

# GEPPF MONITOR

**Staatsdienspensioenfonds-  
Moniteringsgroep**



**Monitoring The Government Employees Pension Fund**



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## Who are we?

We are an informal group of pensioners interested in our pension scheme.

## Contact Details

Address all correspondence to the National Chairman:

Mr AP Stemmet – National Chairman

Tel: 021-975-9474

E-mail: AP Stemmet [adamusp@telkomsa.net](mailto:adamusp@telkomsa.net)

Hennie Heymans – Compiler of the newsletter / samesteller van nuusbrieff

E-mail: [heymanshb@gamil.com](mailto:heymanshb@gamil.com)

## Hoe het hierdie groep ontstaan? – mnr AP Stemmet

Die samesteller van die nuusbrieff het my versoek om iets oor ons ontstaan te skryf aangesien ek reeds van die begin af betrokke was. In die volgende paar uitgawes sal ek verder skryf oor die verloop van sake oor die jare. Pensioentrekkers wat inligting oor die verlede het, kan gerus aan ons skryf en hul ervarings meedeel.

Ons groep is nie gestig nie. Ons het oor die jare heen ontstaan. Waar 'n paar pensioentrekkers bymekaar gekom het by 'n braaivleis, sportbyeenkoms, natuurlik van kleinkinders wat oupas en oumas moet bywoon, kerkbyeenkomste, ens, ens het pensioene gou ter sprake gekom.

Natuurlik is gekla oor die min pensioen en die lae verhogings, oor die lang gesloer van die uitbetaling daarvan by 'n oorlye, ens, ens. Die regering het mos baie geld, ons het baie belasting betaal, getroue diens gelewer en is geregtig op meer. Wie is ooit tevrede met sy inkomste?

Mettertyd het die gesprekke by sommige van ons verander en het die bekommernis al groter geword dat daar iewers fout is. Daar is besef dat die regering nie verantwoordelik was vir ons pensioen nie maar wel ons eie pensioenfonds – die “Government Employees Pension Fund”. Oor hierdie naam wat tot verwarring lei, veral by die ongeletterdes, later meer.

Bekommernis het begin ontstaan na aanleiding van berigte in die media oor moontlike ongerymdhede by die pensioenfonds. Navrae het tot niks gelei nie en net die bekommernis versterk. Was daar dan iets om weg te steek? Agterdog het dikwels ontstaan, geregverdig of nie.

Teen 2011 het meer en meer vrae ontstaan, vrae wat onbeantwoord gebly het. Baie van ons kollegas het apaties gebly. “Jy kry genoeg pensioen, wat kla jy? Is jy ontevrede oor die jongste verhoging?” en nog meer.

Berigte van vergrype het al meer geword. Transnet se pensioendebakel het rugbaar geword. Was ons pensioenfonds volgende? Berigte het en gerugte het gedurende 2011, 2012 en 2013 al erger geword. Miljoene rande het miljarde geword.

Militêre pensioentrekkers het al hoe meer vrae in hul nuusbrieff gestel. Vrae wat nooit beantwoord is nie.

Augustus 2014 bars die bom! African Bank het ineengestort en gruwelike gerugte vlieg die wêreld vol. “Ek het julle mos gesê daar is fout!” Dit word ook bekend dat die Staatsdienspensioenfonds reuse bedrae geld verloor het. Kommentators en ekonome het hulself gate uit geniet. Die een storie was gruweliker as die ander. Kon alles waar wees?

In die proses het ons groep ‘bekommerdes’ ontstaan en mekaar probeer beweeg tot optrede. Maar hoe?

Oor hoe ons saak by die Openbare Beskermer en selfs in die parlement beland het, en waarmee ons tans besig is, skryf ons in volgende uitgawes.

Tans moniteer ons 20 beleggingsprojekte en beoog om pensioentrekkers oor sommige in te lig. Ook oor die wat nog sal volg want die goed teel aan en die miljarde vlieg weg.

## AP STEMMET

### The acid test

We understand that when investments are made that it would be made in the best interest of the pensioners.

### Monitor

We will monitor investments made on behalf of the GEPF and ask questions

### Common Sense

- Let common sense prevail.

When I give you full authority to drive my Mercedes Benz and I see you are going to crash into a wall while reversing, or if you are going to drive over a cliff, I am going to raise the alarm.

### New South Africa

We take a feather out of the cap of the New South Africa: They told us the New South Africa will be:

- Transparent
- Accountable
- Representative

### Our Policy

- We will be truthful and ethical
- We will always act in a civilised manner
- We will not make false or libellous allegations
- We would rather want to create a channel for communication between the authorities and the pensioners at large
- Our question that have been raised; have not been answered by certain responsible authorities
- We will respect the *sub-judice* rule.
- We will not impugn your veracity
- We understand that the pension fund is co-funded by the government; therefore the government has a say in the investments to be made
- We understand that investments have to be made in infrastructure and in upliftment projects

### The Problem

- We want to be informed. There is a lack of transparency and information – read: communication with pensioners.

For a long time retired civil servants – commonly known as “pensioners” – some are “police pensioners” or “army pensioners” or whatever, but they have been talking with one another, some talk more than others. Some others just listen. Sometimes we chat around the ubiquitous braaivleis-fires before rugby or when we meet for our monthly gatherings. Concerns are raised about our pensions.

We read newspapers, we listen to the comments of financial advisors, we read politicians making accusations and reporting matters to the Public Protector. We hear the SAPS have investigated certain cases successfully against institutions where investments were made.

In layman’s language we belong to the largest and wealthiest pension fund in Africa. We made this all possible by joining the South African Government Service – formerly known as “die staatsdiens” – many years ago. We were all loyal servants of the state.

## How?

- How do these pension fund machinations work? We don't know. We started to dig.

## Who?

- Who are we dealing with? Who are the actors in this play? We sat down and made a study of whom we are dealing with.
- We have the GEPF, we have PIC and we have the Isibya Fund.

What does "isibya" mean? It is an isiZulu word for enclosure. If I may guess it is an enclosure where you keep cattle or calves in. So the name has a symbolic meaning; a place where we keep cattle safe, a place our money is kept safe?

We will look at the interaction between the three mentioned parties.

## Questions When We Negotiate: Mr AP Stemmet

We should always be well informed when we enter into negotiations with the authorities or when we are asked for information. At present we are preparing for such negotiations with a member of the Board for Trustees of the GEPF and we need the assistance of pensioners. Ideas about methodology, policy and questions about specific matters will be welcome. We know that many pensioners are unhappy about the present position of our pension fund and question some of the investments. However, we should refrain from making insulting or slanderous allegations.

Pensioners should also not suggest questions about matters being perhaps *sub judice*. The fiasco about African Bank is perhaps a good example. The Reserve Bank during September 2014 appointed a committee under the chairmanship of Adv J Myburgh, SC, to look into matters concerning African Bank. This report was released on 12 May 2016 and contains very serious findings. The report has now been forwarded to the Public Prosecution Authority to consider possible criminal action. We as a monitor group have many questions about what went wrong at African Bank as the GEPF lost considerable amounts of money when this bank collapsed. We do not know how wide the investigation will go and which groups of people will be involved, and should therefore be careful.

Our approach is to ask questions about matters based on policy and other concerning specific investments. Policy for instance about the approved investment policies of the GEPF, etc. Specific investments like investments in the Lonmin Mine and Independent Media.

We are looking forward to your contributions.

**AP Stemmet**

## Some answers: Who are the main actors?

- We went to "Google" to find out who all the actors are.

## Government Employees Pension Fund (GEPF)

GEPF provides for normal, early and late retirement, as well as retirement for medical (ill health) reasons. Members whose jobs have been affected by restructuring or reorganisation are also able to receive retirement benefits.

### Normal retirement

Normal retirement: 60 years is the normal retirement age for GEPF members. The benefits paid depend on whether a member has less than 10 years' pensionable service, or 10 or more years of pensionable service. Members with less than 10 years' service receive a gratuity (a once-off cash lump sum) that is equal to their actuarial interest in the Fund. Members with 10 or more years' service receive a gratuity and a monthly pension (annuity).

### Early retirement

**Early retirement:** Under certain circumstances, members may retire early, meaning before reaching the normal retirement age of 60. Again, the member's years of pensionable service determine the benefits. Members with 10 or more years of service receive annuities and gratuities. These are calculated in the same way as for normal retirement, but with a reduction of a third of one percent (0, 33%) for each month between the dates of early retirement and normal retirement.

### Ill health and other retirements

**Ill health and other retirements:** Enhanced benefits are paid when members retire for medical reasons, when injured on duty, or when their posts are abolished through organisational restructuring. In these circumstances, members receive both annuities and gratuities. For members with less than 10 years' pensionable service, benefits are based on an increased period of service and calculated as a percentage of the member's final salary. Members with more than 10 years' service are also paid an annual supplementary amount.

[http://www.gepf.gov.za/index.php/our\\_benefits/article/retirement-benefits](http://www.gepf.gov.za/index.php/our_benefits/article/retirement-benefits) date accessed 17 Jul 2016

### PIC: Board of Directors

PIC is governed by a Board of Directors with 10 (ten) members, of whom 10 (ten) are independent Non-Executive Directors, excluding the traditionally non-executive Chairman and 2 (two) Executive Directors being the Chief Executive Officer and the Chief Financial Officer.

### The Board has a dual mandate

- Advisory: Provide guidance and consult with management regarding strategic and operational direction of the company.
- Oversight: Monitor company performance and reduce agency costs.

The responsibilities of the Board are separate and distinct from those of management. The Board's overarching role is to maintain sound corporate governance within PIC. As such, its responsibilities include appointing executive management, approving corporate strategies, identifying risk areas and overseeing risk management, designing executive compensation packages, ensuring the integrity of published financial statements, representing the interest of the shareholder, ensuring that the company complies with laws and codes, ensuring that an effective governance framework is in place and ensuring that PIC's business is managed prudently and responsibly.

The Board is assisted by 6 (six) Board committees, namely the Audit and Risk Committee, the Social and Ethics Committee, the Investment Committee, the Human Resources and Remuneration Committee, the Directors' Affairs Committee, and the IT Governance Committee. The Board has also established 3 (three) Fund Investment Panels as sub-committees of the Investment Committee to assist the Board in discharging its statutory duties and responsibilities in relation to investments in South Africa, offshore and the rest of the African continent.

Board members are appointed by the Minister of Finance (in consultation with Cabinet), who represents PIC's sole shareholder, the South African government. Directors are appointed on the grounds of their knowledge and experience, mainly in the financial services environment. Three members on the current Board are chartered accountants, with the other seven members holding advanced qualifications in fields such as financial economics, business leadership, human resources management, applied mathematics and law.



#### Mr Mcebisi Jonas, Chairperson

##### Positions

Deputy Minister of Finance

- Non-executive director
- Chairman of the PIC Board
- Chairman of the PIC Directors' Affairs Committee

##### Qualifications

- Bachelor of Arts in History and Sociology
- Higher Diploma in Education

**Memberships**

- Member of the National Assembly (Parliament)
- Member of the African National Congress (ANC)

**Mr Roshan Morar, Deputy Chairperson and Independent Non-Executive Director****Positions**

- Independent non-executive director
- Deputy Chairman of the PIC Board
- Chairman of the PIC Investment Committee
- Chairman of the PIC Private Equity, Priority Sector and Small Medium Enterprises Fund Investment Panel

**Qualifications**

- Chartered Accountant (South Africa)
- Bachelor of Commerce (Accounting)
- Diploma in Accounting
- Certified Fraud Examiner

**Memberships**

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Property Committee
- Member of the board of Airports Company of South Africa
- Member of the board of Adcock Ingram Holdings
- Member and Chairman of the board of the South African National Roads Agency

**Dr Daniel Matjila, Chief Executive Officer****Positions**

- Chief Executive Officer
- Executive director

**Qualifications**

- Doctorate of Philosophy in Mathematics
- Master of Science in Applied Mathematics
- Bachelor of Science (Honours) in Applied Mathematics
- Postgraduate Diploma in Mathematical Finance
- Advanced Management Programme
- Senior Management Programme

**Memberships**

- Member of the PIC Investment Committee
- Member of the PIC Property Committee
- Member of the PIC Fund Investment Panels
- Member of the PIC Social and Ethics Committee
- Member of the PIC Directors' Affairs Committee
- Member of the board of the Erin Energy Corporation
- Member of the board of Community Property Company (Pty) Ltd
- Member of the board of Ecobank Transnational Incorporated

**Ms Matshepo More, Chief Financial Officer****Positions**

- Chief Financial Officer
- Executive director

**Qualifications**

- Chartered Accountant (South Africa)
- Certificate in the Theory of Accounting
- Bachelor of Business Science (Finance)

**Memberships**

- Member of the PIC Fund Investment Panels
- Member of the board of CBS Property Management (Pty) Ltd
- Member of the board of Pareto Limited



- Member of the board of ADR International Airports Company South Africa (Pty) Ltd
- Member of the board of Association of Black Accountants of South Africa
- Member of the board of Community Property Company (Pty) Ltd



**Ms Sandra Beswick, Independent Non-Executive Director**  
**Positions**

- Independent non-executive director
- Fund expert of PEPSS (FIP)

**Qualifications**

- Bachelor of Commerce(Honours)

**Memberships**

- Member of the Boards of various unlisted companies
- Director of Sandra Beswick & Associate



**Mr Trueman Goba, Independent Non-Executive Director**  
**Position**

- Independent non-executive director

**Qualifications**

- Registered Professional Engineer (SA)
- Master of Engineering (Civil)
- Bachelor of Science in Engineering
- Survey Technician's Diploma
- Diploma in Management (Public Policy and Development Administration)

**Memberships**

- Member of the PIC Investment Committee
- Director and Chairman of Hatch Goba (Pty) Ltd
- Director of Goba (Pty) Ltd
- Director of Independent Newspapers
- Fellow, SA Institution of Civil Engineering
- Fellow, SA Academy of Engineers
- Member of the Professional Advisory Committee (Civil), ECSA



**Ms Dudu Hlatshwayo, Independent Non-Executive Director**  
**Position**

- Independent non-executive director

**Qualifications**

- Master of Business Administration
- Bachelor of Social Science (Honours)
- Senior Executive Leadership Development Programme
- Diploma in Marketing Management
- Certificate in Product Strategy and Brand Management
- Diploma for Successful Participation in the Owner Value Programme

**Memberships**

- Member of the PIC Human Resources and Remuneration Committee
- Member and Chairman of the KZN Growth Fund
- Member and Chairman of AFMETCO
- Member of the Institute of Business Advisors of Southern Africa
- Member of the Institute of Directors
- Member of the Land Bank board
- Member of the board of Lanseria International Airport



**Dr Claudia Manning, Independent Non-Executive Director****Position**

- Independent non-executive director

**Qualifications**

- Doctor of Philosophy
- Master of Philosophy
- Bachelor of Arts (Honours) (Economic History)

**Memberships**

- Member of the Board of Basil Read Holdings (Pty) Ltd
- Member of the Board of Mondi Zimele (Pty) Ltd
- Member of the Board of Sangena Investments (Pty) Ltd
- Member of the Board of MSC Education Holdings

**Mr Patrick Mngconkola, Independent Non-Executive Director****Positions**

- Independent non-executive director
- Chairman of the PIC Human Resources and Remuneration Committee
- Chairman of the PIC Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel

**Qualifications**

- Bachelor of Technology in Business Administration
- Bachelor of Human Resources Management
- National Diploma in Police Administration
- Diploma in Personnel and Training Management
- Course in Project Management
- Executive Mentorship Programme
- Programme in Forensic and Investigative Auditing

**Memberships**

- Member of the PIC Directors' Affairs Committee
- Member of the PIC Audit and Risk Committee
- Member of the PIC Investment Committee
- Member of the board of V&A Waterfront
- Member of the board of GrowthPoint Properties Limited

**Mr Pitsi Moloto, Independent Non-Executive Director****Position**

- Independent non-executive director

**Qualifications**

- Masters in City Planning
- Masters in Business Administration

**Ms Tantaswa Nyoka, Independent Non-Executive Director****Position**

- Independent non-executive director

**Qualifications**

- Chartered Accountant (South Africa)
- Post-Graduate Diploma in Accounting
- B Admin and B Admin Honours
- Higher Diploma in Banking Law

**Memberships**

- Member of the Board of SAICA
- Member of the Board of ARC of Soul City
- Member of the Board of ARC of Love Life
- Trustee of KPMG Foundation

**Ms Lindiwe Toyi, Independent Non-Executive Director****Position**

- Independent non-executive director

**Qualifications**

- Master of Business Management and Administration
- B Social Science (Electrical Engineering)
- National Higher Grade Diploma in Electrical Engineering
- National Diploma in Electrical Engineering

**Ms Sibusisiwe Zulu, Independent Non-Executive Director****Positions**

- Independent non-executive director
- Chairman of the PIC Audit and Risk Committee

**Qualifications**

- Bachelor of Law
- Certificate in Business Rescue (Companies Act, 2008)
- Advanced Diploma in Corporate Law
- Certificate in Practical Legal Training
- Admitted Attorney
- Certificate in Business Rescue

**Memberships**

- Member of the PIC Social and Ethics Committee
- Director of Ngubane Wills Incorporated
- Chairman of the Municipal Bid Appeals Tribunal
- Member of the Umngeni Municipality Audit Committee

<http://www.pic.gov.za/index.php/board/> date accessed 17 Jul 2016

**Isibaya Fund**

Public Investment Corporation (PIC), headquartered in Pretoria, South Africa, is the largest investment manager on the African Continent.

Isibaya Fund is a division of the PIC, which provides finance for projects that generate financial returns while also supporting positive, long-term economic, social, and environmental outcomes for South Africa.

The emphasis on investments with a developmental focus demonstrates the PIC's commitment to the country's growth and development aspirations.

For more information on funding, please click on [Isibaya Fund](#).

<http://www.pic.gov.za/index.php/investments/isibaya/> date accessed 17 Jul 2016.

**PIC Contact details**

Block A, Riverwalk Office Park  
41 Matroosberg Road (corner Garsfontein and Matroosberg roads)  
Ashlea Gardens Extension 6  
Menlo Park, Pretoria  
South Africa  
  
Tel: +27 12 742 3400  
Fax: +27 12 346 3276

**PIC's Vision & Mission**

The PIC's vision and mission, will not only enable us to exceed our stakeholders' expectations, but will also contribute towards the realisation of key developmental priorities of Government.

### Vision:

To be the leader in developmental investing for sustainable financial prosperity of our stakeholders

**Mission:** To be a key player, not only in the region, but also on the African continent, who consistently delivers on client mandates through direct investing for economic transformation, robust risk management, strategic partnerships and resource mobilisation.

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#### Key Pillars

"DIRECT" investing in the Economy and Socio-Economic Transformation  
"DIRECT & SET" NDP alignment

Meeting and exceeding clients requirements  
  
Q - Generation and Risk Management  
"ESG"

Key Player in Regional and Continental Integration

#### Mobilisation of Resources:

##### Strategic Partnerships:

- Investors
- Investee Companies
- Government and Related Entities
- DFI Domestic and Non-Domestic

<http://www.pic.gov.za/index.php/about-us/mission-and-vision/> date accessed 17 Jul 2016

## Die Isibaya-fonds: Errol Massey Hicks

Die Isibaya-fonds is, volgens hulle webtuiste, in 1999 deur die Openbare Beleggings Korporasie (OBK) gestig. Die geld daarvoor word egter deur die Regerings-werknemers Pensioenfonds (RWPF) verskaf. Die OBK het ook 'n mandaat van die RWPF ontvang om die fonds te bestuur, d.w.s. om die fondse te spandeer/ belê.

Die oorspronklike doel van die fonds word gestel as: "Deelname in projekte wat, onder andere, die bevordering van werkskepping en die verligting van armoede insluit", dus hoofsaaklik gemik op die voorheen benadeelde gemeenskappe. Die aanvoerwerk hiervoor is gedoen deur 'n verandering aan die "Wet op Publieke Belegging Kommissaris" in 1998.

Die wysiging laat toe dat beleggings deur die OBK<sup>1</sup> "... which promotes social responsibility and infrastructure development" gemaak mag word. Om te bepaal hoe die beskikbare fondse belê/ bestee is, in die daaropvolgende jare sal die jaarlikse verslae van die OBK en die RWPF bestudeer moet word. (*Dit kan dalk in 'n latere nuusbrief hanteer word?*). Dit gee nou aan die OBK 'n tweeledige mandaat, naamlik:

<sup>1</sup> K = Kommissaris en later Korporasie - EMH



“Om opbrengste te genereer namens kliënte en om by te dra tot die ontwikkeling doeleindes van Suid-Afrika.”

In 2010 besluit die RWPF dat 5% van hul fondse (toe ongeveer R 45 biljoen) vir ontwikkelings-projekte gebruik kan word, en stort die beskikbare bedrag in die Isibaya-fonds. Dit bring 'n geleidelike klemverskuiwing in beleggings mee vanaf “bemagtiging” na “ontwikkeling”.

Die RWPF, met 1 266 101 aktiewe lede en 406 395 pensioenarisse en begunstigdes, is die grootste pensioen fonds in Afrika.

Volgens die RWPF wet soos gewysig in 1996 het die fonds ten doel: “Die verskaffing van pensioene en ander verwante voordele aan pensioenarisse en hulle afhanklikes”. Die Fonds onderneem sy sosiale verantwoordelikhede, ten opsigte van beleggings, uit sy ondertekening van die VN Beginsels van Verantwoordelike Beleggings.

Gegewe sekere beweerde ondeurdagte beleggings die afgelope paar jare, kan die vraag gevra word of die OBK in sy beleggings strategie nog die primêre doel van die RWP Fonds voor oë hou.

## **PIC: Big money, little information**

### **MONEY & INVESTING**

## **PIC: Big money, little information**

BY ANN CROTTY, MAY 19 2016, 09:41



**Daniel Matjila. Picture: SUNDAY TIMES**



**GOVERNMENT pensioners lost R4bn thanks to the Public Investment Corp's ill-fated investment in African Bank, it emerged last week.**

This revelation, buried in the Myburgh report into African Bank's collapse, raises new questions about the PIC's transparency since CEO Daniel Matjila avoided any reference to these losses in a briefing to parliament last week.

When he addressed parliament's standing committee on finance, he clumsily managed to steer clear of its R4bn mega-loss.

It almost seemed that SA's largest investor had sidestepped the fallout from the collapse and was now sitting with just an investment in the "good" African Bank.

"The PIC's investment is only in the good bank, we've got nothing in the bad bank," Matjila told the committee.

A short while later, he reiterated: "We have no shareholding in the bad bank, we have invested in the good bank ... we did have a shareholding in African Bank."

**When Abil was put under curatorship in August 2014, that shareholding obviously vanished. Luckily for the PIC, this R4bn loss diminished in significance when seen against its entire portfolio of R1.8 trillion.**

In discussing Abil's collapse, Matjila's briefing to parliament highlighted the flaws of a corporate governance model that relies on an effective board, with skilled and independent-minded directors.

"What we saw were issues around the board. We rely heavily on good governance being in place," he said.

Even though the PIC owned 12.5% of Abil, this gave it no advantage in terms of better-quality information.

"We rely on publicly available information — reports released in terms of JSE requirements — just like everyone else," said Matjila.

This was somewhat ironic. Matjila was, after all, defending a hefty investment loss on the basis of "poor quality information" while himself not providing in-depth information that parliamentary members feel they need to hold the PIC to account.

**The key issue for parliamentarians is what lies inside the PIC's "black box" of unlisted and offshore investments — a bug-bear, considering the near-total lack of detail.**

It's not petty cash either: it is equal to 30% of the PIC's entire R1.85 trillion portfolio.

David Maynier of the Democratic Alliance says it is impossible to hold the PIC to account, given the blackout on what's in its unlisted portfolio.

**Parliament can't play its oversight role without this information, he says.**

Testifying to a parliamentary committee is never easy. But Matjila appeared to be having a particularly tough time.

On the one side ANC members were heckling the opposition parties for their "too vigorous" efforts to extract detailed information from the PIC; on the other, Matjila had to deal with MPs clearly displeased by the level of disclosure.

In response, Matjila cited "confidentiality clauses" — but Maynier wasn't letting him off the hook so easily.

"Could the PIC provide us with a copy of one of those confidentiality clauses? Could the PIC explain the purpose of these clauses ... they prevent oversight," he said.

Frustrated, Maynier turned to Abel Sithole, principal executive officer of the PIC's biggest client, the Government Employees' Pension Fund (GEPF), who was waiting in the wings.

"Is the GEPF comfortable with all the confidentiality clauses and the refusal to disclose details to parliament?" asked Maynier.

Sithole replied that he had no problem with disclosing the names of companies in which the PIC was invested.

Committee chairman Yunus Carrim, of the ANC, suggested government's legal advisers should weigh in.

"We need legal advice to determine what is the role of this committee. [The PIC] are very important and parliament is required to exercise oversight but this committee is not a second PIC board," he said.

Carrim said the PIC should provide reasons — acceptable to the legal advisers — for any investment-related documents it didn't want to submit to the committee. But he added: "You must give us the names."

Left unsaid was the stark reality that, as the manager of the defined benefit pensions of government staff, any shortfall in the PIC's performance will have to be made up by taxpayers.

Eventually, PIC chairman and deputy finance minister Mcebisi Jonas gave the committee an undertaking: "We will supply the names."

After the meeting, Maynier said he wasn't holding out too much hope of getting a complete list.

There were numerous unsettling implications from last week's clash in parliament.

For one thing, Matjila's apparent determination to reveal as little as possible is at odds with the PIC's commitment to transparency. The PIC's documents talk about instilling a "culture of compliance and good governance", while ensuring its affairs are "conducted with accountability, transparency, fairness and prudence".

But even were the PIC to release a list of names of companies in which it had invested, this wouldn't guarantee any joy for someone searching for a link to the Guptas, for example. This is perhaps why the parliamentary committee spent so much time interrogating the exact words Matjila used to deny the PIC had invested in a Gupta-connected company.

Carrim, for one, felt the PIC's qualifier, in which it said it hadn't invested in the Guptas "to the best of our knowledge", was just too equivocal.

Real transparency would mean, for example, that parliamentarians wouldn't have to rely on the GEPPF's report to discover that the PIC has an R888m exposure to the Independent News Group.

In 2013, the PIC first agreed to finance Iqbal Survé's purchase of Independent Media from its Irish owners, but the terms of the deal were never disclosed.

Even the PIC's most recent annual report contained not a single reference to the Independent investment. Instead, details of that investment were painfully extracted during last week's hearing.

Matjila said the rationale behind investing in Independent was to create a black media giant instead of generating immediate returns.

"We are less than two years into it, and maybe we will create a black Naspers," he said.

For pensioners whose money was used to finance this deal, however, this seems like a decision suspiciously more political than financial.

Of this money, 30% was a direct loan to Survé's company Sekunjalo, while the other 70% was a loan which sat on Independent's balance sheet. After five years (in 2018), the PIC will give the newspaper group two years to pay back the money.

"This could be done through a trade sale to another investor or through a listing," Koketso Mabe, the PIC's head of private equity, told the committee.

Mabe said while it was still "early", the Independent group "is performing above the J curve" — which describes the pattern of investment returns from negative in the early years to positive at later stages.

Though this is useful insight into one of its "black box" investments, it's hard to assess the risks without the quality of information that the PIC, ironically, expects from its own investments.

The stakes are high. It is not just about government employees' returns, or even the potential liability faced by taxpayers for a pet project that loses a billion here or a billion there.



It's that a R1.8 trillion kitty is an immensely tempting amount of money to have at your disposal, when there's zero oversight or accountability.

As the PIC would itself surely acknowledge, the best way to address this is through transparency.

<http://www.financialmail.co.za/moneyinvesting/2016/05/19/pic-big-money-little-information>

### **Kommentaar mnr André van Vuuren**

1. Volgens n JSE verklaring op 4 Junie het die PIC sy aandeel in African Bank verhoog tot 15.163%. Die verklaring maak dit nie duidelik wat die PIC se aandeel vooraf was nie. African Bank is kort daarna, op 10 Augustus, onder kuratorskap geplaas en aandele-verhandeling is opgeskort.
2. Geen inligting kan oor die PIC se blootstelling aan African Bank se skuldbriewe bekom word nie. Skuldbriefhouers moes 10% van die waarde van hul belegging opsê (terwyl die 15.163 aandeelhouding heeltemal afgeskryf was).
3. Die PIC besit nou 25% van die nuwe African Bank. Die nuwe bank reik Donderdag sy halfjaar resultate uit, so dit behoort 'n aanduiding te gee oor die organisasie se welstand.
4. Die Myburgh-kommissie se ondersoek het die blaam vir African Bank se ondergang op die swak oorsig van die direksie geplaas. 'n Mens behoort te vra wie die PIC se verteenwoordigers op die direksie was en wat hulle gedoen het om toesig te hou.
5. Die Financial Mail ondersteun kritiek teen die PIC vir die ondeursigtige wyse waarop hy sy blootstelling in African Bank bestuur het. Dit meld ook die terme van die lening vir Sekunjalo se belegging in Independent Newspapers.

### **GEPF case at Public Protector: Albert van Driel**

#### **Business Case relating to PIC Investments of GEPF Funds**

##### **1. Business Concept**

- Oldest pension fund in RSA and probably Africa
- GEPF Invest Policy Statement
- Role of PIC
- Investment Strategy (Strategic Asset Allocation percentages) = 5% Africa
- ESG financial consequences for investors Environ policy, social policy, governance and ethics
- GEPF Developmental Invest Policy
  - Econ inf/s true; social i/s; green econ; job creation, new enterprises and BEE
- PIC manage Isibaya Fund – BEE
- UN Principles for Responsible Investments
- Code for Responsible invest in South Africa
- Aim – ROI for assets backing pens liabilities = 4,5%  
and ROI assets backing member liabilities = 5,5%

##### **2. Reference and Current Situation**

- Business need to investigate whether protocols of IPS are being implemented fairly, without fear or favour by PIC, and in best interest of GEPF members (those in-service/contributing and pensioners), as informed by GEPF Act and Rules
- Request submitted to PP for an investigation on 5 February 2016
  - 4 Categories:
    - Poor investments with no or little likelihood of returns
    - Investments with ulterior or political motives
    - Unlawful channelling of GEPF funds towards unrelated projects
    - Fraudulent fizzling of funds to friends and political parties

In 2007/8 the PP did an extensive and successful investigation at GEPF which related to administrative processes and dedicated annuity (monthly) payments to pensioners

Serious discrepancy due to legal relationship between PIC (organ of Government) and GEPF (latter functioning under independent Act) resulting in:

- Possible conflict of interests
- PIC handling also some direct Government investments/assets

- Is there a TOR which allows GEPP to monitor investment related issues at PIC (apart from quarterly reports to GEPP Board of Trustees)
- IPS leans heavily towards social responsibility, ESG, Invest in Afr (5%); so multiplying the BEE approach with invest in Equity, bonds and developmental invest policy, including Isibaya
- With such a large fund of R1,5 trillion and the likelihood of malpractices are very large due to a liberal investment policy

## Context: Business Objectives Must Satisfy Business Needs

		Business Benefit	Benefit Value	Risk if not Done	Project Risk
1.	Need to investigate whether protocols of IPS are being implemented in the best interests of GEPP members	Greater balance in investment policy	Will shift focus towards beneficiary members	Imbalance in favour of external beneficiaries will remain	May appear as hidden agenda to pensioners
2.	Four categories of malpractices need to be investigated:	May result in better oversight	Elimination of malpractices, and guilty parties will be brought to book	Malpractices may snow ball and become very difficult to eliminate	In some cases it might be difficult to distinguish between categories
2.1	Poor investments with little likelihood of returns				
2.2	Investment with ulterior or political motives				
2.3	Unlawful channelling of GEPP funds towards unrelated project ('give-aways')				
2.4	Fraudulent fizzling of funds to friends and political parties				
3.	Why is Investment Policy leaning so heavily towards social responsibility, developmental investment, and pressure on equity partners, bonds, BEE and Isibaya? In so doing PIC is <i>ad infinitum</i> multiplying a philosophy which could "break the bank".	It will switch the focus back to where it belongs	It should eliminate the need to provide some BEE funding whilst the "National Empowerment Fund" already exists	Equity partners bear undue pressure e.g. IMPLATS and Anglo-American	A more balanced approach can lead to all round mission success; Risky investments should never be more than 5% - 10% of a portfolio
4.	Investigate possible discrepancies between PIC and GEPP due to legal constraints, viz	Improved professional relationship	Creation of a TOR where a GEPP 'governance team' could monitor investment issues at PIC	Conflict of interests may prevail	If not addressed some discrepancies may continue
4.1	Possible conflict of interests as PIC also manages direct government investments/assets				
4.2	Is there a TOR ifo GEPP to monitor investment related issues at the PIC?				
5.	Determine if sufficient "checks and balances" are in place at PIC to prevent malpractices, in the face of a very liberal investment policy, whilst managing such a large fund (R1,5 trillion)	Improvement of PIC's SWP's and quality of staff	Good selection of staff and training to highest order of integrity	PI's reputation could suffer	New precautions at PIC will transmit a clear message
6.	Determine why GEPP has not (in spite of high growth) considered higher yearly increments to pensioners in line with inflation; also higher annuity percentage to the widow (e.g. 85% or more)	Focus on member improvements could switch into right direction	Remarkable improvements in pensioners well being	May create impression that external beneficiaries will benefit unduly at the cost of GEPP pensioners	If not addressed it could manifest as a hidden agenda

## Our GEPP Strategy

1. Stick to submission submitted to PP as phase one (short term)
2. First phase Business Objectives are in line with submission as paragraph 1 above
3. The Business Objectives 4 – 6 should be considered as Phase 2 of our Action Plan (medium term)
4. Once the PP confirms that her office will continue with our request, then we could decide how to deal with our Phase 2
5. Kindly note that the Business Objectives do constitute my conclusions
6. From the objectives followed "Value Propositions" (formulated but not included yet). Latter will be handy for future discussions

- The above business case document was compiled by Albert van Driel on the 25<sup>th</sup> of February 2016

Goeiedag Hennie,

lewers het ek gelees dat “die regering wat ‘n groot bydraer tot GEPF-befondsing is, ook besluite kan neem oor hoe die fondse aangewend of belê moet word”. Dit is verkeerd.

Volgens die GEPF pensioenwet van 1996 en die reëls is dit verkeerd; die fondse van GEPF is die bates van die pensioenfonds, en moet tot die voordeel van lede en pensioenarisse in hul beste belang belê word om GROEI te verseker.

Indien elke groot organisasie met ‘n pensioenfonds maar net kan 'terugvat' en uitdeel soos hul wil, dan sal dit ‘n chaotiese situasie wees wat die hele filosofie van ‘n pensioenfonds op sy kop sal omkeer.

Groete,

Albert

## Facebook

Visit us on Facebook at:

GEPF Moniteringsgroep: <https://www.facebook.com/groups/1116070025131813/?fref=ts>

## Contact us / inform us

### Kontak adresse / Contact addresses

AP Stemmet / Petro Stemmet [adamusp@telkomsa.net](mailto:adamusp@telkomsa.net)

Albert van Driel: Albert van Driel [drielaav@gmail.com](mailto:drielaav@gmail.com)

Dries van Vuuren (Facebook): [vandries@telkomsa.net](mailto:vandries@telkomsa.net)

Hennie Heymans: [heymanshb@gmail.com](mailto:heymanshb@gmail.com)

## Greetings / Groete

Please contact or inform us via the above addresses.

Ons groet vanuit Durbanville en Pretoria.



