MEDIA RELEASE:	PSA welcomes proposed increase of foreign exposure by GEPF with caution
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Recent reports in the media have indicated that the Government Employees Pension Fund (GEPF) is considering investing some billions offshore in a bid to be less dependent on the local market.

"The current economic climate that includes the 'technical recession' announced by Stats SA, the Public Servants Association (PSA) that represents more than 240 000 members in the public service, understands what could inform such a move by the GEPF. The GEPF Principal Executive Officer, Abel Sithole has informed the PSA at the PSA Annual General Meeting in Western Cape on 17 September 2018, that the Fund is considering increasing its international investments from 5% to 10%, however the proposal will still be taken to the Minister of Finance for a discussion before a decision is taken," said PSA General Manager, Ivan Fredericks.

As the position currently stands, the Strategic Asset Allocation (SAA) of GEPF allows for a maximum of 10% foreign investment exposure and this figure includes an exposure of 5% to Africa, excluding South Africa. This ultimately means that 90 % of the GEPF assets should be invested in South Africa, 5% allocation to Africa excluding South Africa and 5% international not including Africa

It is important to note that pension funds operating in South Africa are governed by the *Pension Fund Act (PFA) of South Africa* whilst GEPF is governed by the *Government Employees Pension Law of South Africa*. The PFA regulation 28 allows for pension funds (not GEPF) to have a limit of 30% foreign portfolio investment exposure and an additional 10% to Africa excluding South Africa. This is an area that should be looked at and if it has proven to be working, then the GEPF could follow suit with caution.

Given the size of GEPF and its exposure to the South African market and other investment opportunities in South Africa, it can be expected that the GEPF future growth may be compromised by the current South African economy. With that in mind, the risks pertaining to foreign investments should also never be overlooked, but should rather be weighed carefully.

"The PSA's view is that the foreign investment portfolio of GEPF should be increased, however such portfolio should be properly managed by Public Investments Corporation (PIC), owing to the governance structures of the Corporation especially the board and operational management which is embattled," said Mr Fredericks.

Currently the PIC structure doesn't make provision for a Chief Executive Investment Officer, whose primary function is to evaluate and ensure investments are done in the interest of the client. The absence of such a position currently in the PIC management structure could lead to bad investments if the role is only left to the CEO.

"The PSA's position all along has been that investment growth should be a priority whilst recognising the developmental role that the Fund has to play, but all that should not be done at the expense of the Fund and the interest of its members," said Mr Fredericks.

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