

Written submission to the Portfolio Committee on Public Enterprises on the Transnet Second Defined Benefit Fund (“TSDBF”)

13 October 2006

This submission should not be seen as a party-political statement. Neither is the purpose hereof to threaten, to criticise, or to score any points against the ruling party, the executive authority or the management of Transnet and its pension funds. This submission is merely an effort to voice the fears, frustrations and disappointments of thousands of South Africa’s most vulnerable people: the aged. In particular, those who are members of the TSDBF. They don’t know or ever belonged to trade unions. They don’t have the benefit of collective bargaining power of withholding their labour – because they are not supposed to work – they worked for all their lives and deserve care free retirement.

This document is therefore an effort to reflect some of the many cries for help that I received since the media reported on our party’s intention to help Transnet pensioners to have their voices heard.

1. “I cannot write”

I was particularly touched by voice mail number 16 (the 41st altogether) on my cell phone which I received from an unidentified elderly woman from Bloemfontein this Wednesday. Translated to English the message was something to the following effect: *“Mr Spies thank you so much. I heard on the radio that I could fax you my complaints about our pension to you before Friday. I have a problem. I had a stroke. I can not write, but my daughter is coming to me from Pretoria this weekend, to write to you. Is it okay if I send you the letter on Monday?”*

2. A problem left to die away

As pensioner Mike Conradie of Kempton Park stated to me in a telephonic conversation yesterday: *“we get the impression that the decision making powers are leaving this problem to die away”*.

Ironically, the problem might eventually become extinct and die a natural death. In fact, most of the affected pensioners are older than 76 (since the last retirees who ended up as members of the TSDBF retired at the age of 60 in 1990). But, are we as parliamentarians not forsaking our duty then? I think so. And so would the thousands of TSDBF pensioners out there who had been waiting for four years now for a solution to the dilemma their pension fund finds itself in.

3. Where did it start?

“I was a member of the only pension fund established in the years 1956 and continued to 1986. I was one of the workers who built up the fund from nothing to

where it stood in 1988. Later years I was informed that we were transferred to a new fund named the 'Second Defined Benefit Fund'. We did not ask for it, neither was our opinions tested. It was enforced upon us", wrote pensioner Chris Brand from Gauteng.

4. "Drastic fluctuation in the stock markets"

The crisis was announced to the pensioners on 30 May 2003:

"Due to current economic conditions and the drastic fluctuation in stock markets, pension funds are in general experiencing weak financial returns", he was informed by a letter from then Chairperson of the Board of Trustees of the TSDBF, Phillip Thompson. Truth is, that the South African stock market recorded its strongest performance in decades over the last three years. But TSDBF pensioners did not share in this bullish trend.

According to the SAVA Bulletin, the "drastic fluctuation in stock markets" was not at all the reason for the TSDBF's hardships, but a R5 billion loss occasioned by a share swop of M Cell shares. The trustees threw good money after bad money and caused a loss to the fund.

"We request that Transnet immediately repay the damages suffered by the TSDBF as a result of corruption and maladministration", wrote CT van Abo, the National Chairperson of Club 60 (an association of Transnet Pensioners).

J Benwell, the President of the South African Association of Retired Persons writes: *"Over the past few years, Transnet has systematically used the pension funds in order to sort out their own financial problems to the detriment of their pensioners"* .

5. A solution before the end of the calender year

In the September 2005 issue of the newsletter for TSDBF members, which is ironically titled "Enrich" the following urgent announcement was published:

"Transnet Limited, as guarantor of the TSDBF is still in the process of addressing this fund's existing deficit and all other related matters. Transnet is concerned about the financial well-being of the TSDBF members and their benefits. Transnet acknowledges the existence of a deficit and its responsibility to manage the situation and to provide an appropriate solution."

Transnet acknowledges that a definite solution to the issues now needs to be determined. The matter is therefore receiving the necessary and urgent attention of the management of Transnet, including the CEO Maria Ramos and the CFO Chris Wells. Transnet is committed to making meaningful progress on matters relating to the TSDBF within this calender year. A dedicated task team has been assigned to this matter and expects to be able to report on significant progress.

Pensioners and other interested parties are asked to please understand that before any information in respect of a solution can be communicated, various matters must be investigated and the consequences fully understood, a significant number of issues

must be debated and negotiated and the related decisions finally decided upon and approved by the Trustees of the TSDBF and the Transnet Board of Directors.

Transnet hopes to be able to release information in respect of proposed solution by the end of 2005"

On 24 February 2006, a notice was circulated to pensioners again, stating that Transnet is "unfortunately not able to provide further information at this stage."

The end of 2005 has come and gone – with no solution – and we are approaching the end of 2006.

6. Two percent increase

Ninety three year old Avis Doreen van Dyk of Pietermaritzburg wrote to me: *"I find it impossible to live in an aged home on a pension under R2000 per month. My family are having to help me, two in all and they are also pensioners".*

"Everyone, from farmworkers to parliamentarians get higher increases every year, but we get nothing but the fixed 2%" wrote DJP Jooste of the Avondrus Retirement Settlement in Bloemfontein.

"I receive between R3000 and R4000 per month of which R2200 goes for my medical aid contribution" told Mr Michal Botes of Mayville Pretoria, *"that leaves me with just more than R1000 rand a month."*

"My husband is a very old man of close to 80, but he has to work on a construction site. I work in a hospital to earn something to supplement our pension" said an anonymous lady from Kleinfontein, east of Pretoria.

"I am renting out half of my own house to make ends meet", said Mr WL Fourie of Polokwane/Pietersburg.

"My pension is increasing by 2% per annum, while my monthly rental increased by 25% per annum for the last two years. Somewhere in future I will end up with nothing" an anonymous caller from Pretoria told me.

7. We have no platform

"Thank you for taking up this issue for us. Nobody bothers about us. We have no platform", writes Daan Marais of Annlin, Pretoria.

"I have written various letters to the Administrators but they don't respond to the letters" writes CJ Brand from Gauteng.

"I wrote a letter to Mr Chris Wells on 28 June 2006" says J Jooste, the President of Silver Springbok Association (an association representing all ex-SAA pensioners), *"but until 9 October 2006, we have not even received an acknowledgement of receipt"*.

"The Transnet pensioners are the orphans of South Africa", wrote DSJ van Zyl of Bloemfontein.

"A trustee is entrusted with the administration of trust property. In this regard the Board of Trustees failed dismally" wrote DJ de Bruyn of Merrivale "they don't even show the basic courtesy of answering letters".

8. Way forward

It is often been stated by the President and other leading people in government that some issues can not be left to the markets to solve. Why is it then happening with regard to the plight of Transnet pensioners?

Why are we told that the pensioners of the TSDBF are not allowed a say in the appointment of their Trustees?

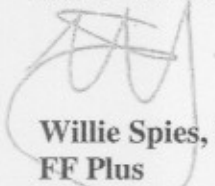
Is it true that the Trustees of the TSDBF are appointed by the Board of Transnet, and if so, how do we ensure that the Trustees act independently and in the interest of the pensioners?

The statutory 2% increase is a very comfortable fall-back position for Transnet, if the fund does not perform. There is no incentive for Transnet to speedily solve the pensioners' dilemma, because the fall-back position is an easy one. Shouldn't Parliament exercise its legislative powers to increase the statutory requirement of 2%?

If rumours and even promises of a speedy recovery of the TSDBF, due to the V&A Waterfront sale are true, then an increased statutory requirement should not result in an extra financial burden on Transnet or the taxpayer, it would only remove the current comfort zone.

Parliament has a duty to ensure that our legislative framework allows all citizens of our country to live and grow old with dignity. If markets and circumstances leave a substantial number or group of people to the mercy of the elements, parliament has the authority to create a statutory framework to relieve such hardships by way of appropriate legislation.

Let us not forsake that duty.



Willie Spies, MP
FF Plus

On behalf of the many pensioners who contacted us