**Written Questions**

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|  | Pensioners represent 25% of the fund and only have one representative- trustee. What will happen when the trustee comes to the end of the term next year? Is there a possibility of the pensioner’s trustee representation increasing to more than one? |
| GEPF’s Response:Section 6 of the GEPF Law prescribes that there must be equal representation on the Board between members (including pensioners) and the employer. Rule 4.1.2 and 4.1.3 deals with the constitution of the Board. Rule 4.1.3 (a) provides for one pensioner representative to serve on the Board and that representative should be elected by postal ballot, by pensioners. The tenure of the current Board ends in April 2018 and processes to have new Board members in place by then are already underway in accordance with the prescriptions of the GEP Law. Any changes to the constitution of the Board must be consulted and agreed to by all parties in the PSCBC.  |
|  | When is GEPF tabling the 2017 annual report? |
| GEPF’s Response:The GEPF’s Annual Report was submitted to Parliament by the Minister of Finance on 30 October 2017.  |
|  | What was the GEPF’s attitude to the Ministry’s approach towards the PIC? In its investment policy, does GEPF permit PIC to lend money to government? How much had been borrowed to government thus far?  |
| GEPF’s Response: The GEPF’s relationship and interaction with the Minister of Finance is provided for in the GEP Law. This includes the area of investment through the PIC. The GEPF like any pension fund in the country invests in government bonds purchased in open auction and discloses this in its annual report. As at 31 March 2017, the GEPF had R327 billion invested in government bonds and R163 billion in parastatal bonds |
|  | What is GEPF’s view on the PIC forensic investigation recently proposed by the Minister? What would be the implications of such an investigation? |
| GEPF’s Response: This is a matter between a shareholder and an entity it owns. The Minister is the representative of Government which is the sole shareholder of the PIC. The implications of the investigation depend on its outcome. |
|  | There is fear amongst GEPF members that the PIC is captured? Has the GEPF investigated the possibility of replacing the PIC as managers of their assets with other asset managers? Would such a move be legal? How quickly can it be done? Would it require approval by members of GEPF? |
| GEPF’s Response: The GEPF has not investigated replacing the PIC. The GEPF Board appoints service providers. |
|  | Can the GEPF mandate other asset managers to invest on their behalf?  |
| GEPF’s Response:The GEPF through the PIC already appoints other asset managers and discloses this in the annual report. The GEPF can mandate other asset managers to invest on their behalf. |
|  | “Based on the revised strategic asset allocation which was approved by the Minister in the 2011 financial year, the Fund invested in foreign collective instruments and foreign bonds to the value of R108,8 billion (2015: R98,1 billion). These investments are managed by Black Rock Advisors UK Ltd and the International Bank for Reconstruction and Development (GEPF Annual Report, 2016). Are there any investments given to other asset managers other than the PIC? Are there any foreign based consultants that are advising GEPF |
| GEPF’s Response: The GEPF through the PIC already appoints other asset managers and discloses this in its annual report. The GEPF is not using any foreign based consultants. |
|  | GEPF recently made a direct payment to an independent newspaper. What was the current value of the loan to the independent newspaper, its terms and maturity date? |
| GEPF’s Response: The GEPF has not made any direct payments to an independent newspaper with regard to its investments. |
|  | GEPF had issued various media statements to the effect that it would not, under any circumstances, fund an SAA bailout. Was that the current position and was there anything in its investment mandate that would prevent an SAA bailout in the future? Also, did the GEPF share the public’s concerns about the prospect of PIC being captured given that it was PIC’s biggest client? |
| GEPF’s Response: The GEPF has not issued any such media statements. The GEPF has issued a statement stating that it does not and it has not been asked to invest in SAA. The GEPF has no evidence of the PIC being captured and there are checks and balances in place in case this happens. |
|  | To what extent GEPF had gone in educating the public about the importance of preservation of funds. |
| GEPF’s Response: The creation of a preservation fund is underway after agreement with the Public Service Coordinating Bargaining Council (PSCBC) in Resolution 1 of 2017 which has been communicated widely and communication will continue beyond its implementation. |
|  | GEPF must provide a breakdown of payments to pension fund tracing agencies. |
| GEPF’s Response: These are internal management and operational matters that are closely monitored by the GEPF and the Government Pensions Administration Agency (GPAA)’s governance structures and processes. |
|  | Can GEPF make available to SCOF any conflict of interest that the trustee and board of directors are aware of and what action has being taken? |
| GEPF’s Response:No conflicts of interest have been disclosed or noted to date. The GEPF has a detailed conflict of interest policy and Trustees are required to declare in writing their conflicts, if any, at the start of all Board and/or Committee meeting.  |
|  | Has GEPF not considered removal/ disinvestment of funds from PIC? How possible is it and legally possible? |
| GEPF’s Response: The GEPF has not considered removing assets from the PIC. A review of the PIC’s engagement will be in accordance with the Fund’s mandate to the PIC. |
|  | Please provide a list of black-owned risk management companies working with GEPF |
| GEPF’s Response: The GEPF is not using any external risk managers. |

**Questions on Presentation**

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| **Slide 3. VALUE OF ASSETS** |
|  | What are the values of current assets for the years from 2006 to 2016? |
| GEPF’s Response:The value is R1 638 billion. |
|  | Why were the current assets omitted from the figures presented on slide 3? |
| GEPF’s Response:In preparing presentations, great effort is made to include all relevant information without any template of what is of interest to the audience. Omissions do not signify deliberate exclusion. The GEPF apologises to the Committee for including the incorrect figure in slide 3. |
|  | Why is there no figure for the 2017 year, even if unaudited? |
| GEPF’s Response:The figure is included in the GEPF Annual Report. It is not prudent to provide unaudited figures which can change while an audit is in progress. |
| **Slide 4. RATE OF RETURN**  |
|  | Why has the rate of return for the 2017 year, even if unaudited, not been provided? |
| GEPF’s Response:The rate of return for the 2016/17 financial year is included in the GEPF Annual Report. It is not prudent to provide unaudited figures which can change while an audit is in progress. |
|  | What is the rate of return for 2017, even if unaudited? |
| GEPF’s Response:The rate of return for the 2016/17 financial year is included in the GEPF Annual Report. It is not prudent to provide unaudited figures which can change when an audit is in progress. |
|  | What are the benchmarks against which these rates of return are judged and how were they determined? |
| GEPF’s Response: These differ and are mandate specific. These are internally management and operational matters that are closely monitored by the PIC and GEPF’s governance structures and processes. |
|  | Does the method used to determine the rate of return meet the CFA Institutes Global Investment Performance Standards (GIPS)? If not what are the details of the framework actually used? |
| GEPF’s Response: Yes. The GIPS is not an absolute standard and it is not prudent for the GEPF to assess its returns based on a method favoured by particular interested parties. |
| **Slide 5. RESERVES** |
|  | What does” affordable reserves” mean? |
| GEPF’s Response: These are determined by the actuary, who as valuator is appointed in terms of GEP Law with specific powers and responsibilities.  |
|  | Why was there a change in 2008 to use only affordable reserves? At the same time the fund moved to be 100% (fully) funded? |
| GEPF’s Response: The GEP Law provides for the appointment of a valuator, who as an actuary, is legally empowered to ensure the financial soundness of the fund. This includes the assumptions such as determining what affordable reserves are.  |
|  | Has an independent actuarial evaluation of the funding level position as at the 31st March 2016 been done? If so what was the ratio so determined and please submit a copy of the report to the SCOF? If not why not? |
| GEPF’s Response: It was done. |
|  | A recent article in volume 73 number 3 of the Financial Analyst’s journal of the CFA Institute sets out dangers of relying on a single measure such as the Funding Ration or Level for a pension fund. Please could the GEPF provide the SCOF with a written response on the implications of this view for the GEPF and whether the GEPF will institute any remedial action on the basis of only using the Funding Ratio measure? |
| GEPF’s Response: There are many articles dealing with these issues. It would not be prudent for the GEPF to manage its affairs on the latest, and/or fashionable views, or articles that reflect the preferences of particular interested parties. |
| **Slide 6 INFLATION** |
|  | Would the GEPF agree that over the 11 year period the pensions increases amount to a factor of 1,97 whilst the inflation factor for the same period was 2,0, i.e. that the pension increases have not kept pace with inflation? |
| GEPF’s Response: The GEPF cannot comment as it does not know how these factors were arrived at. |
|  | What action is to be taken to ensure that; The shortfall over the past 11 years is compensated for? There will be no shortfalls in the current and future years?  |
| GEPF’s Response:It is not clear what shortfall is being referred to. The GEPF is fully funded. |
| **Slide 7. STRATEGIC INITIATIVES** |
|  | These statements of strategy look good at first glance but are very bland. How are the actual achievements to be measured if there are no measurable targets given? |
| GEPF’s Response:The GEPF’s strategic objectives address the areas that drive its offering to members and pensioners. The GEPF Board as the appropriate governing body annually approves and monitors a balance scorecard to ensure that the Fund reaches its strategic objectives.  |
| **Slide 9 BENEFITS** |
|  | What is the GEPF position with regard to legislated preservation and annuitisation of their members pensions? |
| GEPF’s Response:The GEPF is a defined benefit fund which provides pensions also known as annuities. It is currently in the process of establishing a voluntary preservation fund.  |
|  | What preservation fund is referred to on slide 7? |
| GEPF’s Response:It is a voluntary preservation fund for GEPF members that was recently concluded and approved by the PSCBC’s Resolution 1 of 2017 with regard to which Parliament must still approve a change in GEP Law. |
|  | Please provide a copy of the latest GPAA report to the GEPF to SCOF? |
| GEPF’s Response:These are internal management and operational reports. These are internal management and operational matters that are closely monitored by the GEPF’s governance structures and processes. |
|  | Please supply a copy of the SLA with GPAA to the SCOF? |
| GEPF’s Response:These are internal management and operational reports. |
| **Slide 11. INVESTMENT MONITORING** |
|  | Please submit copies of approved Investment Beliefs and Risk Appetite Statements to SCOF?  |
| GEPF’s Response:These are internal management and operational matters that are the purview of the GEPF’s governance structures and processes. |
|  | What are details of the GEPF in-house research and monitoring capacity including to ensure that the Investment Performance Standards such as GIPS are being applied and adhered to? |
| GEPF’s Response: The GEPF has the requisite resources and regularly reviews these. These are internal management and operational matters that are closely monitored by the GEPF’s governance structures and processes. |
| **Slide 12. RISK MANAGEMENT** |
|  | Do the GEPF trustees have the authority to obtain expert opinion from independent experts at GEPF expense? |
| GEPF’s Response:Yes, Section 4.1.19 (j) indicates that trustees have a duty to obtain expert advice on matters where Board members may lack expertise. |
|  | During the 5 years ended the 31st of March 2017, have the trustees obtained any reports from independent experts? If so please submit copies of reports to the SCOF? |
| GEPF’s Response:The Board has obtains expert advice in terms of GEP Law and Rules for audit and actuarial work. It seeks legal, investments and other advice as and when required. |
|  | Please submit a copy of the latest PIC report as required by the SLA to SCOF? |
| GEPF’s Response: These are internal management and operational matters that are closely monitored by the GEPF and PIC’s governance and management structures and processes. |
| **OTHER** |
|  | What is the basis of, and extent of, actual fees paid by the GEPF to the PIC. Could details of the actual fees paid or credited to the PIC for the last five years be provided to the SCOF? |
| GEPF’s Response: Fees are agreed on per mandate and vary from to mandate to mandate. These are internal management and operational matters that are closely monitored by the GEPF’s governance structures and processes. |