

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

[](https://solidariteit.co.za/die-gepf-weier-steeds-om-inligting-bekend-te-maak/)

**NEWSLETTER NO 1 of 2018**

**AMAGP – Association for Monitoring and Advocacy of Government Pensions**

**BOT – Board of Trustees [of the GEPF]**

**GEPF - Government Employees’ Pension Fund**

**PEO – Primary Executive Officer**

**PIC – Public Investment Corporation**

**PSA – Public Servants’ Association**

**SC – state capture**

**SCF – Standing Committee on Finance**

**SCOPA - Standing Committee on Public Accounts**

**SOE – state owned entities**

***There are more than 1 200 000 government employees contributing to the GEPF, and more than 400 000 pensioners. The GEPF is about R 1,8 trillion strong. IF it is isn’t mismanaged, or captured and plundered.***

**The Editor’s Word**

"***"First they ignore you, then they laugh at you, then they fight you, and then you win." – attributed to Mahatma Gandhi***

Decide for yourself after reading the newsletter where we are in the process of awareness that future pensioners must all benefit from the GEPF as they expect to. The sustainability of the Fund is the essence of what AMAGP is campaigning for.

Sustainability: **a:**of, relating to, or being a method of harvesting or using a resource so that the resource is not depleted or permanently damaged <https://www.merriam-webster.com/dictionary/sustainable> dd 24 November 2017

Consider the following:

We as civil servants are paid a salary by the government with money obtained through taxation, customs, import fees, export fees, excise, etc. From this salary a percentage is deduced for pension [and income tax]. The government guarantees to add to the pension to meet [add to] the individual’s contribution. The GEPF/PIC invests all the contributions for the contributor’s retirement, to increase the size of the pension to be paid without placing undue pressure on the government’s guarantee. In turn this investment by law is to a large extent in government instruments, such as government bonds, loans to municipalities and SOE. Makes sense yet? *The GEPF/PIC actually owns the government!*

To summarise: we pay tax that the government uses to pay civil servants. Of that pay the civil servants contribute to their pension fund, which is mainly invested in the government. Now think on state capture, Gupta, SOE mismanagement, billions in fruitless expenses enriching the “predatory and parasitic political elite”. Confusing but it makes absolute sense too, doesn’t it?

The AMAGP chairman’s word/s later on expands on this and make interesting reading. I believe he summarises the feelings about the general performance of our government and the president in particular. Also see the notice of the AMAGP AGM in the newsletter.

The PSA is arranging a protest in connection with the Steinhof debacle. Read more inside. If you are in any way able, take the time and participate. It will probably be exciting and will surely confirm the PSA [this means you] as a force to be noted and considered. After all, the PSA is your union and looks after your interests, make it worth their[your] trouble in arranging it.

The AMGP hasn’t been resting over the silly season but was gearing up for renewed action. More in the next newsletter.

The Steinhof debacle continues with no real resolution yet. We must also be aware the loss will only become reality once the shareholding is liquidated. The R 25 billion loss might be more or less, depending on the share price at the moment of sale. Time will tell.

Lonmin continues its troubled existence, with new problems to be faced. The GEPF/PIC still own a large, actually much more than 30%.

Eskom needs no introduction. A disturbing article published by Moneyweb is attached right at the end, the length and content prevents inclusion in the newsletter itself, it is too valuable to summarise. Please take the time to read it, it provides greater understanding but also makes one worry. There are also a number of Eskom articles in this newsletter, reviewing their troubles leading to installing new top leadership. However, the chances of Eskom turning around this year after the previous management had 10[?] years of mismanagement is very slim. Let’s see what happens.

Although the AMAGP and the newsletter usually and rightly paint a dismal negative picture of the GEPF and PIC, I believe they are staffed with competent and dedicated people who do their best with what they have, Trustees included. Their extreme lack of transparency makes their actions suspect, the seemingly irrational investment decisions, their blatant disregard for their constituents - the members, contributors, pensioners and beneficiaries. It might be the size of the investments, the actual huge amounts involved, makes them lose perception on the primary focus – the present and future pensioners.

One inclusive centralised pension fund for SA? Still quiet but the year hasn’t started yet.

Editor

**NEWS NEWS NEWS**

Festive Message from the PEO of the GEPF

*Extract*

“The biggest challenge facing the Fund is dealing with speculation that GEPF through the Public Investment Corporation (PIC) is making inappropriate investments, especially in State Owned Enterprises with the focus being on South African Airways (SAA) and ESKOM, as well as other private companies, such as Independent Media and African Bank. Be assured that the GEPF has robust governance structures and processes and adheres to strict regulations governing its financial liability to its members, beneficiaries and pensioners, as well as its financial soundness. Through this, the Fund ensures that it relates its liabilities to its assets, to safeguard members, pensioners and beneficiaries’ benefits. The GEPF has confidence in the PIC’s ability to prudently invest funds on its behalf in terms of the agreed investment mandate, and constantly monitors and evaluates the PIC’s performance in accordance with its investment policy and mandate.

The GEPF remains committed to protecting the benefits of members and pensioners, while contributing meaningfully to the development of this country and the continent. The Fund’s investment philosophy is rooted in seeking financial returns and broader economic development in its investment decisions.

It is important to appreciate that as a defined benefit fund, the GEPF’s benefits and pensions are determined and paid in accordance with GEP Law and Rules. Members and pensioners benefits are not directly impacted by contributions and return on investments. The Fund is presently fully funded.”

*Comment*

*Reading the first sentence it is clear the AMAGP’s public concern is making the GEPF concerned, rightly so. If the Fund and the PIC answered questions properly and fully and was as transparent as they should be, there wouldn’t be speculation! The PEO’s evident blind trust in the PIC raises grave concern, especially when the examples of African Bank and Steinhof are so clear. Were I a contributor or pensioner I would be very concerned by the vagueness in this message, especially such meaningless terms such as ‘robust’. The mention of ‘development of … the continent’ and ‘broader economic development’ scares me and I wonder what they are doing that they don’t want to make transparent. The Fund isn’t intended for executing government policy about neighbouring countries but for us, not so?*

# *Question in Parliament*

# Question NW2375 to the Minister of Finance

[**Mulder, Dr CP**](http://www.pa.org.za/person/cornelius-petrus-mulder/) **to ask the Minister of Finance**

What is the (a) statutory mandate and (b) legal basis for the Government Employees Pension Fund (GEPF) to invest the funds of pensioners and contributing members; (2) whether, including the mandate, it is also envisaged to make development-type investments; if not, what opportunities does the mandate allow for making investments that do not perform optimally; if so, what is the extent of those; (3) what are the (a) nature, (b) extent and (c) legal basis of the investment mandate that the GEPF has given the Public Investment Corporation (PIC); (4) whether the PIC has been authorised by the GEPF to make any development-type investments; if not, what opportunities does the mandate allow for making investments that do not perform optimally; if so, what are the (5) whether the PIC has since May 1996 made any investments on behalf of the GEPF that do not fall within the mandate the GEPF has given the PIC; if so, what are the relevant details? (a) extent, (b) nature and (c) legal basis of those;

**Reply:**

The following information was submitted by the Government Employees Pension Fund:

1. Section 6 of the GEP Law and Rules makes provision for the establishment of the Board of Trustees and confers certain powers on the Board. Section 6 (7) specifically prescribes that the Board, acting in consultation with the Minister, shall determine the investment policy of the Fund. Further to this, Section 4.2.2 also provides the Board with the powers to invest, loan, advance on interest and place on deposit moneys not needed immediately for the current expenditure of the Fund or to deal therewith in any other way against such securities and in such a way as the Board may determine and to convert into money, adjust such securities, re-invest the proceeds thereof or to deal therewith in any other way as determined by the Board.
2. Up to 5% of the Fund’s investments may be allocated to developmental investments. The target rate of return on developmental investments is the Benchmark SA 10-year rate plus an applicable outperformance requirement. The unpredicatability of investment markets may result in investments that do not perform optimally; however this is not a desired outcome.
3. Please refer to question 1.
4. The PIC has been authorised by the GEPF to make developmental investments, in line with the GEPF’s Developmental Investment policy. The target rate of return on developmental investments is the Benchmark SA 10-year rate plus an applicable outperformance requirement. The GEPF does not believe that developmental investing necesarily leads to lower financial returns, and seeks to earn acceptable returns from these investments.
5. It has happened in the past that the PIC breached the Strategic Asset Allocation due to movements in the markets. However, those breaches were reported to the GEPF’s Investment Committee and either condoned or rectified it.

*Comment*

*Obfuscation. It isn’t a swear word, it means to confuse or bewilder. In this case how to answer without answering, many words with no meaning. It might be that the Minister uses the same writer as the PEO.*

*Synopsis*

**Press Release by AMAGP 18 Dec 17**

**Concern about Concentration Risk Present in GEPF Investments**

Following the ongoing fallout regarding Steinhoff, very serious concern has been expressed on the adequacy of the risk management policies and practices applied by the Trustees of the GEPF. The loss in Steinhof amounts to about 38% of the total contribution income the Fund received in the year to 31 March 2017, equivalent of about 40% of the total adjustments to fair value.

Very, very significant to the GEPF.

There remain however, individually or collectively, other more significant concentrated risks in the investment portfolio of the GEPF such as Naspers [investment fair value of about R162 billion at 31 March 2017, comprising 16% of the issued shares]. This is clearly a very significant, and objectively speaking, excessive, risk profile.

Extrapolating from the Naspers situation, it is clear in general that, due to relative size of the GEPF, it is too big to only invest the bulk of its funds in South Africa, without very detrimentally affecting the risk profile of the GEPF. The future retirement livelihood of members and pensioners have consequently been subjected to an unacceptable level of risk, and which will remain at this unacceptable level, or even increase, unless corrective action is taken.

The GEPF Monitoring Group wishes to ask the following detailed questions *[truncated]* relating to the management of concentration risk.

* Is it accepted by the Trustees of the GEPF that their mandate is, above all, to protect the interests of members and pensioners, that the GEPF and the funds at its disposal is not a primary instrument responsible for the growth of the South African economy and which funds should not be deployed to satisfy political goals, however praiseworthy these may be?
* How can a concentration risk possibly be justified, and how is it possible that this situation was allowed to develop?
* Is there a plan to reduce the extent of concentration risk present in the investment portfolio of the GEPF?
* Why was the level of investments made abroad not substantially increased some years ago already?

We also wish to refer to the huge amounts invested in State Owned Enterprises. The exposure amounts to about R136 billion, almost R86 billion is owing by Eskom.

*Comment*

*The full release, in Afrikaans, is at the back. The size of the GEPF is so large that placing it all on the JSE or withdrawing it will skew the market. R 28 trillion, even a couple of billion, movement in the JSE will literally paralyse the JSE if it isn’t done very carefully, therefore investment in other countries makes good financial sense.*

*Of course the GEPF hasn’t responded, although they received the letter.*

**Verkiesing van Trustees [two items]**

Berig nr 1

Die volgende van Stanley Davis, met dank.

“Wat die opkomende verkiesing betref is dit belangrik om die feite behoorlik te verstaan.  Dit is korrek dat daar vir twee Trustees gestem word.

EEN vir en deur die huidige pensioentrekkers.  
En EEN vir die UNIFORM DIENENDE personeel.  
  
Die verkiesing van nuwe Trustees is soos volg:  
  
1.  Die huige VERKOSE pensioentrekker Trustee se termyn verstryk en daarom moet daar weer vir n  
pensioentrekker trustee slegs deur pensioentrekkers gestem word.  En die person wat die tweede meeste stemme kry is dan die alternatief, daar word dus nie vir hierdie trustee gestem nie.  
2.   Genl Dries de Witt is tans n trustee wat dienende uniform persone (Weermag, Polisie en Korrektiewe Dienste) as trustee verteenwoordig  en sy dienstermyn loop nou uit. Hy sal dus deur ‘n nuwe uniform person vervang word. Pensioentrekkers sal dus nie hier ‘n stem uitbring nie.

Berig nr 2

The following from one of our members.

“Something told me I had to make sure my vote was counting on the GEPF Trustees.  I then request the GEPF and their election agent, as below.  My concern is if the GEPF only works on my Pension Number for the election, why can Agents not find me? What's up with other voters?”

Regards,

*Name withheld*

“To the Returning Officer.

Elexions Agency.

Pretoria

0001

Dear Sir/Madam,

Please Register and Confirm that I am registering to Vote for the Board of Trustees.

Kind regards,

*Naam weerhou*

DIE ANTWOORD OP MY VERSOEK IS TOE:

Dear ……………

Please send me your ID Number as I cannot raise your name from the database using your Pension Number.

Thanking you

Kind regards

Bontle

Bontle Mpakanyane

EXECUTIVE DIRECTOR

TOE STUUR EK MY ID NOMMER VIR HOM.

*ANTWOORD*

Mr ……………..

Happy new year to you too!!!!  Wishing you the very best of 2018!!

I am glad to confirm that your name is in the database and that you would be able to vote in the upcoming voting process.

Kindest regards

Bontle

Bontle Mpakanyane

EXECUTIVE DIRECTOR”

*Comment*

*The above about the trustee election should be very clear.*

*Synopsis*

**Recent history urges boardroom rethink: time for a return to owner-capitalism**

**The Daily Insider**

28 December 2017

<https://www.biznews.com/?utm_source=BizNews.com&utm_campaign=19be86a36a-dailyinsider>&utm\_ medium=email&utm\_term=0\_d5e2e8a496-19be86a36a-100827229

The norm today is for company directors to be appointed for reasons other than their financial exposure to the business. After recent events, shareholders might consider Berkshire Hathaway CEO Warren Buffett’s counter argument that board members, the ultimate custodians of shareholder wealth, should be “dobermans, not cocker spaniels.”

Berkshire’s own process for selecting directors is instructive. Buffett explained in his 2003 annual letter to shareholders that it starts by finding people with unrestricted minds: “True independence – meaning the willingness to challenge a forceful CEO when something is wrong or foolish – is an enormously valuable trait in a director. It is also rare.”

The best way to ensure this independence of directors, he reckons, is for their interests to be aligned with all shareholders: they need their own skin in the game. In Berkshire’s case, back in 2003 every director owned at least $4m worth of the company’s shares “purchased in the market just as you did; we never passed out options or restricted shares.

Buffett takes this approach to its logical conclusion by refusing to carry directors’ liability insurance: “Therefore, if something really catastrophic happens on our directors’ watch, they are exposed to losses that will far exceed yours. The bottom line for our directors: You win, they win big; you lose, they lose big. Our approach might be called owner–capitalism”

*Comment*

*You decide which dog the trustees represent, and then what they should be:*

*Doberman – aggressive tenacious guard dog*

*Cocker Spaniel – lovable playful retriever*

*Synopsis*

**Why I won’t invest in the JSE top40 concentration risk**

<https://www.moneyweb.co.za/moneyweb-opinion/naspers-and-steinhoff-why-i-wont-invest-in-the-jse-top-40/>

Magnus Heystek  /  3 January 2018

Imagine you are an investor planning for retirement in a modern, first-world country such as the USA, Japan, Germany or even Sweden for that matter. Imagine too that your investment advisor recommends you put 75% of your retirement capital in one, developing country with a very small stock exchange, less than 1% of total global market capitalisation.  
  
 Even worse, this stock market has one company that completely dwarfs that market, constituting more than 20% of the market cap of a very popular market index. Strip out the performance of that particular company and you find that the rest of the companies listed on that market have not shown any growth at all.

Compare the performance of that particular stock market in global or local currencies and you find that country’s stock market is last or second to last over almost any period from one year to five years and more. In comparison with the developed market, do the same against its peers in the developing world and you find something similar: its performance is sadly lagging and the under-performance is getting worse as time goes by.

To make matters worse residential property in that same country has been on a downtrend for more than ten years. In local terms the average property prices have declined by 20% in real terms and in global terms around 50%.

**How Zuma made you poor**

This is perhaps an over-dramatisation of developments over the last ten years or so of what has been happening to the average investor with assets locked in South Africa under the Zuma administration. The most striking legacy of the disastrous rule of Jacob Zuma since 2007 (when he became head of the ANC) and 2009 president of the country, has been the slow but certain impoverishment of the average middle-class South African. South Africa has gone backwards at great speed. GDP, fixed domestic investments, foreign investments, business confidence, consumer confidence have gone backwards. Economic growth at about 1.5% per annum over this period, has all but missed the upturn in global growth

Yet, most South Africans investing and planning for their retirement are forced by government decree to invest 75% of their assets in this one country with a small and illiquid market where five funds (Naspers, BAT, Richemont, Sasol and Old Mutual) constitute about 30% of the market capitalisation. Chuck in another three companies and they jointly take up the total to almost 40%

Before its spectacular meltdown, Steinhoff was close to 8% of the JSE. Compare this with the US market where the largest listed company only makes up 2.2% of that market, and even that relatively low percentage has the experts worried.

I have previously (June 2016) stated that I am not a fan of the Top 40 index as an investment vehicle for the average South African investor. The major reason was the over-concentration of certain sectors in our market. I considered the Top 40 to be too concentrated and potentially volatile for my liking. I have recommended passive investing in global markets for many years with great success. I remain steadfast in my views that the Top 40 index is not appropriate and carries a lot of risk; much more risk than the average investor suspects.

The Steinhoff debacle has amplified my warnings about concentration risk. The biggest risk now is the fortunes of Naspers, whose rise to fame and fortune is on the back on a single investment of $33 million in a Chinese start-up called Tencent, made in 2002 or thereabouts. Here we have one company — listed in another country far away in a foreign language and culture very few understand or follow — making up about 15% of total market cap of the JSE overall and 20% of the Top 40 index. Ann Crotty of the Financial Mail recently warned investors to take note of the regulatory environment in which Tencent operates in China. An investor’s biggest risk in Tencent — hence Naspers — hence the JSE — is a change in the political climate there, which could spill over in globally listed Chinese companies. Nothing might ever happen with Tencent or it might happen tomorrow, but the risk is always present.   
  
The over-concentration of risk on the JSE has seemingly woken some members of the Government Employee Pension Fund (GEPF), who have written to the Public Investment Corporation, the largest investment fund in SA and which has an exposure of about 15% to Naspers, asking how this issue is being dealt with. I think they are right to be worried and it will be interesting to see how the PIC responds in the new year.

\*Magnus Heystek is investment strategist at Brenthurst Wealth and can be reached at [magnus@heystek.co.za](mailto:magnus@heystek.co.za) for ideas and suggestions.

*Comment*

*Makes you think about investment thinking at the GEPF and PIC, né [subject to legislation governing GEPF investments]. The reference about ‘some members’ in the last paragraph is actually the MG/AMAGP.*

*You should consider why Naspers invested in China to that extent, what does the Chinese connection actually mean?*

*Synopsis*

**SIBANYE BID**

**Lonmin warns of ‘significant’ covenant breach**

18 JANUARY 2018 - 17:17 ALLAN SECCOMBE[](https://lh3.googleusercontent.com/mM9xQ5ZjyAYxthEagPNZNI1Yz6AFtrsiW5RERVqCY-imKnm8B7OaSszYJMcDKr47fqPYgeYBYOYktj_doOuuzbVNSVeskJo=s1200)

A mine worker returns from the Lonmin mine at the end of his shift, outside Rustenburg last year. Picture: REUTERS/SIPHIWE SIBEKO

Lonmin, the embattled platinum miner, warned that its temporarily waivered debt covenant will be "significantly" breached because of an impairment of its assets, the size of which will be released in its long-awaited full-year results on January 22. Lonmin has skated dangerously close to breaching the tangible net-worth valuation of $1.1bn stipulated in its debt covenants, but the timely all-share takeover bid by Sibanye-Stillwater has staved off major financial problems.

"The slow-motion train smash of a once great PGM miner has been ongoing for some time now, but the end became clearer since the Public Investment Corporation — a 29% shareholder in Lonmin — approved the Stillwater purchase by Sibanye," Nedbank analysts Leon Esterhuizen and Arnold van Graan said recently, noting the $2.2bn cash purchase of the American palladium and platinum miner by Sibanye.

Sibanye prevented Lonmin lurching into financial difficulties at a time it could least afford. The timing of the announcement on the restructuring of the company was seen as a ploy to force Sibanye’s hand into making a bid for the company years ahead of its planned takeover of Lonmin.

Sibanye will now have to justify Lonmin’s reduction of 12,600 jobs from old shafts to the Competition Commission because the timing falls within the takeover plans, something Sibanye was hoping to avoid.

The bid for Lonmin, the world’s third-largest platinum miner, will thrust Sibanye into third place as a global platinum group metal supplier. The Lonmin assets give Sibanye the processing facilities it wanted, giving it rare control of its destiny, enabling it to sell refined platinum group metals from SA instead of processing metal through offtake and toll treatment agreements with Anglo American Platinum.

[*seccombea@bdfm.co.za*](mailto:seccombea@bdfm.co.za)

*Comment*

*As reported previously, PIC has reached its maximum shareholding before having to institute a takeover. By purchasing 10% of Sibanye it has effective increased its shareholding in Lonmin without having to take over the company. Effectively owning more of Lonmin, a company seeming to teeter on the edge of disaster?*

*Synopsis*

**Eskom relies on 'ridiculous' lawyer's report to wipe slate**

07 January 2018 - 00:02 By SABELO SKITI

<https://www.timeslive.co.za/sunday-times/news/2018-01-06-eskom-relies-on-ridiculous-lawyers-report-to-wipe-slate/>

Matshela Koko was cleared of charges after failing to declare a conflict of interest in deals totalling more than R1-billion that were awarded to a company in which his stepdaughter owned a stake.

Eskom was justified in paying more than R500-million to Trillian Capital Partners despite having no valid contract with the Gupta-linked company, according to legal opinion obtained by the power utility.

A report by McCaps Motimele SC - also used to exonerate suspended acting group executive for group capital Prish Govender - said Eskom's "tacit obligation" towards Trillian was sufficient justification for the payment. This opinion flies in the face of legislation governing public procurement, including the Public Finance Management Act, which stipulates that no payment may be made without a written agreement.

It also bucked the utility's internal policies, said an Eskom insider this week. "This senior counsel is willing to say - forgetting about the PFMA, the PPPF [Preferential Procurement Policy Framework] and the Companies Act - that it's OK to do business on a tacit arrangement. It's ridiculous," the source said. The report also contradicts findings of three other reviews done for Eskom.

News of Govender's reprieve came at the same time as the return of former acting CEO Matshela Koko, who was cleared of charges of failing to declare a conflict of interest in deals totalling more than R1-billion that were awarded to a company in which his stepdaughter owned a stake.

Motimele was mandated by Eskom to review the findings of three interim reports, by law firm Bowman Gilfillan, G9 Consulting and Advisory, and Eskom's own assurance and forensic unit, which all delivered damning findings on the three Eskom officials. He was also tasked to give an opinion on the letter of demand Eskom issued to McKinsey and Trillian for the return of R1.5-billion paid to them unlawfully.

Although no direct mention is made of Govender's suspension in his findings, Motimele said: "We are unable to arrive at the same conclusion as Bowman on the suspension of certain individuals."

In his report Motimele raised serious warnings about poor governance and failure to adhere to internal processes at Eskom. But he made no determination as to which employees were responsible or accountable.

*Comment*

*Using a single report to discredit prior dooming reports usually leads to serious and continuing speculation. The amounts involved seem sufficient to entirely change Eskom’s liquidity status, given proper due diligence and oversight. Something any large investor, such as the PIC, should do/have done.*

*Synopsis*

**Numsa condemns Eskom's decision to reinstate Koko**

[**Derrick Spies**](https://mg.co.za/author/derrick-spies)**06 Jan 2018 11:52**

[[](https://mg.co.za/article/2018-01-06-numsa-condemns-eskoms-decision-to-reinstate-koko)](https://mg.co.za/article/2018-01-06-numsa-condemns-eskoms-decision-to-reinstate-koko" \o ")

[NUMSA repeated its call for the boards of all SOE’s, and in particular, for the board at Eskom, to be scrapped. (Madelene Cronje/M&G)](https://mg.co.za/article/2018-01-06-numsa-condemns-eskoms-decision-to-reinstate-koko" \o ")

[COMMENTS](https://mg.co.za/article/2018-01-06-numsa-condemns-eskoms-decision-to-reinstate-koko#comment_thread)

The National Union of Metalworkers of South Africa (NUMSA) has condemned the decision by the Eskom board to reinstate Eskom’s former acting CEO, Matshela Koko, and Acting head of group capital, Prish Govender, to their positions. “The Eskom board is clearly showing the people of South Africa the middle finger by allowing these compromised executives to return to their positions. It seems the disciplinary process was a mockery and an insult to all those who believe in good corporate governance and transparency in the running of State Owned Enterprises,” said NUMSA General Secretary Irvin Jim.

Koko was disciplined for nepotism and failing to declare a conflict of interest regarding his stepdaughter’s ownership of shares in a company which was awarded more than a billion rand in contracts by an Eskom division, which he led.

Prish Govender was implicated in the scandal involving consulting firm McKinsey where he is alleged to have paid monies to the firm, in a contract which has since been declared unlawful and void by Eskom.

“NUMSA is disturbed that there seems to be a pattern emerging at Eskom where processes are abused in order to ensure that certain compromised executives are protected from taking responsibility for corruption,” said Jim. Jim said in Koko’s case, his disciplinary hearing was marred with allegations of board interference and witnesses being threatened and intimidated.

“Ordinary workers at Eskom are subject to a very stringent and brutal disciplinary process when they are accused of even the most minor transgressions, but seemingly top executives are rewarded or given a slap on the wrist for their crimes”…“The board of Eskom has failed repeatedly in its oversight role. It has been used by factions of the ANC government to enrich and reward cadres, instead of acting in the interests of the majority of South African people,” said Jim.

Jim said NUMSA would be consulting lawyers to see what legal options were available to counter the “seemingly bogus” disciplinary process. “Furthermore, together with the United Front, we will intensify the campaign against Eskom and the culture of corruption through more pickets and demonstrations,” he said. - [News24](https://www.fin24.com/Economy/Eskom/numsa-condemns-eskoms-decision-to-reinstate-koko-20180106)

**Eskom negotiates Koko's 'golden handshake'**

18 January 2018 - 07:50 By Sikonathi Mantshantsha

<https://www.timeslive.co.za/news/south-africa/2018-01-18-eskom-negotiates-kokos-golden-handshake/>

Embattled electricity producer Eskom‚ which has described its financial situation as "very dire"‚ is in secret discussions to terminate the employment of controversial executive Matshela Koko.

The parties are close to a separation agreement as the talks are now centred on the amount the head of generation would take to agree to leave. Last week‚ Koko was replaced by Willy Majola as interim head of generation‚ a move Eskom said was "a mutual agreement" for Koko "to settle in". Two senior government officials outside Eskom‚ however‚ confirmed there were plans to remove Koko within days.

The practice of paying officials suspected of corruption to go rather than face charges has been a common feature under President Zuma’s administration. How the ANC’s new leadership responds to a generous deal with Koko will be a key indicator of whether it intends to get tough on corruption.

*Synopsis*

**Eskom cash crunch concerns mounting, despite denials**

Jan 11 2018 17:56

**Yolandi Groenewald**

<https://www.fin24.com/Economy/Eskom/eskom-cash-crunch-concerns-mounting-despite-denials-20180111>

Johannesburg - Eskom denied on Thursday that it faced imminent bankruptcy, as reports of its dire financial situation raised concern. Eskom finances had allegedly deteriorated to a point where it was struggling to pay creditors. But Eskom spokesperson Khulu Phasiwe maintained that Eskom’s liquidity levels remained sufficient.

Eskom is yet to publish its interim results, expected at the end of November, before being postponed again in December. Eskom could not provide a date for the release.

Insiders at Eskom this week told Fin24 that the utility has not been able to execute a feasible plan to help the utility out of the dire straits the November situation had painted. Poor corporate governance had alienated the facility and the return of the reinstated controversial executive Matshela Koko has not boosted confidence, a source with knowledge about the situation said.

Finance Minister Malusi Gigaba has repeatedly warned that the financial crisis at Eskom presented the biggest threat to the South African economy. He has indicated that government will not allow Eskom to fail, and thus business rescue or commencement of bankruptcy proceedings is not an option. In such circumstances the state will therefore have little option but to assist with a further bailout to keep the utility afloat.

Eskom hoped that bond sales would help its position, but with a cloud of poor governance hanging over the utility, there were big questions whether it would be able to raise any funds through the bonds.

*Comment about Eskom*

*It just gets worse. Productivity has stagnated, salaries tripled, etc in the last 10 years. Mismanagement at this level won’t be solved in a day, not even in the next year. If management improves it will only be visible in two to three years hence. Don’t hold your breath!*

*Synopsis*

**ESKOM: Electricity costs could be sliced by 90% - energy expert**

Jan 14 2018 15:14

<https://www.fin24.com/Economy/Eskom/electricity-costs-could-be-sliced-by-90-energy-expert-20180114>

Cape Town - Energy expert Ted Blom believes distributed generation will slice electricity costs by up to 90% for the average household.

[**Wikipeadia**](https://en.wikipedia.org/wiki/Distributed_generation) defines distributed generation as "electrical generation and storage performed by a variety of small, grid-connected devices referred to as distributed energy resources".

“South Africa and the world is at the precipice of revolutionary developments in energy generation and distribution, and the next 5 to 10 years will render such dramatic changes that today's energy supply chain will not be recognisable, especially with the advent of distributed generation, which in many instances will kill off centralised ‘bulk’ generation and distribution," said Blom.

"I believe this move will slice electricity costs by up to 90% for the average household, and be a boom industry for participants in the energy revolution, with concomitant radical improvements in standards of living.”

Last year Blom testified before Parliament’s inquiry into Eskom’s governance. In his view, such prosecution and clean-ups are long overdue, as Parliament is powerless to take punitive action against wrongdoers. As for the pending decision on nuclear, Blom is "convinced" that it will be pushed through the moment South African citizens take their "eye off the ball". "President Jacob Zuma's government has already confirmed that it is beholden to the Russian deal, and their delivery of those contracts to Russia is allegedly behind. So, expect renewed vigour from Eskom and the Department of Energy to bulldoze these through,” he cautioned.

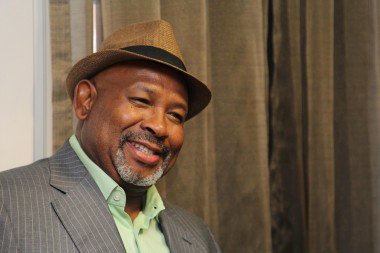
*Comment*

*Of course the currently ridiculously expensive Eskom will probably resist this aggressively, as their overpaid jobs are on the line. However, we need to be ever vigilant to prevent the senseless exorbitantly expensive nuclear power option being approved. Precisely why AMAGP exists*.

*Synopsis*

**Jabu Mabuza named Eskom chairman in board overhaul**

Thembisile Dzonzi  /  21 January 2018 14:03    [No comments so far](https://www.moneyweb.co.za/news/south-africa/jabu-mabuza-named-eskom-chairman-in-board-overhaul/#to-comments)



Jabu Mabuza named chairman, Phakamani Hadebe as acting CEO.

South Africa appointed a new board at struggling utility Eskom, with Jabu Mabuza becoming chairman, and ordered a new permanent chief executive officer to be named within three months. As well as the appointment of Telkom Chairman Mabuza, the government recommended former Land Bank chief Phakamani Hadebe as the acting CEO, it said in a statement. The move, designed to strengthen governance and management, follows a meeting between President Jacob Zuma and other key ministers on Friday to address urgent challenges at the firm.

S&P Global Ratings this week said there was a “clear danger” of Eskom defaulting on its debt. Governance is among the issues that lenders have said the company needs to resolve before they make additional funds available.

“It’s really important in the short term to win back the confidence of the financial community,” Chris Yelland, an energy analyst and managing director of EE Publishers, said by phone.  Particularly “in order to release funds, to roll over debt, for new bond issues that have really been delayed because of these governance problems”.

In addition to the board appointments and acting CEO recommendation, which will be ratified by the cabinet at its next meeting, the government also asked that a new permanent chief financial officer be named within three months.

**Removing executives**

The ruling party said it expects the board to immediately remove all Eskom executives who are facing allegations of corruption and other acts of impropriety. That includes Matshela Koko and Anoj Singh. Eskom’s Zethembe Khoza confirmed that he resigned as chairman on Friday, Fin24 reported.

The board appointments “will go a long way towards rebuilding confidence in the leadership in our country and in our economy,” Cas Coovadia, the Banking Association South Africa’s managing director, said in a statement.

Business Unity South Africa (BUSA) shared similar sentiments, saying that it welcomes the announcement of the new board of directors at Eskom as a significant step to address the maladministration and corruption which has escalated so dramatically over the past several years.

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**SUPPORTING THE PROTEST ACTION OF THE PUBLIC SERVANTS’ ASSOCIATION (PSA)**

**Mr Rob Moody : General Manager of the PSA**

**“The PSA is holding a protest action at the Metropolitan Horce Race at Milnerton in Cape Town on 27/01/2018** and It would be appreciated if the members of the Monitor Group (Now AMAGP) could encourage the members of the Group to join in. It provides us as Pensioners a legitimate opportunity to visibly show the country our discontent and that we are concerned at what is happening with our Pension Fund. The focus of this event will be to protest against the participation of the horses of Mr Marcus Jooste of Steinhoff at the race. Both the National Horse Racing Authority and the Main Sponsor, Sun International, has been petitioned to prevent the horses of Mr Jooste from participating in the event, as we believe that his horses have been bred and/or acquired with profits he made through irregular accounting practises at Steinhoff. This caused Public Servants a loss of more than R12billion in their pension investments, through investments losses by the PIC.

Our aim is to have at least 500 serving members, as well as PSA Pensioners, protesting at the main entrance of the race track on the day of the race. We will also be hosting a media conference on the day as part of our protest action.

**THE President and Management of AMAGP (Previously “GEPF Monitoring Group”) support this action.**   We, therefore, encourage our members and supporters to voluntarily join this visible manifestation of the concerns about our fund.   We support any action that may help towards safeguarding our fund

Those that volunteer to participate can contact Mr Rob Moody(PSA) to register and obtain more details. ([robmoody@mailbox.co.za](mailto:robmoody@mailbox.co.za). tel. 081 016 5110).   In case of problems contact Mr Moody.

Mr Stemmet (AMAGP) can be contacted for assistance (Adamus P Stemmet [adamusp2602@gmail.com](mailto:adamusp2602@gmail.com) tel: 082 320 9245)

*Comment*

*We look forward to you, dear reader, participating in the protest. This might be your first opportunity to participate in such a protest and should be an interesting experience.*

*Synopsis*

**Lonmin's future in balance as govt studies non-compliance allegations**

Nov 28 2017 12:55

**Tehillah Niselow**



Johannesburg - Lonmin's future is still in the balance as the Department of Mineral Resources (DMR) probes allegations that it violated its mining licence.  The department confirmed it is studying the contents of a letter by Mining Forum SA alleging Lonmin is in breach of its social and labour plans. It will only then decide on the “appropriate course of action”, the department told Fin24.

Mining Minister Mosebenzi Zwane’s spokesperson said claims of non-compliance still need to be verified and “there are just too many allegations levelled against the company”.

Mining Forum SA, a non-profit organisation representing mining communities, wrote to Zwane on 25 November asking him to “suspend Lonmin’s [mining licence] due to SLPs' [social and labour plans'] non-compliance and the containing violence in the [Marikana, North West] community”. The department's inspectorate raided Lonmin mines in the North West region in August and found that Lonmin did not comply with the commitments made in its social and labour plan of 2014 to 2018, the lobby group alleges.

Mining Forum SA, which also backs the controversial new Mining Charter, states on its website that “it aims to see compliance of the laws and regulations governing the mining industry for the benefit of mine employees and communities”. The organisation’s president Blessings Ramoba said the failure by the world’s third largest platinum producer to implement its social and labour plans has led to strife, divisions and even violence between the Bapo Ba Mogale tribal authority and mineworkers employed by Lonmin.

**Lonmin's back against the wall**

The platinum producer is currently battling financial problems as a result of the weak platinum price and rising costs. It’s yet to publish its 2016/2017 financial results and attributes the delay to an operational review, which is under way.

In a response to Mining Forum SA’s letter to Zwane, Lonmin’s spokesperson Wendy Tlou said in a statement "That action plan has been submitted and received by the DMR, and Lonmin will now give the DMR regular progress updates on the implementation of the action plan”.

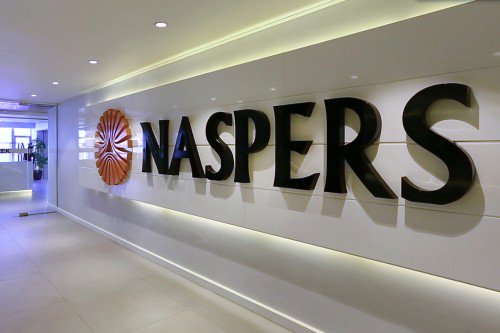
*Comment*

*Lonmin’s woes don’t seem to want to go away. Add the takeover by Sibanye. Hmm*

*Synopsis*

**Concentration risk should be a concern for GEPF Says the GEPF Monitoring Group.**

Moneyweb  /  20 December 2017     



Picture: Bloomberg

The ongoing fallout caused by the collapse of Steinhoff has raised serious concerns about the adequacy of the risk management policies and practices applied by the trustees of the GEPF.

There remain however, individually or collectively, other more significant concentration risks in the investment portfolio of the GEPF. The GEPF declined to comment on the specific issues raised by the Monitoring Group, however in a previous statement it noted that its investment loss, caused by the fall in the Steinhoff share, was 0.6% of the total GEPF portfolio on December 6 2017. Further, despite the fall, the total GEPF equity portfolio had created a value of about R140 billion over the preceding 12 month period, and had performed better than the equity benchmark.

*Comment*

*This article takes up the AMAGP press release, indicating the value of AMAGP activities that Moneyweb should include it in their news. I would say a0.6% loss would be significant and require focused attention.*

**Publisher**

Chairman: Antonie Visser

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Secretary: Errol Massey-Hicks

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***Words from the Chairperson***

Ons is in die begin van 2018 en Suid Afrika staan voor talle uitdagings. Die ekonomie word bedreig deur grootskaalse korrupsie wat teen n onaanvaarbare tempo die ekonomie en enige oorblywende reserwes dreineer. Polities word groot verwagtinge gestel, soos gratis medies en gratis tersiêre onderwys. In n ekonomie waar daar slegs ongeveer 5 miljoen belastingbetalers is en met 17 miljoen maatskaplike pensioene wat maandeliks betaal moet word, n sukkelende infrastruktuur in ‘n skokkende toestand wat moeilik optimale produksie ondersteun, algehele produktiwiteit sub-standaard is en meeste SBI in ‘n finansiele verknorsing is, is dit duidelik dat alle fokus nou gerig is op die enkele instansies en individue waar daar nog reserwes is en bloed uit n klip getap kan word.

Die verwagting is dat met die begrotingsdebat individuele belastings sowel as BTW verhoog gaan word, terwyl sekere zero heffings soos op brandstof wel opgehef gaan word. Al die inisiatiewe gaan tot gevolg hê dat die gemiddelde belastingbetaler nog swaarder belas gaan word en dat verdere herverdeling aan die orde van die dag is. Hiermee saam nog verreikende besluite by die ANC konferensie dat grond sonder vergoeding vervreem kan word. Net dié besluit druis kardinaal in teen eiendomsreg en die basis van ‘n goeie ekonomiese bestel. Die ontkenning van die basiese beginsel van eiendomsreg is ondenkbaar. Dit is ook n praktiese voorbeeld van wat die huidige regering sal opoffer ten einde stemme te behou. Die klem is op die belang van die meerderheid en nie minderheidsgroepe nie. Ek noem dit sommer “Die prys van Stemme”.

In die lig van bogenoemde omstandighede is dit duidelik dat daadwerklike pogings aangewend sal moet word om kritiese beginsels, soos vervat in die Grondwet en die Handves van Regte om alle mense te beskerm, te handhaaf. Verdermeer sal Suid-Afrika daadwerklik moet optree om verdere internasionale afgradering of selfs ekonomiese marginalisering teen te werk. My voorstel is gesonde leierskap, die uitroei van korrupsie op alle vlakke, die afdwing van verantwoordelikheid en aanspreeklikheid, wêreld standaard opleiding en die algehele verhoging van produktiwiteit

Graag wil ek op die noot my dank en waardering uitspreek aan die lede van die AMAGP wat onbaatsugtig, vrywillig en op eie koste hard werk en gewerk het om die saak te bevorder. Die grondwet van die Organisasie is gefinaliseer, die Organisasie is amptelik as Nie-Winsgewende Organisasie geregistreer en verskeie studies en persverklarings is gedoen en uitgereik om mense en instansies te sensiteer vir bedreigings teen die GEPF en die gevolglike lede belang. Die uitgangspunt is deurgaans dat die lede slegs een doel voor oë het, naamlik om eie belang [die Fonds] te beskerm, dus lede wil net verseker dat hulle kry wat hulle toekom [pensioen] met die klem op volhoubaarheid. Voorts is die Organisasie eens dat die bereidwilligheid daar is om met ander organisasies saam te werk wat die gemeenskaplike belang van die regeringspensioenlede bevorder en beskerm.

Eersdaags word ons Algemene Jaarvergadering gehou op15 Februarie 2018 by die kantore van Solidariteit in Centurion. Alle GEPF lede word uitgenooi om dit by te woon. Dit is belangrik dat veral GEPF pensioenarisse deelneem aan die vergadering om terugvoer te gee, enige bekommernisse oor pensioen aspekte uit te klaar, nuwe doelwitte te bepaal en om lede en bykomende medewerkers by te kry om ONS saak te bevorder.

**The GEPF AMAGP: Invitation**

GEPF members, either still working or pensioned, are cordially invited to join the GEPF Monitoring Group/AMAGP. There is always place for members and co-workers all contributing to the cause and in their own interest. See the letter by Hennie Roux on the next page. Contact any one of the following:

Hennie Roux

[hennie@nostalgie.co.za](mailto:hennie@nostalgie.co.za)

Gerda Putter

[gerda.putter@gmail.com](mailto:gerda.putter@gmail.com)

Alan Luck [armyrenewal@vodamail.co.za](mailto:armyrenewal@vodamail.co.za)

Errol Massey-Hicks

[errolhicks@gmail.com](mailto:errolhicks@gmail.com)

**FACEBOOK GROUP**

**[GEPF Moniteringsgroep]**

AMAGP members are becoming increasingly aware of the potential threats to the well-being of our Fund as indicated by the continued increase in members. However, being a member of the Facebook group does not automatically mean membership of the GEPF AMAGP as an organisation. If you are interested in becoming a member of the organisation, please complete a membership application to be found in the "Files" section on the FB page.

**Semper Vigilans!**

***CONCLUSION***

***To ponder on…***

Dear Reader,

1. The AMAGP endeavours to ensure the sustainability of the GEPF to the benefit of current and future members of the GEPF. We want many more members for logical reasons – to ensure the GEPF Trustees carry out their assigned roles.
2. The MG was established in 2016 as a voluntary organisation and, as the AMAGP, will remain so for the foreseeable future. The AMAGP maintains good relations with the GEPF Trustees as well as the PIC. The AMAGP is also in continuous communication with other stakeholders and interested parties to ensure the widest possible concern for our current and future pensioners.
3. Although until recently the GEPF funding progressed satisfactory in its endeavour to provide sustainable pension benefits to pensioners and future beneficiaries, SC and its resultant tentacles started reaching out to the GEPF and PIC and created alarm. The blatant SC leading inevitably to degrading our democracy and the resultant downgrade in international financial grading still threatens our GEPF’s sustained viability, including those very same politicians who eventually want to retire on their state pension.
4. The financial woes of ESKOM, SAA and other SOE [PETROSA, PRASA, Transnet, etc] feature largely, making looting the GEPF very attractive. Think of the billions required for the nuclear power dreams the [doomed to overruns and massive losses].
5. In conclusion dear reader, decide if you want to risk the retirement you are excited about, to be similar to other departed and failed pension funds, or are you prepared to become a paid up member of the AMAGP? Litigation and court interdicts are expensive.

**Comments, articles and recommendations about and for the newsletter are welcome. No anonymous submissions will be accepted; however, names may be withheld on request.**

Please submit it to:editorgepfmg@gmail.co.za

**Message from Hennie Roux, Executive Member, AMAGP**

Vriend,

 U naam is op ons lys as ‘n persoon wat nie net ‘n lid van die AMAGP is nie,  maar ook iemand wat as ‘n medewerker bereid is om met ons aktiwiteite te help. Baie dankie daarvoor.

 Daar is tans die volgende personeel behoeftes:

* Sekretariaat. Die sekretaris is tans oorlaai. Ons soek veral vir ‘n persoon wat gewillig sal wees om boodskappe en briewe op te stel maar ook sal hulp verskaf met algemene sekretariele pligte. Alhoewel nie noodsaaklik nie, moet die persoon verkieslik te Pretoria woon.
* Webwerf. Persoon wat bereid is om ‘n webwerf op te stel en te bedryf ten einde die AMAGP te adverteer, lede te werf en relevante nuus oor te dra. Die persoon kan enige plek in die RSA woonagtig wees op voorwaarde hy/sy natuurlik toegang het tot die internet.
* Sosiale Media. Dit het ‘n baie belangrike element van kommunikasie in ons samelewing geword. Ons maak dikwels persverklarings en beleid beslissings wat so gekommunikeer behoort te word. ‘n Persoon wat hierin sal spesialiseer word benodig. Die persoon kan enige plek in die RSA woonagtig wees op voorwaarde hy/sy natuurlik toegang tot die internet het.
* Werwing. Ons het ledegetalle nodig om na buite erken te word as ‘n organisasie met substansie. Ons het behoefte aan persone wat in hul omgewing en “dampkring” sal onderneem om werwing te doen. Die persoon(e) kan enige plek in die RSA woonagtig wees op voorwaarde hy/sy natuurlik toegang tot die internet het.

  Die organisasie word tans deur enkele vrywillige pensioenarisse bedryf, wat hoe meer dit ontwikkel, noodwendig oorlaai word. Dit doen ons ten behoewe van die 1,3milj dienende staatsdiensamptenare en 430000 -pensioenarisse. Daar is meer as genoeg rede om te glo dat dit wat ons doen  dringend noodsaaklik is. Help ons om te verhoed dat ons pensioene in dieselfde gemors as die Spoporweg s’n beland.

 U word versoek om slegs ‘n deel van u aftreetyd aan die saak te wei. As u dus kans sien,  help ons aub. Laat spoedig weet waarvoor u kans sien. Moontlik weet u van ‘n ander staatsdienspensioenaris wat oor die betrokke vermoens beskik en belang stel – laat dan vir ons weet aub.

 Hennie Roux

VERKLARING

UITGEREIK DEUR: A P STEMMET

ORGANISASIE : GEPF MONITOR GROEP (AMAGP)

18 DESEMBER 2017

**Bekommernis oor die saam gevoegde risiko van beleggings by die GEPF**

Die bestuurspraktyk en die voldoendheid van kennis van risikobestuur en aanvullende ander praktyke wat tans deur die Trustees van GEPF toegepas word, het opnuut weer na die STEINHOF debakel onder die soeklig gekom.

Die inligting verkry uit die Jaarverslag van die GEPF toon dat lg. bykans 10% van die uitgifte kapitaal van STEINHOFF besit wat op sy beurt ongeveer sowat R28 miljard op daardie datum werd was. In ag genome die aandeelprys van STEINHOFF op 15 Desember 2017, oorskry die papier verlies vir die GEPF van die STEINHOFF belegging nou R25 miljard.

Om hierdie in perspektief te plaas, die verlies is bykans 38% van die totale inkomste van bydraers (van werknemers en werkgewers) wat die Fonds vir die jaar einde 31 Maart 2017 ontvang het. Die verlies maak ook uit ŉ 40% van die totale aanpassings van waarde (afwaarts aangepas tot omtrent R60 miljard) vir jaareinde 31 Maart 2017.

Hierdie verlies is besonder beduidend vir die GEPF.

Daar is egter individueel en kollektief, ander besondere beduidende versameling risiko’s binne die beleggingsportefeulje van die GEPF.

‘n Uitstekende voorbeeld is die belegging van R162 miljard in NASPERS teen 31 Maart 2017. Hierdie belegging maak deel uit van 16% van die uitgifte aandele na NASPERS, nieteenstaande gesien uit ‘n korporatiewe bestuuroogpunt en as gevolg van die kapitaalstruktuur van NSAPERS, die beheer in die hande van bestuur van NASPERS is. Die gemiddelde waarde soos op 31 Maart 2017 in die NASPERS belegging is 24% van die waarde van ‘n primêre noterings-belegging op die Beurs (JSE).

Hierdie belegging is beduidend en beslis ‘n riskante profiel.

Gesien die NASPERS situasie, is dit duidelik in die lig van die omvang van die GEPF, dit onveilig is om die oorgrote meerderheid van die belegging van die Fonds in die RSA te belê sonder om die risiko profiel van die GEPF in gevaar te stel, soos nou duidelik gedemonstreer is. Die toekomstige aftreevoordele van pensioenarisse en lede is blootgestel aan onaanvaarbare vlakke van risiko en sal op hierdie onaanvaarbare vlak bly tensy regstellende optrede plaasvind.

As in gedagte gehou word dat bladsy twee van die 2017 Jaarverslag van die GEPF deel van sy missie en onder sy hofie “integriteit” meld dat hy “not misrepresent or withhold information to which our stakeholders are entitled”, vra die GEPF MG die volgende vrae m.b.t. die bestuur van berekende risiko. Daar word verwag dat eerlike en gedetailleerde antwoorde in terme van sy beleid hierbo genoem, sal voorsien:

* Aanvaar die Trustees van GEPF dat dit hulle mandaat is om bo alles die belange van hulle lede en pensioenarisse te beskerm, dat die Trustees met die fonds tot hulle beskikking nie die primêre instrument is om die groei van die RSA ekonomie te stimuleer nie. Hierdie fonds sal dus ook nie gebruik word om politieke oogmerke te bedien nie.
* Hoe sal ‘n berekende risiko soos tans met die NASPERS belegging van GEPF en ander beleggings genoem in die Jaarverslag, geregverdig word en waarom is die geleentheid toegelaat om so te ontwikkel.
* Is daar ‘n plan om die beduidende risiko in die beleggings portefeulje van die GEPF te verminder en indien wel voorsien besonderhede en indien nie WAAROM nie.
* Waarom is die vlakke van oorsese beleggings in die verlede nie verhoog nie.
* Is die vlakke van oorsese beleggings verhoog relatief tot dit wat gegeld het op 31 Maart 2017, en indien wel, wat is parameters en tydskale.
* Is daar bo-limiete van blootstelling van individuele beleggings deur die GEPF in terme van bedrag, % eienaarskap, en/of die verhouding van belegging totale of sub-totale. Indien wel, watter limiete bestaan en hoe gereeld word herbalansering gedoen?

Ons verwys ook na die reuse bedrae wat in Staatsbeheerde Instansies bele is. Tans beloop hierdie beleggings volgens die jaarverslag van 2017, R135 biljoen. Van hierdie bedrag word R86 biljoen deur Eskom alleen geskuld. Die blootstelling van die GEPF aan hierdie instansies alleen toon ‘n toename van R10 biljoen. Die toename van blootstelling aan Eskom alleen is dus ongeveer 12% nieteenstaande die ongelooflike swak bestuur aldaar die afgelope paar jaar. Selfs die Minister van Finansies beskou Eskom al as ‘n risiko van die RSA ekonomie.

U idees oor die voordeel vir die fonds van hierdie SbI-beleggings wat op die oog af sonder beduidende voordeel van die fonds is, sal waardeer word.

Dringende terugvoer in verband met bg. sake sal waardeer word.

A P STEMMET

DURBANVILLE

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[adamusp2602@gmail.com](mailto:adamusp2602@gmail.com)

**Government employees are propping up Eskom through investments made via retirement savings.**

[Warren Thompson](https://www.moneyweb.co.za/?author=469788) / 25 May 2017



Jacob Zuma, South African President

Government employees could unwittingly be sucked into state capture through the increased purchases of debt in state-owned entities like Eskom using their retirement savings.

For the year ending March 2016 – the latest available reported figures – the government employees’ pension fund (GEPF), of which national and provincial public servants are members, increased its ownership of Eskom debt through the additional purchase of R8.3 billion of Eskom bonds. Moneyweb understands that this trend continued in the year ending March 2017.

At the end of March 2016, the GEPF held R73.7 billion of bonds and bills in the embattled state-owned utility, making it the largest single owner of Eskom debt by a long way. In fact, so large has the GEPF’s buying of Eskom bonds become, it now dominates ownership for many of the utility’s bond issues (see below).

**GEPF ownership in select Eskom bond issues as at 12 May 2017**

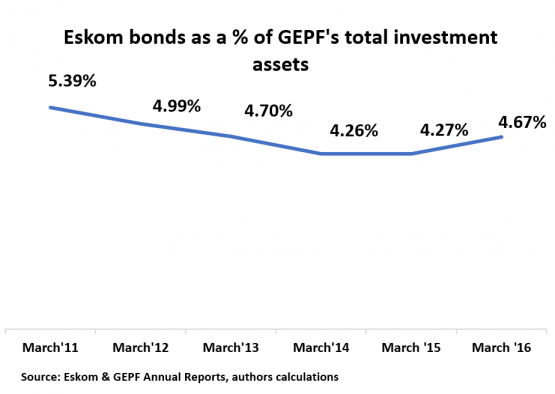
|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **ESKOM ES 2023** | **Size (R’m)** | **R15,997.32** |  |  | **Eskom ES 2026** | **Size (R’m)** | **R24,962.16** |
|  | **Top ten owners** | **Value (R’m)** | **% owned** |  |  | **Top ten owners** | **Value (R’m)** | **% owned** |
| 1 | **GEPF** | **R13,129** | **82.07%** |  | **1** | **GEPF** | **R19,131** | **76.64%** |
| 2 | RMB Capital Markets Prop | R1,078 | 6.74% |  | 2 | Sanlam Life Insurance | R614 | 2.46% |
| 3 | Nedcor Capital Treasury | R250 | 1.57% |  | 3 | AIPF | R369 | 1.48% |
| 4 | Sanlam Life Insurance | R229 | 1.43% |  | 4 | Old Mutual plc | R282 | 1.13% |
| 5 | Old Mutual plc | R122 | 0.79% |  | 5 | SIMLEND | R200 | 0.80% |
| 6 | Orbis Allan Gray | R118 | 0.74% |  | 6 | Stanlib | R125 | 0.50% |
| 7 | Whitehouse Family | R118 | 0.74% |  | 7 | Liberty Life | R99 | 0.40% |
| 8 | AIPF | R100 | 0.63% |  | 8 | Sanlam Ltd | R88 | 0.35% |
| 9 | ABSA Bank | R49 | 0.27% |  | 9 | MMI Group | R76 | 0.31% |
| 10 | MMI | R43 | 0.27% |  | 10 | SAMWU National Provident Fund | R76 | 0.30% |
|  | **Top ten combined** | **R15,236** | **95.25%** |  |  | **Top ten combined** | **R21,060** | **84.37%** |
|  | **Source: Bloomberg** |  |  |  |  | **Source: Bloomberg** |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **ESKOM ES 2033** | **Size (R’m)** | **R29,424.53** |  |  | **ESKOM ES 2042** | **Size (R’m)** | **R13,610.40** |
|  | **Top ten owners** | **Value (R’m)** | **% owned** |  |  | **Top ten owners** | **Value (R’m)** | **% owned** |
| 1 | **GEPF** | **R8,948** | **30.41%** |  | **1** | **Old Mutual plc** | **R5,289** | **38.86%** |
| 2 | Transnet Second defined benefit | R3,892 | 13.23% |  | 2 | GEPF | R2,643 | 19% |
| 3 | Old Mutual plc | R2,412 | 8.20% |  | 3 | RMB Capital Markets Prop | R887 | 6.52% |
| 4 | Sanlam Life Insurance | R1,749 | 5.95% |  | 4 | MMI Group | R638 | 4.69% |
| 5 | MMI Group | R1,319 | 4.48% |  | 5 | Sanlam Life | R549 | 4.04% |
| 6 | RMB Capital Markets | R965 | 3.28% |  | 6 | Liberty Life | R434 | 3.19% |
| 7 | Liberty Life | R639 | 2.17% |  | 7 | ABSA Bank | R224 | 1.65% |
| 8 | AIPF | R448 | 1.52% |  | 8 | Metal Industries provident | R132 | 0.97% |
| 9 | Orbis Allan Gray | R370 | 1.26% |  | 9 | JM Busha | R112 | 0.82% |
| 10 | Whitehouse Family Trust | R320 | 1.09% |  | 10 | Orbis Allan Gray | R100 | 0.73% |
|  | **Top ten combined** | **R21,062** | **71.59%** |  |  | **Top ten combined** | **R11,008** | **80.89%** |
|  | **Source: Bloomberg** |  |  |  |  | **Source: Bloomberg** |  |  |

This is particularly disquieting because Eskom ceased public auctions for its local rand denominated bonds as far back as 2014. This means the GEPF through the PIC has been continuing to buy bonds through private placements.The difference between a public auction where details of a bond issuance are distributed to a large number of buyers, and a private placement that entails deals behind closed doors between a single or small number of buyers, is stark.

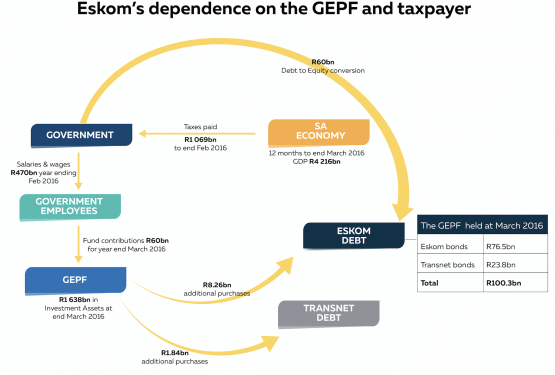
A public auction allows the market to test the pricing and brings transparency to the process. A private placement, by contrast, is a deal struck between the issuer and one, or a few, buyers. In the case of Eskom, it might involve a call from its Treasurer to one of the investment managers at the PIC. Market forces are excluded and no-one has an idea if the yield being agreed to by the buyer in a private placement is fair, or whether there is even any appetite to buy the bond in the first place. And therein lies the problem for the pensioners and members of the GEPF: with Eskom continuing to sell bonds to only one party (the PIC/GEPF) in this manner, no-one can be sure whether their pension savings are getting a fair deal.

While the quantum of lending by the GEPF to Eskom has increased in absolute terms in recent years, the good news is that on a relative basis, the exposure to Eskom has stayed constant (see graph). But size is also a problem for the GEPF. With R1.6 trillion in assets, most of which are invested locally, it might just be too big for the market in which it operates.

[](https://www.moneyweb.co.za/wp-content/uploads/2017/05/Screenshot-2017-05-24-17.41.15.png?x31826)

While Eskom is not that big in the eyes of the GEPF, in the power utility’s eyes the GEPF is massive. Without the funding provided by the GEPF over the last few years Eskom would simply not be able to operate

It becomes important to reassure ourselves that the funding provided by the GEPF is being done on an arms-length basis, because if we can’t, it implies no other investors would be prepared to step in and buy the company’s debt on the level the GEPF has and this would fundamentally comprise the utility as a going concern. To understand the competing interests and conflicting incentives of having a state agency (the PIC), on behalf of a defined benefit public pension fund (the GEPF), become the largest buyer of a state-owned entity’s debt (Eskom), Moneyweb compiled the graphic below to represent the flow of money between the economy, taxpayer, SOE and GEPF.

[](https://www.moneyweb.co.za/wp-content/uploads/2017/05/Screenshot-2017-05-23-15.23.43.png?x31826)

Looking at the above graphic, is the GEPF continuing to buy Eskom bonds to

a) prevent the government from having to bail-out the state utility directly;

b) protect its own investment in Eskom by preventing the company from going bust; or

c) safeguard the long-term interests of its members by buying fixed income instruments on a measured basis?

Deciphering this becomes particularly gruelling when evaluating the deteriorating governance standards at Eskom and its business model, which seems to be in terminal decline (Eskom produces and sells less electricity now than it did in 2004). And what about the concentration of risk in the economy? Is pumping money via government employee savings (who in turn derive their income from taxes) into an SOE that already depends heavily on taxpayer bailouts, prudent?

Look what we have learned since: not only has Eskom lent the Guptas money, abolished penalties owed to it by them, but greatly enriched them with incredible coal contracts.

If you hold the view that state-owned entities are nothing but a piggy bank from which a predatory and parasitic political elite extract rents as has been alluded to in a number of reports relating to Eskom specifically (State of Capture, Dentons, PwC) and reinforced by the re-appointment of Brian Molefe as CEO, then continued buying of bonds by the GEPF is nothing more than a form of prescribed assets enabling state corruption. The money is funnelled via the savings of government employees to prop up over-indebted SOEs like Eskom so that the rents can be extracted through their procurement processes.

Moneyweb sent a number of detailed questions directly to the GEPF, Minister of Finance, and the PIC over the nature of the relationship between the various stakeholders, as well as what, if any, engagements had taken place over governance at the company. Deon Botha, responsible for stakeholder engagement at the PIC, responded with the full statement at the bottom of the article).

Answers to more detailed questions about the engagement of “external company law experts” had not been received at the time of going to press.

It’s probably fair to say that the public has been perpetually disappointed with the management and governance at a number of SOEs that include Eskom and Transnet. The ratings agencies have noted the risk to the country’s sovereign credit rating due to the risks posed by contingent liabilities emanating from SOEs, most notably Eskom, which is by far the largest. It is one thing throwing good money after bad trying to bail them out – as the latest noises coming out of the SABC indicate – but doing it with the retirement savings of 1.6 million people is unacceptable.

**PIC’s full statement in respect of questions put to it by Moneyweb**

*“The Public Investment Corporation (PIC), on behalf of its clients, does hold a substantial amount of bonds of various State Owned Entities (SOEs).  A significant portion of the PIC’s bond-holdings in SOEs is Government-guaranteed.  At the outset, it should be stated that SOEs have never defaulted on any of the PIC’s bond investments.  It should also be contextualised that bondholders do not have the same rights as shareholders.*

*The Government is the sole shareholder in SOEs and therefore has the right to appoint members to the boards of SOEs.  The PIC is concerned with governance practices of certain SOEs and has engaged the National Treasury in this regard.  The PIC is also currently in discussions with external company law experts to determine what changes can be made to the PIC’s governance policies to enable the PIC to exercise a greater degree of oversight on the governance structures of investee SOEs.”*

*The PIC has an Environmental, Social and Governance (ESG) Policy, which is based on corporate governance best practice, specifically for SOEs.  This policy takes into account, inter alia, documents such as King IV, the Companies Act and the Public Finance Management Act.  The PIC also has an ESG Rating Matrix with various metrics on environmental, social and governance best practice with which it rates the ESG scores of SOEs.   The PIC actively engages all investee companies, including SOEs, on ESG matters based on our ESG policies and the ESG score derived from the ratings matrix.*

*As a result of these engagements, Eskom understands what our views are on a number of issues, including governance.  The PIC can assure government employees and pensioners that it is not conflicted as an organ of state, as all investment decisions are taken in the best interest of our clients and in line with client mandate requirements and the investment risk parameters stipulated by client mandates. In the case of the Government Employees Pension Fund (GEPF), this mandate is approved by the GEPF board of trustees and is based on a detailed asset and liability study.  The continued support of SOEs will be underpinned by these mandate requirements. Moreover, all investments are also subject to a robust due diligence process which includes a credit analysis, ESG reports as well as risk and legal reports. The PIC remains fully committed to work with National Treasury and Government to improve governance and public finance management in SOEs.”*

<https://www.moneyweb.co.za/moneyweb-opinion/government-employees-are-propping-up-eskom/>

*Synopsis*

**GEPF en Eskom**

**An analysis of the implications of the Moneyweb article above**

Die​ bostaande berig van 25 Mei 2017 is ​baie goeie agtergrond op die vraag "hoe gaan dit (die JSE se moontlike optrede teen Eskom)​ die GEPF raak?" Die GEPF se blootstelling (so sê ​bg artikel) aan Eskom as persentasie van sy totale bates, was teen 31 Maart 2016, 4.67%. ​​​

​

Hier dan ​is ​die orde-grootte van die ​nege grootste blootstellings van die GEPF (in Rand x 109 = miljarde Rand)

​

Jaar-groei"​ word bereken op die 2016 na 2017 persentasie groei van die Blootstelling/Bate-verhouding.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Government Bonds** | R325 miljard | jaar-groei -5% | gradering AAA | Uit staatskas gewaarborg |
| **Naspers** | R162 miljard – ​genoteerde aandeel | jaar-groei +12% |  | Nie gewaarborg nie |
| **GEPF** Defined ​Benefit pensioen | R91 miljard | jaar-groei +3% ​(T​ransfers ​& Benefits |  | Uit staatskas gewaarborg |
| **Eskom** | R86 miljard | jaar-groei​ ​+9.5% | gradering BBB | Uit staatskas gewaarborg |
| **Unlisted Equities** | R46.18 ​miljard | jaar-groei 9.2%​ |  | Glad nie gewaarborg nie |
| **British American Tobacco** | R39 miljard - ​genoteerde aandeel | jaar-groei -13% |  | Nie gewaarborg nie |
| **SANRAL** | R25 miljard | jaar-groei -1% | gradering AA | Uit staatskas gewaarborg |
| **Transnet** | R25 miljard | jaar-groei +2.6% | gradering AAA | Uit staatskas gewaarborg |
| Al die ander individueel kleiner maar saam baie groot - Gov​ Bonds van Angola (R1.8 miljard) is die laagste gewaardeer op beleggingstand B. | | | | |

Omvang van Blootstelling. Dit duidelik dat die blootstelling van die GEPF aan Eskom baie hoog is, wat teen die tempo van 9.5% per jaar styg. Die hoë vlak van blootstelling aan konsekwent-wanbestuurde dog belangrike SOE, sowel as die ondersteuning van ongenoteerde aandele, alles saam met 'n omvang van twee maal die jaarlikse vereiste vir pensioene, teen 'n groeitempo drie maal diè van die GEPF se behoefte. Om dit met die aftree-spaargeld van 'n klein groepie amptenare eerder as uit die belastingbasis van die hele land te wil finansier, met die verskoning dat die Staat dit nie uit die staatskas kan finansier nie, is laakbaar en bloot fisies nie volhoubaar nie. Daar sal **nou** hierteen heftig standpunt ingeneem moet word, want later sal eenvoudig te laat wees, met permanente oorlewingsellende vir ‘n hele paar geslagte staatsdienspensionarisse.

Interafhanklikheid van Waarborge. Wat veral steurend is in bostaande lys van primêre blootstellings vir die GEPF, is die hoë vlak van byna [ingeteelde] interafhanklikheid op die staatskas​, 'n staatskas wat tans onder al groter druk ​verkeer as gevolg van die krimpende belastingbron en die dreigende internasionale afgradering van die RSA se beleggingsstatus. Dat die Minister​,​ as hoof van die Tesourie en die hoofarbiter oor die GEPF se beleggingsbeleid​,​ ​nie kans sien om hierdie aanvegbare finansiering van SOE uit die staatskas te finansier nie, maar eerder die staatsamtenare se aftree-spaargeld daarvoor te gebruik, dui aan waar hy die prioriteit sal plaas wanneer omstandighede hom dwing om prioriteite te kies. Hierdie hoë vlak van interafhanklikheid van dekking binne die krimpende staatskas is 'n ongeregverdigde en reële nuwe en onnodige risiko wat die Minister aan die aftree-spaargeld van die amptenary toevoeg - 'n ellende waarteen die afgetrede spaarder geen verweer het nie.

Die regsgeldigheid van hierdie optrede deur die Staat behoort dringend getoets te word ("Waar gaan jy dit dàn kry as jy dit nie nou het nie​?")

Eskom Gradering.  Indien die JSE vir Eskom straf deur hom die reg te ontsê om op die formele mark met sy skuld handel te dryf, sal dit waarskynlik die Eskom-waardasie na BBB verlaag. Indien die GEPF-Raad enige effektiewe gesag oor die bates van die fonds het, behoort hy bloot ter beskerming van die fonds die reg te hê om ingeval van ‘n gevolglike hergradering op te tree. Indien die Raad nie effektiewe gesag oor die fonds het nie, sal daar bloot van 'n "private placement" deur die Staat gebruik gemaak word – natuurlik met die immer-ondersteunende “goedkeuring” van die GEPF-Raad - wat die ondersoeker in die bostaande Moneyweb-opinion baie goed saamvat in die volgende verduideliking:

 "*Market forces are excluded, and as a result, no-one has an idea if the yield being agreed to by the buyer in a private placement is fair, or whether there is even any appetite to buy the bond in the first place. And therein lies the problem for the pensioners and members of the GEPF:​ with Eskom continuing to sell bonds to only one party (the PIC/GEPF) in this manner, no-one can be sure whether their pension savings are getting a fair deal.”* (plus dat hierdie Eskom-*"bonds"* deur dieselfde staatskas gewaarborg word wat die pensioen waarborg!)

Die lede en begunstigdes van die pensioenfonds sal as eienaars van die fonds moet optree of stilbly.

Met die nuwe fokus op verantwoordbare bestuur in die politieke leierskorps, kan mens nie help om te reken dat die tyd juis nou geleë is vir die volgende verstellings aan die GEPF-beleggingsbestuur wat uit bostaande data en skrywe volg:

1. dat die eienaarskap van die bates van die GEPF van die Fonds se lede en begunstigdes in wet bekragtig word, afgesien van die feit dat die Fonds ‘n “defined benefit” pensioenfonds is. Hulle sal kollektief moet toesien dat die beleggingsbestuur pro-aktief, professioneel en deursigtig​, onder en in ooreenstemming met die omsigtigheids-regulasies van toepassing vir al die ander pensioenfondse ​in die RSA, uitgevoer word;
2. ​daar sekere sleutelwysigings aan beide die GEPF-Wet en die OBK-Wet aangebring word​ (o.a. die beëindiging van die toonaangewende rolle van politieke hoofde uit die ministerie in die beleggingsbestuur van die GEPF);
3. die ophef van beperkings op ouditeurs se professionele en objektiewe oordele binne die doelwit van slegs die GEPF-Wet;
4. ​dieselfde omsigtigheidsvereistes vir alle pensioenfondse​ deur die Registrateur van Pensioene (of sy professionele plaasvervanger) op alle pensioenfondse ​in die RSA van toe​passing gemaak en afgedwing word op die beleggingsbestuur van die GEPF;
5. dat die nuwe gedagte van die OBK om by die bestuur van maatskappye aktief en toonaangewend betrokke te raak, gestaak word ten gunste van ‘n gefokusde, omsigtige, verantwoordbare en deursigtige beleggingfunksie van die GEPF se bates.

Onthou dat die GEPF werk vir 'n ledetal wat lankal oorwegend swart is - die fondament is wel deur wit lede 50-20 jaar gelede gelê, maar nou lê dit daar vir die oorwegend swart amptenare en nie om na buite uit te deel as BEE begunstigings nie. Indien hierdie fondament vernietig word, sal dit ellende vir geslagte van oorwegend swart pensioenarisse beteken​.

*Analysis by Rudolf Stolze*

*AMAGP Member*