



NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 714 [NW773E]

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714. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:

- (1) With reference to point 5 of his reply to question 2375 on 30 November 2016, (a) on what date and (b) how did the Public Investment Corporation violate the Strategic Asset Allocation owing to the movement of the markets in each separate case;
- (2) whether the Investment Committee of the Government Employees Pension Fund was informed in each individual case regarding the violation and (a) condoned and/or (b) rectified it in each separate case?

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REPLY BY THE PUBLIC INVESTMENT CORPORATION:

- (1)(a) and (b) At the outset it should be stated that any changes in the Government Employees Pension Fund's (GEPF) Strategic Asset Allocation (SAA) cannot be implemented in a short period of time due to the size of the GEPF Portfolio. It is also for this reason that PIC clients provide the PIC with transition benchmarks, which are more dynamic benchmarks that reflect the SAA over a shorter term and are used during the period of transitioning a portfolio following mandate changes and changes in the SAA.

The revision of the 2007 GEPF Mandate in 2009 introduced new asset classes with new SAA ranges for these different asset classes. The effect was that there were breaches of the new SAA during the transition period when the GEPF Portfolio was being aligned with the revised GEPF Mandate. A similar situation occurred in 2011 when there was a further revision by the GEPF of its Mandate to the PIC and the portfolio had to be transitioned from the old to the newly revised mandate.

There are also from time to time technical breaches to the SAA due to market movements and currency fluctuations in different asset classes.

- (2) As per point 5 of former Finance Minister Gordhan's reply to Parliamentary Question 2375 of 30 November 2016, these breaches were reported to the GEPF's Investment Committee and they were condoned and / or rectified.