will find on the Fb GEPF Watchdog. If there is more than one willing, we have more once-off tasks for you.

AMAGP needs the report in simple terms, let's say about 5 single space 11font pages. Or more if it there are many aspects to consider. An extensive database is available, of course the internet too. Time about a month? And note the words pro bono. That means you will be working unpaid like the rest of AMAGP, with acknowledgment of your contribution in the Newsletter. It's not too late to apply…

The Editor's Word

Note. The Fund's investment values used in the newsletters are from the 2019 GEPF Annual Report, said values probably in 2018 terms as the figures in the Fund's AR are usually a year or more old.

Not really part of our pension challenges, but the legislation of commercial cannabis [marijuana, dagga, hemp, etc] establishes a new income stream in SA. Apart from the addiction related aspects to smoking dagga, the medicinal value is well know. Decriminalising the weed should free Police resources to be productively employed elsewhere.

Privatisation of Eskom will evidently 'never happen' says 'government'. I wonder if privatisation won't lead to a profitable organisation. Keeping meddlesome politician fingers out of the economy, where those fingers shouldn't be.

The directors of Anglogold Ashanti have evidently been buying up shares, after a recent drop in the price in response to production issues and poor overall results. This shows confidence by the directors of the company in its profitability, which is good for our shareholding of about R6,46bn.

The potential sale of Distell to Heineken is still being negotiated, part of which is no dividend being paid out this year. The ROI of our R8,9bn shareholding is thus postponed, hopefully to be recouped when and if the sale is finalised.

Sibanye Gold has had a good first half year, with good dividend to be paid. We have about R2,9bn there.

The founding family of Dis-Chem has reduced its stake in the group and enabled a B-BBEE deal at the same time, selling 10,05% of Dis-Chem [we have about R1,37bn] to a consortium that includes Royal Bafokeng Holdings [we have about R369mn]. We should win both ways.

Now for news from the media

Interesting, Johan Albert's comment on the unions now thirsting to be involved in their member's family finances, instead of debt counselling. A long article but so worthwhile reading!

Massmart is selling off some of its assets, with Shoprite buying. We are invested in both, so we should have two sets of good news soon.

Mr Price is having a good year with good ROI. Wouldn't expect it after the lockdown. Good news.

We have several articles on the Green Paper from the Department of Social Development, all saying it isn't even remotely a good idea. This hasn't withheld the 'government' from implementing such bad policies in the past, certainly not in the future. Might be a further step to controlling our lives, by controlling our pensions and giving our tax money to unemployed.
The 'government' has since backtracked from the Green Paper, withdrawing it with many different excuses. I don't believe this Green Paper was published without tacit 'government' approval, it will reappear in different versions in due course.

Then again, the matter of borrowing against your future peace of mind, by taking a loan against your pension, is still being discussed.

ZAR X is a small alternative stock exchange, not competing with the JSE yet, if ever. One of our unlisted investments. The FSCA suspended its trading due to liquidity compliance issues.

Some more sombre news about Treasury's views on BIG and the Green Paper on a social security fund for SA. In-between the impact of the civil service wage increases.

The SAA seems to be flying again soon, although profitability remains doubtful. We are interested because we have an interest in Harith, which is one of the partners in the 51% give away of SAA. Except for the 'government' retaining its percentage to prescribe and meddle in the running of the New! SAA.

Lastly, news how the previous chairperson of the PIC, Dan Matjila, secretly signed away at least R700mn to our main delinquent Survé. Which money is being spent hand over fist by Survé and which the Fund will probably never recover.

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Synopsis

Below follows a wide-ranging opinion by one of our prolific AMAGP members, Johann Alberts, about the planned changes to pensions.

GOVERNMENT'S PLAN TO GIVE PEOPLE ACCESS TO THEIR PENSION FUND MONEY

I read in the media recently the government plans to allow people who are still working to withdraw money from their pension fund. Now, if ever there was a bad idea, then this is it and I will motivate why I say it is a bad idea.

But, first of all, do not panic. Legislation will have to be changed to allow for this and public servants/the GEPF is currently not part of that process. Nothing is final and it will probably not happen before we are deep into 2022 – if ever.

We all know that South Africans are not famous for saving. If it wasn't compulsory for public servants to be a member of the GEPF, I wonder how many would have saved any money for their retirement! Off course, this is also applicable to any other person working in the private sector.

Government says the reason for allowing people to withdraw money from their pension fund is to assist those who suffer financially. However, I urge you to continue reading until the end and then to decide for yourself what the real reason is. My personal opinion is that the main beneficiaries will not be the person who withdraws money from his/her pension fund but government itself.

The following comment came from a person who, in an e-mail said "Public servants or their loud trade unions claim Covid Stress as a cry for help for their financial challenges. Perhaps trade unions, which now lately become intimately involved with family life, might rather consider debt counselling for their non-coping members?" Exactly, it seems as if Covid is now blamed for the financial mess that so many people find themselves in.

Covid actually arrived just in time to provide the government and unions, who support this, with a very weak excuse to try and relieve the financial crisis that many people find themselves in. And remember, it is not the workers at the lower end of the salary scales who are in financial stress, large numbers of people who earn good salaries are also drowning in debt.

The same person said in the same e-mail "The PSA claims it is "inundated" with requests by stressed members wishing to access their pension assets. Where Unions are prone to hyperbole, if the PSA receives 1 000 requests in a membership of 260 000, I might consider that claim to be fake news. The question to be asked, is all the hyperbole and coverage generated deliberately by the State and by complicit, competing trade unions, which generate relevancy to retain the paying membership fodder?" A-ha, I say. Here we go. Another person who is thinking like me, the only entity who is behind this mad idea of allowing people access to their pension fund money can only be the government and no-one else.

I quote what Mr Enoch Godongwana said: "South Africa's economy has been in a bad shape since 2015, with the situation made worse by the Covid-19 pandemic, says the ANC's head of economic transformation, Enoch Godongwana" and also "However, he said that young people in South Africa cannot be condemned to 'perpetual dependence on grants and that government needs to make sure that the youth are properly trained and that there is a transition from education to work." What Mr Godongwana actually admits is that, and we all know it, government must shoulder the blame for the sad state of South Africa's economy.

I also quote: "National Treasury is looking at a 'two-pot system' for withdrawals from pension funds as part of a proposed change to South Africa's retirement regulations. The change will see one third of funds being accessible before retirement and two thirds being locked into compulsory preservation for retirement. Also, he (Mr Tito Mboweni) argued that a worker should be able to access portions of their retirement funds ‘in these difficult times’.

The funds, he said, could, amongst other things, be used to settle bond repayments or “sort out whatever debt positions they might be in.” Furthermore, Mr Mboweni said “But I must warn at the same time that people must ensure that they use this facility for purposes of relief and also making better their own situation.” Excuse me, what makes Mr Mboweni think the people who withdraw their pension money from their pension fund will use that money to settle their bonds and pay off debts? Settling debt is the last thing on anyone’s mind when he is hungry and suddenly, he can lay his hands on money. To Mr Mboweni I would like to say, “No Mr Mboweni, with all due respect, you are talking nonsense.”

Also: “There is a real need that could be met by borrowing from your future. How this might work is still some way down the road as the legislative process still has to be followed. Also, the GEPF doesn’t fall under the pensions act, but the BOT might decide to follow the example, requiring changes to the GEP Law and Rules.” To the person who wrote “borrowing from your future” I would like to say you might just as well replace the word “borrowing” with the word “stealing” because you are not “borrowing,” you are stealing and destroying your own financial future. Borrowing anything means it has to be given or paid back, in this instance the money “borrowed” from the pension fund will not be paid back, unless I’m hugely mistaken.”

It is clear that there is indeed a huge need and/or urgency from pension fund members to have access to their pension money. However, the question that I ask, is whether pension fund members want access to their money out of need, greed, or as a result of lack of the necessary insight. That there are many pension fund members who desperately are in need cannot be denied; however, the question remains to be answered: We know who is responsible for the financial mess in the country but why must the pension funds come to the rescue of the government? And more important: Who stands to benefit the most? The pension fund members or the government?

Let us look at some of the comments by pension fund members on Facebook:

Person A: “I need that money”

Person B: “I will take my money and invest it somewhere before they loot it.”

Person C: “I will leave my pension money on condition that they recover the money that’s been lost due to corrupt relationships with PIC and the investors, otherwise I will take as much as I’m allowed to because they will loot till there’s nothing left.”

The three comments above represent, in my opinion, what will happen when pension fund members are given access to their pension money. Pension fund members will be allowed to withdraw one third of their money in the fund. I predict that pension fund members will flock to their pension funds with applications to withdraw money, especially when they hit the panic button and start to think the pension funds are going bankrupt, thus withdraw as much as you can before you lose everything.

Now, allow me now to make some calculations. I have absolutely NO idea how many people in South Africa contribute to pension funds and/or any other form of pension. I will, therefore, only use the GEPF as an example because I am a member of the GEPF.

From what I could gather from the internet the GEPF have “more than 1,2 million active members and more than 450 000 pensioners” but for the purpose of this article let’s assume the GEPF have exactly 1,2 million active members, the pensioners excluded. The PIC manages about R2tn on behalf of the GEPF members.

The million dollar question is, how many contributors (active members) of the GEPF will want to withdraw one third of their pension money? Remember I said I’m using the GEPF only as an example.

I take the following two scenarios:

SCENARIO 1: I think no person in SA can tell how many people will want to withdraw money from their pension fund but let me assume 500 000 contributors to the GEPF withdraw one third of their pension money. The question then is how much money will one third of their pension money be? It is obvious that a contributor who contributed for 5 or 10 years will have much less money in the fund than a contributor who contributed for 30 or 40 years. I'm taking the arbitrary figure of R 300 000 per contributor, i.e. the average one third every person will be able to withdraw. It may be much less or more.

I now multiply 500 000 members with R 300 000 and get the figure of R 150bn that will be withdrawn from the fund.

We all have a beloved friend who calls himself Mr SARS who will make sure he gets his portion of the money withdrawn. From what I could gather it seems as if a percentage in the region of 18% will go this friend of ours.

If this amount of R 150bn is taxed at 18% the government will "earn" an amount of R27bn. If another 15% for VAT is "earned" by the government when the people start to spend the money they have withdrawn, it means that another R22,5bn will go to the state coffers, thus R49,5bn total. Just think how the business sector and the government are going to smile when all these billions are pumped into the economy.

With regards to SCENARIO 1, if my calculations are correct an amount of R49,5bn divided by R2trn equals 2,475%, meaning 2,475% of the money in the GEPF can be withdrawn by contributors to the GEPF

- if they are allowed to withdraw one third of their pension money,
- if only 500 000 contributors decide to withdraw one third of their pension fund money, and
- if they withdraw only R 300 000 each.

The figures mentioned are pure speculation but gives an idea of the massive amounts of money involved.

SCENARIO 2: Let me go further and assume a scenario where two million contributors to all pension funds apply to have one third of their pension money paid out. In the scenario that I used I used an amount of R 300 000, let me stay with this amount. If R 300 000 equals one third of the pension money, then it means the total value of the person's pension in the fund is less than R 1 000 000.

The figures then look like this: 2 000 000 contributors x R 300 000 = R600bn. At a taxable rate of 18% government will "earn" itself R108bn and if we add 15% VAT to that amount then government will earn roughly an additional R16,2bn for a total of R124,2bn.

What must not be forgotten is the following: Currently a person gets one third of his pension money as a lump sum when he retires. If he withdraws one third now, I think it is safe to say he will not be allowed to withdraw another one third when he eventually retires, because if he is allowed to withdraw another one third when he eventually retires, please believe me when I say the two thirds that are left will not be enough to provide him with a stress-free monthly income.

The worst of all is that the government will tell the people of South Africa how well the economy is doing under ANC leadership, because the government by now knows the majority of the people in the country believe almost everything that the government tells them. Don't forget the next round of elections is creeping closer and closer. Votes will be needed.

As a pensioner my fear is that, if people are allowed to withdraw one third of their pension money now, there won't be enough money left in the pension funds to sustain the financial future.

I repeat my question: If people are given access to their pension fund money now, who stands to benefit the most?

CONCLUSION

On paper the plan to allow people early access to their pension fund money looks great, but I have no hesitance in saying that this scheme of the government is evil but will probably carry away the approval of millions of contributors and unions to pension funds. Why? Simply because people think short-term. What's important to many people is not what's going to happen in 20 or 30 years' time when they retire but what is important to their current situation. “Give us the money and give it now” will be the cry.

Government is the cause of the country’s financial mess and giving people access to their pension money is a short-term solution. In the long-term people will be worse off. One day when they retire, they might discover that they don’t have enough money to retire stress-free but then it will be too late. They will regret that they ever withdrew any, let alone one third of their pension money. Unfortunately and ultimately, I foresee that everyone will suffer, even those people who did not withdrew any money from their pension fund.

What guarantee does the current and future pensioners have that the pension fund system will not eventually totally collapse and that their financial future is ruined?

The last question: Once this one third that has been withdrawn is exhausted, what is going to prevent the people from demanding via their unions to have access to more of their pension money? We all know what the unions will do because no union will ever go against the demands and wishes of their members.

Heaven protects our country from this evil idea.

Comment

An excellent article, food for thought indeed. Valid comments, such as unions becoming involved in members’ family matters, how much the ‘government’ is to gain from these loans, the parlous state of pension funds’ members after loans, the equally parlous state of said pension funds after the funds have been depleted by these loans, etc. Then finally, once this ‘demand’ is met, when will the next demand on the rest of the pension in a fund be due?
And by that time will the present ‘government’ still be governing? They will probably have left, taking state capture funds with them to live comfortably.

Synopsis

Massmart sells one ugly duckling

23 August 2021
INCE|Community
The Finance Ghost

I decided to rename Massmart to "Messmart" in a nod to the state of affairs in the group. Not a day goes by without someone on Twitter questioning whether Walmart will stick around for this turnaround.

Let's face it, Walmart has shown incredible patience with this investment. The company has lost a fortune in USD, having paid R148 per share in 2011 at a time when the rand traded in the mid-6s to the dollar. Over 80% of the value has been crushed by Massmart's own mistakes and a currency that has depreciated significantly over the past decade.

After parachuting in Mitchell Slape to try and save this sick dog, the pandemic hit and Messmart went from bad to worse. Regardless, Walmart pushed forward with restructuring the group in an attempt to realise the efficiencies of outsourced services and a centralised supply chain.

Core to this strategy has been a need to sell the non-core business. The cash & carry division is arguably the ugliest duckling from a strategic perspective, as there is no reason why Messmart should be trying to compete at that end of the market with a food business.

Finally, progress has been made. Shoprite has made an offer for a division that ever-suffering Messmart shareholders would be thrilled to get rid of at any price. Shoprite is buying Cambridge and Rhino (56 grocery stores and 43 adjacent liquor stores), the Fruitspot and Massfresh Meat business (4 facilities) and 12 Masscash Cash and Carry stores.

Turnover across this footprint in 2020 was R10,8bn and the trading loss was -R486m. Shoprite will need to work a lot of magic to come out with a profit.

The maximum amount payable is R1,4bn and the net asset value (NAV) of the stores at the end of 2020 was R1,33bn. That's no coincidence. The deal has probably been agreed at whatever the NAV will be at closing date, so Massmart is essentially selling the inventory and store fittings, net of creditors.

I nearly fell off my chair at Massmart's comment in the announcement that the company is on a "journey to become the healthiest and strongest retailer in Africa with the best long-term prospects"; that's like me being on a journey to become an Olympic sprinter. Maybe the group should focus on being a sustainable business before they try take on the big dogs.

Of course, this assumes that the Competition Commission plays ball...

Comment

We have R10,6bn in Shoprite and R927mn in Massmart. So, we win by Massmart being better structured for profit, but the risk in Shoprite is to get the acquisitions to add to profitability.
Remember the report on Massmart in the previous newsletter? We will probably see more of Massmart in the news.

Synopsis

Mr Price gains market share

23 August 2021
INCE|Community
The Finance Ghost

The apparel and homeware retailer has released a trading update for the 18 weeks to 7 August 2021, essentially covering the winter trading season.

Mr Price has an "easy comp" for this period as April last year was a time of severe lockdowns. Because life in South Africa is never boring, the latest period included the week of civil unrest. 539 stores were closed for that week and 104 stores did not trade for a further three weeks. Still, that's nothing compared to the entire footprint being shut down for several weeks last year.

That is why comparable retail sales and other income grew 38,6% vs. 2020. If the results of Power Fashion and Yuppiechef are included, growth came in at 48,8%.

To Mr Price's credit, the SENS announcement includes growth vs. the comparable period in the 2019. This obviously gives a through-the-pandemic view of things. Excluding acquisitions, Apparel is up 5,7% vs. that period and Home is up 13,6%.

At group level, sales (excluding acquisitions) are 8,6% higher than in 2019, which means it has kept up with inflation over the past two years. With the acquisitions, the number is 16,9%.

In the past year, the group has embarked on an aggressive expansion strategy. Retailers in general don't have the best track records when it comes to acquisitions, so investors will be keeping a careful eye on how the Mr Price team allocates capital.

Online sales grew 46,4% vs. last year and are 103,2% higher than in 2019. They now contribute 2,9% to group sales, which is still way down on markets like the UK.

Mr Price is well-positioned for any issues in consumer credit health in South Africa, as it is primarily a cash-based retailer: only 15,1% of Mr Price's total sales are on credit. Credit sales grew strongly vs. last year and are almost in line with pre-pandemic proportions, which is consistent with the reporting we are seeing from South African banks.

The share price dropped 6,5% in response to the announcement but is still up around 30% year-to-date. The market was rough last week, and we've seen investors recently take profit in response to earnings updates from several companies.

Comment

We have about R6,5bn in Mr Price. The ROI looks good.

Synopsis

PROPOSED PENSION FUNDS AMENDMENT BILL COULD PUT PENSION FUNDS AT RISK - TREASURY

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Eyewitness News
Babalo Ndenze
24 August 2021

National Treasury said that the proposed Pension Funds Amendment Bill could put the country's pension funds at risk.

The private members Bill by the Democratic Alliance (DA)'s Dion George proposed that South Africans in financial difficulty use their pensions as surety to access loans from banks.

The bill came under discussion before SCOF on Tuesday. A survey conducted on the proposal found that 77% of participants said that they did not support the Pension Funds Amendment Bill.

Before Tuesday's meeting, the Bill had gone through a public hearings process where a number of organisations and Treasury participated.

Senior Treasury official, Ismail Momoniat, expressed his concerns about the proposed legislation, saying it was lacking in technical details. "Certainly, as a treasury we think this would pose a great risk to the retirement system and we think that there's a lot of abuse that's already happening because many funds do allow loans for mortgages and they don't use it for mortgages, they use it for other things," Momoniat said.

George said that Treasury did not fully understand his proposal. "Annual fund money never gets touched. So to equate there is a loan that comes out the fund and wobbles the whole system is technically wrong," George said.

The bill will now be processed further, with changes expected to be made.

Comment

Borrowing against your future is always a bad choice. Using your pension as surety for a bank loan is risky, as defaulting on the bank loan means your pension will be attached and you will certainly lose part of it. Although the need is great, the eventual problems will be still greater.

Synopsis

Proposed social security fund would be disastrous for the SA economy

IOL
23 August 2021
Marco van Zyl

Last week, Social Development Minister Lindiwe Zulu published a Green Paper on Comprehensive Social Security and Retirement Reform which proposes the creation of a National Social Security Fund (NSFF).

If accepted, the reform will require that salary earners pay between 8 and 12% of their earnings into a state-run fund. The fund will, in return, provide retirement, disability and unemployment benefits to formal, informal and self-employed workers.

The government proposes subsidising the contribution of lower-income earners to "lift the poor out of poverty". In addition, the Green Paper proposes a universal grant instead of the current Sassa.

The Green Paper raises a number of issues. The first is the concerning tendency by the South African government to insist on increasing its involvement in what should be a free market. South Africa has a well-regulated and efficient financial services sector where costs to consumers are constantly being driven down by competition, innovation and technological advances.

This latest proposal smacks of growing government creep.

The next concern is that South African taxpayers are already subjected to one of the highest tax rates globally for little commensurate return. An alarmingly small pool of less than 600 000 individuals pay close to 20% of all tax.

Where does government intend to find the funds to subsidise lower-income earners? The state's finances are already constrained and South Africa's tax base continues shrinking. As National Treasury is well aware, additional taxes will not be conducive to desperately needed economic growth. In fact, any additional tax increases will, in all likelihood, result in decreased tax yield as it encourages high net worth individuals to take assets offshore or emigrate.

The introduction of a social security fund that discourages job creation is counter-intuitive on every conceivable level. No government will ever be more efficient than a well-regulated free market economy. Allowing more competition into the market is the only way that prices will be driven down.

Unfortunately, all indications are that government has no intention of abandoning its current interventionist approach despite a plethora of examples illustrating the dire consequences of its involvement. Given the state's history of ineptitude it is highly unlikely that a state-controlled Social Security Fund would deliver better outcomes than the private sector would be able to achieve.

There is no question that the poor and vulnerable in our society need to be protected and better provided for. However, a mandatory 12% of taxpayers hard-earned income into this fund on top of an already heavy tax burden is an alarming concept and will likely result in a flight of jobs from the country and further erode the tax base.

Both the retirement and savings industry and unions have slammed this latest proposal. Government would do well to take note of their criticisms.

Comment

As the author says, the ever increasing thirst of the 'government' to take our money, to control our lives and livelihood, impoverishing the people, while at the same time enriching themselves, continues unabated. It remains a threat to our Fund as it opens again the door to confiscating our Funds' funds to fund the social security fund.

Synopsis

Social security plan is State Capture v2.0 – IRR

Politicsweb
Gabriel Crouse
25 August 2021

The IRR rejects the Department of Social Development Green Paper, which proposes "comprehensive social security and retirement reform".

The paper represents a further State Capture v2.0 initiative to divert private savings and assets to the state. In this, it resembles other proposals such as prescribed assets, the National Health Insurance, and expropriation without compensation. All of these measures are aimed at shoring up the dire finances of the ANC and the state.

According to the Green Paper, a new National Social Security Fund (NSSF) is to be established into which employers and employees will have to pay up to 12% of their earnings. This will be mandatory, effectively a tax South African workers will not be able to opt out of paying.

While high earners will be expected to top up their state pensions by paying into a private-sector pension fund, over and above the 12%, all those who are not high earners will be tied to the state fund. They will not have the choice of paying into a private pension as well because they will not be able to afford it. This will nationalise the base of the pensions industry, which currently manages an estimated R6,3tn worth of South Africans' savings.

The #JobTax proposals in this Green Paper will hit South African workers hard, as they will keep even less of their earnings every month, while also receiving lower returns on their savings, as the South African government and its parastatals are notorious for their poor financial management. If the government can control what you put into the fund, it can control what you get out of the fund.

The main beneficiary of the proposal will be the ANC. Taken together, the State Capture v2.0 initiatives will feed the ANC patronage networks by allowing corrupt politicians to tap into large pools of private savings, while providing opportunities to create jobs for pals and family members in the enormous new bureaucracies that will have to be established for nationalising private pensions into the NSSF.

The victims will primarily be South Africa's workers and savers, as well as the financial services sector that manages their hard-earned money. But in the end all South Africans will suffer, as crippling taxes and shaky property rights will undermine the productive economy without which no welfare system can be sustained.

Comment

The IRR stance is clear. Clearly also, the winners will politicians, the wealthy and the those in the 'government' patronage system. It seems this Green Paper may lead to most of the population living in genteel poverty and squalor, until going on pension to continue living like that.

*Don't you love the direct reference to the '*the South African government and its parastatals are notorious for their poor financial management*"? As well as '*If the government can control what you put into the fund, it can control what you get out of the fund.*'*

Synopsis

PIC distances itself from ZAR X suspension over non-compliance

IOL
By Banele Ginindza
25 August 2021

The PIC is distancing itself from being the stumbling block that led to the suspension of alternative stock exchange ZAR X.

In a statement yesterday, the PIC, which holds a 24,14% stake on behalf of the GEPF, said there are no protracted internal issues and governance processes within the PIC. "The PIC subjects investment proposals, including reinvestment proposals, to a thorough investment process for the benefit of clients on whose behalf it invests," it said.

This followed the FSCA this week suspending the exchange licence of ZAR X for its non-compliance with the Financial Markets Act (FMA) and regulations, relating to an exchange's liquidity and capital adequacy requirements.

The suspension remains effective until either ZAR X rectifies its non-compliance with capital adequacy requirements to the satisfaction of the FSCA and the Prudential Authority, or the FSCA makes a final decision on the cancellation of its exchange licence.

ZAR X co-founder and chief executive Etienne Nel noted with concern the decision by the FSCA to suspend ZAR X's exchange licence and has lodged an appeal against the decision.

The PIC said it had noted an unfortunate misrepresentation, that the transaction with a foreign-based investor "has been stalled due to an inability by ZAR X's largest shareholder, the PIC, to grant formal approval of the transaction due to protracted internal issues and governance processes."

The statement further states that "the transaction would be concluded by August 20, 2021, which would have pre-empted the need for the suspension", laying the blame squarely on the PIC.

"In this regard, the PIC points to the following facts, which ZAR X has omitted from its statement. These are that the PIC participated in the company's two previous rights issues after its initial investment as a show of confidence in the ZAR X platform. The PIC has continued to engage with the company on its turnaround strategy, including cost containment measures, which took a protracted period of time to be implemented," the PIC said.

South Africa's financial markets regulator has suspended the licence of ZAR X, a move that has temporarily barred share trading by investors and company listings at the alternative stock exchange that was the first launched in the country in 2017.

Comment

ZAR X is one of those unlisted investments the GEPF members and beneficiaries aren't allowed to know anything about. However, it seems the PIC is aware of the challenges and keeping an eye on it. Good to read that the PIC is improving its oversight over our investments.

Synopsis

ZAR X: Teething troubles still haunt South Africa's alternative stock exchanges

Business Maverick 168
By Ray Mahlaka
29 August 2021

(Photo: Waldo Swiegers / Bloomberg via Getty Images)

It has been four years since the arrival of alternative stock exchanges in South Africa, which have styled themselves as challengers to the JSE's mighty monopoly, spanning more than a century. But it will still be a long road before the listings space is democratised and SA moves towards greater competition, judging from the regulatory troubles faced by one of the longest-running alternative stock exchanges.

ZAR X is a small exchange that launched in February 2017 and has since managed to attract seven company listings to its platform that have a combined market capitalisation of R5bn.

ZAR X has found itself on the wrong side of the law and its exchange licence has been suspended by the FSCA, effectively blocking the sale and purchase of shares, as well as company listings on its platform, for three months. This will hurt ZAR X's financial position and liquidity profile as it generates money from the fees it charges brokers for trades on its platform.

The FSCA is vexed that ZAR X has, since 2019, not complied with aspects of the FMA. It requires exchanges to have enough money, equivalent to at least six months of their operating expenses. Regulators put onerous requirements on exchanges because their collapse could compromise the safety of investments belonging to the public.

In an interview with DM168, FSCA commissioner Unathi Kamlana said the authority was forced to suspend ZAR X's licence after the regulator failed to convince the exchange to improve its liquidity profile for two years. Kamlana acknowledged that its decision "wasn't taken lightly" as "SA needs greater competition in the licensed exchange market". But this didn't necessarily mean that regulators should be lax or offer smaller players special treatment, he said.

Regulatory burdens

ZAR X's liquidity problems are isolated, with Kamlana saying he is not worried about the financial position of the other three alternative stock exchanges, namely A2X Markets, Africa Exchange and Equity Express Securities Exchange.

A2X CEO Kevin Brady said that although he respected the role of regulators in protecting investors and the broader financial system, they hadn't done enough to support smaller exchanges.

"We would like to see them act more vigorously and urgently in elements that will help level the playing field. The odds are still stacked against the new exchanges." "We are saying we don't want special treatment. We'd like to see regulators view the small exchanges through the lens of proportionality and what is appropriate to manage risk at each exchange" Brady told *DM168*.

A2X is the JSE's most direct competitor. It has 54 companies listed on its platform (through secondary listings), with market capitalisation of nearly R5tn.

Comment

To add to the previous comment, we have 25% of ZAR X, which seems to be a good *investment, but on hold for three months. At the same time, the control of ZAR X is in the process of being sold. Which leaves our investment in doubt.*

Synopsis

Treasury's sombre warning about the proposed basic income grant for South Africa

BusinessTech
27 August 2021
Staff Writer

The Green Paper published by the Department of Social Development this week formally proposes introducing a basic income grant for South Africa, but finance officials have warned that the country needs to be more 'realistic' about its social security plans. To raise enough funds the Green Paper suggests an income tax hike of 10 percentage points to raise the approximately R200bn needed.

However, Deputy Finance Minister David Masondo cautioned against the aspirational plans proposed by the department, warning that it's not something the country can afford.

"We have to ask ourselves; what are the preconditions for a social security grant proposed in these reforms," he said. "As a country, we should sequence our current economic priorities, and we should not confuse our aspirations with what is possible economically.

"Many countries that have social security funds have good economic growth. Currently, we have an economy that is faced with many fiscal risks."

Similar concerns were raised by the Treasury director-general, Dondo Mogajane, who said that South Africa's debt to gross domestic product (GDP) is one of the largest in the world.

The major driver of this debt is the wage bill and the perennial bail-out of state-owned enterprises (SOEs), and there are requests in the pipeline for additional funding for some SOE.

Basic income

Despite concerns raised by officials and analysts, organised labour has called for the permanent introduction of a basic income grant in South Africa from 2022. Cosatu, Nactu and Fedusa held their mid-year Nedlac organised labour school this week to assess progress on the implementation of key policy interventions in South Africa.

In a post-meeting statement, the unions welcomed the reinstatement of the special R350 Covid-19 grant until March 2022 and said that this should be the first step towards a universal income.

"It must now be made permanent and be used as a foundation for a basic income grant." "It must be extended beyond March 2022 and adjusted in line with the food poverty level. The government needs to provide for its extension and enhancement in the October medium-term budget policy statement."

Comment

*"Organised labour" is involving itself in the private lives of citizens, which it has no mandate to do, as it supposedly represents working citizens and not the unemployed. Which leaves us to speculate why it is busy with "*assess progress on the implementation of key policy interventions" *if there isn't collusion to achieve ulterior 'government' goals.*
The important aspect of BIG and any other new suddenly appearing grants is the affordability, which has been stated as unaffordable by Treasury and the Deputy Minister of Finance. Note the real threat articulated by Treasury, the rampant civil service wage bill and the SOE failures.
Once more, the threat to pension savings is hovering.

Synopsis

TAKATSO CONSORTIUM TO CONCLUDE 51% SHARE PURCHASE OF SAA WITH DPE

123rf.com

EyewitnessNews
Ray White
26 August 2021

The Takatso Consortium said it would now move ahead with concluding a share purchase agreement for 51% of the South African Airways (SAA) with the Department of Public Enterprises (DPE). The consortium comprises Harith General Partners, a leading Pan African investor in African infrastructure and Global Aviation.

It said its due diligence of SAA was substantially complete and no material issues had been identified. However, the agreement will be subject to various approvals and pre-conditions, which are likely to take some time.

The Takatso Consortium has confirmed that Harith is the majority shareholder and funder of the SAA transaction and Global Aviation is the minority shareholder and strategic partner to the venture.

The consortium has provided input into the SAA business plan but at this stage, it is not involved in the management of SAA or any plans to relaunch the airline. It has also clarified that with regards to the future management of SAA, decisions will be taken by a newly formulated board once the transaction is complete.

SAA confirmed this week that it will begin passenger flights on 23 September 2021. This is expected to include those to various destinations around the continent.

Comment

Our share in SAA via Takatso via Harith is still as clear as a politicians' campaign promises, vague and undefined. It still means that, as long as the GEPF has a direct or indirect financial interest in Harith, we share in the woes of SAA.

We still don't know the amount of the share purchase. And the 'government' will retain a meddling control over SAA, irrespective of what the sales contract states, no doubt partly as its provider of free air travel for politicians.

If Takatso isn't involved in relaunching the airline, how is it starting flights in September then?

Synopsis

Dr Dan Matjila's secret deal to make Iqbal Survé's R700m debt to PIC disappear

By Dewald van Rensburg
amaBhungane•
29 August 2021

Yet another court case has laid bare allegations that the former chief executive of the PIC secretly signed away state pensioners' claims worth hundreds of millions of rands to help his alleged friend, self-styled media mogul Iqbal Survé.

The PIC says it was owed R709 839 328,45 by Iqbal Survé's Sekunjalo Independent Media (SIM) as of 31 May 2020. This debt stems from the PIC's funding of SIM's takeover of the Independent Media group in 2013. With punitive interest that would easily be more than R800mn by now, which really belongs to the GEPF, managed by the PIC.

There is only one problem: SIM claims that the debt does not exist. And even if it does exist, it ranks so far behind other large debts that in practice it will never have to be repaid. SIM might very well be right, thanks to the actions of Dr Dan Matjila, the PIC's former chief executive, outlined in court papers recently obtained by *amaBhungane*.

The documents show that after dragging SIM to court with a liquidation application in November 2019, the PIC was stumped when Survé surprised them with a secret agreement, signed by Matjila in December 2017. It was a so-called "subordination agreement" annexed to SIM's responding papers and it showed Matjila had made astonishing concessions to SIM, which drastically weakened the PIC's position.

The agreement states: "In order to assist the Company the Creditor agrees… to subordinate for the benefit of the other creditors of the Company, both present and future, so much of its claims, liabilities and obligations of whatsoever nature and however arising against the Company as would enable the claims of such other creditors to be paid in full."

If SIM were ever to be liquidated the PIC "will not prove or tender to prove a claim in respect of its subordinated claim, which proof would reduce or diminish any dividend payable to other creditors".

Due to a roughly R1bn debt owed to Chinese funder Interacom by SIM, which is effectively broke, a subordination agreement in practice extinguishes the PIC's claim because the Chinese would be paid out in full before the PIC got a cent.

Another clause reads:
"… no shareholder of the Creditor shall take or enforce any action arising from any event of default howsoever arising against the company." In other words, the PIC is effectively banned from taking legal action to protect its rights.

The crowning blow

Then there is the clincher. The subordination will in effect be permanent.

"The Creditor hereby agrees that, until such time as the assets of the Company, as fairly valued, exceed its liabilities as fairly valued … it shall not be entitled to demand or sue for or accept repayment of the whole or any part of the said amount owing to it …"

So if the agreement stands, the PIC has no claim on the money it is owed unless SIM somehow reverses its hopeless insolvency. The papers also claim the existence of this agreement came as a shock to the PIC.

In June last year the PIC, under new leadership, launched another court application to claim back the money from SIM — this time including an attempt to quash the Matjila agreement.

In its particulars of the claim, the PIC states: "Before SIM annexed the Subordination Agreement to an answering affidavit delivered relating to an application issued by the GEPF against SIM to place the latter in winding-up… the PIC (alternatively the GEPF) had no knowledge of the existence of this Subordination Agreement."

A rush to sign off

The PIC court papers show how Matjila rushed to sign off on the Sagarmatha deal alongside the share-and-claims and subordination deals with Survé before the PIC's relevant investment committee could even formally consider it. As it turns out the committee rejected the deal, not knowing Matjila had already signed it,

According to the court papers, between August and September 2017 SIM started meetings with the PIC about "the GEPF's exit strategy from its investments in SIM and Independent Media; and/or a potential investment opportunity in the subsidiary company [ie Sagarmatha] that Sekunjalo Holdings intended to list on a recognised stock exchange".

The deal Survé had in mind was that the PIC would give up its loan claims and its shares in SIM and in Independent itself, in exchange for Sagarmatha shares. These Sagarmatha shares would allegedly be worth R1,5bn, based on a valuation provided by Survé's own company.

This neat escape trick was captured in a Survé letter to Matjila dated 14 September 2017 asking him simply to personally sign off on the deal: "Please accept this offer by countersigning in the space provided below, upon which a binding agreement will come into existence."

Survé sent a second letter dated 1 December 2017 to Matjila. "Subsequent to comments received from the Johannesburg Stock Exchange (JSE) in relation to the Original Offer Letter, we hereby substitute and replace the Original Offer Letter with this offer letter and the contents hereof in order to address the concerns of the JSE."

This time around the offer at least contained some of the normal checks and balances one would expect in a deal purportedly worth R1,5bn. For the PIC, that condition would be the consideration of the proposal by its Private Equity, Priority Sector and Small Medium Enterprise Fund Investment Panel. This investment panel did meet to consider the Sekunjalo proposal a few days after Survé's letter, on 6 December.

It roundly rejected the core basis of the deal: getting paid in Sagarmatha shares of doubtful value. Sekunjalo claimed the shares were worth R39,62 each. The PIC's internal research came up with a value of R7,06. Instead of these shares, the panel insisted on a cash payment for the GEPF's "exit" from Independent. The panel would also not make a commitment to investing in Sagarmatha.

For all practical purposes, these conditions amounted to a wholesale rejection of the deal.

But not for Dr Dan.

Unbeknown to his colleagues, Matjila had already signed Sekunjalo's offer on 1 December, the day it arrived in the mail. Still acting alone and, according to the court papers "without any authority, unlawfully alleging to represent the GEPF", Matjila signed the full Share and Claims Sale Agreement on 13 December, heedless of the Committee's decision.

The secret subordination agreement, which cut off exit from the Sagarmatha pipedream, is not properly dated, but a signed copy is included in the court papers.

The PIC's arguments to repudiate the subordination deal are based on Matjila's alleged lack of authority to make investment decisions of this magnitude without jumping through any number of hoops involving the investment panel and other executives. Matjila told *amaBhungane* that he was unaware of this latest litigation between the PIC and SIM until *amaBhungane* brought it to his attention.

No escape?

The PIC is trying to wriggle out of the Share and Claims Sale Agreement on two bases. One is that Matjila had no power to sign it. The agreement should also not be read to force the PIC into trading its claims on and shares in Independent and SIM for useless Sagarmatha shares.

The agreement was explicitly tied to the Sagarmatha listing. The "effective date" at which the share swap was deemed to happen was, according to the agreement, the day that an announcement was made on the JSE's Sens news service, indicating how many shares are getting listed on the exchange.

Here the PIC's argument is that Matjila had no authority to sign the deal without going through the PIC's checks and balances.

Same old story

The listing of Sagarmatha was a transparent attempt to bail out SIM and Independent Media by having the PIC forgive its debt and, in addition, invest several billion rands more. It would have been the culmination of a series of increasingly generous PIC investments in Survé companies that started with the listing on the JSE of Premier Fishing in March 2017.

The fishing company was 100% owned by African Equity Empowerment Investments (AEEI), which is Survé's main investment vehicle. For the listing, it sold 45% of the company with 23,75% going to the PIC for R278mn.

The manoeuvres to help SIM escape its debt obligations in December 2017 coincided with Matjila's even more damaging actions in relation to the listings of Survé's AYO Technology Solutions that same month. Once again, he allegedly circumvented the PIC's internal processes in order to invest a staggering R4,3bn in AYO. As with Sagarmatha, the AYO shares Matjila made the PIC buy were grossly overvalued.

In the AYO case, the investment was forced through with Matjila allegedly signing an "irrevocable agreement" to make the investment on 14 December, two weeks after sealing the irregular SIM deal and a mere day after signing the share-and-claims agreement. This signature again predated a formal consideration of the deal by the PIC a week later.

The PIC is also trying to get its money back from AYO, again relying on the argument that Matjila had gone rogue.

Comment

Just more detail on what we already know. You will remember, dear reader, the storm raised by AMAGP about Sagarmatha?
Interesting the agreement that just 'happened' to become available as the matter went to court.
It would be nice if the perpetrators of this scheme could spend some decades in jail, contemplating their misdeeds. Alas, this might never take place at this tempo.
Note the standard politician answers:
I did not know.
I wasn't told.
I wasn't aware.

THE GEPF WATCHDOG/WAGHOND FACEBOOK 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.

Most of our GEPF members are content with the fact that pensioners still get their monthly pension (and some increases annually), and they are convinced by GEPF newsletters and ambitious briefings by the GEPF Board of Trustees that our Pension Fund is in a superb condition. There is, however, another side to the coin! The AMAGP newsletters and press releases tell a different story.

Our Facebook and AMAGP are together more than 57 000 members and continually growing, but this isn't enough. However, this continued growth confirms the ever increasing concern pension fund members and pensioners have about the future of their pensions.

As a member of the GEPF (working or retired), this Facebook page will keep you updated about any developments affecting the health of YOUR Pension Fund. It also provides you with the opportunity to participate in the debate and raise issues of concern. Although it is not part of the core business of this page, you may also raise matters regarding the day to day management of your pension administration, which we will gladly refer to the Government Pensions Administration Agency (GPAA). Please read the articles that are posted on the wall, BUT also "re" and "Files". You can get further information on our website – there is no reason to be in the dark regarding our/your Pension Fund, and what you must do as a member.

This page will only have any value for you if you join the AMAGP. Note there are no membership fees. You don't have to do any work for the AMAGP if you do not wish to do so – BUT your membership will add one more voice to AMAGP convince the government our pensions remain ours, not theirs to misuse. You can complete the online registration form under "Announcements" (English and Afrikaans) at the top of the Facebook page, or you can visit our website at www.AMAGP.co.za, and complete the online application form that you will find under "Membership".

We remain in dire need of dedicated persons to share in the burden of AMAGP. People who aren't afraid to work for the common good of members and beneficiaries of the Fund.

The AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension fund in the RSA – BUT, we as members and owners of the Fund have to protect it against abuse.

Welcome to our page – please help us to get thousands more GEPF members to join this page and the AMAGP, so that we will have the required bargaining power. **We are the owners of the GEPF**, and we have the right and the power to force 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, not looters and mismanagers!

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