

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 2375 [NW2718E]**

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**2375. Dr C P Mulder (FF Plus) to ask the Minister of Finance:†**

- (1) 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;

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**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 unpredictability 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 necessarily 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.